

Decision No. 83 67 023 JUL 20 1983**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE PACIFIC TELEPHONE AND TELEGRAPH
COMPANY, a corporation, for authority
to increase certain intrastate rates
and charges applicable to telephone
services furnished within the State
of California due to increased
depreciation expense.

Application No. 82-11-07

In the Matter of the Application of
THE PACIFIC TELEPHONE AND TELEGRAPH
COMPANY, a corporation, for authority
to increase certain intrastate rates
and charges applicable to telephone
services furnished within the State
of California.

Application No. 82-01-22

Investigation on the Commission's
own motion into the rates, tolls,
rules, charges, operations, costs,
separations, inter-company settle-
ments, contracts, service, and
facilities of THE PACIFIC TELEPHONE
AND TELEGRAPH COMPANY, a California
corporation; and of all the telephone
corporations listed in Appendix A,
attached hereto.

CII No. 83-04-02

INTERIM ORDER

It has come to our attention that, as of January 1, 1982 Pacific Telephone and Telegraph Co. (Pacific) has been booking its depreciation expenses for settlement purposes at the rates set down in 1982 by the Federal Communications Commission (FCC) even though the reasonableness of those rates has not been determined by us and is, in fact, an issue in Application No. 82-11-07 which was consolidated with this proceeding.

By its Advice Letter No. 4799 we are informed by General Telephone Company of California (General) that the effect of Pacific's action will be to reduce General's settlement revenues by approximately \$31 million for the year 1983. Its effect on other California telephone utilities is, as yet, undetermined. We consider this a significant and substantial change which will affect the earnings of all California telephone utilities and, as such, must be dealt with pursuant to our ratemaking authority.

If any respondent hereto is of the opinion that the current settlement contracts between Pacific and other telephone utilities are beyond our jurisdiction or that, for any other reason, Pacific may implement such changes in its depreciation expenses without our authority, we remind such parties of our conclusion in In re Pacific Tele. & Tele. Co., 69 CPUC 53, review denied, S.F. No. 22645, that our authority over settlement contracts and the just and reasonable rates and practices to be followed by the parties thereto is derived from Sections 451, 701, 728, 725 and 761 of the Public Utilities Code.

In view of the above, by this decision we order that the increased settlement revenues already obtained by Pacific since January 1, 1983 as a result of its unauthorized bookings are subject to adjustment pending our decision on the reasonableness of the increased depreciation rates. Furthermore, any future revenues so derived are likewise collected subject to adjustment.

Findings of Fact:

1. Since January 1, 1983 Pacific has been booking increased depreciation expenses pursuant to current FCC rates.
2. Those rates and the current settlement contracts between Pacific and other California telephone utilities have never been approved by this Commission.

3. From the estimates furnished us in General's Advice Letter No. 4799 it is reasonable to conclude that Pacific's booking practice is having and will continue to have a significant effect on the revenues of Pacific and the other telephone utilities.

4. The reasonableness of the FCC depreciation rates is an issue in A.82-11-07.

Conclusions of Law:

1. Respondents hereto should have an opportunity to file briefs on the question of our jurisdiction over settlement contracts between California telephone utilities and our authority to order adjustments be made to expenses booked by Pacific when such contracts or the level of expenses booked pursuant thereto have not been approved or found reasonable by this Commission.

2. This order should be effective immediately so the public interest in just and reasonable telephone rates can be maintained.

Therefore, good cause appearing,

IT IS ORDERED that:

1. Pending further order of this Commission, the increased revenues to Pacific resulting from its booking increased depreciation expenses for settlement purposes are subject to adjustment both prospectively and from the date such revenues have already been collected.

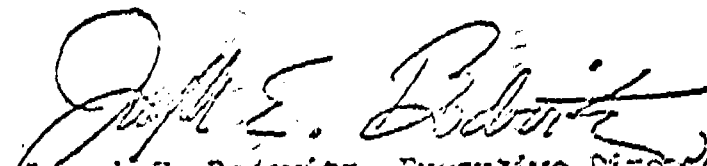
2. Any respondent desiring to file a brief on the issues delineated in Conclusion of Law No. 2 above and any other issues relevant thereto shall file such a brief 30 days after the date of this order.

This order is effective today.

Dated JUL 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
WILLIAM T. SAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

By its Advice Letter No. 4799 we are informed by General Telephone Company of California (General) that the effect of Pacific's action will be to reduce General's settlement revenues by approximately \$31 million for the year 1983. Its effect on other California telephone utilities is, as yet, undetermined. We consider this a significant and substantial change which will affect the earnings of all California telephone utilities and, as such, must be dealt with pursuant to our ratemaking authority.

SS If any respondent hereto is of the opinion that the current settlement contracts between Pacific and other telephone utilities are beyond our jurisdiction or that, for any other reason, Pacific may implement such changes in its depreciation expenses without our authority, we remind such parties of our conclusion in In re Pacific Tele. & Tele. Co., 69 CPUC 53, review denied, S.F. No. 22645, that our authority over settlement contracts and the just and reasonable rates and practices to be followed by the parties thereto is derived from Sections 451, 701, 728, 725 and 761 of the Public Utilities Code.

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