

L/AM:bjw

Decision S3 OS OS1 AUG 17 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of CONTINENTAL TELEPHONE COMPANY)	
OF CALIFORNIA, a corporation, for)	
authority to increase certain)	
intrastate rates and charges)	Application 82-01-01
applicable to telephone service)	
furnished within the State of)	
California.)	

ORDER MODIFYING DECISION 82-12-045
AND DENYING REHEARING

Continental Telephone Company of California (Continental) has filed an application for rehearing and an amendment thereto of Decision 82-12-045. We have considered each and every allegation of error in these filings and are of the opinion that good cause for granting rehearing has not been shown. However, we are persuaded that certain modifications to the decision should be made, as discussed below.

Continental first requests that D.82-12-045 be modified to correct a miscalculation in the test-year 1983 estimate of revenue requirement caused by use of an incorrect figure for expensing station connections. We agree that this correction should be made. Table 3 on page 24 of the decision should show a total company adjustment of \$3,601,000 and an intrastate adjustment of \$2,864,000, which adjustments produce an additional revenue requirement of \$481,000.

Secondly, Continental points out that the table on page 34 of the decision reflects a deferred amount of \$727,000 for possible normalization due to certain depreciation rate changes

which might be effective prior to January 1, 1983. An FCC decision has largely mooted this issue and has made \$661,000 of that amount available for the balancing account. This change will be incorporated.

We do not consider meritorious Continental's requests for additional rate relief in 1983 due to FCC action affecting separations and settlements revenues; consequently, we will deny these requests. To do otherwise would seriously and without due justification contravene our test year concept of ratemaking.

However, we recognize that the magnitude of the settlement revenue loss to Continental as a result of the FCC's rescription of the Pacific Telephone and Telegraph Company's (Pacific) depreciation rates will be substantial and ongoing. We will, therefore, allow Continental to include in its 1984 attrition advice letter a request for an allowance reflecting the effect of Pacific's depreciation increase on Continental's 1984 settlement revenues. As with a similar allowance granted to the General Telephone Company on June 29, 1983 (Resolution No. T-10712), any attrition allowance granted to Continental for this purpose shall be made subject to refund, pending Commission action on Pacific's proposed increased depreciation rates in A.82-11-07, Pacific's current general rate case.

Before leaving this subject, we caution Continental that requests for rate relief such as it has made in this application for rehearing are not appropriate subjects for a petition for rehearing. We remind Continental that changes to a decision are to be sought through a petition for modification, an advice letter or a new application.

Finally, we are not persuaded that Continental's balancing account should remain open. We reiterate our intent that it be closed as called for in D.82-12-045.

Therefore,

IT IS ORDERED that D.82-12-045 is modified as follows:

1. Finding 2 is modified to read:

"The adopted results of operations set forth in Table 3, as modified to reflect the adjustments made in this Order on expensing station connections, reasonably indicate Continental's operations for test year 1983 at present rates."

2. Finding 5 is modified to read:

"Based on our adopted rate of return of 12.91%, intrastate rate base of \$262,860,000, and the net-to-gross multiplier of 1.9, Continental's increased gross revenue requirement is \$17,212,000,"

3. New Finding 16a is added to read:

"Due to a recent decision of the FCC, \$661,000 of the deferred amount in the balancing account is now available to contribute to the 1983 and 1984 offsets of Continental's new revenue requirement."

4. Conclusion of Law 5 is modified to read:

"Continental should be authorized to file an advice letter on October 3, 1983 to establish a surcharge on local access customer billing to yield an increase in customer billing for 1984 to match the 1984 attrition allowance. The attrition allowance should be based on the methodology set out in Tables 5 and 6, updated to reflect the latest estimates of labor escalation, nonlabor escalation, payroll taxes, and revenue growth. The attrition allowance should also reflect the negative effect of

Pacific's higher depreciation rates as set by the FCC on Continental's 1984 settlement revenues. This latter allowance should be made subject to refund pending the outcome of Pacific's proposed increased intrastate depreciation rates, an issue to be decided in A.82-11-07, Pacific's current general rate application. Accrued interest on the balancing account amounts, including the deferred amounts, for years 1983 and 1984 will be applied as an offset to the calculated attrition allowance. Such advice letter filing should not become effective prior to January 1, 1984 and shall be subject to staff reviews and authorization by Commission resolution."

5. Conclusion of Law 6 is modified to read:

"Continental should terminate as of December 31, 1982 the negative billing surcharge established by D.93367 as modified by D.93655 to provide a balancing account. An amount of \$518,000 is to be held in the account pending disposition of minimum normalization issues. The balance, \$8,748,000 (adjusted for final entries and accrued interest), shall be refunded as provided herein."

6. New Conclusion of Law 7 is added to read:

"Once a general rate decision is issued, it is not proper to seek modification, including further rate adjustments, of a non-legal nature, through a petition for rehearing. Such request must be made through petitions for modification, advice letters, or new applications."

7. Ordering Paragraph 12 is modified to read:

"Continental is authorized to file not later than October 3, 1983 an advice letter for an attrition allowance to be effective January 1, 1984 subject to staff review and Commission authorization by resolution. Such attrition allowance shall be based on the methodology set out in Tables 5 and 6 updated to reflect the latest estimates of labor escalation, nonlabor escalation, payroll taxes, and revenue growth. Such allowance shall also reflect the negative effect of Pacific's higher depreciation rates as set by the FCC on Continental's 1984 settlement revenues. This latter allowance shall be made subject to refund pending the outcome of Pacific's proposed increased intrastate depreciation rates, an issue to be decided in A.82-11-07, Pacific's current general rate application. Accrued interest on the balancing account amount estimated for years 1983 and 1984 and deferred amounts, if any, will be applied as an offset to the calculated attrition allowance. The attrition allowance for 1984 shall be implemented by the establishment of a local access customer billing surcharge. Continental's advice letter filing for a 1984 attrition allowance shall include, as an attachment, a showing of the development of the local access billing surcharge."

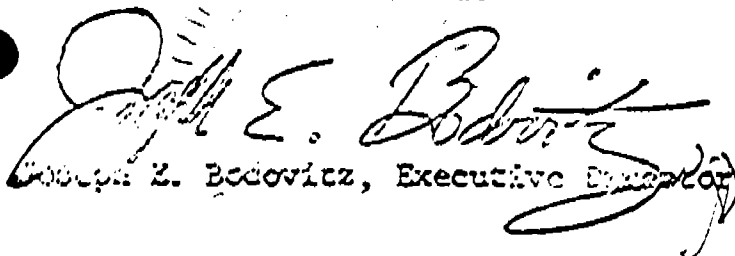
IT IS FURTHER ORDERED that rehearing of D.82-12-045 as modified herein is denied.

This order is effective today.

Dated AUG 17 1983, at San Francisco,
California.

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

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners


Joseph E. Bodovitz, Executive Director

Commissioner Leonard M. Grimes, Jr.,
being necessarily absent, did not
participate.

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