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Decision No. 86937

**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 telephone )  
service rate increases to cover )  
increased costs in providing telephone )  
service. )

Application No. 55492  
(Filed February 13, 1975;  
amended January 16, 1976)

Investigation on the Commission's own )  
motion into the rates, tolls, rules, )  
charges, operations, costs, separations, )  
inter-company settlements, 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. )

Case No. 10001  
(Filed November 12, 1975)

ORDER DENYING REHEARING AND MODIFYING  
DECISION NO. 86593

On November 2, 1976, the Commission issued Decision No. 86593, its third interim order in this proceeding. By Decision No. 86593 we reduced Pacific's rate of return by 0.007 of a percentage point (from 8.850 to 8.843%) after finding that Pacific had an excessively high level of held orders.

On November 12, 1976, Pacific filed its petition for rehearing. We have considered each and every allegation of the petition and are of the opinion that good cause for rehearing of Decision No. 86593 has not been made to appear. However, Decision No. 86593 should be modified in order to comply with the requirements of Section 1705 of the Public Utilities Code.<sup>\*/</sup> Therefore,

IT IS ORDERED that the following findings are substituted for those that appear on mimeo p. 29 of Decision No. 86593:

\*/ Section 1705 provides, in part:

"The decision shall contain, separately stated, findings of fact and conclusions of law by the commission on all issues material to the order or decision."

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1. Pursuant to the mandate of Section 728 of the Public Utilities Code<sup>\*/</sup>, we have considered the evidence in the record concerning the held orders of all telephone corporations in California. We cannot make valid comparisons between the level of Pacific's Northern Sector held orders and the level of held orders of all or any combination of the other telephone corporations because of significant difference in the size of the various telephone corporations or in the nature of the territory and customers they serve.

2. It is, however, appropriate in determining the adequacy of Pacific's service, as measured in part by its level of held orders, to compare Pacific with itself.

3. For Pacific's Northern Sector a reasonable estimate for the "normal" amount of orders held for 60 days or longer is 33.

4. For Pacific's Northern Sector primary orders held for 60 days or longer totalled 634 and regrade orders held for 60 days or longer totalled 922, as of November 30, 1975.

5. The high levels of primary and regrade held orders set forth in Finding No. 4 are excessive and unreasonable and indicate that large numbers of customers are either deprived of service or are deprived of the kind of service they prefer for unreasonable lengths of time.

6. Pacific engaged in unreasonable budgetary reductions which contributed to the problem of excessive held orders for primary and regrade service.

7. The value of Pacific's service has declined because of the excessive level of Pacific's held orders.

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\*/ Section 728 provides, in part:

"In determining and fixing rates for a telephone corporation pursuant to this section or pursuant to Section 455, or in determining whether or not a proposed rate increase is justified pursuant to Section 454, the commission shall, among other things, take into consideration any evidence offered concerning the quality of the particular telephone corporation's services as compared with that of telephone corporations in adjacent territory..."

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8. Present high cost limitations for filling orders for primary or regrade service are unreasonable and should be terminated after 30 days.

IT IS FURTHER ORDERED that the following conclusions are added to Decision No. 86593 immediately after the above-ordered findings:

1. Section 451 of the Public Utilities Code imposes a duty upon "[e]very public utility" to "furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons ... and the public."

2. Pacific's level of held orders for its Northern Sector is unreasonable and results in inadequate service to its patrons and potential patrons and to the public, and promotes their inconvenience and discomfort contrary to the mandate of Section 451 of the Public Utilities Code.

3. Pacific has failed to meet its public service obligation and remedial action should be taken, as specified in our order herein, to prevent further recurrences of the situation.

4. Pacific should be ordered to continue with its present plans for reducing the volume of held orders in its Northern Sector, as detailed on mimeo pages 16-18, above.

5. Pacific's rate of return should be adjusted downward, to reflect the decline in the value of its service, by 0.007 of a percentage point (from 8.850 to 8.843%) as more fully set out in the opinion section of this decision. The rate of return as thus reduced is fair and reasonable, the rate decrease ordered hereafter is a fair and reasonable means of accomplishing the reduction of Pacific's rate of return, and the resulting charge for an initial residence service order will be fair and reasonable for the future.

6. Pacific's request to defer certain metropolitan service connections for two years is reasonable and should be authorized.

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7. Pacific's request to defer for two years elimination of 8-party and 4-party lines in certain areas until July, 1981, is unreasonable and should not be authorized.

IT IS FURTHER ORDERED that rehearing of Decision No. 86593, as modified, is denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 1st day of FEBRUARY, 1977.

I dissent. I would grant total rehearing.  
William Lyons Jr.

I dissent  
Vernon L. Sturgeon

Robert B. ...  
President

Edward ...

Richard D. ...  
Commissioners