

ORIGINAL

Decision No. 87584 July 12, 1977

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

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

(Appearances are listed in Appendix A)

FIFTH INTERIM OPINION ON REHEARING

In 1974 we authorized The Pacific Telephone and Telegraph Company (Pacific) to institute Single Message Rate Timing (SMRT) of local calls on business and residential measured service subscribers in metropolitan rate zones. By that decision we directed Pacific to install central office equipment that could also accommodate off-peak pricing. In a state that has traditionally had flat rate telephone service, the adoption of SMRT was viewed by many consumers as a radical and distasteful departure. We understand the public's concern, for on the surface the average telephone user might well be expected to view the advent of SMRT as an erosion of a basic right. SMRT is a type of usage sensitive pricing which equitably distributes the charges that must make up Pacific's revenue requirement. We are of the opinion

that SMRT is a desirable rate structure. However, it is a rate structure for local calls that is, in a sense, as unfamiliar to us as to many of California's telephone users. During the past year Pacific completed modifications to its equipment and started implementing SMRT on measured service subscribers in metropolitan rate areas, and we have become aware of inequities and inadequacies in the SMRT rate structure that we originally adopted.

This decision on rehearing may not be our final resolution on how SMRT should be implemented. We have carefully considered all the testimony and evidence to date in this proceeding. We are appreciative of the extensive participation by individual ratepayers and interested parties who have given us input on SMRT.

This decision is our Fifth Interim Opinion in this proceeding, and is a decision on rehearing in a proceeding that is continuing.

History of SMRT

On July 23, 1974, we issued Decision No. 83162 in Application No. 53587. That decision ordered Pacific to implement SMRT on all of Pacific's measured rate services, both business and residential. In that decision the Commission stated that:

"The reason for instituting the timing of local messages is that the present rate structure fails to make any allowance for the fact that a customer who makes a five-minute call is charged one message unit at 4.5 cents whereas another customer who makes a six-hour call over the same route is also charged one message unit at 4.5 cents. Business customers' holding times on a single call may in some cases last for an entire business day. Some residence customers also have extremely long duration calls. Under present pricing arrangements long duration calls cost only 4.5 cents on message rate service." (Decision No. 83162, p. 78 mimeo.)

Pacific implemented SMRT for both business and residential measured rate services in Orange County and in the East Bay portion of the San Francisco-East Bay Extended Area on March 29, 1976 and in San Diego on June 28, 1976 (Exh. RH-1, p. 3). On August 17, 1976, the Commission issued Decision No. 86248, the Second Interim Opinion in Application No. 55492, which stayed the further implementation of residential SMRT while the Commission considered whether Decision No. 83162 should be modified as it related to residential SMRT. Thereafter, Pacific completed the implementation of SMRT for business measured rate service in the San Francisco-East Bay, San Diego and Orange County Extended Areas, and the Los Angeles Extended Area.

By Decision No. 86594, dated November 2, 1976, we ordered Pacific to terminate all residential single message rate timing within five days of the order, to notify existing SMRT customers by bill insert, and to waive all residential regrade charges through June 30, 1977 (Ordering Paragraphs Nos. 2 and 3, at pp. 21-22 mimeo). Decision No. 86602, dated November 8, 1976, denied Pacific's petition for a stay of Decision No. 86594 but extended the effective date of Decision No. 86594 to twenty days after the date of issuance of Decision No. 86594. Pacific petitioned for rehearing of Decision No. 86594 on November 12, 1976, which stayed that decision. Toward Utility Rate Normalization (TURN) petitioned for rehearing of Decision No. 86602 on November 9, 1976.

By Decision No. 86678, dated November 23, 1976, we granted rehearing of both Decisions Nos. 86594 and 86602. We granted the rehearing to consider the issues raised by Pacific and TURN, but purposefully did not limit the issues on rehearing to those raised by Pacific and TURN. It was our desire to receive further evidence on how SMRT should be implemented. Rehearing was held before Examiner Cline in San Francisco on January 20, 21, and 24, 1977. The matter was taken under submission on the filing of concurrent briefs on February 7, 1977.

Why We Authorized Pacific to Implement SMRT

We will briefly reiterate our reasons for authorizing Pacific to implement SMRT, which are also reasons why we are retaining SMRT, even though modifying its application.

There may exist a misperception by many that Pacific's expense to provide local service is nominal, and that consequently local calls should not be timed. The fact is that local calls are often routed through the switching equipment of two central offices, just as a toll call, and such calls nearly always use relatively high cost wire circuitry (compared to microwave transmission which is increasingly used for toll calls). Pacific has traditionally designed its local exchange capacity with adequate margin to handle calling volumes and call durations during periods of peak subscriber usage. Logically, if the growth in peak period calling volumes is slowed Pacific will not have to build as much local exchange capacity. We adopted SMRT, and ordered Pacific to use equipment that could accommodate off-peak timing, to allow reduced off-peak pricing as a means of discouraging long holding times during the peak calling period. We hope that ratepayers will realize that Pacific's plant expansion is expensive to them as well as to Pacific; for Pacific recovers its capitalized expense for plant construction through depreciation expense, and is allowed a reasonable return on investment with respect to its undepreciated plant. If Pacific's plant expansion can be slowed ratepayers save money; likewise, national resources, of an inestimable value, are conserved (e.g., copper, poles, and buildings).

SMRT is a rate structure that is usage sensitive, which simply means that those who use something more pay proportionally more for their use. This is the most equitable way to price telephone service. We anticipate complaints about SMRT from users who routinely have long local call holding times, and who will not alter their calling habits, but they are the users who should contribute more to maintain the telephone network.

Our Long-Range Plans for SMRT

It is our long range goal to implement SMRT for all of Pacific's subscribers, both residential and business, in at least Pacific's metropolitan and mini-metropolitan rate areas.^{1/} We recognize from the record in this proceeding that it may be years before Pacific will have equipment capacity to fully implement SMRT. However, we are directing Pacific and the Staff to submit further evidence in later stages of this proceeding on the time it would reasonably take Pacific to construct or modify its plant to accomplish this goal, and the estimated cost to Pacific. This discussion should not necessarily be taken to mean that flat rate residential service is doomed. It is conceivable, for example, that we could eventually adopt a variation of flat rate service whereby overtime local calls are timed.

SMRT Modifications Proposed in Rehearing

Ms. Margit Craig testified on behalf of the National Council of Jewish Women of Los Angeles, Inc., proposing that charitable non-profit organizations be exempt from SMRT. The Staff objected, essentially taking the position that discounted rates to "nonprofit" business subscribers would mean that the resultant revenue loss would be made up from the remaining general body of ratepayers. The result would be, according to Staff, that our rate design would make Pacific's ratepayers involuntary contributors to charitable causes through higher utility rates. While we understand Ms. Craig's concern and think charitable nonprofit organizations provide many valuable services in

^{1/} The metropolitan rate areas are: San Francisco-East Bay, Los Angeles, Orange County, San Diego, and Sacramento.

The mini-metropolitan rate areas are: Bakersfield, Fresno, Modesto, Riverside, Santa Rosa, and Stockton.

the public interest, we find that the Staff's position is correct from the policy and legal standpoints. See, PT&T v PUC (1965) 62 C 2d 634, 669. Also, we point out that it could be a continual administrative problem for utilities to determine which organizations are nonprofit and charitable.

TURN presented no evidence but stated in its brief that the data submitted by Pacific was insufficient to determine the cost of residential service and does not justify the implementation of SMRT on lifeline residential service. TURN further argues that SMRT as authorized in 1974 by Decision No. 83162 is discriminatory between classes of customers. SMRT, as we adopted it in 1974, was not applied to a special captive class of residence customers. SMRT was applicable to those residence customers who had selected optional measured rate service, with its lower monthly charge. Those customers had the alternative of selecting flat rate service at a higher monthly charge if it proved more appropriate to their needs.

TURN refers to Pacific's failure to comply with Ordering Paragraph No. 11 of Decision No. 74917 (69 CPUC 53) dated November 6, 1968 which required Pacific to provide information on the cost of providing its principal service categories. TURN suggests that, until Pacific has presented information on the cost of all its services, usage sensitive pricing on local calls should not be imposed. Considering the scope and complexity of all of Pacific's service offerings and the difficulties of identifying the cost of each of those service offerings we would be foreclosed from adopting usage sensitive pricing for years if TURN's suggestion were adopted.

SMRT is now applicable to approximately 20 percent of Pacific's residential customers in the Orange, East Bay, and San Diego areas.

Both Pacific and the Staff propose SMRT rate plans that will encourage shifts in local usage from peak to off-peak periods. We are convinced that any SMRT rate plan adopted now or in the future must include pricing incentives to encourage reductions in peak period usage and/or shifts in usage to off-peak periods, thus conserving capital for the building of facilities to meet peak period traffic and in addition providing customers with communication possibilities at reduced rates.

Pacific has proposed that the SMRT plan authorized by Decision No. 83162 be modified to eliminate SMRT in the off-peak hours of 5:00 p.m. to 8:00 a.m. weekdays and all day Saturday, Sunday, and holidays^{2/} (Exhibit RH-1).

The Staff proposes two alternative modifications to SMRT as authorized in 1974. The first is as follows:

1. No timing off-peak for residence service.
2. No timing on- or off-peak for lifeline customers 65 or older.
3. Business off-peak units of timing increased from 5 to 10 minutes.

The Staff's other proposal is as follows:

1. No timing for lifeline customers 65 or older.
2. Business and residence off-peak units of timing increased from 5 to 10 minutes.

2/ Holidays as specified in Pacific's toll tariffs.

The Application of SMRT to Lifeline Service

We have heard considerable testimony on the problems created by the timing of calls of lifeline customers, who are often those least able to afford telephone service; shut-ins, without other communication means, cannot complete their business or social communication needs within a 5 minute conversation. For example, calls to medical or government offices may be put on hold for long durations. Because of these considerations, we are of the opinion that lifeline service should be untimed. However, in the future a modification of lifeline to prevent abuse of this low-cost service may be desirable. For example, a charge of 10 cents for each message in excess of 30 per month for lifeline service might be reasonable to achieve this purpose; we direct Pacific and the Staff to study such possible modifications.

Pacific contends that SMRT should continue to be imposed on lifeline service for essentially two reasons:

1. Lifeline service (now priced at \$2.50 per month) is a heavily subsidized service provided below cost by Pacific.
2. Continuation of lifeline service without SMRT would increase the shift of flat rate subscribers to the less expensive lifeline service.

It may be that lifeline service is subsidized. Pacific submitted an exhibit and testimony in this proceeding which alleged that lifeline service, as residential flat rate service, is subsidized. The Staff took exception with Pacific's cost study and raised legitimate questions about its validity. The Staff, because of time and manpower constraints, did not develop its own cost study. As the record now stands we cannot conclusively determine whether, and the extent to which, the various classes of residential service are or may be subsidized.

We recognize Pacific's concern about shifts of flat rate subscribers to lifeline to be a legitimate one. However, we implemented lifeline as a low-cost minimum service intended for those on limited incomes or the elderly living on fixed incomes; we have imposed no income restrictions on who may have lifeline. Lifeline is a service that necessarily does not meet the needs of all residential subscribers, and we do not expect sudden wholesale shifts. We view local exchange telephone rate design as being in a period of transition. We anticipate that eventually most of Pacific's subscribers will have some type of measured service with a usage sensitive price structure. In this interim phase, as we move toward that goal, we are maintaining lifeline without SMRT. TURN objects to the application of SMRT to lifeline unless it is also simultaneously applied to flat rate subscribers. We think TURN's position has merit. Until all residential service in metropolitan and mini-metropolitan areas can be measured and made subject to SMRT we find it would be unfair for the residential subscriber having the most minimal service to be assessed charges for SMRT.

The Application of SMRT to 60-Call
Allowance Residential Service

Sixty-call allowance measured residential service (now priced at \$3.75 per month) has been the alternative service priced between lifeline and flat rate service. We are maintaining SMRT on this service, but modifying its application. We will retain the existing one message unit charge (5 cents) for the initial five minute period, because the record indicates that Pacific's cost to "set-up" a local call (e.g., switching and call routing activity) is about 4.7 cents. Instead of charging five cents for additional five minute overtime periods we are ordering that overtime periods be measured in one minute

intervals and charged one cent per minute. We are aware of inequity with the existing SMRT plan in that, for example, a subscriber who places a six minute local call is charged for two five minute timing periods, or ten cents. Also, our adoption of one minute timing intervals for overtime calls corresponds to the one minute timing on toll calls. ✓

Also, we are adopting an off-peak pricing structure that will encourage a reduction in peak period usage. SMRT is by this order eliminated during off-peak periods for this service (or from 5:00 p.m. to 8:00 a.m. weekdays and all day Saturday, Sunday, and holidays).^{3/}

The Application of SMRT to Business Measured Service

We conclude that the application of SMRT to business subscribers should be the same as we adopted above for 60-call allowance measured residential service. The existing one message unit charge (5 cents) applies to the five minute initial period and thereafter overtime shall be measured in one minute intervals at a charge of one cent per minute. The off-peak pricing plan, eliminating SMRT from off-peak periods, that we adopted for 60-call allowance residential service, is also adopted for business service. The Staff objected to eliminating SMRT from off-peak business calls. However, we point out that even if business subscribers shift some activity to off-peak periods to economize on telephone expense, there is an overall public benefit in that they concurrently become off-peak users of electricity.

^{3/} Holidays are specified in Pacific's toll tariffs.

Modifications of the \$11 Residential
Service Regrade Charge

In Decision No. 86594 we ordered Pacific to waive regrade charges for residential subscribers. We ordered that waiver in view of modifications in SMRT so that subscribers could reassess their options and change service without the usual regrade charge. Pacific correctly points out that our language was too broad, and did not limit the waiver to instances where subscribers were switching from flat rate to measured service. We will order the waiver for a 90-day period following the effective date of this order, and the waiver will be applicable to subscribers who order their service changed between flat rate and either "lifeline" or 60-call allowance service within that period. Pacific's witness testified that the utility had no objection to such a 90-day waiver period, and we must agree with the Staff that subscribers are very possibly confused about SMRT and which residential service is appropriate for their needs. The Staff's proposal that subscribers in the metropolitan areas be advised with a bill insert of the waiver is reasonable. We direct Pacific promptly to notify subscribers of the modifications to SMRT that we adopt by this order, and the regrade charge waiver, within 60 days.

The Revenue Effect to Pacific
Resulting from this Order

We recognize that our present interim modification to the application of SMRT will probably result in less revenue to Pacific than if existing SMRT rates as established in Decision No. 83162 were retained. Both the Staff and Pacific annualized SMRT revenue effects in their respective results of operations showings in this proceeding. We have not issued our decision on Pacific's prospective revenue requirement. We will direct Pacific to file a report

on the annual test period revenue requirement effect of SMRT, as modified by this decision, within 15 days. We expect that any one-time nonrecurring expenses to Pacific resulting from this order shall be separately identified so that we may afford them proper ratemaking treatment in our forthcoming decision on revenue requirement.

We do not consider it appropriate to grant Pacific any offset for revenue loss concurrently with this decision. The prospective revenue requirement should be established in view of the utility's total operations. We have pending the question of Pacific's revenue requirement and will recognize the revenue effects of this order upon receipt of Pacific's and the Staff's evidence. Also, we are not now taking anything away from Pacific by modifying SMRT. In our last decision^{4/} determining the revenue requirement necessary to produce a reasonable rate of return (and establishing rates to generate that revenue) we did not include any SMRT revenues in our adopted results of operations or sources of revenue.

TURN and Staff's Contention that Decision
No. 86594 was Unlawfully Modified

On November 8, 1976, in executive session, we issued Decision No. 86602 which modified Decision No. 86594 (dated November 2, 1976) by making that decision effective 20 days from the date it was issued; Decision No. 86594 was originally effective "on the date hereof" (or the date it was issued). At the time we modified Decision No. 86594, the tariff changes ordered by that decision were in effect (the tariffs becoming effective on November 7, 1976).

^{4/} Decision No. 85287, Application No. 55214, dated December 30, 1975.

TURN and the Staff contend that we unlawfully modified Decision No. 86594 with Decision No. 86602 in that:

1. We issued no notice of the proposed modification and provided no opportunity for the parties to state their views pursuant to Section 1708.^{5/}
2. Decision No. 86602 was issued in executive session in violation of Sections 11120, et seq. of the Government Code.

If TURN and the Staff are correct and Decision No. 86602 was improperly issued, the effect is that the original effective date of Decision No. 86594 stands and residential SMRT rates should not have been collected after November 7, 1976.

The sequence of events surrounding the issuance of Decision No. 86602 are important for an understanding of this issue.

1. November 2, 1976, a Tuesday: Decision No. 86594 was issued, "effective the date hereof".

2. November 5, 1976, a Friday: Pacific filed a petition requesting a stay of Decision No. 86594, stating it intended to file a petition for rehearing within the prescribed statutory time. Pacific also stated that it could keep records that could facilitate any refund that the Commission might order in the future after rehearing of Decision No. 86594.

3. November 7, 1976, a Sunday: Tariffs filed by Pacific pursuant to Decision No. 86594 became effective (removing SMRT from residential service).

4. November 8, 1976, a Monday: In executive session the Commission was advised by its General Counsel that there was no

^{5/} Section 1708 reads as follows: "The Commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter or amend any order or decision made by it."

legal obligation to grant Pacific's request for a stay of Decision No. 86594. The Commission unanimously voted to deny Pacific's request for a stay. Next, the Commission discussed extending the effective date of Decision No. 86594 by issuing a decision so modifying Decision No. 86594. The General Counsel and the Chief Examiner advised against that proposed action, pointing out the substantive legal issues involved. Commissioners Holmes, Sturgeon, and Symons voted to issue Decision No. 86602, extending the effective date of Decision No. 86594, Commissioner Batinovich dissented. Decision No. 86602 did not order SMRT residential rates to be collected subject to refund from that date forward.

5. November 12, 1976, a Friday: Pacific filed a petition for rehearing of Decision No. 86594, which then automatically (in view of the revised effective date) stayed the orders in that decision pursuant to Section 1733(a) of the Public Utilities Code.

6. November 23, 1976, a Tuesday: The Commission issued Decision No. 86678 which granted rehearing of Decisions Nos. 86594 and 86602; that decision ordered all residential SMRT revenues from that date forward to be collected subject to refund.

Upon reconsideration, we conclude that we may not lawfully modify the effective date of a decision after the order has become effective. (Re Northwestern Pacific Ry Co. (1966) 65 CPUC 280.)

We concur with TURN and the Staff. Decision No. 86602, as it modified Decision No. 86594, is void because it was unlawfully issued. The result is that the orders in Decision No. 86594 (removing SMRT from residential service and the original effective date) stand; the SMRT residential revenues collected since November 8, 1976, and until the tariff changes ordered herein are effective, should be refunded to those affected measured service residential subscribers.

The Portions of Decision No. 86594
Not Affected by this Order

Decision No. 86594 addressed the issue of monitoring practices of telephone conversations between two or more subscribers. The portions of that decision relating to that specific monitoring activity stand unaffected by this decision.

Findings of Fact

1. SMRT should not be applicable to lifeline residence telephone service. However, it may be reasonable to charge a premium for messages in excess of the 30-message allowance. We will require Pacific to study this or similar plans.
2. The initial period for business and residence measured service should continue to be priced at five cents for the first five minutes of use or fraction thereof.
3. We find that the present SMRT plan wherein overtime usage is charged in five-minute increments for usage beyond the initial period is unreasonable. A reasonable plan is to charge residential and business subscribers on a per-minute basis for overtime use. It is reasonable to reduce the present one message unit (5 cents) for five minute overtime rate to one-fifth message unit (one cent) for one minute of overtime use.
4. We find that to promote efficient use and conservation of communications facilities SMRT should include off-peak incentives in the form of removal of timing from 5:00 p.m. to 8:00 a.m. on weekdays and all day on Saturdays, Sundays, and holidays.
5. In order that residential subscribers may select the service consistent with their requirements, in view of these late modifications, it is reasonable to waive charges for the regrade of residence service in the SMRT areas for 90 days after the rates herein become effective. Pacific should notify the affected subscribers of these rate changes and the regrade waiver.

6. The residential SMRT revenues held by Pacific, subject to refund pursuant to Ordering Paragraph No. 4 of Decision No. 86678, should be returned. Pacific should submit a proposed refund plan within 30 days for the Commission's approval.

7. When the revenue requirement was last determined for Pacific in Decision No. 85287, Application No. 55214, dated December 30, 1974, the Commission did not recognize estimated annual revenues to be derived from SMRT.

8. Decision No. 86602 dated November 8, 1976 unlawfully modified Decision No. 86594. The rates authorized by Decision No. 86594 are the rates that were lawfully applicable.

9. Refunds that are to be made to residential subscribers subject to SMRT should be calculated from November 8, 1976 (the date that SMRT was reinstated on residential subscribers following Decision No. 86602).

10. Pacific should file a refund plan for the Commission's approval to refund SMRT revenue collected from residential subscribers from November 8, 1976 through November 23, 1976. (November 23, 1976 was the date that all residential SMRT revenue was made subject to refund.) Pacific shall file that refund plan as well in conjunction with its plan to refund residential SMRT rates collected after November 23, 1976 (pursuant to Decision No. 86678).

11. We will consider the annual test year revenue effect of the SMRT rate modifications ordered herein when we establish Pacific's revenue requirement in this proceeding. Pacific should be directed to present the estimated annual test year revenue effect of this order within 15 days.

12. Pacific and the staff should submit evidence on possible modifications to lifeline service to prevent abuse of that service.

13. It is unreasonable to establish discounted or special SMRT rates for nonprofit or charitable business subscribers.

14. The increases in rates and charges and the other tariff changes authorized herein are justified.

15. The rates, charges, and other tariff changes authorized herein are just and reasonable, and present rates and charges, insofar as they differ therefrom, are for the future unjust and unreasonable.

FIFTH INTERIM ORDER

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is ordered to file revisions to its tariffs as provided in Appendix B within five days of the effective date of this order. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff schedules shall be twenty-five days after the date of filing.

2. Within fifteen days after the effective date of this order, Pacific shall file a report, in this proceeding, to show the estimated annual revenue effect (on a test-period basis) resulting from the rate modifications ordered herein.

3. Within thirty days after the effective date hereof, Pacific shall submit, for Commission approval, a refund plan for the refund of the residential single message rate timing revenue collected from November 8, 1976 to the date that the tariff revisions ordered herein are effective.

4. Pacific shall promptly notify the affected residential subscribers of the revised rates and waiver of the regrade charges as ordered herein.

5. Within ninety days of the effective date of this order, Pacific shall submit a study specifying the plant requirements, cost, and time within which Pacific could accomplish the implementation of Single Message Rate Timing for all of Pacific's subscribers, both residential and business, within Pacific's metropolitan and mini-metropolitan areas as defined in this order. Within sixty days thereafter, Staff shall fully respond to the study submitted by Pacific pursuant to this ordering paragraph.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 12th day of JULY, 1977.

*I will concur dissent
William Lyons J*

Robert Batminal
President

Leon L. Sturgeon
Charles D. Howell

Commissioners

Commissioner CLAIRE T. DEDRICK did not participate in the disposition of this proceeding.

A. 55492, C. 10001 ek

APPENDIX A

LIST OF APPEARANCES
(On Issue of SMRT Rehearing)

Applicant and Petitioner: Christopher Lee Rasmussen, Attorney at Law,
for The Pacific Telephone and Telegraph Company.

Interested Parties: John L. Clark, for TURN; Vincent P. DiFiglia,
Attorney at Law, for the City of San Diego; and Margit Craig,
for the Council of Jewish Women of Los Angeles, Incorporated.

Commission Staff: Ira R. Alderson, Attorney at Law, and
James G. Shields.

APPENDIX B
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RATES -- The Pacific Telephone and Telegraph Company.

Pacific's rates, charges, and conditions applicable to single message rate timing are changed as follows:

Residence: Individual line, 30 allowance (lifeline) service untimed.

Individual line, 60 allowance service.

On-peak: One message unit per initial 5 minutes or fraction,
One-fifth message unit per additional minute or fraction.

Off-peak: Untimed - one message unit per message.

Business: Individual line, 80 allowance and PBX trunk zero allowance service.

On-peak: One message unit per initial 5 minutes or fraction,
One-fifth message unit per additional minute or fraction.

Off-peak: Untimed - one message unit per message.

Foreign Exchange Service:

The business and residence foreign exchange service shall be changed consistent with the above.

APPENDIX B
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All Services:

Messages in progress at 8:00 a.m. weekdays shall be charged at the overtime rate commencing at 8:00 a.m.

Timing shall stop at 5:00 p.m.

The on-peak period is from 8:00 a.m. to 5:00 p.m. weekdays. The off-peak period is from 5:00 p.m. to 8:00 a.m. weekdays and all day Saturdays, Sundays, and holidays.

Regrades of residence service between measured rate and flat rate service shall be made at no charge for a period of 90 days after the changes in rates for single message rate timing ordered herein are made effective.

A. DD492) - D. 87584
C. 10001)

Pacific Telephone & Telegraph Co: SINGLE MESSAGE RATE TIMING (SMRT)

COMMISSIONER WILLIAM SYMONS, JR., Concurring & Dissenting

I concur in today's policy decision to move forward with Single Message Rate Timing (SMRT). I dissent to the analysis concerning reversal of the original immediate effective date. Today's decision should likewise be made effective after the normal period of 20 days.

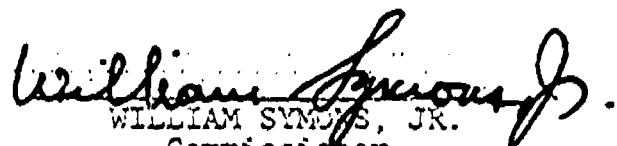
SMRT It is sensible and fair that the party who uses his telephone much more than his neighbor does, should pay more towards meeting the operational expenses of the telephone system.

Single Message Rate Timing, as adopted here today, is based on this equitable principle, and will discourage long holding times during the peak calling period. By inducing a more uniform usage pattern, California utilities can avoid premature plant expansion. This will conserve national resources and will save ratepayers' money.

EFFECTIVE DATE The accomplishment of this desired development toward usage sensitive pricing has, alas, been greatly delayed by inordinate procedural wrangling. Part of this procedural commotion was self-induced by the Commission on November 2, 1976, when it issued Decision No. 86594 "effective the date hereof". I argued then, and continue to argue against unwise abuse of the power to shorten the effective date of an order. As I have stated in numerous recent trucking decisions:

"This Commission would be best advised to heed its own tradition and the spirit of Public Utilities Code Section 1705, which provides that Commission orders normally"... take effect and become operative 20 days after the service thereof ...". If no good reason for instantaneous effect is shown, extraordinary haste is out of order. Parties are cut off from Public Utilities Code Section 1733(a) provisions allowing a suspension while their application for rehearing is reviewed. Whistling decisions through this Commission is hardly judicious and not good policy for orderly conduct of the people's business."

San Francisco, California
July 12, 1977


WILLIAM SYMONS, JR.
Commissioner