

Decision No. 87963 OCT 12 1977

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

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.

Case No. 10001

SUPPLEMENTAL ORDER

In Decision No. 87584, Ordering Paragraph No. 3, issued on July 12, 1977, the Pacific Telephone Company (Pacific) was ordered to submit to this Commission a refund plan for the return of residential SMRT revenues collected from November 8, 1976 through August 8, 1977, the date that the tariff revisions ordered in that decision became effective.

The refund plan submitted by Pacific on August 10, 1977, did not provide for the addition of interest on the refundable revenues. Refunds should include interest calculated at a rate of 7% per annum as we required in Decision No. 80346, dated August 8, 1972, in Pacific's Application No. 51774.

Accordingly, we will approve Pacific's proposed refund plan revised to include 7% interest. Refunds of those portions of the rates that reflect Federal and local taxes shall be refunded without interest.

We find that Pacific's proposed refund plan is acceptable as revised to include 7% per annum interest.

O R D E R

IT IS ORDERED that The Pacific Telephone and Telegraph Company (Pacific) shall refund to customers amounts that in the aggregate will equal the increased revenues received by Pacific for residential single message rate timing from November 8, 1976 through August 8, 1977, the date upon which the tariff revisions ordered in Decision No. 87584 became effective. Refunds shall be made in accordance with the refund plan attached hereto as Appendix A.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California,  
this 17<sup>th</sup> day of OCTOBER, 1977.

Robert Bateman  
President  
William Lyons Jr.  
Vernon L. Sturgeon  
Richard D. Chavala  
Walter L. Deane  
Commissioners

APPENDIX A  
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A. Refund Calculation

1. The refund for the period November 23, 1976 through August 8, 1977, inclusive, will be based on the cumulative amount retained for residential SMRT charges on each account.
2. The refund of Federal and local taxes will be based on the cumulative amounts of taxes associated with the basic retention on each account.

B. Refund Application

1. Current Customers

The refund amount including taxes will be applied as a lump sum credit on each customer's bill not more than 120 days after the effective date of the order.

2. Former Customers

Former customers will be refunded by applying the refund amount to any existing final account balance due as in B.1. If the net result is \$1.00 or more a refund draft will be mailed to the last known address for that customer.

C. Supersedures

Supersedures will be treated as regular final accounts.

D. Incremental Refund Calculation

1. The basic refund amount will be incremented for those customers in service between November 8, 1976 and November 22, 1976, inclusive, based on the length of that interval. The formula which will apply this incremental amount is as follows:

Where: A = The number of days from November 23, 1976 to the end of the retention period.

B = The number of days the customer was in service between November 8, 1976 and November 22, 1976, inclusive.

C = The basic refund amount determined in item A.1. above.

Then: Incremental Refund =  $\frac{B}{A} \times C$ .

2. Federal and local tax increments will be applied using the same ratio as in D.1. above.

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E. Computation of Interest

Interest at the rate of 7% per annum will be applied to the basic refundable amount (excluding tax). The interest rate formula will use an averaging convention to recognize the accumulation of the basic refundable amount of the period.

F. Reporting Requirements

Pacific Telephone will file a refund report with the Commission within 90 days of completion of the refunds. The report will contain the following information:

1. The total basic refundable amounts plus interest due customers.
2. The total amount credited on bills either initially or through adjustments.
3. The total amount of refund drafts issued.
4. The total amount of refund drafts returned as undeliverable.
5. The total amount of refund drafts outstanding and an estimate of the portion which will never be presented for payment.
6. The total unrefunded amount (1-2-3+4+5 (portion)).
7. The amount of expense incurred in making refunds and accounts charged therewith.