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ORIGINAL

Decision No. 90367 JUN 5 1979

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

SUPPLEMENTAL OPINION

The purpose of this decision is to terminate the suspension of the orders in two of our decisions in this proceeding and also to effect a refund to the ratepayers of The Pacific Telephone and Telegraph Company (Pacific) in the sum of approximately \$750,000 plus interest at seven percent resulting from the fact that during the stays, the charges continued at a higher rate. The necessity for this action results from our rate of return reduction in Decision No. 86593 in this proceeding, issued November 2, 1976 (80 CPUC 599).

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On August 18, 1978, Pacific filed a petition in which it proposed a refund plan, and other action. The petition was served on the other parties, and there have been no filings protesting it or proposing alternatives.

Background

Decision No. 86593 found that Pacific's backlog of service orders in its Northern District had become excessive and that certain management decisions by Pacific were at least partly responsible for the situation. The decision therefore ordered Pacific's rate of return reduced from 8.85 percent to 8.843 percent (a reduction of 0.007 percent) until such time as Pacific makes a showing that held service orders are reduced to within normal limits. We accomplished this reduction by ordering certain residential installation charges to be reduced.

Pacific petitioned for rehearing, and we suspended the decision pending our further order (Decision No. 86863 dated January 11, 1977). The order of suspension provided that initial residence service order charges should be thereafter collected "subject to partial refund..."

Then on February 1, 1977, we issued Decision No. 86937 (81 CPUC 299) which denied Pacific's petition for rehearing but modified Decision No. 86593 by substituting certain new findings for those in Decision No. 86593. The amount of the rate of return reduction, and the method of achieving it, were unchanged.

Because Pacific thereafter sought judicial review, we issued still another order (Decision No. 86958 dated February 8, 1977) which again stayed Decision No. 86593, our initial decision on the subject, and which also stayed Decision No. 86937, our opinion and order modifying our initial decision.

After the issuance of Decision No. 86958 (the second stay) we issued Decision No. 88232 (December 13, 1977), our main rate order for Application No. 55492. Decision No. 88232 was effective the date thereof, was not stayed, and by its terms, the rates found reasonable in that decision went into effect on December 23, 1977. On this same date, judicial review of our initial decision and our modifying decision on the "held order" issue (and the associated rate of return adjustment) was denied.

Because Decision No. 88232 adopted the lower rate of return and also adopted the reduced residential service charges until our further order, the result was to terminate the use of the Application No. 55214 service order charges on December 23, 1977, regardless of our second suspension order. Thus, the only effect of the suspension at this point in time is that no refund has been made.

Pacific's Petition

Pacific proposes a refund plan which would return the difference between the original and the reduced service charges to current residential customers who incurred the higher charge from January 11, 1977 to and including December 23, 1977, the effective date of the rates in Decision No. 88232.

Under the circumstances, this is the fairest practicable type of refund since those actually experiencing the higher charge (except for discontinued customers in this category) will benefit from the refund. In our opinion the plan clearly complies with Public Utilities Code Section 453.5. Our adopted version of Pacific's proposal is attached to this decision as Appendix A.

There will be no unrefundable amounts under the plan because it provides for the distribution of the gross overcollected amount to current customers on a uniform basis.

Pacific's petition requests modification of certain findings of previous decisions on the subject. These findings spoke to the situation when they were made, and were correct when made. Our review of them convinces us that they need not be modified to effectuate our order in this decision.

We will order this decision into effect the date hereof to achieve prompt refunds that have now been pending for over a year.

Findings of Fact

1. As a result of our orders in Decisions Nos. 86593, 86863, 86937, and 86958 Pacific collected \$750,000 in refundable initial residential service charges from November 22, 1976 to and including December 23, 1977. ✓

2. Because of our order in Decision No. 86958, these funds still have not been refunded to the appropriate ratepayers of Pacific.

3. Pacific filed a petition on August 18, 1978, in which it proposed a refund plan which would return the difference between the original and the reduced service charges collected during the period November 22, 1976 through December 23, 1977 to current residential customers who incurred the higher charge from January 11, 1977 to and including December 23, 1977.

4. No party to the proceeding protested Pacific's plan.

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5. Pacific's proposed plan is reasonable and complies with Public Utilities Code Section 453.5.

6. The effective date of this decision should be the date of signature to minimize the delay in making refunds.

Conclusion of Law

Pacific should be authorized to refund the excess residential service installation charges collected from January 11, 1977 to December 23, 1977 in accordance with the refund plan attached hereto as Appendix A.

SUPPLEMENTAL ORDER

IT IS ORDERED that within one hundred and twenty days of the effective date of this decision, The Pacific Telephone and Telegraph Company shall refund the amount of excess residential service installation charges collected from January 11, 1977 to and including December 23, 1977 in accordance with the refund plan attached hereto as Appendix A.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 5th day of JUNE, 1979.

John E. Gynn
President

Vernon L. Stegeman

Robert W. Hoyle

Charles T. DeLoach

Commissioners

APPENDIX A
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Refund Plan for Service Order Charges
Collected From January 11, 1977 to December 23, 1977
(Application No. 55492 and Case No. 10001)

This refund is being made in response to Decision No. 86593 ordering a reduction in The Pacific Telephone and Telegraph Company's (Pacific) rate of return by .007 percent. Pacific retained residential service order charges as required by Decision No. 86863 for the period January 11, 1977 through December 23, 1977.

A. REFUND APPLICATION

The refund amount calculated for the period November 22, 1976 through December 23, 1977 will be applied to those current residence customers who incurred service order charges from January 11, 1977, when Pacific was directed to start retaining records, through December 23, 1977. The refund amount, including interest, will be applied as a lump sum credit on each affected customer's bill not more than 120 days after the effective date of the refund order.

B. REFUND CALCULATION

Each service order charge being retained for current customers will be subject to a refund amount calculated as follows:

$$\begin{array}{rcl}
 \text{Refund Amount} & = & 397 \quad A \quad A \\
 & & \underline{\quad} \times \quad \underline{\quad} = 1.144 \times \underline{\quad} \\
 & & 347 \quad B \quad B
 \end{array}$$

Where: 397 = the number of days from November 22, 1976 through December 23, 1977

347 = the number of days from January 11, 1977 through December 23, 1977

A = total Service Order charge amount subject to refund incurred by all customers during the period January 11, 1977 through December 23, 1977.
(\$.35 per Service Order charge)

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B = The number of service order charges billed to current customers who incurred service order charges from January 11, 1977 through December 23, 1977.

C. TAX

Not applicable for this refund.

D. COMPUTATION OF INTEREST

Interest at the rate of 7% per annum will be applied to the refund amount. Interest will be accrued from the date of each service order charge to the date of refund.

The formula will be:

$$\text{Interest Amount} = \text{Refund Amount} \times \frac{\text{Annual Interest Rate}}{12} \times \text{Number of Months Retained}$$

Where number of months retained = whole months between the date the customer was billed a service order charge to the refund date for this customer.

E. REPORTING REQUIREMENTS

Pacific 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 adjustment.
3. The amount of expense incurred in making refunds and accounts charged therewith.