

MBH

Decision No. 91228

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Re Resolution No. T-10138 Authorizing  
Advice Letter No. 13381 of the Public  
Telephone and Telegraph Co. Offering  
the Horizon Communication System  
on a Two-Tier and Non Two-Tier Basis

Application No. 59259  
(Filed November 7, 1979)

ORDER DENYING PETITION FOR  
REHEARING AND STAY OF RESOLUTION

The California Interconnect Association has filed a petition for rehearing and stay of Resolution No. T-10138 in Pacific Telephone and Telegraph Co. Advice Letter No. 13381. The Commission has considered each and every allegation contained therein and is of the opinion that no good cause for rehearing has been shown; therefore,

IT IS ORDERED that rehearing of Resolution No. T-10138 is hereby denied.

The effective date of this order is the date hereof.

Dated JAN 8 - 1980, at San Francisco, California.

*John E. Bryson*  
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President  
*Vernon L. Stegman*  
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*Robert D. Hovell*  
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*Edward J. Padriac*  
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*Lawrence J. ...*  
\_\_\_\_\_  
Commissioners

**Memorandum**

Date : January 4, 1980

To : The Commission  
(Conference of January 8, 1980)From : Public Utilities Commission — San Francisco — Alvin S. Pakis  
Legal Counsel

File No.: A. 59259/Res. No. T-10138

Subject: Pet/Rhg by California Interconnect Assn. of Res. No. T-10138  
(Order Not Stayed) (D.D. January 6, 1980)

**RECOMMENDATION:** The petition for rehearing filed by California Interconnect Association (Interconnect) is wholly without merit and should be denied. A suggested form of order is attached.

**FACTS:** Pacific Telephone & Telegraph Co. (Pacific) filed Advice Letter No. 13381 (AL-13381) on October 1, 1979, requesting Commission approval of tariff sheets relevant to the offering of the Horizon Communication System service (Horizon). Horizon is a new vertical service designed for the small business market; it is a type of key equipment service utilizing new microprocessor technology and providing functions normally associated with PBX or Centrex systems. AL-13381 was amended on three occasions:

- (1) On October 23 to change the proposed effective date from November 1 to November 7;
- (2) On October 26 to change certain proposed schedules to reflect Decisions Nos. 90642 and 90919; and,
- (3) On November 1 to change the monthly rates at which Horizon would be offered to reflect increased costs of capital to Pacific.

Interconnect filed a protest to AL-13381 on October 10, 1979, alleging, inter alia, that the offering of Horizon would cause premature retirement of similar vertical services 1/ and thereby burden Pacific's

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1/ Interconnect cited several services it considers to be competitive with Horizon, viz., 701 and 101 ESS Centrex CU Service and SGI-1A.

ratepayers, that the revenue producing life of Horizon equipment was grossly overstated resulting in lower-than-reasonable proposed rates <sup>2/</sup>, that the two-tier and companion rates were inherently anticompetitive, and that Horizon was being offered at less than cost. Toward Utility Rate Normalization (TURN) filed a similar, albeit brief, protest letter on October 12, 1979. Pacific replied to Interconnect's protest on October 17, 1979, and on October 18, 1979, to TURN using its earlier reply with a separate cover letter.

On November 6, 1979, the Commission issued Resolution No. T-10138 approving the offering of the Horizon service as constituted post the third supplement to AL-13381. Interconnect's protest was denied after careful discussion of each of its allegations; TURN's protest was not discussed but impliedly denied as well. The resolution was made effective on the November 6 date.

Interconnect filed the instant petition for rehearing and stay of order on November 7, 1979, docketed as Application No. 59259. A supplemental petition was filed on November 9.

ANALYSIS: Interconnect presents very little substantive argument; the theme of the petition may basically be summarized as "utility regulation makes for [not so] strange bedfellows." Interconnect would propose to go to hearing to have the Commission determine who is telling the truth about the reasonableness of the rates at which Horizon is to be offered. Such a venture would serve no useful purpose.

First, no good reason appears to ascribe a greater predictive pretension to Interconnect than to Pacific in these matters. As a simple matter of fact, the Commission staff requested from Pacific data using the accepted GE-100 costing methodology. Pacific complied with that request and its data fully supported the finding that the rates set forth in AL-13381 are fully compensatory, just and reasonable.

Secondly, this Commission has previously given notice that, to the extent warranted by competitive market conditions, it would permit "... utilities to act as much like unregulated competitors as possible." In re Pacific Telephone & Telegraph Co., 83 CPUC 428, 440 (178). Interconnect offers no reason for departing from the

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<sup>2/</sup> This argument rests heavily upon the first. Interconnect asserted that the SGI-1A service would be retired as a consequence of the Horizon offering only three and one-half years after Pacific had estimated its life estimate to be fifteen years. If Interconnect's assertion were correct, Pacific would take an overall loss on the SGI-1A service since the rates therefor have been calculated over the fifteen year time frame.

above-cited policy in this case. Under the terms of AL-13381, Horizon is being offered at rates generating a rate of return of fourteen percent and competitive with comparable vertical services available from nonutility enterprises.

Finally, the Commission has previously warned protestants to advise letter filings that they should heed the General Order No. 96-A language requiring that they "... set forth specifically the grounds upon which the protest is based, including such items as financial and service impact." (Section III H.) The specific grounds which Interconnect now pleads, most notably the displacement and premature retirement of the SGI-1A service, have already been rejected by the Commission as erroneous and unsupported by sufficient evidence. See Resolution No. T-10138, p. 1 (paras. 6, 7, 8), p. 2 (para. 4), p.3 (paras. 2, 5).

ASP:mbh

Attachment