

L/dr

Decision No. 92014 , JUL 2 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of THE PACIFIC TELEPHONE AND TELE-)
GRAPH COMPANY, a corporation, for)
authority to increase certain)
intrastate rates and charges appli-)
cable to telephone service)
furnished within the State of)
California.)

Application No. 59269
(Filed November 13, 1979;
amended November 15, 1979)

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.)

OII No. 63
(Filed December 18, 1979)

ORDER MODIFYING DECISION
NO. 91495 AND DENYING REHEARING

Petitions for rehearing or limited rehearing of Decision No. 91495 have been filed by Pacific Telephone and Telegraph Company (Pacific), the Cities of San Diego and Los Angeles together with the City and County of San Francisco (Cities), Toward Utility Rate Normalization (TURN), California Interconnect Association (CIA), Western Burglar and Fire Alarm Association (WBFAA), Sonitrol Telephone Assistance, Telephone Users League and Parts Locator, Inc. Pacific has filed a response to the petitions filed by the other named parties. TURN, CIA and Cities have filed responses to Pacific's petition. We have carefully considered all the allegations of error contained in those petitions and are of the opinion that good cause for granting rehearing has not been shown. However, we should modify Decision No. 91495 to clarify our reasoning

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in adopting the staff recommendations as to rate spread, ordering Pacific to make its costing studies on terminal equipment available to the public and several other related questions. We are aware of our obligation to provide findings and reasons on each material issue so that the parties and a reviewing court may know how we arrived at the ultimate conclusion in authorizing a \$227.2 million partial rate increase, subject to refund pending further hearing (California Motor Transp. v. Public Util. Comm. (1963) 59 C.2d 270).

We also wish to make it clear that, although we deny rehearing, we are not by that denial reimposing the rate increases that were subsequently reduced by Pacific in Advice Letter No. 13590. Those reduced rates, together with the other rates increased in Decision No. 94145, will continue in effect, subject to refund, pending further study and hearing. Therefore,

IT IS HEREBY ORDERED that Decision No. 91495 is modified to add the following discussion under the headings shown:

CIA's Position

CIA believes that adopting its proposed rate spread will help prevent premature retirement of old equipment and reduce Pacific's need for new capital to finance new services.

Discussion

Amount of Interim Increase

We will not include \$30 million of the license contract expenses disallowed in Decision No. 90362 because there is no record or basis on which to allocate any specific portion of those expenses to any particular product Pacific purchases for its vertical services. Without such a record, any specific amount would be merely arbitrary.

Rate Design

We will not adopt CIA's rate spread proposal at this time because we are primarily aiming at our goal of setting prices for terminal equipment at or near the cost of providing those services. There is no record to support the notion that old equipment is now priced nearer cost than is new. To the contrary, Pacific's evidence supports a conclusion that its newest offerings are priced above GE-100 cost.

The Need for Further Study

We expect these submissions to be in the form of GE-100 cost studies; similar studies have been introduced as evidence in other proceedings and do not, we believe, constitute trade secrets. We specifically do not anticipate Pacific's making available such obviously proprietary material as market studies or customer lists. However, GE-100 cost studies and supporting work papers are essential to our setting fair and reasonable final rates in the later stages of these proceedings. Moreover, the other parties must also have access to such studies if they are to be able to respond to rate proposals and to prepare their own showings. Ratemaking is an essentially public act and the public's interest in knowing the cost basis behind various prices for telephone service, when that information is known, must outweigh any interest Pacific may have in keeping its costs for competitive equipment confidential. We are not attempting to aid Pacific's competitors; our concern is with Pacific's customers and their right to know the basis for the prices they pay to Pacific as a regulated utility.

While we recognize that it might be desirable to require cost studies on all terminal equipment, we doubt that it is feasible to review and analyze all that data at this time. Furthermore, equipment which has recently been repriced is essentially returning current costs. Therefore we will not require such studies on items whose rates are not increased by this decision and which have been repriced since October 1, 1979.

Service and Billing Practices

The primary purpose of this interim decision is to deal with Pacific's need for immediate partial rate relief. Therefore, we will defer questions about Pacific's service and billing practices, such as those raised by Parts Locator, Inc., until after the subsequent hearings which are to be consolidated with Pacific's next Notice of Intention filing.

IT IS FURTHER ORDERED that findings 15 and 20 of Decision No. 91495 be modified to read in full as follows:

15(a) The record does not support authorizing an increase in rates to permit Pacific to recover any of the license contract expenses disallowed in Decision No. 90362.

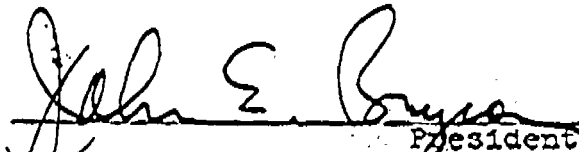
15(b) The additional \$69.4 million increase in rates over and above the basic \$157.8 million increase recommended by staff witness Moeck should allow Pacific to be more competitive with other providers of terminal equipment, as staff witness Macario predicts, even though higher rates for such equipment may have some offsetting effect.

20. The rate design adopted here will promote the policies set forth in Decision No. 90642 and will, more closely than CIA's proposal, match the price for service rendered to the cost thereof so that each class will be paying rates which cover the fully imbedded cost of the service used. Special attention in this regard will be paid to those vertical services for which Pacific has competition.

IT IS FURTHER ORDERED that rehearing of Decision No. 94145 as modified herein is denied.


The effective date of this decision is the date hereof.

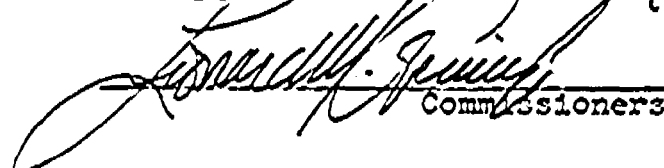
Dated JUL 2 1980, at San Francisco, California.


President








Commissioners