

ORIGINAL

Decision No. 92108 AUG 19 1980

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 authority to establish)
charges for Directory Assistance)
Service.)

Application No. 58918
(Filed June 9, 1979)

(Appearances are listed in Appendix A.)

O P I N I O N

INTRODUCTION

Summary of this Decision

This decision authorizes The Pacific Telephone and Telegraph Company (Pacific) to implement, with modification, its proposed plan to charge for local directory assistance calls. The modification is that disabled persons may self-certify as to their physical inability to use telephone directories and, thus, be exempt from the charge plan. For numbers within a subscriber's home area code, Pacific is authorized to charge 15 cents per directly dialed directory assistance call after the first 20 such calls in any one month. Directory assistance calls placed through an operator will be billed at 65 cents per call, with no free call allowance.

A very small percentage of Pacific's customers make a disproportionately large number of directory assistance calls, not now reflected in their contributions toward Pacific's total expense for directory assistance. The charge plan we authorize for Pacific is fairer because those who contribute most to the need for directory assistance - or who use it most - will pay accordingly. We expect this charge plan will reduce the volume of directory assistance requests. The plan will be put in effect over a period of time, exchange by exchange; and Pacific's cost savings will start being reflected in its pending general rate increase proceeding and thereafter in future rate

cases. As the charge plan is put in effect in exchanges, the present recorded message encouraging the use of directories will end. Pacific will make directories available to customers, in addition to their local directories, to assist those who frequently use directory assistance to locate numbers in vicinities outside their local directory.

On an average Pacific's customers use directory assistance less than 7 times a month. Ninety percent use 10 or less times and 35 percent make no calls each month. Once the charge plan is implemented throughout Pacific's service area - over a period of about two years - there should be a reduced volume of calls to directory assistance and a resulting expense savings for Pacific. The savings to Pacific will be recognized in ratesetting and passed on to all customers when basic monthly rates are set. So in the future the expense savings may mitigate the need for rate increases.

Pacific's Proposal

Pacific, which does not now charge for calls made to directory assistance, requests authority to implement a directory assistance charge plan. Under Pacific's proposed plan, customer-dialed directory assistance calls in excess of a monthly free call allowance would be billed at 15 cents per call. Directory assistance calls placed through an "O" operator would be billed at 65 cents per call, with no free call allowance. Where the customer cannot dial directory assistance and must go through an operator, the 65-cent charge would not apply.

Calls to directory assistance outside the subscriber's local area code, directly dialed calls originating at pay stations, calls originating on lines furnished to hospitals for patient use, and calls on lines furnished motels and hotels for guest use would not be subject to a charge. Under the plan, Pacific would also exempt from any directory assistance charges the telephones of subscribers having physical impairments which prevent them from using telephone directories. Pacific would continue to provide, upon request and at no charge, additional directories for exchanges within the subscriber's home area code.

Pacific's timetable would have the proposed directory assistance charge plan fully implemented throughout California within 30 months after approval by this Commission. The recording now employed by Pacific to encourage subscribers to use their directories would be discontinued exchange-by-exchange as the plan is implemented.

Pacific's Goals

Pacific states that its proposed charge plan would achieve the following goals:

1. Distribute more of the cost burden of directory assistance to those customers who generate a greater portion of the cost.
2. Remove the recorded announcement now used to preface directory assistance service.
3. Improve Pacific's cost effectiveness in providing telephone service to the public.
4. Maintain the general level of telephone rates lower than they otherwise would be by reducing the directory assistance costs currently borne by the ratepayers at large.

Public Hearings

A total of 14 days of duly noticed public hearing were held in this proceeding before Administrative Law Judge James F. Haley. On eight of these days, hearings for public witness testimony were held in the evenings or afternoons in the following cities: San Fernando, Santa Ana, Los Angeles, San Diego, Fresno, Sacramento, San Francisco, and Oakland. These sessions were followed by six days of evidentiary hearings held in San Francisco and Los Angeles. The matter was taken under submission upon receipt of concurrent reply briefs on March 10, 1980.

ISSUES

Statement of the Issues

The following issues are involved in this proceeding:

1. Should the cost burden of directory assistance be redistributed among ratepayers?
2. What should be the basis of the free call allowance?
3. Is the proposed charge plan discriminatory?
4. Should there be a concomitant rate reduction?
5. Does the charge plan meet the intent of the Legislature?
6. Does the charge plan conform with Commission policy?
7. Is removal of the directory assistance recorded announcement a bona fide benefit of the charge plan?
8. Is Pacific's certification proposal burdensome and demeaning to the handicapped?
9. Will the charge plan result in the layoff of a large number of operators?
10. Is Pacific's directory service adequate?
11. Was proper notice given in this proceeding?

Redistribution of Costs

The central issue in this proceeding is: Who should pay the costs of directory assistance? Should the general body of ratepayers be required to continue to pay these costs? Or should there be a charge which would result in a greater portion of the costs being borne by the specific customers who cause them to be incurred through a disproportionately high use of directory assistance service?

Pacific takes the position that the customers who generate the costs should bear a more proportionate share of such costs through the implementation of its proposed plan of directory assistance charges. An alternative plan of charges proposed by the staff of the Commission's Communications Division supports this position; however, under the staff plan, directory assistance users would pay a somewhat greater proportion of the costs than under the Pacific plan.

E. J. Macario, the expert witness^{1/} for the Commission staff, recommends that a directory assistance charge plan should be adopted because it would redistribute at least a portion of the costs and because it would encourage efficient and restrained use of the service. Staff counsel, on the other hand, is less enthusiastic and "doesn't believe that the implementation of the DA charge plan is worth the turmoil which would result if the application is granted."

The positions of all the interested parties in this proceeding would seem to favor the status quo, i.e., the present arrangement whereby the general body of subscribers pays for the costs of directory assistance through a rate structure which takes no cognizance of the extent of use by the individual customer.

The cities of San Francisco, Los Angeles, and San Diego (Cities) jointly participated in this proceeding. They favor the goal of more equitably distributing among customers the recovery of the costs of directory assistance. However, they oppose Pacific's proposed plan, contending that it would not achieve this goal but, rather, that it would increase costs for both the ratepayers and Pacific and, in addition, would increase Pacific's net revenue.

California Association of Collectors (CAC) contends that the plan fails to achieve substantially all of the goals advanced

1/ In addition to the opening brief filed by staff counsel, an opening brief was filed by Macario for the Communications Division. The cities of San Francisco, Los Angeles, and San Diego object to the filing of two staff briefs and move that the Communications Division's brief be stricken or, in the alternative, be given "zero weight". Macario entered a proper appearance in this proceeding as the representative of the staff Communications Division; therefore, the motion is hereby denied. We are according Macario's brief the same consideration as the other opening briefs.

by Pacific in justification of its proposal, including the goal of more equitably distributing the costs of directory service among its subscribers. CAC asserts that Pacific's plan would impose a heavy surcharge on the very customers who now bear a greater proportion of the cost for directory assistance in their basic service rates. CAC argues that the plan would not relieve the cost burden from those who make little or no use of directory assistance. CAC further argues that Pacific's directory assistance rate plan, when applied to the collection industry, would be unjust and unreasonable.

CAC proposes, as one of two alternative rate plans, that business customers be charged 50 cents per month for unlimited directory service. We perceive that this CAC proposal would do nothing significant toward more equitably redistributing the cost burden among users. Light users and nonusers of directory assistance would continue to subsidize heavy users within the business and residential classes of service.

Under CAC's other proposed alternative plan, business users would be given the option of purchasing, at a flat monthly rate, unlimited directory service or being included under Pacific's charge-per-call proposal. This proposal is not realistic for the reason that the flat rate would have to be set at an unattractively high level, thus discouraging any significant number of businesses from selecting this option. CAC's calculation of the revenues resulting from this alternative is based on an assumption that at least 20 percent of Pacific's business customers would take the flat-rate option. This assumption has a fatal flaw because only 5 percent of business customers now exceed the proposed 20-call-per-month allowance.

The Communications Workers of America (CWA) argues that Pacific does not know the precise dimensions of its present inequitable cost distribution, i.e., who pays exactly what for how much service. Given this situation, CWA contends that there is no way to determine how the charge plan would adjust inequities; and that, in fact, the majority of customers would continue to subsidize the costs of directory service to an unknown extent.

Pacific conducted studies of the usage distribution of calls to determine who was responsible for generating the major portion of the costs of providing directory assistance. The results of these studies show that a small percentage of the total subscriber body is responsible for generating a large percentage of the costs. Five percent of Pacific's subscribers make in excess of 20 calls per line per month and in so doing generate a disproportionate 40 percent of the home area code directory assistance calls. The customers included within the 5 percent average 33 calls per residence account and 37 per business account. Pacific's studies also show that 59 percent of the requested home area code numbers are listed in the customers' local directories.

While the record does not permit a precise determination of the revenue and cost effects of Pacific's plan, it shows conclusively that the proposed plan would result in an equitable redistribution of a significant portion of the costs, while still satisfying, without additional charges, the vast majority of telephone users' directory assistance requirements by allowing 20 calls per line per month.

Free Call Allowance

The Commission staff recommends that Pacific's application be granted with certain modifications which relate mainly to the basis of determining the free call allowance. Pacific proposes

a monthly allowance of 20 calls per customer line, whereas the staff recommends a monthly allowance of three calls per customer line with a minimum of 20 calls for each customer. In determining the allowance for Centrex systems, both Pacific and the staff would divide the number of stations by 10 to obtain an equivalent number of "lines". The staff allowance for Centrex systems would be considerably smaller. As an example, assume a Centrex system having 1,000 stations. The staff would divide this number by 10 and multiply by three, resulting in a monthly allowance for the system of 300 free calls. Pacific would also divide 1,000 by 10, but it would multiply the result by 20, giving a monthly allowance for the same Centrex system of 2,000 free calls.

Discrimination

Would Pacific's plan be discriminatory in that it generally would allow 20 free directory assistance calls for each subscriber line but would allow only two free calls per month for each Centrex station?

The Cities, all of whom are Centrex customers, contend that the record contains no support for the reduced free call allowance proposed for Centrex service and that therefore the plan would be inequitable, unreasonable, and discriminatory. The Cities, understandably, regard the staff's Centrex proposal as even more objectionable than Pacific's.

A review of this Commission's pricing policy for business telephone service will serve to point up the weakness of the Cities' position on the discrimination issue. The Commission, in pricing business service, has established the following equivalent monthly rates in metropolitan areas for the three main business classes of telephone service:^{2/}

^{2/} The rates quoted are those which were in effect at the time of submission of this matter, March 10, 1980.

1. Individual lines. The monthly rate is \$7.00 per month with an 80 local unit allowance for each such line.
2. PBX trunks. The monthly rate is \$3.50 per month with a zero local call allowance for each such trunk.
3. Centrex. The monthly rate per Centrex exchange access line, i.e., per Centrex station, is 35 cents.

The Centrex equivalent trunk rate of 35 cents per station was established by Decision No. 90309 dated May 22, 1979 in Case No. 10191. In that proceeding, we derived the Centrex station rate by means of the following equation:

$$\frac{\text{PEX trunk rate}}{\text{Average Centrex stations per trunk}} = \frac{\$3.50}{10} = 35\text{c}$$

The divisor of 10 was determined from data which shows that there are an average of 10 stations per PBX exchange access trunk. Centrex service is equivalent to PBX service but it does not employ trunks for exchange access. Accordingly, it is a valid ratemaking rationale that an equivalent number of Centrex "trunks" can be determined by dividing the number of Centrex stations by 10. Thus, the equivalent of two calls per Centrex station, as proposed by Pacific, is a fair and reasonable allowance in relation to the proposed 20 calls per PBX trunk. It is in no sense inequitable and discriminatory as alleged by the Cities. The directory assistance call allowances proposed by Pacific for each class of service are in effect identical.

Concomitant Rate Reduction

The Cities urge that if a charge plan is adopted, the Commission order a concomitant rate reduction for the benefit of nonusers of directory assistance. The Cities contend that any resulting decrease in revenue requirement should be flowed back to

those ratepayers who do not use their free directory assistance allowance; that otherwise the net effect would be to increase Pacific's earnings with no rate reduction for the low volume users of directory assistance.

The Cities take the position that Pacific's request constitutes a rate application but that the showing required by law for the granting of a rate increase is missing. CAC, CWA, and Toward Utility Rate Normalization (TURN) also take substantially the same position. Each of these parties points out that the plan should, but fails to, provide for a concomitant rate reduction.

According to Pacific's schedule of implementation, the charge plan would not be fully effective throughout its service area until about 30 months after the Commission's order. It would thus be 42 months from the effective date of this order before the plan will have been in full force statewide for a one-year period. Pacific would not begin to receive revenue until some time between six and 18 months. According to Exhibit 13, because of nonrecurring start-up costs (to be amortized over a two-year period) and recurring costs, the net revenue effects of the plan would not become positive until some time between the 18th and 30th month.

The exact amount and the precise timing of the ultimate net revenue effect of the charge plan need not and, in fact, cannot be determined at this time. The revenue effect cannot now be determined because it will be a direct function of the resulting repression in usage which will be unknown until after-the-fact measurements are made. At this time, there is no good reason to order a concomitant reduction in rates and no sound basis exists for the determination of such a reduction.

Further, ample opportunity to review the plan and its revenue effects will be afforded in the pending general rate proceeding, Application No. 59849, and during the course of the 1983 review of the charge plan required by Section 776 of the Public

Utilities Code. We expect both Pacific and the staff to develop and analyze fully the cost and revenue effects of the action we are taking today in the course of hearings on Application No. 59249 and in subsequent rate proceedings.

Intent of Legislature

Assembly Bill 3368 signed into law on August 31, 1978, modified Section 776 of the Public Utilities Code to prohibit charging for directory assistance until January 1, 1979. Assembly Bill 43 effective January 1, 1979, which further modified Section 776, permits charging for directory assistance in excess of 20 calls per customer per month; it requires the removal of the recorded announcement when charging is introduced; and it provides for this Commission to review in 1983 the results of any adopted charge plan.

The Cities take the position that the Commission staff and, to a lesser extent, Pacific are attempting to subvert the legislative intent expressed in Section 776. CWA takes a substantially similar position regarding the staff proposal.

The Cities contend that the legislative intent was to give every person who had a telephone in his home or on his desk 20 free directory assistance calls per month. They argue that to base the call allowance on the manner in which a particular telephone is accessed to the public network would subvert the legislative intent by giving an improper connotation to the word "customer". The Cities' argument fails because, as discussed under the issue of "Discrimination", above, the proposed call allowances are in effect identical.

We are of the opinion that Pacific's free call allowance proposal complies with legislative intent. The staff's proposal of three calls per line, on the other hand, appears to fall short

of fully meeting the intent. Accordingly, we will adopt Pacific's free call allowance proposal, and we will reject that of the staff.

Commission Policy

CWA and TURN refer to Decision No. 86082 dated July 7, 1976 and undertake to advance the proposition that in this decision the Commission established policy guidelines for directory assistance charge plans and that Pacific's proposal does not conform to these guidelines. TURN cites a portion of the decision which reads,

"We feel that the use of directory assistance to obtain up-to-date, accurate listings for subscribers who may not have a current listing in the directory is fully legitimate and should continue to be available without charge."

Decision No. 86082 was an interim opinion in Case No. 10085, which was an investigation instituted on the Commission's own motion into the matter of whether California telephone utilities should adopt directory assistance charge plans. That decision limited the scope of our consideration of directory assistance charge plans at that time in that investigation.

During the pendency of the investigation under Case No. 10085, the Legislature enacted Assembly Bill 43 (supra), which amended Section 776 to permit the Commission to authorize a separate charge for directory assistance. As a result, the Commission, in Decision No. 91027 dated November 20, 1979, discontinued the investigation. In that decision we made the following finding:

- "2. Issues involving directory assistance charge plans can be more properly explored in individual utility applications."

Pacific, in response to our expressed intent in Decision No. 91027, has filed this application requesting authority to implement a directory assistance charge plan. No merit attaches to the arguments of CWA and TURN regarding the intention of this Commission. Each has quoted Decision No. 86082 out of context.

The proposed charge plan is a form of use-sensitive pricing. We have heretofore enunciated a policy of favoring use-sensitive pricing in telephone ratemaking. For example, in Decision No. 87584 dated July 12, 1977 we ordered implementation of single-message rate timing for local calls. The decision stated the policy that we seek to distribute the cost of telephone service more equitably among subscribers by requiring those with the greater telephone use to pay proportionately more for their service. Authorization of Pacific's proposed charge plan will further this policy.

Recorded Announcement

To encourage customers to use their directories prior to calling directory assistance, Pacific began the use of a recorded announcement in 1976. The announcement, which refers the customer to the published directory, is imposed upon all users who dial local assistance, before the operator comes on the line.

Although this measure has reduced the number of calls to directory assistance, recent studies by Pacific show that call volumes increased by over 5 percent during the last year.

One of the stated goals of Pacific's charge plan is to remove the recorded announcement. CWA contends that nothing prevents Pacific from removing it forthwith. CWA contends that "Liberation from the recorded announcement is a frivolous goal."

The record does not bear out CWA's contention. Pacific's actual experience indicates that removal of the recording would cause an upsurge in directory assistance calling volumes. The probable results would be twofold; one, Pacific's directory assistance capabilities could be overwhelmed; and two, the costs of providing directory assistance would be further increased. We regard the removal of the recorded announcement as a tangible service improvement which would be made practicable by implementation of the charge plan.

Certification of the Handicapped

Pacific does not intend to charge physically impaired customers who are unable to use telephone directories because of visual or other handicaps. The proposed tariff for directory assistance attached to its application contains the following exemption:

"Physically Impaired. A service may be exempt for Directory Assistance charges if it is provided for the use of an individual who is unable to use a telephone directory due to visual or other physical limitations as determined and certified to by competent authority. Competent authority shall be medical doctors, optometrists, registered nurses, therapists, professional staff of hospitals, and appropriate public agencies. Exemption will be granted upon receipt of a completed exemption form, provided by the Telephone Company, certifying the applicant's impairment. A letter signed by competent authority may be used in lieu of the form. When these conditions are met:

- "(a) Residence service may be exempt when a member of a household cannot use the directory due to a certified visual or other physical impairment.

- "(b) A separately billed business service line may be exempt when it is provided for the use of a person with a certified visual or other physical impairment.
- "(c) A certified physically impaired person may make Directory Assistance calls from any telephone and charge to their own telephone number (3rd No. charge) or to a regular telephone credit card associated with their own telephone number."

Pacific's proposal to use third-party certification drew considerable fire during the hearings. In support of its proposal, Pacific states that the exemption proposal was made in response to requests from various organizations for the handicapped. Pacific also relies on the approval accorded third-party certification in this Commission's Decision No. 90642 dated July 31, 1979 in Application No. 58223. There the Deaf, Counseling, Advocacy and Referral Agency (DCARA) had proposed self-certification to obtain, at reduced rates, teletypewriter service for hearing-impaired and speech-impaired subscribers. In response to that proposal, the Commission stated:

"Because of the wide potential for abuse, not by the handicapped but by others, we cannot authorize self-certification. It is entirely in the interest of the handicapped users to maintain a reasonable system of certification, as extensive abuse can lead only to the termination of the reduced rates. We share the concern of DCARA that certification not be more complicated or costly than necessary."

In the present proceedings, the opponents of a program of third-party certification contend, variously, that such a program would be degrading; that it would be an unconstitutional invasion of the ratepayer's right to privacy; and that the program would require development of a handicapped-persons list, which could be compromised.

We do not find merit in any of the above contentions against third-party certification; however, we perceive that such certification would be inconvenient as well as relatively expensive. We are dealing here with service considerations and costs entirely different in nature and magnitude from those presented in the matter of reduced rate teletypewriter service. In directory assistance we have a service which is almost universally used and which is now available at no extra charge. In these respects it contrasts with teletypewriter service, which, in each individual case, involves significant original equipment costs and continuing maintenance costs. Given these considerations, teletypewriter service is not a reasonable area in which to have self-certification because the economic effects of abuse of self-certification by the nonhandicapped could be significant.

Unlike teletypewriter service, directory assistance appears to be an area where self-certification would be workable and, indeed, highly desirable. The record indicates that abusers of self-certification for directory assistance would not have a significant effect on Pacific's revenues; therefore, the order herein will provide for self-certification by handicapped persons. Pacific's experience with this self-certification provision will be reviewed by the Commission and will be subject to change should it develop that abusers of self-certification produce a cost burden for the general ratepayer.

Operator Layoff Effects

The Cities, TURN, and CWA contend that Pacific's estimate of repression of directory assistance call volumes is too low and, hence, it underestimates the reduction in operator positions which would result from the plan. CWA asserts that Pacific's estimated repression factor of 3 to 10 percent is out-of-line with the actual

experience of the Bell operating companies which have implemented directory assistance charge plans. CWA alleges that in 10 jurisdictions where charge plans have been authorized, repression has ranged from 43 to 60 percent.

CWA represents approximately 5,000 directory assistance operators in California. Using repression levels of 3 to 10 percent, Pacific estimates that from 150 to 500 of those operators would be affected but that no layoffs would result. CWA, using what it regards as more realistic repression levels, introduced testimony to the effect that as many as 3,500 workers could be displaced, a number that would trigger layoffs. CWA argues that charge plans have drastic employment effects and that the burdens placed upon its members would far outweigh any benefits accruing to either the general ratepayer or to Pacific.

We are not convinced of the validity of CWA's repression estimates. Basically, CWA averaged repression estimated related to the introduction of directory assistance charge plans in a number of other state jurisdictions. The record indicates that the circumstances in those jurisdictions are sufficiently different to prevent them from being relied upon as representative of the California situation. In particular, none of the jurisdictions in the CWA sample had a recording prior to the implementation of the charge plan, and the majority had a call allowance of five and a charge of 20 cents. We are of the opinion, therefore, that the repression level of 55 percent estimated for California by CWA's Mr. Glynn is unrealistically high.

Although repression cannot be foretold closely enough for accurately predicting the revenue effects of the charge plan, a reasonable estimate of the order of magnitude of repression may be made for purposes of evaluating probable operator layoff effects

on the Pacific system. The record shows that Pacific's estimate of a repression range of from 3 to 10 percent for its California operations is based upon extensive study and research. We are of the opinion that it may reasonably be relied upon for purposes of evaluating the effects of the charge plan on operator force.

The record also shows that directory assistance call volumes in California are now 15 to 20 percent lower than they would be had not Pacific implemented the directory assistance recording.^{3/} Pacific estimates that directory assistance volumes under its proposed charge plan will thus be in the range of 18 to 30 percent less than such volumes would be without the recording and the charging.

Adequacy of Directory Service

A number of the interested parties, in particular TURN and CAC, question the adequacy of Pacific's directory service, contending, in effect, that the charge plan should not be authorized because of the shortcomings of the published directories. These shortcomings may be broadly categorized as follows:

- (1) The directories are published once per year. They are never completely current, even when newly distributed.

^{3/} As Pacific points out, the net directory assistance expense savings that resulted from use of the recording were reflected in the test year results adopted by the Commission in Pacific's general rate Application No. 55492. Thus, the savings were passed on to Pacific's ratepayers in the form of rates at a level lower than otherwise would have been authorized.

- (2) A considerable portion of all directory assistance requests relate to listings not found in the subscriber's local directory, and the set of directories needed to blanket a subscriber's area code would be difficult to manage.
- (3) At times, some directories may not be available upon the request of the subscriber.

With respect to the first category of shortcomings, it would be impossible to achieve completely current directories, even by publishing directories at more frequent intervals, and no basis is provided by this record for requiring more frequent directory publication. CAC and the Commission staff, however, propose a possible solution for large business users in the form of a fee service which would provide microfilms of the directory supplements utilized by Pacific to update directory assistance operator records. Pacific counters that Mountain Bell Telephone in Utah offered such a service, but it was discontinued because of a lack of use.

Pacific states that it has initiated a market survey to determine whether heavy users of directory assistance would desire an alternative method of obtaining telephone numbers. This survey is intended to identify the type of service which could be successfully used as a supplement to directory service for heavy users. Pacific contends that such a survey is necessary to avoid a marketing failure similar to that which occurred in Utah. Through this process Pacific states that it will be able to determine whether there is sufficient demand for directory supplements without incurring the expense of what could prove to be an unsuccessful trial.

As a compliance item in this decision, we will require Pacific to file with the Commission the results of its survey.

The Commission staff is hereby directed to review those results and to monitor the operation of any directory supplement service which Pacific may undertake to offer. The Commission will evaluate the efficacy of any directory supplement program established as part of the 1983 review mandated by the Legislature in Section 766 of the Public Utilities Code.

Regarding the second category of directory service shortcomings, Pacific holds itself out to provide upon request, at no charge, copies of any and all directories within a customer's area code. As opponents of Pacific's proposal point out, the number and bulk of the directories for some area codes would, in their aggregate, be cumbersome. However, the typical residential or business user certainly does not require such an array of directories. The user who does is the exception rather than the rule, and it should not be out of reason to expect that the user with such a wide-ranging calling pattern would be able to accommodate and to utilize effectively the directories he regards as necessary.

David Michael Vartanoff appearing for himself, stated that the multiple directory problem might be mitigated by using a "borough plan for directory assistance, similar to that employed by the New York Telephone Company."^{4/} He testified that:

4/ The Commission takes official notice of New York Telephone Company Tariff P.S.C. No. 800-Telephone, as on file with the New York Public Service Commission. That tariff provides for a charge for all calls to directory assistance in excess of a three-call allowance. However, prior to the effective date of that tariff, September 1, 1975, there was no charge plan in New York for directory assistance service.

"Under the plan, '411' is used only for assistance finding numbers within a borough, rather than within the entire 212 area code. Directory assistance for other boroughs within the area code was reached by dialing 555-1212. Since New York, because of its immense population, has several white pages directories for its five boroughs, callers were saved the need for keeping multiple telephone books at hand."

TURN urges implementation of a form of Vartanoff's suggestion whereby Pacific would program its electronic switching systems (ESS) to eliminate charges for numbers not contained in a caller's local directory. The evidence of record indicates that ESS machines could not be programmed to make the necessary differentiation without a redesign of the machines.

In its opening brief TURN also urges an alternative ESS program (also suggested by Vartanoff) which would entail the establishment of two information numbers, one of which would be for numbers outside the caller's local directory. Directory assistance calls made to that number would not be subject to a charge. The record indicates that Pacific conducted research on this alternative and, as a result, concluded that it would be more expensive to implement than the plan proposed herein. Pacific points out that, in addition to its cost, this alternative program would fail to promote the goal of cost redistribution. If such numbers could be obtained without charge, it would diminish the plan's capability of redistributing the cost of directory assistance to the users responsible. Under Pacific's proposal only 5 percent of the subscribers would incur directory assistance charges; therefore, even though requests for numbers outside a caller's local directory would not be exempted, the great majority of subscribers would not be charged for such calls because they do not exceed the free allowance.

Regarding the third category of directory service shortcomings, Pacific in its proposal states that all telephone directories in a user's area code "will be provided upon request, subject to availability." The evidence indicates that at times certain directories may not be available through no fault of the subscriber. The order herein will require Pacific to record by directory edition the number of requests under this holding out which are not fulfilled on account of "nonavailability". The Commission will evaluate such records as a part of the 1983 review required by Section 766.

We are of the opinion that Pacific's present directory service is, overall, adequate and reasonable. Nothing in this record supports a contrary finding. The level and kind of service now provided by Pacific is consistent with the proposed charge plan.

Notice

TURN raises the question as to whether proper notice was given in this proceeding because Pacific's customers were not notified of the times, dates, and places of hearing by bill insert.

Rule 24 of the Commission's Rules of Practice and Procedure governs in this instance. That rule requires that customers be notified of the filing of applications by bill inserts. The facts are that Pacific after filing on June 6, 1979 the application we are here considering, completed the mailing of the required bill inserts on July 17, 1979. The bill inserts advised Pacific's customers to contact this Commission if they desired notification of the hearings.

The rule governing notification of hearings for applications is Rule 52(2) and (3). Part (2) requires the utility to give notice of hearings:

"...not less than five nor more than 30 days before the date of hearing, to entities or persons who may be affected thereby, by posting notice in public places and by publishing notice in a newspaper or newspapers of general circulation in the area or areas concerned, of the time, date, and place of hearing. Proof of publication and sample copies of the notices shall be filed at or before the hearing."

Pacific complied with this requirement and filed proof of such compliance with the Commission. Part (3) of Rule 52 requires applicants to provide such additional notice as required by the presiding officer. At the prehearing conference, the presiding Administrative Law Judge instructed Pacific to respond by letter to those persons who had requested either Pacific or the Commission to notify them of the time and place of hearings in the matter. Pacific was also requested to distribute announcements of the public hearings to radio stations. Pacific complied with this request, and it furnished the Commission with a copy of the announcement and a list of the radio stations contacted.

Findings of Fact

1. Growth in directory assistance call volumes and the effects of inflation have substantially increased the costs of providing directory assistance service.
2. The costs of providing directory assistance service are part of Pacific's operating expenses which are allowed for ratemaking purposes.
3. Under present arrangements, the costs of directory assistance service are borne by the general body of ratepayers without proper consideration being given to individual use of the service.

4. A very small percentage of Pacific's customers make a disproportionately large number of calls to directory assistance and, thus, make an excessive contribution to the costs of the service.

5. Of the total volume of home area code directory assistance calls, the majority are requests for listings available in the customer's local directory.

6. Pacific's use of a recorded announcement to encourage customers to use their directories prior to calling directory assistance has significantly reduced the rate of growth in directory assistance call volumes.

7. Charging for directory assistance will be more equitable than present arrangements because more of the cost burden of the service will be distributed among those customers who generate a greater portion of the cost. To the extent that heavy users are charged for directory assistance calls in excess of their monthly allowance, the cost of the calls thus charged will no longer be a burden on those who make little or no use of directory assistance.

8. Implementation of the charge plan will permit Pacific to remove the recorded announcement without causing a concurrent upsurge in directory assistance call volumes.

9. The proposed charge plan will improve the effectiveness of the expense dollars used to provide directory assistance service.

10. Charging for directory assistance will keep basic telephone rates lower than they otherwise would be by reducing the directory assistance subsidy now being paid by the general body of ratepayers.

11. The charge plan will encourage customers to use their local directories, thereby reducing the cost of providing directory assistance.

12. No concomitant rate reduction is necessary at this time. The reduction in the cost of directory assistance and any net revenue increase resulting from the charge plan will be reflected in the results of operations used by the Commission to determine Pacific's net revenue. As the plan is implemented, exchange-by-exchange over an extended period of time, expenses will drop and net revenues increase. While the resulting change in net revenue may not be large in relation to Pacific's overall operations, its effect will be to reduce Pacific's additional revenue requirement in any future rate proceeding. Thus, the present directory assistance subsidy paid by the general body of ratepayers will be reduced.

13. Pacific's proposed basis for determining the free call allowance is reasonable and is consistent with Public Utilities Code Section 776.

14. A monthly allowance of two free directory assistance calls per Centrex station is not discriminatory.

15. The proposed charge plan is consistent with the enunciated telephone regulatory policies of this Commission and, in particular, with the policies stated in Decisions Nos. 86082, 87584, and 91027.

16. Pacific's estimates of the repression and revenue effects of the proposed plan are reasonable and are adopted for purposes of this decision.

17. Charging for directory assistance calls according to the proposed plan should not result in the layoff of a significant number of operators.

18. The record herein indicates that self-certification by the handicapped will have no significant effect on Pacific's revenues.

19. Self-certification will be more convenient for the handicapped subscriber than third-party certification.

20. Pacific's directory service is adequate, and it does not present inadequacies which would bar the Commission from authorizing the proposed charge plan.

21. Proper notice to the public was given by Pacific. Pacific fulfilled all notice requirements for this proceeding.

22. The charge plan and the included rates authorized by this decision are justified and are reasonable. Present rates and charges, insofar as they differ from those prescribed by this decision, are, for the future, unjust and unreasonable.

Conclusions of Law

1. The Commission should authorize Pacific's proposed directory assistance charge plan as modified by the order herein because it meets the requirements of Section 776 of the Public Utilities Code.

2. Pacific's experience with self-certified exemption for the handicapped should be reviewed by the Commission in connection with the 1983 review of the charge plan required by Section 776 of the Public Utilities Code.

3. Pacific should be required to maintain records by directory editions of the number of home area code directory requests which are not fulfilled.

4. Pacific should be ordered to file with the Commission the results of the market survey it has undertaken regarding a supplement to directory service for heavy users of directory assistance.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is authorized to file with this Commission, within ten days of the effective date of this order and in conformity with the provisions of General Order No. 96-A, revised tariff schedules to establish the directory assistance charge plan proposed in its application, modified, subject to staff approval, to provide for self-certification by the handicapped for exemption purposes, and to progressively apply the revised tariffs throughout its service territories to be completed by December 31, 1982. The effective date of the revised tariffs shall be no less than ten days after the date of filing.

2. Pacific shall maintain records by directory editions of the number of home area code directories not provided although requested by subscribers.

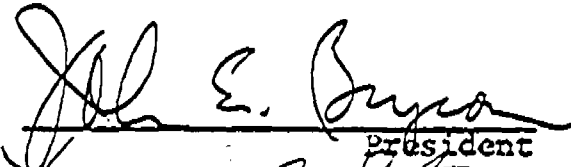
3. By December 31, 1980 Pacific shall file with the Commission's Docket Office, as a compliance filing in this proceeding, an original and 12 conformed copies of the results of its current market survey regarding supplemental directory service for heavy users of directory service, and Pacific shall serve a copy on all appearances to this proceeding.

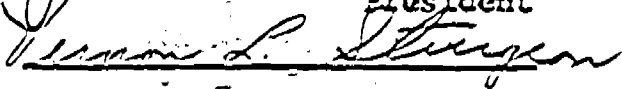
4. By January 1, 1983 Pacific shall file with the Commission's Docket Office, as a compliance filing in this proceeding, an original and 12 conformed copies, with copies served on all appearances to this proceeding, of a report on the effects of the directory assistance (D:A.) charge plan authorized herein covering the following:

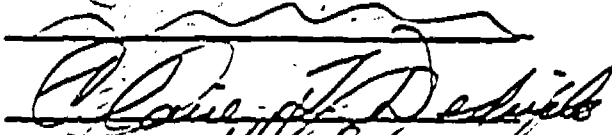
- a. Effects on D.A. call volumes and costs.
- b. Customer charges for D.A. service both in total and charge distribution by number of customers.
- c. Customer acceptance.
- d. Pacific's recommended modifications to the plan.

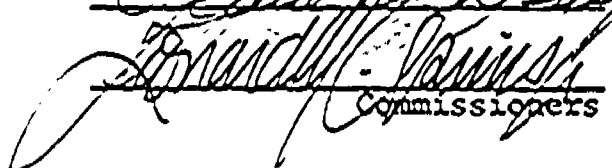
The effective date of this order shall be thirty days after the date hereof.

Dated APR 19 1980 , at San Francisco, California.



President






Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

LIST OF APPEARANCES

Applicant: Christopher L. Rasmussen and Cathy L. Valentine, Attorneys at Law, for The Pacific Telephone and Telegraph Company.

Protestants: Virgil Ed Duncan, Greg Roberts, and Buddy Kindle, for themselves.

Interested Parties: Robert S. Lukenbill and Michael A. Colicigno, for the County of Los Angeles; Linda S. Robertson, Attorney at Law, for David M. Vartanoff; David Michael Vartanoff, for himself; Burt Pines, City Attorney by Ed Perez, Deputy City Attorney, for City of Los Angeles; Edmond F. Bishop and Ruth Benson, Attorney at Law, for Communications Workers of America; Ann Murphy, Attorney at Law, for Toward Utility Rate Normalization; John Bessey, Attorney at Law, for the California Association of Collectors; John W. Witt, City Attorney, by William S. Shaffran, Deputy City Attorney, for the City of San Diego; George Agnost, City Attorney, by Leonard L. Snaider, Deputy City Attorney, for City and County of San Francisco; William L. Knecht, Attorney at Law, for the California Interconnect Association; Lawrence Marcelino, for the California Council of the Blind; Jim McGinnis, for the National Federation of the Blind; and Rivka Sigal and Edward L. Blincoe, for themselves.

Commission Staff: Elinore C. Morgan, Attorney at Law, Tibor I. Toczauer, and Ermet Macario.

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COMMISSIONER CLAIRE T. DEDRICK, concurring:

I concur.

Misuse of the Directory Assistance Service by a minority of telephone customers is a recorded fact. In an effort to prevent this misuse, the recorded message was adopted. This method wastes customer and system time and penalizes the majority of customers for the benefit of a few.

The present order follows legislative direction and allows 20 free calls to 411 and no recorded message. The record shows that only 5% of customers make more than 20 directory assistance calls and that these account for more than 40% of all directory assistance calls.

Currently all ratepayers pay for this misuse by the minority of customers. This order makes sure that the user, not the general ratepayer, pays.

Claire T. Dedrick

CLAIRE T. DEDRICK
Commissioner

San Francisco, California
August 19, 1980

*I join in Commissioner Dedrick's
concurrency*

Vernon L. Sturgeon