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Decision 93655 OCT 20 1981**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 authority to increase certain)
intrastate rates and charges)
applicable to telephone services)
furnished within the State of)
California.)

Application 59849
(Filed August 1, 1980;
amended August 28, 1980
and October 14, 1980)

In the Matter of the Application of)
THE PACIFIC TELEPHONE AND TELEGRAPH)
COMPANY, a corporation, for authority)
to increase certain intrastate rates)
and charges applicable to telephone)
services furnished within the State)
of California.)

Application 59269
(Filed November 13, 1979;
amended November 15, 1979)

Re Advice Letter (PT&T) No. 13640)
to reprice certain telephone)
terminal equipment and Resolution)
No. T-10292 granting approval of)
said changes.)

Application 59858
(Filed August 1, 1980)

In the Matter of Advice Letter)
Filing No. 13641 of THE PACIFIC)
TELEPHONE AND TELEGRAPH COMPANY)
for authority to increase)
certain rates for key telephone)
service by \$30.1 million.)

Application 59888
(Filed August 19, 1980)

Investigation on the Commission's
own motion into the rates, tolls,
rules, charges, operations, costs,
separations, inter-company settle-
ments, contracts, service, and
facilities of THE PACIFIC TELEPHONE
AND TELEGRAPH COMPANY, a California
corporation; and of all the tele-
phone corporations listed in
Appendix A, attached hereto.

OII 63
(Filed December 18, 1979)

Investigation on the Commission's
own motion into the rates, tolls,
rules, charges, operations, costs,
separations, inter-company settle-
ments, contracts, service, and
facilities of THE PACIFIC TELEPHONE
AND TELEGRAPH COMPANY, a California
corporation; and of all the tele-
phone corporations listed in
Appendix A, attached hereto.

OII 81
(Filed August 19, 1980)

ORDER MODIFYING DECISION 93367 AND
DENYING REHEARING THEREOF

On August 21, 1981, Continental Telephone Company (Continental) filed a petition for modification of D.93367. On September 2, 1981, the City of San Diego and the City and County of San Francisco (Cities) jointly filed a petition for rehearing or modification. On September 17, 1981, Pacific Telephone and Telegraph Company (Pacific) filed response to the Cities' petition asking that it be denied in full.

We have carefully considered each and every allegation of error in these petitions and are of the opinion that good cause has not been shown for granting rehearing of D.93367.

However, the enactment of the Economic Recovery Tax Act of 1981 (H.R. 4242) carries with it the potential of significant changes in ratemaking policies, particularly for utilities such as Continental, whose rates are currently set on a flow-through basis. We are convinced that, while this issue is being considered, Continental should not be required to reduce its billing surcharge (as currently provided in Ordering Paragraph 12) by its increased settlement revenues, but should be authorized to continue to collect its billing surcharge, subject to refund. Therefore,

IT IS ORDERED, that D.92367 is hereby modified as follows:

1. Finding of Fact No. 116 shall read in full as provided below:

"Because Continental was authorized an annual revenue increase based on a 1981 test year by D.92804 dated March 17, 1981, we will order Continental to establish a negative annual surcharge of \$9,000,000 to reflect the increase in annual settlement revenues resulting from this decision and authorize Continental to retain such surcharge revenues in a balancing account pending the Commission's determination of ratemaking changes required for Continental as a result of H.R. 4242 (Economic Recovery Tax Act of 1981).

2. Ordering paragraph 12 shall be modified to read as follows:

"Continental shall calculate a negative billing surcharge applicable to its recurring local exchange billings in the amount of \$9,000,000 per year to reflect increased settlement revenues it will receive from intrastate toll service and extended area service by the rate increases granted, effective on the date such rate increases are put into effect; and Continental shall collect and hold in a balancing account that portion of its local exchange revenues which is equal to such negative

surcharge, to be applied to any revenue deficiency which might result from the Commission's determination of ratemaking changes required for Continental as a result of H.R. 4242 or for such other purpose or purposes as may be ordered by the Commission.

Interest on said account shall accrue and be calculated in accordance with D.91269."

3. Rehearing of D.93367 as modified herein is hereby denied.

This order is effective today.

Dated OCT 20 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW

I certify that this decision was approved by the above Commissioners today.

John E. Bryson

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