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Decision __93851__ DEC 1 5 1981   ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
GENERAL TELEPHONE COMPANY OF)
CALIFORNIA, a corporation, for)
authority to increase certain intra-)   Application No. 60340
state rates and charges for)
telephone service.)
_____)

In the Matter of the Investigation)
on the Commission's own motion into)
the rates, tolls, rules, charges,)
operations, costs, separations,)   OII No. 88
practices, contracts, service, and)
facilities of GENERAL TELEPHONE)
COMPANY OF CALIFORNIA, a California)
corporation; and of the PACIFIC)
TELEPHONE AND TELEGRAPH COMPANY)
a California corporation; and of)
all the telephone corporations)
listed in Appendix A, attached)
hereto.)
_____)

ORDER MAKING REVENUES SUBJECT TO REFUND PENDING
FINAL DETERMINATION OF THE RATEMAKING EFFECTS OF
THE ECONOMIC RECOVERY TAX ACT OF 1981

On October 22, 1981 the Commission staff filed a
petition to reopen these proceedings for the purpose of receiving
additional evidence relative to the impact of the Economic
Recovery Tax Act of 1981 (ERTA) on test year 1982 and 1983
operations of General Telephone, including evidence concerning
the impact on General's rate of return and cash flow. The
staff alleges that the record in OII 24 discloses General's
revenue requirement will be reduced as a result of ERTA, but
that the amount of such reduction has not been adequately
established either in OII 24 or on the record in this proceeding.
Staff recommends that revenues be collected subject to refund

from January 1, 1982 pending final determination of the rate-making effects of ERTA.

General opposes staff's petition to reopen on the grounds that such action might delay the issuance of a final decision in this proceeding. General also opposes staff's recommendation that revenues be collected subject to refund pending final determination of the ratemaking effects of ERTA. In opposition to this recommendation General alleges that the decision in Application 60340 must also be issued and effective by January 1, 1982 in order to comply with the normalization requirements of the Act. General alleges that,

> "Rates cannot be subject to refund prior to the
> effective date of the General Rate Order if
> the benefits provided by the 1981 Tax Act are
> to be preserved."

On December 3, 1981 staff's petition to reopen this proceeding was granted by Administrative Law Judge ruling. This ruling will provide an opportunity for all parties to address the ratemaking effects of ERTA without delaying our final disposition of Application 60340.

Evidence introduced to date in both this proceeding and OII 24 indicates that General's revenue requirement will be reduced as a result of ERTA. To preserve the opportunity to order rate reductions prospectively from January 1, 1982 in the event we find such refunds to be necessary, revenues should be collected subject to refund pending final determination of the effect of ERTA. General's argument that this action will jeopardize its eligibility for the benefits of ERTA is unpersuasive. Section 201 of the Act restricts its benefits to utilities which use a normalization method of accounting. General is in full compliance with this requirement. Making revenues collected on and after January 1, 1982 subject to refund pending our final determination of the effect of ERTA will not alter General's method of accounting in any way. General presently uses a normalization method of accounting

2

and will continue to do so pending our final decision on
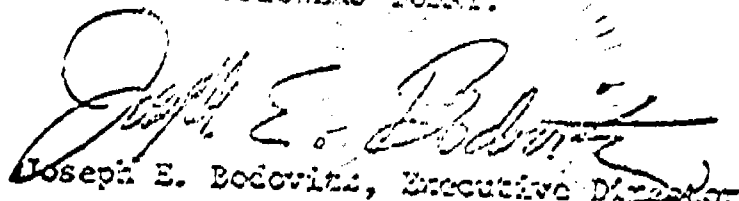Application 60340. Therefore,

IT IS ORDERED that revenues collected by General
Telephone Company of California shall be collected subject to
refund from January 1, 1982 pending final determination of the
ratemaking effects of the Economic Recovery Tax Act of 1981.

This order is effective today.

Dated _____ DEC 15 1981 _____, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D CRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

Joseph E. Bodovitz, Executive Director