

NOV. 22 1995

Decision 95-11-061 November 21, 1995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GTE California)
 Incorporated (U 1002 C), pursuant)
 to D.90-10-039, for modification of)
 D.90-10-039, for modification of)
 D.88-09-030 and D.89-12-048 to)
 eliminate the requirement for annual)
 rate adjustment filings to reflect the)
 impact of the Uniform System of)
 Accounts Rewrite and for modification)
 of Resolution T-15696 to eliminate the)
 Uniform System of Accounts adjustment)
 required therein of \$11.527 million)
 for 1995.)

ORIGINAL

Application 95-02-011
(Filed February 17, 1995)

Application of Pacific Bell (U 1001 C))
 for modification of Decision 88-09-030,)
 Decision 89-12-048, and Resolution)
 T-15695, to eliminate Uniform System)
 of Accounts turnaround adjustments.)

Application 95-05-018
(Filed May 5, 1995)

INTERIM OPINION

GTE California Incorporated (GTEC) and Pacific Bell filed separate applications for authority to eliminate their Uniform System of Accounts (USOA) "Turnaround Adjustment" effective January 1, 1995. The turnaround adjustment is a reduced revenue requirement which resulted from adoption of the Federal Communication Commission's (FCC) USOA, pursuant to Decision (D.) 87-12-063 (26 CPUC2d 349 at 372 (1987)). This reduced revenue requirement resulted from the change of capitalized indirect construction cost being expensed.

By D.88-09-030 (29 CPUC2d 313 (1988)), GTEC and Pacific Bell were required to file USOA turnaround revenue requirement impacts in their next attrition filing and to continue the adjustment annually until their next general rate filing. Subsequently, with the implementation of the New Regulatory

Framework (D.89-10-031 33 CPUC2d 43 (1989)), the annual turnaround adjustments were made in the utilities price cap filings. Such adjustments were made in the utilities price cap filings for the years 1991 through 1994.

However, neither GTEC nor Pacific Bell proposed a turnaround adjustment in their respective 1995 price cap filing. Subsequently, Resolution T-15695, dated December 21, 1994, concluded that Pacific Bell's price cap filing was not the appropriate procedural mechanism to eliminate the USOA turnaround adjustment. The resolution stated that if Pacific Bell wants to remove the USOA turnaround then it should file an application with complete and detailed reasons for elimination of the adjustment. A similar conclusion and recommendation was made for GTEC, pursuant to Resolution T-15696.

Both GTEC and Pacific Bell believe that the economic benefit ratepayers have received as a result of the turnaround adjustment made throughout year end 1994 is greater than the ratepayers would have received from revenue requirement savings resulting from the USOA capital to expense shifts under traditional ratemaking.

Petitions for rehearing of Resolution T-15696 dated December 30, 1994, and Resolution T-15695 dated January 26, 1995, were filed by GTEC and Pacific Bell, respectively. Both utilities have requested that they be allowed to recover their 1995 turnaround adjustments if they establish through subsequent applications that the ratepayers benefit obligation had been fully met.

The utilities have complied with Resolutions T-15695 and T-15696 through their filing of the separate applications now before us, and consolidated pursuant to an Administrative Law Judge ruling at a July 7, 1995, prehearing conference. Decisions are pending on the utilities' petitions for modification of the resolutions for authority to recover their 1995 turnaround

adjustments, if they establish that the ratepayer benefit obligation had been fully met. That should not be an issue in this consolidated proceeding.

On August 1, 1995, GTEC, Pacific Bell, and the Division of Ratepayer Advocates (DRA) filed a joint motion to stay GTEC's and Pacific Bell's 1996 rate reductions associated with the turnaround adjustment. The joint motion also requests that GTEC and Pacific Bell be authorized to establish interest bearing memorandum accounts for the amounts that otherwise would flow through to their ratepayers, until a final order is issued in this proceeding.

GTEC, Pacific Bell, and DRA filed the joint motion because the procedural schedule adopted in this proceeding makes it extremely unlikely that a final order addressing the merits of the applications will be issued prior to January 1, 1996, when the next turnaround adjustment must be made.

GTEC, Pacific Bell, and DRA concur that approval of their joint motion will not prejudice or disadvantage the utilities or the ratepayers. If GTEC and Pacific Bell are required to reduce their rates as of January 1, 1996, and the Commission subsequently concludes that their applications have merit, it may be difficult, if not impossible, or legally permissible, for the Commission to authorize GTEC and Pacific Bell to recover any amounts returned to ratepayers prior to the effective date of the Commission's order. At the same time, implementation of memorandum accounts to accumulate the amounts ratepayers would otherwise have received beginning January 1, 1996, will fully protect ratepayers from any harm that might otherwise occur from granting the requested stay.

No party opposed GTEC's, Pacific Bell's, and DRA's joint motion to stay the 1996 USOA adjustments or to establish a interest bearing memorandum account for the turnaround adjustment. Hence, to avoid any prejudice or disadvantage to the utilities or to the ratepayers, the joint motion should be granted pending a final

order in this consolidated proceeding. The request granted is in the public interest and should be made effective upon the date signed.

Findings of Fact

1. GTEC, Pacific Bell, and DRA filed a joint motion to stay the utilities 1996 rate reductions associated with the turnaround adjustment and to authorize the utilities to establish interest bearing memorandum accounts for the amounts that otherwise would flow through to their ratepayers until a final order is issued in this proceeding.

2. The proposed schedule adopted in this proceeding makes it extremely unlikely that a final order addressing the merits of the applications will be issued prior to January 1, 1996, when the next turnaround adjustment must be made.

3. Approval of the joint motion will not prejudice or disadvantage the utilities or the ratepayers.

4. No party opposed the joint motion.

5. The request contained in joint motion is in the public interest and should be made effective upon the date signed.

Conclusion of Law

The joint motion of GTEC, Pacific Bell, and DRA should be granted.

INTERIM ORDER

GTE California Incorporated and Pacific Bell shall establish interest-bearing memorandum accounts for the 1996 Uniform System of Accounts turnaround adjustment that they would otherwise flow through to their ratepayers in their respective price cap filings. Interest shall accrue at 1/12th of the average 3-month commercial paper rate for that month as published in the Federal Reserve Bulletin. The memorandum accounts shall continue in

existence until a final order is issued in this consolidated proceeding.

This order is effective today.

Dated November 21, 1995, at San Francisco, California.

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners