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Decision 96-11-006 November 6, 1996

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.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.)

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

ORIGINAL

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 ON MODIFICATION
OF DECISION 95-11-061

GTE California Incorporated (GTEC) and Pacific Bell filed a joint petition to modify Decision (D.) 95-11-061 to suspend any further Uniform System of Accounts rewrite (USOAR) step-down rate reductions until the Commission rules on the merits of the utilities applications for authority to eliminate their annual step-down reductions.

We already authorized a stay of the utilities' 1996 USOAR step-down rate reductions pending a final order on their applications, pursuant to D.95-11-061. At the time, all parties expected an order on the utilities' applications to be issued by year end 1996. The utilities are optimistic that this will occur. However, 1996 is drawing to an end and, absent Commission authority to eliminate or postpone their annual step-down adjustment, the

utilities are required to include another step-down adjustment in their next price cap filing to be effective January 1, 1997. Because a final order on the applications and the due date for the utilities annual price cap filings may overlap, the utilities are concerned about the harm they will suffer if a decision is delayed beyond that date and if they were required to implement another step-down rate reduction on January 1, 1997.

The Office of Ratepayer Advocates (ORA)¹ filed a October 16, 1996, response opposing "an indefinite suspension of the rate reductions that would flow through to ratepayers as a result of the USOAR turnaround adjustment." The ORA concludes that GTEC and Pacific Bell have not presented a reasonable proposal to alleviate their concern that the Commission will be unable to issue a decision on their applications by the beginning of 1997.

Contrary to ORA's belief, the grant of the utilities' request will not result in an indefinite suspension of the USOAR turnaround adjustment. Evidentiary hearings on the applications were completed on October 18, 1995, and the matter was submitted upon receipt of reply briefs on December 8, 1995. A proposed order to be issued for comments is pending. Unless all parties waive their right to comment on the proposed order, a final order may not be issued until the first quarter of 1997, shortly after the utilities annual price cap filings are tendered with the Commission and made effective.

The utilities are already required to maintain a interest-bearing memorandum account to track the step-down amounts

¹ By action of the Executive Director, the Commission's Division of Ratepayer Advocates ceased to exist as a staff unit on September 10, 1996. The functions it performed as a participant in this proceeding now reside with the Commission's Office of Ratepayer Advocacy.

that would otherwise have been returned to ratepayers. The inclusion of the 1997 step-down adjustments in the interest-bearing memorandum account will not adversely impact the utilities or ratepayers. Hence, the utilities' petition should be granted to the extent that it is limited to the 1997 step-down adjustment pending a final order on the applications in this proceeding.

Findings of Fact

1. GTEC and Pacific Bell filed a joint petition for authority to suspend further USOAR turnaround adjustment pending further Commission order and to continue to record in interest-bearing memorandum accounts the amounts that would otherwise be returned to their ratepayers.
2. A final order in this consolidated proceeding is pending.
3. The ORA opposed the joint motion.
4. Approval of the joint motion pending a final order in this consolidated proceeding will not prejudice or disadvantage the utilities or the ratepayers.

Conclusion of Law

1. The joint motion of GTEC and Pacific Bell should be granted to the extent authorized by the following order.
2. Because of the imminence of the date for filing the next USOAR turnaround adjustment, this decision should be made effective upon the date signed.

INTERIM ORDER

IT IS ORDERED that:

1. Decision 95-11-061 shall be modified to authorize GTE California Incorporated (GTEC) and Pacific Bell to exclude their Uniform System of Accounts rewrite (USOAR) rate reductions from their 1997 price cap filings pending a final order in this consolidated proceeding.

2. GTEC and Pacific Bell shall include their 1997 USOAR turnaround adjustment in their respective memorandum accounts that they would otherwise flow through to their ratepayers in their respective price cap filings and shall accrue interest at 1/12th of the average 3-month commercial paper rate for that month as published in the Federal Reserve Bulletin pending a final order in this consolidated proceeding.

This order is effective today.

Dated November 6, 1996, at San Francisco, California.

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