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Decision 98-05-004 May 7, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Petition for Modification of
Resolution T-16090 filed by GTE California
Incorporated (U-1002-C).

Application 98-02-011
(Filed February 6, 1998)

O P I N I O N

This decision denies GTE California Incorporated's (GTE) petition to modify Resolution T-16090 (Petition). In its Petition, GTE requested that Resolution T-16090 be modified to reimburse GTE for \$57,169 in Management Incentive Program costs associated with GTE employees working on the Deaf and Disabled Telecommunications Program (DDTP).

Background

On December 16, 1997, the Commission issued Resolution T-16090 which adopted a 1998 budget of \$48.7 million for the DDTP. The DDTP budget provides funds to reimburse the DDTP Administrative Committee and participating utilities for costs they incur to support the DDTP.

In establishing the 1998 budget for the DDTP, Resolution T-16090 disallowed \$57,169 requested by GTE to fund employee compensation provided under GTE's Management Incentive Program (MIP) to GTE personnel working on the DDTP. The reason for the disallowance was as follows:

"GTE charges the DDTP for a [MIP]. The computation of that award is based on the overall performance of the Company. The exact amounts are based on the achievement of certain Team Measures and Core Measures. In response to a [Telecommunications Division] data request, GTE listed 10 factors that were used to determine the payout of the awards. TD was unable to relate any of these factors to the work performed on behalf of the DDTP. We will therefore

disallow the payment of MIP awards to GTE by the DDTP. The result of this is to disallow \$57,169 from GTE's 1998 labor expense budget." (Resolution T-16090, mimeo., p. 32.)

On February 6, 1998, GTE filed its Petition to restore the \$57,169 disallowed by Resolution T-16090.¹ There was no response to GTE's Petition.

In its Petition, GTE provided a general description of its Management Incentive Program.² Under the program, GTE employees are assigned to a MIP team, with each team built around employees who share the same customer base, support a common process, or share other responsibilities that link them together as a team. Ninety percent (90%) of each team member's compensation is a base salary while the remaining ten percent (10%) is an incentive component that is dependent on the team's success in meeting specified objectives.

GTE states that employee compensation is a significant part of its overall commitment to the DDTP, and that the MIP is an important part of GTE's compensation structure. For these reasons, GTE believes that Resolution T-16090 should be modified to allow for reimbursement of \$57,169 in MIP costs that GTE will incur in 1998 for employees working on the DDTP.

On March 27, 1998, the assigned Commissioner issued a ruling pursuant to Rule 6(a)(3) of the Commission Rules of Practice and Procedure. In his ruling, the assigned Commissioner determined that this proceeding is properly categorized as ratesetting, that there was no need to hold a hearing, and that the scope of this proceeding would be to determine whether to grant GTE's request for \$57,169 in MIP costs that was disallowed by Resolution T-16090.

¹ GTE's Petition was docketed as Application 98-02-011.

² In its application, GTE uses the term "MIP" synonymously with "Management Incentive Compensation System."

Discussion

We are adamant that monies collected from ratepayers to fund the DDTP be used exclusively for DDTP-related purposes. In Resolution T-16090, we disallowed GTE's request for reimbursement of its MIP costs because GTE had failed to demonstrate how these costs are related to the DDTP.

In its Petition, GTE asks again for reimbursement of its MIP costs. Although these costs are but a small fraction of the DDTP budget, we believe that GTE's MIP costs should be closely scrutinized because of the incentives that MIP compensation provides to GTE employees. In particular, we are concerned that if GTE employees earn MIP compensation for fulfilling objectives unrelated to the DDTP, then GTE employees may spend their time pursuing these objectives instead of working on the DDTP.

In its Petition, GTE provided a general description of its MIP, but GTE made no effort to show how MIP compensation is related to the achievement of DDTP-related objectives. Unless and until GTE demonstrates that MIP compensation is based upon GTE employees' attainment of DDTP-related objectives, we shall not authorize the use of DDTP funds to reimburse GTE for MIP costs.

For the forgoing reasons, we deny GTE's petition to modify Resolution T-16090.

Findings of Fact

1. GTE's MIP compensation is intended to compensate GTE employees based on the employees' success in meeting specified objectives.
2. Resolution T-16090 disallowed the use of DDTP monies to fund MIP compensation on the basis that GTE failed to demonstrate a link between MIP compensation and the achievement of objectives associated with the DDTP.

3. GTE's petition to modify Resolution T-16090 so as to restore DDTP funding for MIP compensation failed to provide any evidence that MIP compensation is tied to the achievement of DDTP-related objectives.

Conclusions of Law

1. DDTP funds should be used exclusively for DDTP-related purposes.

2. GTE's petition to modify Resolution T-16090 so as to restore DDTP funding for MIP compensation should be denied since there is no evidence that MIP compensation is tied to the achievement of DDTP-related objectives.

O R D E R

IT IS ORDERED that:

1. The petition to modify Resolution T-16090 filed by GTE California Incorporated is denied without prejudice.
2. This proceeding is closed.

This order is effective today.

Dated May 7, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

Commissioner Jessie J. Knight, Jr.,
being necessarily absent, did not
participate.