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CITY COUNCIL MEETING

FEBRUARY 2, 1983

PUC APPLICATIONS City Clerk Reimche presented a Notice of Pacific Telephone Rate Increase Application and Public Hearings - Application No. 83-01-22 which application was filed 1/17/83.

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NOTICE OF PACIFIC TELEPHONE RATE INCREASE
APPLICATION AND PUBLIC HEARINGS
APPLICATION NO. 83-01-22
(N.O.I. No. 85)

(Application Filed January 17, 1983)

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ALICE M. REINOLTE
CITY CLERK
CITY OF LODI

Pacific Telephone has filed an application with the California Public Utilities Commission to increase its rates by approximately \$820 million per year. Public hearings will be held later this year, and customers will be notified of specific locations, dates and times in a later mailing.

Overall, Pacific Telephone's request would increase its total intrastate revenues by 13.2 percent. If the rate changes proposed by the company are adopted by the Commission, the estimated impact on the average residential customer's monthly bill will be approximately \$6.45.

The Commission's staff will review the company's application and may propose changes in the rates requested by Pacific Telephone. Other interested parties may also propose their own rate changes. Although a variety of rate proposals may be submitted, the final determination will be made by the Commission after thorough hearings have been completed. The final rates authorized by the Commission may be in different classes of service and/or higher than those listed below.

In its application, Pacific Telephone has proposed the following rate changes:

BASIC RATES

Pacific Telephone is proposing to increase the rates charged for both residential and business service.

Residential premium (flat rate) service -- would increase from the present \$7 in most metropolitan areas (or \$6.70 in other areas) to \$15. The flat rate service in the balance of the state would be increased first from the present \$7 (or \$6.70) to \$11.50, and then to \$15 when measured service capacity is added.

Residential standard measured service -- would increase from the present \$3.75 to \$6 per month. The existing monthly usage allowance for standard measured service would be eliminated.



Residential Lifeline Service -- would remain at the current rate of \$2.50 per month, but the present allowance of 30 local calls per month would be reduced to 10 calls. Each call beyond the 10-call monthly allowance would cost 10 cents for the first minute and 5 cents for each additional minute.

Business flat rate service -- would increase from the present \$14.55 per month to \$19.

Business measured service -- would increase from the present \$7 per month to \$11.

These proposed basic rate increases are in addition to other basic rate increases proposed by Pacific Telephone in a companion application (Application No. 82-11-07). If Pacific Telephone's proposal in that application is approved, basic rates could be increased by as much as \$1.85 per month.

SERVICE CONNECTION CHARGES

Charges for establishing new telephone service or having a telephone moved would also increase under Pacific Telephone's application.

For residential customers, the individual activity increases would range between \$5 and \$9.25, depending upon the service completed by the company. For business customers, the individual activity increases range from \$3 to \$11. Some of these charges could be avoided by single-line customers who obtain their telephones from Pacific by mail, or who visit a company Service Center to select and take their telephones home to connect them.

Complex service connection charges would increase approximately \$18. Charges for coin telephone connections in small businesses would be increased in amounts ranging from \$6.50 to \$40.

LOCAL USAGE

Pacific Telephone's Zone Usage Measurement (ZUM) plan for billing local calls up to 16 miles in the San Francisco and Los Angeles areas would be expanded to include the Orange County, Sacramento and San Diego metropolitan areas. In addition, the Los Angeles area and part of the North County area of San Diego would be affected. This proposal will either increase or decrease the size of certain local calling areas in the Orange County, Sacramento and San Diego areas.



Zone 1 (calls within 8 miles) -- daytime calls would increase from 3 cents for the first minute to 4 cents for the first minute. For each additional minute of the call, the rate would remain at the present level of 1 cent per minute.

Zone 2 (calls from 9 to 12 miles) -- daytime calls would increase from 6 cents for the first minute and 3 cents for each additional minute to 9 cents for the first minute and 4 cents for each additional minute.

Zone 3 (calls from 13 to 16 miles) -- daytime calls would increase from 8 cents for the first minute and 5 cents for each additional minute to 12 cents for the first minute and 7 cents for each additional minute.

In all other areas that currently have measured service, usage charges identical to those stated above for ZUM Zone 1 would be in effect.

LONG DISTANCE SERVICE

Pacific Telephone proposes to reduce certain initial-minute and additional-minute message telephone service rates within California. The company also seeks to apply the proposed message telephone service rate schedule to prepaid coin calls. (A prepaid coin call is one which requires an operator to ask that coins be deposited before the call is placed.) This change would reduce the initial period for prepaid coin calls from 3 minutes to 1 minute. Additionally, a service charge of 25 cents or 50 cents (depending upon the distance of the call) would apply to all prepaid coin telephone calls.

PUBLIC AND SEMI-PUBLIC TELEPHONE SERVICE

Pacific proposes its first increase since 1952 in the charge for a local telephone call placed from a coin telephone. The increase to 25 cents -- from the current 10 cents -- would apply only in those areas where a coin is not needed to get dial tone, to dial the operator, or to place emergency calls. Pacific Telephone is proposing to increase the monthly rate for semi-public telephone service from \$13 to \$25.



FOREIGN EXCHANGE SERVICE

Pacific Telephone proposes to increase Foreign Exchange connection charges to equal the actual cost of the connection. Monthly rates for both business and residence foreign exchange customers would be based on the mileage between the central offices (or Rate Centers) serving the customer. Residence Foreign Exchange line rates also would be increased under the application.

OPTIONAL RESIDENTIAL CALLING PLANS

Pacific Telephone proposes to increase the current usage charges for ORTS/OCMS (Optional Residential Telephone Service/Optional Calling Measured Service) from 50 percent of the toll rate (on toll routes) to 75 percent of the applicable toll rate. Increases in certain ORTS/OCMS monthly rates and changes in calling allowances are also proposed in the application. The present OCMS plan would conform to the same plan proposed for ORTS.

CUSTOM CALLING SERVICE

Rates for Custom Calling Services would be changed to provide uniform rates for individual features and packages that combine features. Identical rates are proposed for both business and residence customers.

VERIFICATION/INTERRUPT SERVICE

An increase from 25 cents to 50 cents is proposed for Verification Service -- when an operator is asked by a customer to verify that a particular line is busy. Pacific Telephone also requests that the rates for Interrupt Service -- when an operator interrupts a conversation at a customer's request to inform the callers that another call is waiting -- be increased from 25 cents to \$1.

OTHER SERVICES

Increased surcharges are proposed for person-to-person and Calling Card calls.

Rates for flat rate business trunks also would be increased.

A new charge of \$3 per occurrence is requested for customers who ask for operator assistance to contact a party who has a non-published number.

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Pacific also proposes that the existing 6.66 percent billing surcharge applied to monthly rates be reduced to 5.09 percent. The surcharge recovers the cost of inside wiring.

Specific rate increases (in dollar and percentage terms) are listed below:

	<u>Estimated Amount (Millions)</u>	<u>Estimated Average Percent Change Change in Revenue</u>
<u>BASIC EXCHANGE SERVICES</u>		
Residence Lines	\$466.9	88%
Business Lines	\$108.2	51%
Semi-Public Coin	\$8.1	77%
<u>ZONE USAGE MEASUREMENT (ZUM)</u>	\$106.0	39%
<u>LOCAL COIN USAGE</u>	\$77.4	95%
<u>SERVICE CONNECTION CHARGES</u>	\$61.5	10%
<u>FOREIGN EXCHANGE SERVICE</u>	\$25.8	131%
<u>LONG DISTANCE AND RELATED SERVICES</u>		
LONG DISTANCE RATES	\$(67.2)	(3%)
OPTIONAL CALLING PLANS (ORTS, OCMS)	\$15.1	20%
<u>VERIFICATION/INTERRUPT SERVICE</u>	\$5.3	110%
<u>NON-PUBLISHED NUMBER REPORT (NEW CHARGE)</u>	\$0.2	NA
<u>CUSTOM CALLING SERVICE</u>	\$11.9	22%
<u>TOTAL</u>	\$819.2	

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REASONS FOR RATE INCREASE

Despite stringent cost reduction measures, Pacific Telephone's revenue growth has not kept pace with its cost increases. The shortfall is due to a number of factors:

- o In part because of the recession, the demand for our revenue-producing services has fallen far short of our forecasts.
- o Competition -- especially in the long distance market -- has made serious inroads in our business. Revenues and profits from long distance services historically have been used to support basic service rates to keep them as low as possible.
- o Shortly after this case is heard, Pacific Telephone will become a stand-alone company -- separated from AT&T. The company must be financially sound as an independent company in order to continue to provide good service in the new environment. This application will be the foundation for the company to move ahead as a stand-alone company.

In addition to the public witness hearings, additional hearing days will be devoted to analyzing the need for the requested rate increase and ways of allocating any approved increase among residential, commercial, and industrial customers. At these hearings the Commission will receive the testimony of Pacific Telephone, and the testimony of other interested parties, and the Commission staff. The Commission staff consists of engineers, accountants, economists, and attorneys who independently evaluate the proposals of utilities for rate increases and present their analyses and recommendations to the Commission at public hearings.

A copy of the application and related exhibits will be furnished upon written request to: The Pacific Telephone and Telegraph Company, ATTN: Mr. J. E. Dennis, Room 1715, 140 New Montgomery Street, San Francisco, California 94105.