

CC 220

CITY COUNCIL MEETING  
JULY 27, 1985

NOTICE OF AMENDMENT  
TO APPLICATION OF  
PACIFIC BELL  
FOR GENERAL RATE  
INCREASE RECEIVED

7-27-85  
City Clerk Reimche presented a Notice of Amendment to application of Pacific Bell for general rate increase advising that the proposed increase has been reduced. The notice advises that, in February and April of this year, Pacific Bell informed its customers of its application No. 85-01-034 to the California Public

Utilities Commission for an overall increase in rates of \$1,362 million per year. Approval of this request would have increased Pacific's total intrastate revenues by about 20.4%. On June 17, 1985 Pacific Bell formally amended its application and lowered the amount of its request by \$427.5 million. The amount of the proposed increase is now approximately \$934.5 million per year. As a consequence of this reduction, full approval of Pacific's request would now increase Pacific's intrastate revenues by about 14%.

## NOTICE OF AMENDMENT TO APPLICATION OF PACIFIC BELL FOR GENERAL RATE INCREASE

### THE PROPOSED INCREASE HAS BEEN REDUCED

In February and April of this year, Pacific Bell (Pacific) informed its customers of its application (No. 85-01-034) to the California Public Utilities Commission (CPUC) for an overall increase in rates of \$1,362 million per year. Approval of this request would have increased Pacific's total intrastate revenues by about 20.4%. On June 17, 1985, Pacific Bell formally amended its application and lowered the amount of its request by \$427.5 million. The amount of the proposed increase is now approximately \$934.5 million per year. As a consequence of this reduction, full approval of Pacific's request would now increase Pacific's intrastate revenues by about 14%.

Pacific's original application was based upon forecasts of 1986 expense and revenue levels prepared last summer. Although that information was the most current available at the time the application was prepared, utilization of more recent economic information has enabled Pacific to reduce its rate increase request.

### A FINAL RATE DESIGN HAS BEEN PROPOSED

The CPUC is evaluating Pacific's application in two phases. The first phase, in which the CPUC considers the need for the requested rate increase, began in April and is still in progress. The CPUC has directed that any rate increases found necessary will occur through an interim surcharge which will remain in effect until replaced by a final rate design. The June 17th amendment decreases Pacific Bell's proposed interim surcharge from about 30% to about 22%. The CPUC has also instructed Pacific Bell to propose a final rate design to replace the interim surcharge. Pacific Bell's June 17th amendment complies with this direction.

The changes in rate design which Pacific proposes are necessary for several important reasons. Pacific is committed to maintaining high quality, affordable basic telephone service. At present, some of Pacific's services are priced far above what it costs Pacific to provide them. Others are priced far below Pacific's costs. Profits from the higher-priced, lower-cost services help Pacific to provide basic telephone services at prices far below cost. Therefore, Pacific is proposing rates which are more balanced and will tend to encourage use of its most profitable services so that Pacific can continue to provide basic services that are widely affordable.

Under this newly proposed rate design some rates would be lower than they would have been with the originally-proposed interim surcharge of about 30% described in the February and April bill inserts. Some rates, however, would be higher. The estimated impact on the average residence customer's monthly bill would be approximately \$4.84.

The following charts summarize the rate changes which Pacific has proposed. The present rates shown are the tariff rates and do not include the federally-imposed customer access line charge. In addition, these rates do not reflect the surcharge requested or the decision issued in Pacific Bell's Amended Application on Intrastate Access Charges filed August 17, 1984, or the impact of negative surcharges presently applicable to many services.

RESIDENCE (NON-LIFELINE)<sup>1</sup>

	Present Monthly Tariff Rate	Proposed Monthly Rate
o Unlimited Service (Local)	\$8.25	\$16.00
o Measured Service		
- Economy Plan	\$4.45 <sup>2</sup>	\$6.00 <sup>3</sup>
Initial Minute (Local)	\$0.04	\$0.05
Each Add. Minute	\$0.01	\$0.01
- Call Allowance Plan	(not offered)	\$10.00
Call Allowance		130 local calls
Over Allowance (131+)		\$0.10 per call
o Foreign Exchange		
- Flat (Local)	\$15.00 <sup>4</sup>	\$22.75 <sup>5</sup>
- Measured	\$8.50 <sup>4</sup>	\$10.05 <sup>5</sup>
Initial Minute (Local)	\$0.048	\$0.05
Each Add. Minute	\$0.012	\$0.01
o Call Waiting	\$3.50	\$3.75
o ZUM (Zones 2&3)		
- Zone 2		
Initial Minute	\$0.08	\$0.10
Each Add. Minute	\$0.03	\$0.045
- Zone 3		
Initial Minute	\$0.10	\$0.10
Each Add. Minute	\$0.05	\$0.045

<sup>1</sup>References in all charts to Zones 1, 2 and 3 and to ZUM (Zone Usage Measurement) only apply in San Francisco, Los Angeles, Orange, Sacramento and San Diego extended areas. In these areas the proposed rates and allowances for local calls apply to Zone 1.

<sup>2</sup>The rate includes a \$3.00 allowance for local calls (Zone 1, 2, or 3).

<sup>3</sup>The proposed rate includes a \$2.00 allowance for local calls (Zone 1).

<sup>4</sup>The rate includes a \$3.60 allowance for local calls (Zone 1).

<sup>5</sup>The proposed rate includes a \$2.00 allowance for local calls (Zone 1).



the Unlimited Plan for \$10.25 per month or the Call Allowance Plan with 130 untimed local calls for \$4.25 per month.

**BUSINESS**

	Present Monthly Tariff Rate	Proposed Monthly Rate
<b>BUSINESS ACCESS LINES</b>		
o One-Party Flat	\$17.15	\$25.50
o One-Party Measured	\$8.25	\$10.75
o Trunk Line - Flat	\$25.65	\$38.00
o Trunk Line - Measured	\$8.25	\$14.50
o Foreign Exchange	\$19.50	\$30.75
o Semi-Public Coin	\$20.00	\$31.00
o Call Waiting	\$4.20	\$4.50
<b>BUSINESS LOCAL USAGE<sup>8</sup></b>		
o Measured Usage		
Allowance	None	None
Initial Minute	\$0.04	\$0.05
Each Add. Minute	\$0.01	\$0.015

<sup>7</sup>Only available in certain areas. Includes unlimited local usage.  
<sup>8</sup>For Zone 2 and 3 usage rates, see Residence (Non-Lifeline) chart.

**ONE-TIME CHARGES**

	Present Monthly Tariff Rate	Proposed Monthly Rate
<b>RESIDENCE</b>		
o Installation of a Simple Residence Access Line	\$34.50	\$45.00
o Restoral Charge	\$20.00	\$25.00
o Number Change	\$20.00	\$25.00
o Network Service Non-Intercept	\$20.00	\$25.00
<b>BUSINESS</b>		
o Service Connection		
- Initial Line	\$70.00	\$100.00
- Trunk	\$70.00	\$175.00
o Number Change	\$30.00	\$34.00
o Restoral Charge	\$40.00	\$45.50

## OTHER SERVICES

Rates for certain other services would also increase. For example:

- o Rate increases ranging from 9% to 142% are proposed for various private line recurring and non-recurring services.
- o Directory assistance charges would increase from \$0.25 to \$0.35 and the 2 call allowance for business would be eliminated.
- o The monthly rate for non-published listings would increase from \$0.30 to \$1.20.
- o Pacific proposes to consolidate the present 18 message toll distance bands into four bands. This would result in decreases in the rate applied to some bands and increases in the rate applied to others.

## ESTIMATED REVENUE IMPACT

The estimated revenue impact and percentage change for those portions of services subject to the proposed rate design are as follows:

	Estimated Amount of Increase (Millions)	Estimated Avg. % Change in Revenue
Basic Exchange		
Business Lines	\$131.771	38.34%
Residence Lines	298.822	42.32%
Semi-public coin	9.156	44.75%
Central Office Services	6.527	3.53%
Foreign Area Services	58.500	74.50%
Local Usage (Zone 1)	162.768	41.03%
Operator Services	55.025	72.50%
Optional Calling Plans	11.356	9.93%
Private Line	78.526	35.86%
Toll Usage	22.043	1.25%
White Pages Listings	27.306	157.46%
Zone Usage Measurement (Zone 2 and 3)	<u>22.528</u>	11.24%
Subtotal	884.328	
Elimination of -.85% Surcharge	<u>50.172</u>	
Total Revenues	\$934.500	

All of the amounts shown above are estimates. The CPUC staff will review this amendment to Pacific's application and may propose changes in the rates requested by Pacific. Other interested parties may also propose rate changes.

Although a variety of rate proposals may be submitted, the final determination will be made by the CPUC after hearings have been completed. The CPUC may grant rates different from those requested, and the rate changes authorized may be in different classes of service and/or higher than those listed.

Public witness hearings concerning the proposed rate structure will be held at some later time. You will be notified of the dates, times and locations of these hearings. If you would like to participate in these proceedings and need advice on how to do so, write to the Public Advisor, California Public Utilities Commission, 350 McAllister Street, San Francisco, CA 94102. In addition to the public witness hearings, additional hearing days will be devoted to analyzing ways of allocating any approved increase among residential, commercial, and industrial customers. At these hearings the Commission will receive the testimony of Pacific Bell and the testimony of other interested parties, and the CPUC staff. The CPUC 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 CPUC at public hearings.

A copy of this amendment to Pacific's application and related exhibits will be furnished by Pacific Bell upon written request to: J. C. Cook, District Staff Manager, Pacific Bell, 140 New Montgomery Street, Room 922, San Francisco, CA 94105 (telephone number: 415-545-1483).

Further information may be obtained from Pacific Bell at its headquarters or at its local public offices. In addition, any comments or inquiries relative to the proposed increase, including a request to receive notice of the date, time and place of any hearing on this application may be directed to one of the California Public Utilities Commission offices at:

350 McAllister Street  
San Francisco, CA 94102

or

107 South Broadway  
Los Angeles, CA 90012

RECEIVED  
1985 JUN 27 AM 9:09  
ALICE M. REIMCHE  
CITY CLERK  
CITY OF LORNI