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CC-51a

CITY COUNCIL MEETING

AUGUST 3, 1983

PUC  
APPLICATIONS

City Clerk Reimche presented a copy of the Pacific Telephone and Telegraph Company Notice of Application for Authority to adopt intrastate access charge tariffs and Notice of Amendment to Application for an increase in rates. Discussion regarding this matter followed with no formal action being taken by the Council.

*Act*

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NOTICE OF APPLICATION  
FOR AUTHORITY TO ADOPT INTRASTATE  
ACCESS CHARGE TARIFFS

ALICE M. REIMCHE  
CITY CLERK  
CITY OF LODI

AND

NOTICE OF AMENDMENT TO APPLICATION  
FOR AN INCREASE IN RATES

The Pacific Telephone and Telegraph Company ("Pacific") has filed, as part of the consolidated proceedings in Application No. 83-01-22 (General Rate Increase) and No. 82-11-07 (Depreciation Offset), an Application for authority to adopt intrastate access charge tariffs, and will file on July 5, 1983 an Amendment to Application for an increase in rates. Both the Application and Amendment to Application are necessary to comply with an order of the California Public Utilities Commission ("CPUC"), dated April 6, 1983 (Decision No. 83-04-021), requiring that they be made in conjunction with Pacific's consolidated rate proceedings.

These filings are necessary because of substantial changes in the telecommunications industry that are scheduled to take effect on January 1, 1984. On that date, it is now proposed that Pacific and all Bell Operating Companies ("BOCs") will be divested from the American Telephone and Telegraph Company. After this date, Pacific's operating conditions will be substantially changed and Pacific is required to reflect these changes in its pending consolidated rate cases.



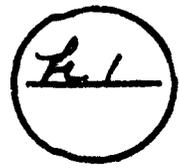
As part of divestiture, Pacific will be limited to providing telecommunications services within designated service areas, including the provision of interstate and intrastate exchange access to interexchange carriers. Pacific's intrastate access charge tariffs are designed, in part, to fully satisfy this requirement.

In addition, the Federal Communications Commission ("FCC") adopted on December 22, 1982 its Third Report and Order in FCC Docket No. 78-72, which requires the filing of interstate access charge tariffs to be effective January 1, 1984. Pacific's proposed intrastate access charge tariffs are consistent with the access charge structure adopted by the FCC to accommodate a competitive environment applicable to many interstate and intrastate telecommunications services.

The introduction of access charges does not increase Pacific's profits; however, Pacific's proposal will change the amount some customers pay for monthly service.

Summary of Proposed Access Charges

There will be two types of access charges: (1) intrastate and (2) interstate. The CPUC decides how much the intrastate charges will be and the FCC decides the amount of the interstate charges. Later this year, Pacific will ask for the interstate charges after some factors are clarified by the FCC. However, for now, we will estimate those interstate rates so customers will know the approximate effect on their



total bill. Final intrastate access charges will be determined by the CPUC after public hearings.

Estimated Revenue Impact For Access Charges

|                        | <u>*Intrastate<br/>(CPUC)<br/>Estimated<br/>Amount<br/>(Millions)</u> | <u>*Interstate<br/>(FCC)<br/>Estimated<br/>Amount<br/>(Millions)</u> | <u>% of<br/>Total</u> |
|------------------------|---|--|-----------------------|
| Interexchange Carriers | \$1,001   | \$1,760  | 79                    |
| Business Customers     | 117   | 181  | 8                     |
| Residence Customers    | 171   | 276  | 13                    |

\*These dollar amounts could change due to possible modifications by the FCC.

Based upon current information, the access line charge rates (subject to final approval by the CPUC for intrastate and the FCC for interstate) applicable to business, residence (except Lifeline) and Centrex customers are as follows:

| <u>Service</u>                  | <u>Intrastate<br/>Access Line<br/>Charge Per Line<br/>Per Month (CPUC)</u> | <u>Interstate<br/>Access Line<br/>Charge Per Line<br/>Per Month (FCC)*</u> | <u>Total</u>    |
|---------------------------------|--|--|-----------------|
| Residence<br>Access Line Charge | \$2.10   | \$2.00   | \$4.10          |
| Business<br>Access Line Charge  | \$4.25   | \$4.00   | \$8.25          |
| Centrex Line Charge             | \$ .24 - .53   | \$ .22 - .50   | \$ .46 - \$1.03 |

\*These are minimum charges and may change due to possible modifications by the FCC.

These access line charges are in addition to the charges for local telephone service set by the CPUC.

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SUMMARY OF PROPOSED CHARGES  
APPLICABLE TO AMENDMENT TO APPLICATION  
FOR AN INCREASE IN RATES

In 1984, Pacific will be faced with increased costs of doing business and Pacific's separation from the Bell System. Therefore, we have revised our request for a rate increase as follows:

BASIC RATES

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

RESIDENCE LIFELINE SERVICE - would increase from the current rate of \$2.50 per month to \$3.75. The present allowance of 30 calls per month would not change. Each local call beyond the allowance would cost 4 cents for the first minute and 1 cent for each additional minute.

In areas where measured service is not currently available, a new flat rate Lifeline service would be offered at \$7.10 per month until Residence Measured Lifeline Service becomes available.

Because Lifeline is designed for eligible low income persons, Pacific is proposing that both measured Lifeline and the new flat rate Lifeline service be limited to qualified households. The specific eligibility requirements should be easy-to-follow and administered by an appropriate state agency.

RESIDENCE PREMIUM (FLAT RATE) SERVICE - would increase from the present \$7 in the Los Angeles, San Francisco - East Bay metropolitan extended areas (or \$6.70 in other areas) to \$14.25.



RESIDENCE STANDARD MEASURED SERVICE - would increase from the present \$3.75 to \$7.50 per month. The existing monthly usage allowance of \$3.00 for standard measured service would be eliminated.

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.

SERVICE CONNECTION CHARGES

Charges for establishing new telephone service or having a telephone moved would also increase. Pacific is proposing to implement a new charge plan for services based on work performed. Examples of the proposed one-time charges for establishing telephone service, as well as the current charges, are listed below:

|                                  | <u>Present*</u> | <u>Proposed</u> |
|----------------------------------|-----------------|-----------------|
| Residence Access Line            |                 |                 |
| o Flat                           | \$23.00         | \$35.00         |
| o Measured                       | \$23.00         | \$25.00         |
| Business Access Line             | \$34.75         | \$53.00         |
| Complex Access Line (and Trunks) | \$66.40         | \$85.00         |
| Semi-Public Coin                 | \$77.40         | \$189.00        |
| Business Foreign Exchange        |                 |                 |
| o Contiguous                     | \$96.20         | \$395.00        |
| o Noncontiguous                  | \$143.20        | \$635.00        |

\*Present charges reflect a combination of certain existing Multi-Element Charges.



Other nonrecurring charges would be established which range from \$3.00 to \$20.00 for residence customers, and from \$5.00 to \$40.00 for business customers. Complex service nonrecurring charges would also be established and would range from \$30.00 to \$85.00. Optional customer premises work would be billed based on time and labor charges.

#### LOCAL USAGE

Pacific'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 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 to 10 cents for the first minute and 3 cents to 5 cents for each additional minute.

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

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The current discount of .30% for calls placed during the evening rate period (5:00 p.m. to 11:00 p.m.), and 60% for calls placed during the night rate period (11:00 p.m. to 8:00 a.m.) and on weekends and holidays, would continue to apply.

In all other areas that currently have measured service, usage charges identical to those stated above for ZUM Zone 1 would be in effect for local calls. For example, the present daytime rate for these areas is 5 cents for the first 5 minutes and 1 cent for each additional minute, compared to the proposed rate of 4 cents for the first minute and 1 cent for each additional minute.

#### LONG DISTANCE SERVICE

Pacific 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 (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 contact the operator, or to place emergency calls. Pacific is proposing to increase the monthly rate for semi-public telephone service from \$13 to \$25.

FOREIGN EXCHANGE SERVICE

Pacific proposes to increase Business Foreign Exchange service connection charges to equal the actual cost of the connection. Monthly charges for mileage applicable between adjacent exchanges would increase on the basis of a revision in the way mileage is measured. Current and proposed Residence and Business Foreign Exchange monthly rates are shown below:

Foreign Exchange Monthly Rates

|                            | <u>Present</u> | <u>Proposed</u> |
|----------------------------|----------------|-----------------|
| Residence Foreign Exchange |                |                 |
| o Flat Rate Service        | \$8.50         | \$31.00         |
| o Measured Service         | \$4.65         | \$22.50         |
| Business Foreign Exchange  |                |                 |
| o Measured Service         | \$15.50        | \$19.50         |

Pacific is recommending that Residence Foreign Exchange Service, which has experienced a reduction in demand during recent years, should no longer be available for new customers, but would remain in place for existing customers.



#### OPTIONAL RESIDENCE CALLING PLANS

Pacific proposes to increase the current usage charges for ORTS/OCMS (Optional Residence Telephone Service/Optional Calling Measured Service) from 50 percent of the toll rate (on toll routes) to 75 percent of the applicable toll rate. Adjustments to certain ORTS/OCMS monthly rates and changes in calling allowances are also proposed as are identical usage charges for both ORTS and OCMS.

#### CUSTOM CALLING SERVICE

Rates for Custom Calling Service such as Call Waiting and Call Forwarding would be uniform 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 also requests that the rates for Interrupt Service - when an operator interrupts a conversation at a customer's request to inform the called party that another call is waiting - be increased from 25 cents to \$1.



### PRIVATE LINE SERVICE

Pacific proposes to increase the monthly rates charged for most private line services which are primarily used by large businesses and burglar alarm companies. Additionally, Pacific proposes increases to recover the full cost of nonrecurring charges for private line services.

### DIRECTORY ASSISTANCE CHARGING

Pacific is recommending an increase in the rates charged for business and residence users of directory assistance. The current charge of 15 cents per call beyond the current allowance of 20 calls per line per month would increase to 30 cents. Additionally, Pacific proposes to reduce the number of unbilled calls for residence customers to 3 per month and to eliminate the monthly allowance for business customers.

### OTHER SERVICES

- o Propose an increase from \$2.50 to \$3.00 in the surcharge for person-to-person calls and an increase in the surcharge for conference calls.
  
- o Increase rates for flat rate business trunks from \$21.75 to \$28.50.



- o Propose a new charge of \$3 per occurrence for customers who ask for operator assistance to contact a party who has a nonpublished number.
  
- o Establish a late payment charge of 1.5% or \$1.00, whichever is greater, on the unpaid balance of customer bills.
  
- o Increase the charge for a returned check from \$5.25 to \$6.00.
  
- o Increase rates for Remote Call Forwarding from \$16.00 to \$18.00.
  
- o Propose elimination of the Vacation Rate discount.
  
- o Increase rates for additional directory listings from 40 cents to 50 cents for residential customers and from 75 cents to \$1.00 for business customers.
  
- o Propose reduction of the present 6.66% billing surcharge and elimination of the current 5.4% surcharge (applied to certain terminal equipment, private line and other services).



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

|   | Estimated Amount (Millions)                   |   | Estimated<br>Average<br>% Change<br>In Revenues |
|---|---|---|---|
|   | Current<br>Application for<br>1983 Operations | Amended<br>Application<br>to Reflect<br>1984 Operations |   |
| Basic Exchange Services                         |   |   |   |
| Residence Lines.....                            | \$474.1                                       | \$513.5   | \$95.6%   |
| Business Lines.....                             | 109.9   | 112.4   | 52.4%   |
| Multi-Party.....                                | 5.1   | 5.3   | 141.7%  |
| Semi-Public Coin.....                           | 8.6   | 9.4   | 78.8%   |
| Zone (ZUM) and Measured                         |   |   |   |
| Local Usage.....                                | 109.6   | 131.0   | 30.6%   |
| Local Coin Usage.....                           | 77.4  | 79.7  | 97.8%   |
| Service Connection Charges                      |   |   |   |
| Residence.....)                                 |   | 31.7  | 48.8%   |
| Business.....)                                  | 60.7  | 6.5   | 67.1%   |
| Complex.....)                                   |   | 82.6  | 213.3%  |
| Premises Activity.....                          | 0   | 37.4  | 87.7%   |
| Foreign Exchange Service....                    | 25.8  | 32.9  | 34.2%   |
| Private Line.....                               | 0   | 314.1   | 174.6%  |
| Long Distance and<br>Related Services.....      | (72.0)  | (71.4)  | (4.8%)  |
| Optional Calling Plans<br>(ORTS, OCMS).....     | 21.3  | 11.4  | 13.9%   |
| Custom Calling Service.....                     | 11.9  | 12.2  | 18.8%   |
| Late Payment Charge<br>(New Charge).....        | 0   | 34.8  | N/A   |
| Return Check Charge.....                        | 0   | 0.3   | 14.3%   |
| Remote Call Forwarding.....                     | 0   | 0.8   | 12.5%   |
| Verification/Interrupt.....                     | 5.3   | 6.1   | 113.9%  |
| Directory Assistance.....                       | 0   | 104.8   | 468.9%  |
| Nonpublished Number Charge<br>(New Charge)..... | 0.2   | 0.2   | N/A   |
| Vacation Rate Elimination...                    | 0   | 13.9  | 290.1%  |
| Directory Listings.....                         | 0   | 6.2   | 62.0%   |
| 5.4% Surcharge Elimination..                    | 0   | (75.2)  | N/A   |
| Billing Surcharge Reduction.                    | 0   | (152.5)   | N/A   |
| Total.....                                      | \$837.9                                       | \$1248.0  |   |

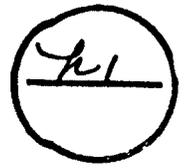
The above amounts exclude the access charge requests of \$457 million for business and residence interstate access charges and \$288 million for business and residence (excluding Lifeline) intrastate access charges to be paid as flat monthly rates by all customers.

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All of the amounts shown above are estimates. The final amounts proposed by Pacific for its intrastate access charge tariffs are dependent upon further FCC action. In addition, all final rate determinations applicable to intrastate access charges and the Amendment to Application for an increase in rates will be made by the CPUC after hearings are held. The CPUC may grant rates different from those requested, and the rate changes authorized may be in different classes of service and/or higher for those classes of service listed.

The effect of this filing is to increase the Company's pending request for rates from \$838 million to approximately \$1.3 billion. This July 5, 1983 request would increase Pacific's total intrastate revenues by 21.9 percent. The rate changes proposed by the Company would have an estimated impact on the average residential customer's monthly bill of approximately \$7.34. These increases are in addition to the proposed intrastate residential access charge (excluding Lifeline) of \$2.10 and the proposed intrastate business access charge of \$4.25; and, the minimum interstate residential access charge of \$2.00 and the minimum interstate business access charge of \$4.00.

A copy of the Application for authority to adopt intrastate access charge tariffs and supporting exhibits may be examined at Pacific's principal public offices or at the



offices of the CPUC set forth below. A copy of Pacific's Amendment to Application for an increase in rates and supporting exhibits will also be available at these locations. Inquiries and comments relative to these matters, including requests to receive notice of date, time and place of any hearings, may be directed to the CPUC offices at:

California Public Utilities Commission  
350 McAllister Street  
San Francisco, CA 94102

California Public Utilities Commission  
107 South Broadway  
Los Angeles, CA 90012

A copy of the Application for authority to establish intrastate access charges and supporting exhibits, as well as exhibits in support of the Company's rate increase in the consolidated proceedings, will be made available upon submission of a written request to:

The Pacific Telephone and Telegraph Company  
140 New Montgomery Street, 17th Floor  
San Francisco, California 94105

Attention: G. W. McBee