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ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone Company of California, a California corporation (U 1002 C), for authority to increase and/or restructure certain intrastate rates and charges for telephone services.	Application 87-01-002 (Filed January 5, 1987)
And Related Matter.	I.87-02-025

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OPINION ON ZUM EXPANSION

I. Introduction

A. Procedural Background

This proceeding arises from the proposal of GTE California, Inc. (GTEC, formerly General Telephone Company of California., Inc.) to implement Zone Usage Measurement (ZUM) service in the Ventura, Los Angeles, and Riverside/San Bernardino areas. The specific routes for which ZUM rates would be available were identified in GTEC's Exhibit 384, submitted in the test year 1986 general rate case of Pacific Bell (Pacific), Application (A.) 85-01-034. In ruling on that application, the Commission ordered GTEC to renew its request in its test year 1988 general rate case proceeding, A.87-01-002/Investigation (I.) 87-02-025 (see Ordering Paragraph 41 of Decision (D.) 88-07-022).

GTEC, Pacific, and Continental Telephone Company of California (Contel) served prepared testimony in accordance with D.88-07-022 in January 1989. A prehearing conference was held on March 15, 1989, where the procedural relationship between this proceeding and the Commission's investigation into alternative regulatory frameworks for local exchange carriers (I.87-11-033, or "the OII") was discussed. In the OII, Pacific had proposed to expand the local calling area to include ZUM 2 routes (or where ZUM is not in effect, Rate Band 2 toll routes). Since the expansion was then pending in the OII, the parties were granted an extension of time to file testimony on ZUM service. The Commission has since determined that local calling areas should be expanded to include the 0 to 12 toll band, or, where ZUM is in effect, ZUM Zone 2. (D.89-10-031 as modified by D.90-04-031.) However, actual implementation of the expansion has been postponed until the revenue effects of that expansion are determined in a pending phase of I.87-11-033. The parties' testimony in this ZUM proceeding accomodates the expansion of the local calling areas in a manner that avoids revenue swings and customer confusion.

The affected utilities and the Division of Ratepayer Advocates (DRA) convened monthly workshops intended to generate an agreed-upon proposal for implementing GTEC's ZUM expansion. Intervenors were invited to attend, and the County of Los Angeles (County) and Telephone Answering Services of California (TASC) did participate in the workshops. The workshops resulted in a joint ZUM proposal by GTEC, Pacific, and DRA (Joint Proposal). Notice of the proposed ZUM changes and of the public hearings was provided to utility customers in exchanges affected by the Joint Proposal by September 11, 1989 pursuant to administrative law judge's (ALJ) ruling. Public hearings were held in Oxnard, San Bernardino, Temecula, and Valencia during the week of September 25, 1989. Some changes to the Joint Proposal were made in response to public comments. Evidentiary hearings on the revised proposal were held on December 7 and 8, 1989, and on January 3, 1990. Concurrent briefs were submitted on January 29, 1990.

Given the complexity of ZUM rating in general, the level of detail involved in ZUM implementation, and the complexity of issues raised on this record, the Commission especially appreciates the efforts of DRA, which ably synthesized the issues, interests, and evidence in its testimony and brief.

We recognized that the estimated revenue requirements for ZUM implementation were premised on GTEC's participation in the statewide toll and EAS settlements pools. Since the issuance of the Assigned Commissioner's Ruling of November 22, 1989 in I.87-11-033 (the Investigation into Alternative Regulatory Frameworks for Local Exchange Carriers), GTEC and Pacific have reconsidered their settlement arrangements. The parties to this proceeding explained how these changes to the settlements process impact the revenue requirements for implementing ZUM in their comments on the ALJ's proposed decision. The parties' comments are reflected in this final decision.

A.1 <u>Comments of the Parties</u>

Rule 77.3 of the Commission's Rules of Practice and Procedure provide for comments by the parties on the ALJ's proposed decision. Comments were received from Pacific, GTEC, the smaller independent Local Exchange Companies (Smaller Independents), the County of Los Angeles, API Alarm Systems, Toward Utility Rate Normalization (TURN), and DRA. In accordance with Rule 77.3, comments which merely reargue positions taken in briefs will be accorded no weight. Accordingly, the great majority of the County's comments should be disregarded because rather than focusing on factual, legal, or technical errors in the proposed decision as authorized by Rule 77.3, the County reargues its position. This time the Commission is the intended audience, and the ALJ's proposed decision is treated as if it were an opposing party's testimony or brief.

The County gains no advantage by its misuse of the comment process. However, where the County's comments have identified areas needing clarification, the appropriate language has been inserted. The decision now states that ever since the Commission's initial decision establishing the ZUM method of rating called, the impact of ZUM rates has been linked to revisions in exchange area boundaries; that a change in party responsible for billing does not include a shift in responsibility for payment from one branch of a governmental agency to another, and that a waiver of nonrecurring charges for FX is distinguishable from such waiver for private line services.

GTEC, Pacific, and DRA have suggested corrections to technical discussions about telephone services and have provided updated billing bases for the calculation of the ZUM surcharge. GTEC reported the status of its participation in the statewide settlements pools, as requested by the ALJ. Billing surcharge factors have been recalculated by DRA based on revenue requirements corrected to exclude settlements impacts to GTEC and the adjusted billing base. The billing base should be adjusted to reflect changes ordered in D.90-02-050, which authorized statewide local measured service and other rate changes for GTEC. GTEC also recommended modification of the ALJ's draft to reflect these updates. These items have been incorporated in this final decision.

DRA and TURN point out that in adopting the "joint GTEC-DRA regrade mitigation plan," the Commission did not articulate that one of the purposes of the customer notification plan was to refund customers the difference between what they had paid and what they would have paid under flat rate service had they not been regraded. We confirm that GTEC is required to refund this difference to customers it has located, regardless of whether these individuals are still GTEC customers of record, or not.

GTEC, DRA, and TURN recommend that the discussion of the customer regrade mitigation program clarify whether the penalty is in addition to, or a substitute for, the refund of customer overpayments. We state that the penalty is in addition to the restitution to regraded customers since there is a separate and distinct purpose to be served by each. Our objective is to place the customer in the position that he or she would have been in, according to GTEC's filed tariffs, had GTEC complied with its own tariffs.

Indeed, consistency with this principle has caused us to amend the ALJ's proposed decision with respect to the service connection charge. The ALJ had implied that conversion of regraded customers to ULTS should be carried out without charge to the customer. Under GTEC's tariffs, a customer whose ULTS certification had lapsed would have to pay this charge to return from regular to ULTS service irrespective of the forced regrade. This decision now requires a customer who wishes to convert to ULTS to pay the service connection fee. Clearly, the customer refund program is intended to put the customer in the position he or she would have been in had not the regrade from flat service to measured rate service occurred.

GTEC recommended that the one-month refund of flat rate service charge to regraded ULTS customers be limited to those who are still customers of record. This suggestion would condition the amount of GTEC's penalty upon whether or not the regraded individuals are still GTEC customers of record. A condition precedent such as this is not appropriate because the refund is intended as a penalty to GTEC, not as restitution to the individual harmed. Therefore, GTEC's suggestion is rejected.

Based on TURN's comments, we have modified the customer notice to state that GTEC's billing representatives will share the affected customer's billing data with the customer to help the customer to make an informed choice.

The joint GTEC-DRA regrade mitigation plan required GTEC to contact each customer by mail, then follow up if the customer had not responded for a total of three mailed notices. If the customer had still not responded, GTEC personnel were to attempt to advise the customer of the regrade and possible refund by phone. In its comments, GTEC sought authorization to contact the customer by phone at any time after a mailed notice has not elicited a response. We approve this modification in the expectation that this will provide relief to the customer more speedily than under the original proposal. By speaking to the customer in person, GTEC's representatives may also be able to help the customer determine whether the customer qualifies for the ULTS rate and whether flat rate or measured rate service is more cost-effective, based on the most recent three months' billing data.

However, we caution GTEC against using this customer contact to promote telephone services other than basic exchange access service. GTEC has a customer list of 47,000 regraded customers, who were previously certified as low income, with whom GTEC is expressly authorized to discuss the terms of basic exchange service. Any attempt to use this customer contact to promote any service besides a Category I service would amount to customer abuse. The customer contact pursuant to the regrade mitigation program is expressly limited to offering the customer the ULTS rate and to explaining the difference between flat and measured rate local exchange service as applied to the customer's prior calling patterns.

We have clarified that a regraded customer who qualifies and seeks to subscribe to ULTS service will have to pay the applicable service connection charge. That customer will also be credited with one month's flat rate charge. That one month credit can be leveraged to the advantage of the qualifying ratepayer if it is applied directly to the service connection charge to reduce the hurdle to changing from regular service to ULTS. Since GTEC is to contact each one of the individuals who are entitled to the one-month credit and ask that person if he or she wishes to convert to ULTS, GTEC can easily advise that person that the otherwise applicable service connection charge will be reduced by $9.75. Accordingly, the ordering paragraph that had required GTEC to make the one-month refund within the next billing period is amended. GTEC shall complete its customer notification program within 12 months, and all one-month refunds shall have been disbursed within 14 months.

We note, parenthetically, that the benefits from this customer notification program do not flow exclusively to the regraded ULTS ratepayers. GTEC may use the customer notification process to enhance its customer relations, which are becoming more vital to the company as the Commission continues to reshape the regulatory framework of local exchange carriers.

The ratemaking treatment of the refunds to customers, the one-month penalty payments to customers, GTEC's claims on the ULTS fund, and GTEC's expenses related to these items are all provided for in this decision to avoid potential controversy. Our intent is that ratepayers should never pay for the refund, penalty, improperly accessed ULTS funds, or the costs associated with administering those items. Accounting and ratemaking treatment are specified in the ordering paragraphs.

GTEC, API, and DRA offer suggestions to the proposed workshop to revise the utilities' exchange area maps. We have reviewed those suggestions and revised the workshop plan to ensure a fair and timely result. For example, these parties agreed that as an objective third party, CACD should have a role in the workshop. Accordingly, CACD, shall chair the workshop. Minutes shall continue to be taken by Pacific, since it has the expertise necessary to demand clarification from workshop participants in the course of discussions. We are persuaded that one party should prepare the workshop report. That party will be DRA, since it, too is an objective party in this process. We provide notice that a workshop service list will be compiled and require the workshop report to be mailed to all persons on the service list. While GTEC had recommended that the workshop not be convened for 120 days so that the scope of the workshops may be appropriately limited, we believe that the problem should be addressed as quickly as possible given the pendency of other proceedings which concern the exchange area boundaries. The parties are given 15 more days to perform this "scoping"; the workshop is to be held within 60 days of the effective date of this decision.

DRA observes that General Order (GO) 96-A, which lists the information to be contained in Service Area Maps may need to be revised in order to require more detailed and specific information on service area maps for telephone exchange companies. The implications for GO 96-A and telecommunications service providers will be reviewed by the ALJ upon receipt of the workshop report. Smaller Independents and others will be notified and provided an opportunity to comment before any revisions to GO 96-A may occur. The ALJ or the Commission will determine the appropriate course of action after reviewing the report.

We note that if we were to expand ZUM but retain the exchange area boundaries as suggested by the County, the entire proposal would need to be redone because the exchange boundary reconfigurations are inherent in the Joint Proposal. If this were so, the benefit of ZUM implementation for the vast majority of southern California ratepayers would be delayed. The implementation of expanded local calling areas, ordered in October, 1989 would likewise be postponed. The County's proposal does more harm than good.

In its Reply Comments, API urges the Commission to reject Appendix C of the ALJ's proposed decision, which contains new V&H coordinates for GTEC's rate centers and wire centers for exchanges affected by the Joint Proposal. Instead, the Commission should adopt ZUM calling routes and discount calling plan areas based on the V&H coordinates originally shown in the Joint Proposal and contained in Pacific's A 6 tariff. Appendix C is based on updated information. API does not challenge the accuracy of the data contained in Appendix C. It cites no reason, other than consistency with the Joint Proposal, for its recommendation. Appendix C should be adopted as recommended by the ALJ.

A new section is added to discuss the impacts of the Joint Proposal on LECs other than GTEC and Pacific. The Joint Proposal will cause the toll and local billings of GTEC and Pacific to change. While GTEC no longer participates in the statewide settlement pools, Pacific does. Changes to Pacific's billings will affect the amount of settlement revenues other LECs receive from the settlement pools.

DRA had submitted its estimates of non-recurring and recurring revenue requirement effects on all LECs in its testimony. There, DRA had recommended that all LECs be authorized to file for the recovery of the increase in their revenue requirements caused by implementing the Joint Proposal in accordance with the California High Cost Fund requirements established by Appendix B of D.88-07-022. No counter-proposal for LEC recovery of settlement costs was made by any party; no party opposed DRA's suggestion. The LEC's use of the High Cost Fund to recover the non-recurring and recurring revenue impacts shown in Appendix I of this decision is reasonable and should be adopted.

B. <u>Customer Notice</u>

A Contel customer who attended the public participation hearings in Temecula on September 29, 1989 complained that he did not receive notice of the hearing until September 25, 1989. He drove more than 100 miles to attend the next scheduled public hearing. The Commission's Division of Ratepayer Advocates (DRA) charged Contel with inadequate customer notice. Contel responded that this individual is not a customer in any of the three Contel exchanges in LATA 5 which are affected by this ZUM proposal. The customer is located in an exchange more than 40 miles away from exchanges where rate center coordinates will be relocated, and no route over 40 miles is affected by the Joint Proposal. Contel explained that the customers in the three affected Contel exchanges did receive notices with their bills mailed either August 25 or September 11. Pursuant to a request from DRA, Contel subsequently provided notice to all customers in LATA 5 even though they were not directly affected by the proposal. This notice to all LATA 5 customers was provided at DRA's request and did not reach those customers until the ALJ's September 11, 1989 deadline for notice had passed. It was this later notice that alerted the customer to the Temecula public participation hearing.

These facts demonstrate the importance of timely customer notice to enable the public to participate in the Commission's administrative process. However, because Contel had notified the customers within the three exchanges affected by the Joint Proposal by September 11, 1989, Contel need not be admonished to better notify its customers of their opportunity to be heard.

Because Contel's notice efforts were consistent with the method of providing notice it had employed prior to the ALJ ruling and the ALJ did not require broader notice, we find that Contel has not violated any rule or order of the Commission or of the ALJ. Contel's cooperation with the DRA in providing expanded notice is appreciated, and negates any finding of willful violation.

C. Understanding Zone Usage Measurement

Zone Usage Measurement or "ZUM" is a method of rating calls which substantially discounts toll rates for all customers calling within ZUM areas. A ZUM calling area is divided into zones which form concentric circles around the point from which a customer's call is rated. Each call goes over a "route" between the caller's serving central office and the called party's serving central office. "Rate Centers" usually coincide with central offices from which the mileage of call routes is determined. A central office may serve an entire exchange, in which case it is the "exchange rate center." In the case of densely populated exchanges, more than one central office may be needed. Then, one of the central offices is designated as the exchange rate center. The exchange may be divided into District Areas (DAs) with each DA being served by a central office known as a "DA rate center." Calls over routes from 0 to 8 miles are local, or Zone 1 calls. Zone 1 generally includes the subscriber's home exchange and all contiguous exchanges, but in the case of continguous exchanges that are subdivided into DAs, only the contiguous DAs within those exchanges constitute Zone 1.

Zone 1 is synonomous with the "local calling area" of customers who elect flat rate service. Such customers have local calling at no additional charge and pay ZUM or toll rates for non-local calls. Where measured local service is available, residential customers may select measured rate service. In that case, calls to Zone 1 are subject to local usage rates based on four units for the initial minute plus one unit for each additional minute. (Each unit is priced at $.01, for FEX, each unit is priced at $.012)

Calls over greater distances are ZUM or toll calls. The 8.0+ to 12.00 mile toll band coincides with Zone 2. The 12.0+ to 16.00 mile toll band coincides with Zone 3. No ZUM zone covers routes greater than 16.00 miles in distance. Rather, within the LATA, routes of over 16 miles are rated as toll calls.

In non-ZUM areas, the local calling area generally includes contiguous exchanges and certain other nearby exchanges. Business customers and measured rate residence customers pay for each call on a "message unit" basis, while flat-rate residence customers may place calls to all exchanges within the local calling area on an unlimited basis. Calls beyond the local calling area are rated as toll calls and priced according to distance, duration and the time of day the call is made. A comparison between ZUM rates and otherwise applicable rates shows that the ZUM discount is a substantial one:

Comparison of ZUM and IntraLATA Toll "Day" Time Rate Structure In Effect Today for Pacific Bell

	ZUM		IntraLATA toll	
Calling Distance	1st Minute	Each Add'l Minute	1st Minute	Each Add'l Minute
ZUM Zone 2 (8.0+ - 12.00 miles)	$0.08	$0.02	$0.17	$0.07
ZUM Zone 3 (12.0+ - 16.00 miles)	0.10	0.04	0.20	0.10

ZUM was first implemented in 1980 for the San Francisco-East Bay Extended Area and the Los Angeles Extended Area as a result of D.90642. It was proposed by the Commission staff as an alternative to Pacific's conversion of multi-message unit routes (9-16 miles) to message toll service (MTS). The Commission identified the difference between ZUM service provided in a metropolitan area and short-haul toll service provided elsewhere. "The differences are matters of averages: The typical ZUM route is denser and provides service more efficiently than the typical MTS route of the same distance; the typical ZUM route lies within a community of interest more intense than the typical MTS route." (D.84-06-111, 15 CPUC 2d 232,368.)

In D.84-06-111, ZUM was expanded to include much of Orange, San Diego, and Sacramento Counties and additional areas within the Los Angeles Extended Area. Pacific's request to extend ZUM and revise exchange boundaries in eastern Contra Costa County was granted in D.88-07-022. In the same proceeding, GTEC proposed further ZUM expansion in its service area. Consideration of that expansion was deferred to this proceeding, GTEC's general rate case.

II. The Joint ZUM Proposal

Pacific and GTEC are proposing to expand their joint use of ZUM pricing to a number of additional exchanges in Los Angeles, Ventura, San Bernardino and Riverside Counties. The areas covered by the ZUM proposal are adjacent to the existing Los Angeles metropolitan ZUM area. DRA concurs in large part with the proposal. Its differences with utilities are limited to the implementation of certain accommodations for specific customer groups. The proponents assert that the expansion of ZUM rate treatment to routes that are presently subject to toll charges will result in a generally reduced level of charges for services paid by customers both in the existing and proposed ZUM areas. This would reduce toll revenues. In order to maintain a neutral effect on utility revenues, the decrease in toll receipts would be recovered through a bill and keep surcharge.

A. Coordination with other Pending Matters

1. Revision of Exchange Area Boundaries

In the Joint Proposal, GTEC and Pacific simultaneously propose to revise the boundaries and the configurations of a number of individual exchanges. Under the proposal, the current 26 exchanges in the affected areas will become 43 exchanges. In some instances, existing exchanges would be subdivided into several smaller exchanges.

The following changes are proposed for Pacific Bell exchanges:

> In Los Angeles County, the Canoga Park exchange would be split into separate exchanges for Canoga Park and Northridge. The northern portion of the Reseda exchange would be transferred to the new Northridge exchange. The two DAs composing the Newhall exchange would be restructured into new Castaic and Saugus/Canyon Country DAs.
>
> In Ventura County, the Ventura exchange would be broken up into three exchanges, Oakview, Ventura Central, and Ventura East. In the San Bernardino/Riverside area, Riverside would be divided into four exchanges, the northern portion of Riverside exchange would be transferred to the new Colton exchange, the southern portion of the Rialto exchange would be transferred to the Colton exchange, and the Corona exchange would be divided into the Corona and Temescal Canyon exchanges.
>
> The following changes are proposed for GTEC exchanges:
>
> In Los Angeles County, the San Fernando exchange would be broken up into separate DAs for San Fernando (with Sylmar), Granada Hills, Pacoima, and Sepulveda.
>
> In Ventura County, the Oxnard exchange would be subdivided into separate exchanges for Oxnard, Camarillo, El Rio, Point Mugu, and Somis, and the Thousand Oaks exchange would be divided

into the Thousand Oaks, Conejo, and Newbury Park exchanges.

The remaining restructurings would occur in the San Bernardino/Riverside area, including division of the San Bernardino exchange into two exchanges, division of the Hemet-San Jacinto exchange into five DAs and division of the Redlands and Perris exchanges into three exchanges and two exchanges, respectively.

Each new exchange area is assigned its own rate center location coordinates. The DRA had introduced a list of V+H coordinates in its testimony in support of the Joint Proposal. The DRA supplemented its list in its brief. There were no objections to the revised DRA list, so it should be adopted.

In many instances, the reconfiguration of exchange boundaries will increase rates paid by individual customers. For example, where no exchange boundary existed between the western and eastern extremities of an exchange, the ZUM proposal would impose a boundary between the extremities and create two different rate centers. The distance between rate centers would constitute "mileage," subject to distance-based rates, where no mileage was calculated before. Depending on the reconfiguration and mileage involved, a formerly "local" call might become a toll call under the Joint Proposal.

In other cases, the exchange boundary will remain intact, but the area within the exchange would be subdivided into DAs. Calls between different DAs within the same exchange will continue to be rated as local. Calls which are less than 40 miles between the subject DA and another exchange will be rated on the basis of the DA rate center V&H coordinates from which the subscribers are calling or are being called. For calls which are over 40 miles, the exchange rate center V&H coordinates, rather than the DA rate center V&H coordinates are used to calculate the toll mileage.

Each time a revision in ZUM boundaries has occured, the Commission has authorized the re-drawing of exchange area boundaries. Since the concept of ZUM rating was adopted in D.90642, review of boundaries has become an integral part of any ZUM proposal, as the concept of ZUM itself recognizes that routes between points that share a community of interest should be priced at a discount. "The availability of low rates for Zones 2 and 3 calls under ZUM obviously benefits subscribers in ZUM calling areas. It is a reasonable discount reflecting both the social value of lower rates within local communities of interest and the lower cost of transmission and switching on dense urban routes." (D.84-06-111, 15 CPUC 2d 232, 372.) Because of the radial nature of ZUM rating, the exchange area boundary serves as a convenient means of demarcating areas which have a community of interest.

GTEC states that the Joint Proposal will expand ZUM into areas in southern California which have experienced relatively rapid growth since the initial and subsequent implementations of ZUM in highly populated metropolitan areas of the state. Call volumes have increased so much in these areas that new central offices have been added.

Pacific points out that the need to revise exchange boundaries arises particularly where exceptionally large exchange boundaries that had been established when an area was predominantly rural are no longer appropriate when that area becomes more densely populated. The concentration of new growth in a geographic area can lead to an unequal number of access lines within exchanges. The authors of the Joint Proposal believe that revisions to the exchange area boundary are needed to equalize the value of basic exchange service for customers in every exchange. This is consistent with the Commission's finding in D.84-06-111 that the proposed reconfiguration of exchange boundaries in San Diego and Orange Counties is "reasonable as a means of achieving greater equity in the service offered to subscribers in similar metropolitan areas throughout PacBell's service area and in comparison to the service offered to subscribers in rural areas."

The proponents of the ZUM plan relied on the criteria established in D.90642 to redraw the boundaries, modified by the Salinas formula, as well as their personal observation of the service territory. They have attempted to recognize the community of interest within a proposed exchange. For example, where continuity of development was observed, the call route over such an area was rated Zone 1. As a rule, boundaries were drawn so that routes for which there is a community of interest are local or ZUM rated calls. Routes formerly within an exchange, but for which patterns of development have resulted in less community of interest in relation to other routes for which the community of interest has grown, have become ZUM or toll routes under the Joint Proposal.

The County of Los Angeles (County) was represented by Dr. Lee Selwyn. He objected to the proposal to reconfigure exchanges at the same time ZUM routes are expanded, arguing that there is no clear connection between these two policies. His argument is contradicted by established Commission policy.

On a factual level, the County claims that testimony of Pacific and GTEC's witnesses is void of any evidence of precisely how the factors claimed to underlie their proposal were evaluated and reconciled, including any demonstration that the proposed local calling areas improve (1) the equity among exchanges in the LA area, or (2) equity of those exchanges compared to those of other California Communities. The companies have failed to show any correlation between the proposed new exchange boundaries with the pattern of community ties that exists in those areas. To illustrate its point, the County offered a summary of projected commuter (home to work) vehicular traffic patterns for San Fernando Valley communities that demonstrates a high degree of inter-community ties within that region to rebut GTEC's planned division of the San Fernando exchange into district areas.

We do not find that the County's criticism undermines the Joint Proposal. The County's attack is flawed because vehicular traffic is only one index of demographic patterns. Indeed, reliance on vehicular traffic patterns alone to establish communities of interest would lead to distortions in the local calling area because of the heavy reliance on the automobile in the Southern California area for trips between home and work over distances in excess of the local calling area.

The County claims that far from demonstrating any specific customer benefits in connection with the modifications to existing exchange boundaries, the changes lead to negative customer impacts. That is, a significant number of customers would find their local calling areas reduced under the plan, and in certain cases, the recomputation of interexchange distance will result in ZUM calls being re-rated as toll or in existing toll calls being re-rated to a higher mileage band. Fourty-nine existing routes would receive rate increases under the Joint Proposal.

This criticism ignores the fact that far more customers will benefit from the availability of toll discounts under the Joint Proposal. The Commission must balance the overall public interest in ZUM expansion. Overall, there is a net benefit to the public in the form of reduced toll rates, as is easily seen from the ongoing reduction in toll revenues forecasted for GTEC and Pacific.

Selwyn recommends that if the Commission does approve exchange reconfiguration, it should assure that no routes experience rate increases; the ZUM expansion should be a forward-going overlay with no adverse customer impacts. Specifically, the joint plan should eliminate upward rate reclassifications on 31 Pacific routes and 18 GTEC routes which are proposed to be rerated from ZUM Zone 1 to ZUM Zone 3 or higher under the plan. This would increase the projected revenue reductions for Pacific and GTEC by another $6.3 million and $3.8 million, respectively, that could be recovered through the billing surcharge proposed to recover the revenue shortfall expected under the ZUM expansion plan.

This proposal is unacceptable; it would insulate ratepayers from the cost of ZUM while providing them the benefit of reduced toll rates. No justification for this deviation from Commission policy was provided.

Moreover, the burden imposed by the rate increases for a total of 49 routes is outweighed by the benefit of rate reductions for 620 of Pacific's routes and 440 of GTEC's routes. Since fewer than 5% of the affected routes will experience increases and 95% of the impacted routes will see decreases in rates, it is clear that the Joint Proposal on balance is in the best interest of the affected ratepayers.

API Alarms, Inc. (API) provides central station alarm services throughout southern California and in that capacity, purchases private line service from Pacific and GTEC. API joins the County in noting that the companies have not provided any estimate of private line revenue effects due to boundary reconfiguration. They claim there is no compelling reason why the exchange definitions for rating switched services should apply to rating private lines. Boundary reconfiguration would result in higher mileage rates in certain cases. Because private line users pay only monthly mileage-based rates and no usage rates, they would receive no offsetting benefits from lowered usage rates, which is the principal benefit of ZUM. Thus, according to API and the County, it does not follow automatically that because exchanges are being redefined for ZUM and toll rating purposes that an equivalent restructuring is also required or appropriate for dedicated private line services.

There is no reason to exempt private lines from the revision of exchange area boundaries. The new exchange and district area boundaries will be used to classify a private line service as intraexchange or interexchange for rating purposes.

Currently, GTEC and Pacific measure private line mileage on a wire center to wire center basis and this practice will continue. The public interest would not be served by adding yet another layer of complexity to private line rates.

API claims that the cost increases which will be incurred by private line users are not justified and would be unfair if implemented here. API argues that the impacts on private line rates constitute rate impacts that would violate the requirement of D.89-10-031 that any changes in Phase II of the Commission's investigation into alternative regulatory frameworks (I.87-11-033) maintain "revenue neutrality." API cites the statement by Pacific's witness that Pacific would have no objection if the moratorium remained in effect until the supplemental rate design tariffs were approved and put into effect in I.87-11-033. This, coupled with D.89-10-031, supports deferral of any rate or cost changes in private line services until specific evidence on private line costs has been considered in the supplemental rate design proceeding, according to API.

The citation to D.89-10-031 is inapposite. The portion of the decision cited does not preclude a decrease in toll revenues because differences in revenues resulting from ZUM expansion may be recovered through surcharges. The change in billed private line revenues will be "revenue neutral" to the utility.

2. Expanded Local Calling Area

The Commission's decision to expand local calling areas (D.89-10-031 as modified by D.90-04-031) would make calls over routes 0 to 12.00 miles long "local" or free of mileage-based charges for flat rate customers. The distances are measured from existing rate centers. Those centers are subject to change as a result of the ZUM proposal. That is, an existing route of less than 8 miles would be transformed into a ZUM or toll route if one of the rate centers at either end of the route were moved so that the route became longer than 8 miles. In anticipation of this problem, the proponents of this ZUM plan recommend that all routes which are today rated local but will become ZUM Zone 2 routes as a result of the proposed ZUM expansion should continue to be rated local until the implementation of expanded local calling areas as ordered in D.89-10-031. No rate change should occur (1) upon the expansion of local calling, (2) after the implementation of ZUM expansion, or (3) during the interim period between implementation of the ZUM expansion plan and the implementation of expanded local calling. This modification of the ZUM proposal is intended to avert customer confusion that would otherwise result from implementation of the ZUM plan before the phone companies were authorized to expand their local calling areas.

3. Local Measured Service

ZUM employs the time of day, duration of call, mileage sensitive rate structure of intrastate toll rates to rate calls. Thus, customers can take advantage of the ZUM discount only if their exchange is equipped to provide local measured usage. Local measured service (LMS) is not currently available in all the exchanges covered by the ZUM proposal. However, all of those exchanges would be converted to LMS under the plan GTEC advanced in its test year 1988 general rate case. D.90-02-050 authorized GTEC to undertake that conversion. All of the exchanges wherein ZUM is proposed are scheduled to be converted by December 10, 1990. Since the utilities estimate that they will require approximately 210 days to effect a flash-cut conversion to ZUM, it appears that ZUM would be available by the end of December, 1990. By having GTEC's LMS schedule coincide with that utility's ZUM implementation, there is no need to order GTEC to incur further costs of converting to LMS in this proceeding. The costs of LMS conversion and billing losses were included in D.90-02-050.

B. Impacts of the ZUM Proposal

1. Primary Effects

By converting to ZUM, the proponents intend to provide an overall reduction in toll usage charges and the removal of Extended Area Service increments to customers in the affected exchanges. The associated revision in exchange area boundaries will cause rates to increase for routes which are re-rated to a greater mileage due to movement of rate centers.

2. Ancillary Effects

As pointed out by the County, 31 Pacific routes and 18 GTEC routes are proposed to be re-rated from ZUM Zone 1 to ZUM Zone 3 or higher under the plan. 1,060 other routes will experience rate decreases under the Joint Proposal. Toll billings will be reduced as a result of the discounted ZUM rate. However, some customers will experience second-order effects of the reconfiguration of exchange area boundaries that go beyond the weighing of overall benefits of ZUM expansion in general.

a. Moratorium for Mileage Sensitive Services

The reconfiguration of exchange area boundaries will, in many cases, result in increases in rates paid by subscribers of "mileage sensitive" services, such as private line, Business Answering Lines, Secretarial Lines, and Direct Inward Dialing and Trunk Lines. For ease of reference, these services will be referred to as "private line" services. Private line services are mileage-sensitive because subscribers to these services must pay charges based on the distance between the wire centers which are used in providing the private line services. The private line rate structure also distinguishes between private line circuits which originate and terminate within one exchange (intraexchange) and circuits which cross exchange area boundaries (interexchange). Currently, both GTEC and Pacific assess mileage charges for their intraexchange and interexchange private line circuits. Both utilities' interexchange mileage charges are substantially higher than their intraexchange mileage charges. If a private line circuit traversed a portion of an exchange where a new boundary is drawn, that circuit would be re-rated under the ZUM expansion proposal.

The utilities and DRA recognized this potential impact. During the workshops, participants devised a 24-month moratorium for customers affected by these boundary realignments. Because of prior ZUM expansions, Pacific already has moratorium language in effect for various exchanges in San Diego, Orange, and Contra Costa Counties. DRA has found no complaints regarding Pacific's methods and procedures for implementing its current moratorium in those counties. Consequently, DRA would apply Pacific's existing moratorium language to the Pacific exchanges affected by this proceeding. On the other hand, GTEC has no such moratorium in place, so DRA prepared moratorium language for GTEC which includes specific direction for implementation. Both utilities accept the moratorium language that DRA has drafted for them. This moratorium language was introduced in Exhibit 17, Appendix G - Pacific, and Ex. 17, App. K and L - GTEC.

Pacific's draft states that for services existing prior to the effective date of the tariff implementing the proposed ZUM expansion within exchanges affected by this proceeding, the exchange and/or district area boundary configuration prior to the effective date of the tariff will apply. The former boundary configuration would remain in effect until either an impacted customer made a change in its service or until two years from the effective date of the tariff, whichever comes first. After either event, the new boundary configurations, rates, and charges then in effect would apply. Pacific's witness testified that the moratorium would also be lifted in the event of a supercedure or a change in billing name.

General's draft differs from that of Pacific's specifically in its identification of services subject to the moratorium ("distance-sensitive private line-like services rate elements and secretarial lines") and by its listing of changes which will void the moratorium prior to the expiration date.

The County, API, and TASC accepted the lifting of the moratorium in case of physical change to the line. However, they oppose the proposal to void the moratorium due to "customer name changes with a change in responsibility for payment of bills." Pacific clarified that it would not lift the moratorium in the event that a change in the billing name of a customer is not associated with the change in the customer; however, the moratorium would be lifted if there was a "true change in the customer." General states that a mere name change would not void the moratorium, but that a change in the party responsible for payment would void the moratorium. DRA, as the author of the moratorium language, asserts that an assignment of responsibility means that a new customer has taken over the service. Effectively, then, the service is new because the customer is new.

TASC is also dissatisfied with the difference between Pacific and GTEC's moratoria. It recommended that uniform moratorium language be adopted, since customers in the Los Angeles region may be served by both companies and thus subjected to two different moratorium tariffs. TASC did not recommend which draft should be adopted for the two companies, however.

The moratorium language proposed by DRA should be adopted. It is unnecessary to adopt identical language for GTEC and Pacific because the substantive terms of the moratorium are the same. However, the utilities' administration of the moratorium with respect to exchanges affected by the Joint Proposal should be uniform. The moratorium will cease for a customer of GTEC or Pacific if the customer who was responsible for bill payment on the effective date of the tariff implementing this decision ceases to be the party responsible for billing. The identity of the customer and responsibility for billing will be determined according to the ordinary business practices observed in a contractual relationship. For example, if a governmental agency shifts responsibility for billing for a private line service to a different department or the department is renamed, the moratorium would not be terminated for that private line service because the party responsible for payment at all times was the parent governmental agency.

The cessation of a moratorium from tariffed rates upon a change in billed party is reasonable. The moratorium itself is an equitable benefit intended to shield an existing customer from hardship. It is not a form of consideration, so the fact that nonrecurring charges are collected for a "Change Service Order" is irrelevant to whether termination is needed to compensate the utility. Since the delay in the increase in mileage charges is intended to prevent hardship, only the current customer can claim it would experience a hardship upon the lifting of the moratorium. A new customer would come into the relationship with the utility with no equitable claim to the former rate. With this clarification, the moratorium should be adopted.

API protests that private line users have no way to determine mileage measurement based upon either the existing or the proposed exchange area maps. This defect renders the moratorium useless, according to API, since one of its avowed purposes is to allow customers of mileage related services to evaluate and seek alternative services.

The absence of wire centers and wire center boundaries in the utilities' filed tariff maps was acknowledged by DRA. However, this problem cannot be resolved in this proceeding. The benefit to the vast majority of ratepayers that would result from implementation of the Joint Proposal weighs against the delay that would be necessary to revise the exchange area maps.

The Commission recognizes that the lack of accurate map information may contribute to misunderstanding and poor customer relations. Therefore, representatives of GTEC, Pacific, the Commission staff, API, and any other interested persons should meet within 60 days of the effective date of this decision to discuss how new exchange area maps, showing wire centers, central offices, V&H coordinates, and historical toll rate points at their exact physical location can be generated and filed with the Commission as part of the companies' tariffs.

Written notice of the workshop shall be provided by a letter from DRA to all parties on the service list for this ZUM portion of A.87-01-002 at least 10 days prior to the first day of the workshop. Notice of the workshop shall be provided in the Commission's Daily Calendar at least 7 days prior to the workshop. The notice shall contain the date and time of the first day of the workshop, indicate if the workshop is expected to run more than one day and the additional dates, if known; location; and purpose of the workshop. Details of the notice and workshop are provided in Ordering Paragraph 9 of this decision.

Finally, the County recommends that the utilities be ordered to undertake the following steps to minimize the disruptive effects of the adjustment process for private line customers:

1. Notify customers of the anticipated impacts of the plan on their monthly billing,

2. Furnish customers comparative statements of their existing and potential private line charges to enable the customer to plan reconfigurations, if any, and

3. Waive all nonrecurring charges associated with service reconfiguration undertaken by a customer to minimize any increase in private line charges that are directly attributable to the adoption of the restructuring plan.

The County has not supported its request with any evidence of need or resultant public benefit. The value of private line service does not lie primarily in its ability to make exchange area boundaries "invisible" to callers, as in the case of FX service; the impact on FX service is distinguishable from the impact on private line services. The cost of impact of the boundary changes will be mitigated by the two-year moratorium for private lines. Moreover, private line customers are sophisticated business customers of the phone companies; in some cases, they compete directly with the utilities. The moratorium provides a reasonable amount of relief. The Commission has not adopted any other special treatment for private line customers in any of the previous ZUM expansions. The County's request is denied.

b. FX Service

Another service affected by the ZUM proposal is foreign exchange (FX) service. This matter was extensively presented by Centex Telemanagement, Inc. (Centex). Centex orders an array of telecommunications services from Pacific and General on behalf of more than 5,500 small to medium-sized businesses for which Centex manages telecommunications services. Among those services are FX services. FX service is a switched service that allows residential or business subscribers to obtain the equivalent of local telephone service in an exchange other than that in which the customer is located. There are several alternative means by which LECs provide FX service, including the use of "line haul" interoffice facilities and the use of a "dedicated prefix."

The exchange boundary reconfigurations proposed as part of the Joint Plan will diminish the value of many FX services that are presently in place, since the purpose of FX service is to enable a customer headquartered in a distant exchange to maintain a presence in a target exchange. This presence would be compromised if the exchange is reconfigured so that calls from the target population to the customer's FX number are no longer local. Some

FX users will have to order new FX services either to replace or to supplement those they use today and, thus, incur service installation charges as a result of implementation of the Joint Plan. Although FX customers would enjoy the moratorium on mileage charges until such time as they modify their services to suit the new exchange boundaries, the fact that changes in exchange area boundaries may require the customer to change immediately its FX service will terminate the moratorium for that individual customer. Thus, the moratorium affords no relief to the FX customer who has lost the value of its current FX service due to a change in the exchange area boundary.

Pacific's witness volunteered a window of opportunity of 90 days after the Joint Proposal has been implemented whereby FX customers could change their service in relation to the boundary changes that are proposed on a company initiated basis so that the FX customer would not have to incur any nonrecurring charges for the change.

The Company-initiated change procedure was summarized in a one-page proposal by Centex. Under Centex's proposal, this treatment would apply to the number of FX lines or FX trunks necessary to carry an amount of affected traffic at least equal to that which was carried by the customer's installed FX service base. That installed FX service base would consist of the FX lines or trunks installed before the flash-cut implementation date and which carry traffic for which bills for usage would increase due to the redefinition of exchange or district area boundaries. The relevant traffic is that FX traffic for which usage charges would increase due to the redefinition of exchange or district area boundaries. The "equal amount" of affected traffic should be determined by standard engineering practices utilizing actual call records. The proposed procedure would apply to service changes initiated within four months after the date the flash-cut occurs.

The utilities and DRA did not object to Centex's proposal in principle. However, they urged that the Commission refrain from ordering the utilities to incorporate Centex's proposal in filed tariffs.

It appears that Centex's suggestion is an equitable one, designed to protect the existing value of FX services to existing customers from erosion due to implementation of the Joint Proposal. This approach is available to FX customers, and not to private line customers, because the very offering of FX services is premised on the location of the customer with respect to exchange area boundaries. The waiver is appropriate also because unlike private line customers, FX customers will not receive any moratorium on usage rates. The utilities should adopt a company-initiated change procedure as outlined above. No tariff modifications are necessary to carry this out.

c. <u>Discount Calling Plans</u>

Yet another ancillary effect of the ZUM proposal would be experienced by customers who subscribe to one of the companies' discount calling plans.

(1) <u>Existing Services</u>

A Circle Calling plan provides a residence customer a 30 percent discount on all intraLATA toll calls within a "circle" with a 40-mile radius from the applicable rate center. Customers who have subscribed to Circle Calling may gain or lose some telephone prefixes from their roster of discounted routes due to the reconfiguration of the new exchanges. The establishment of a new rate center would require the recalculation of the 40-mile radius of the Circle Calling area. DRA had proposed that existing Circle Calling customers retain their discount during a 36-month "grace period." However, unlike the point-to-point Community Calling plan, Circle Calling discounts are based on the rate distance for calls and not the specific exchange called. There is no means in the utilities' billing systems of distinguishing existing customers with Circle Calling from new customers. Therefore, the companies cannot accomodate the billing adjustments that would be necessary to grandfather existing Circle Calling customers. Since Circle Calling discounts are based on the rate distance and not on the specific exchange called, DRA and the utilities agree that Circle Calling plans for those routes which have been rerated to over 40 miles should be withdrawn.

The Community Calling plans offered by GTEC and Pacific provide discounted calling to selected communities within a 40-mile radius. For Community Calling plan (point-to-point) routes which become greater than 40 miles as a result of the boundary reconfiguration, the proponents have agreed that Community Calling plans should continue to be available for a limited period of time.

DRA and the utilities agree that tariff deviations should be used to accomodate current subscribers to Community Calling plans for a period of 36 months. The parties would allow certain customers to continue to pay the Rate Group 6 (31-40 miles) monthly recurring rates and to receive the Rate Group 6 call allowances. Additionally, Toll Band 8 (41-50 miles) usage rates, discounted 30% for Community Calling, will be assessed on these customers. Community Calling would be terminated for customers whose routes become greater than 50 miles as a result of the reconfigurations. DRA recommends limiting the continued availability of Community Calling to existing customers of record who currently subscribe to point-to-point services and who continue to be customers of record at the same premises.

The Joint Proposal provides that:

1. No point-to-point service routes would be added for Community Calling unless the route goes from Local to Toll Band 3 or ZUM Zone 3 or greater.

2. Where an existing exchange is converted into multiple exchanges, customers in the new exchanges

will be offered the Community Calling Service routes they had been offered from their exchange prior to ZUM expansion.

3. Customers in existing exchanges who currently have point-to-point service to exchanges which are converted to multiple exchanges will be offered service options to all the newly created exchanges as if the ZUM expansion had not occurred.

4. Community Calling Plans will be offered to customers on routes that become greater than 40 miles and less than 50 miles due to ZUM expansion, but limited to existing customers of record who currently subscribe to point-to-point service(s) for these routes and who continue to be customers of record at the same premises.

5. The Commission should allow a 36-month period, subsequent to a decision in this case, during which Community Calling Plans will be "grandfathered" through tariff deviations to minimize customer confusion and to allow for the Commission to review proposals made in the Supplemental Rate Design (SRD) phase of I.87-11-033 (the Investigation into Alternative Regulatory Frameworks, or "ARF Proceeding.")

DRA witness Low attempted to set forth the tariff deviations for point-to-point routes over 40 miles as described in the parties' Joint Proposal in Appendix A-1 (Pacific) and Appendix A-2 (GTEC) of Exhibit 14. DRA fears that the listing is incomplete and requests the Commission to order Pacific and GTEC to certify in writing that the routes affected by the deviations are complete and accurate at the time the utilities file the deviations. This request is a reasonable one. Thus, the utilities should rely on DRA Exhibit 14 only as a starting point for their compliance filings to implement the community calling deviation and should certify the accuracy and completeness of their filings.

(2) New Services

GTEC recommends the adoption of Circle Calling for all the reconfigured exchanges and Community Calling plans for the reconfigured exchanges limited to the routes that the existing exchange had prior to ZUM expansion. The Circle Calling plan revision has been limited to the exchanges affected by the ZUM proposal, shown on GTEC tariff schedule B-4, section C and the Community Calling plan has been limited to tariff schedule B-4, section B.

DRA also proposed that if the utilities do not receive authorization to change their current point-to-point service plans within three years from the effective date of the decision in this proceeding, the Commission should order the utilities to file advice letters to offer point-to-point service over all routes within the existing and newly proposed ZUM boundary areas on a statewide basis, effective only after Commission approval of those advice letters. This recommendation would apply to all routes throughtout the state that originate within a ZUM boundary area and terminate within 40 miles in a non-ZUM area. DRA recommends that point-to-point service should be made available on a return basis if at least 20% of residence accounts placed at least one call monthly over a "come-back" route (see, pp. 225-226 of D.84-06-111). This is a reasonable recommendation and should be adopted.

DRA and the utilities concur that the Circle Calling plan should be revised to provide:

1. Circle Calling will be offered in 43 of the 43 exchanges proposed in the ZUM plan. It will be offered in the Hemet Exchange because Hemet will not be a ZUM exchange.

2. Nine non-ZUM GTEC exchanges will have reciprocal or "come-back" Circle Calling to ZUM exchanges.

The existing Hemet exchange will be broken into DAs. The ZUM expansion proposal will make available, to customers who subscribe to Circle Calling, reduced toll calling from each new DA rate center within a 40 mile radius while retaining current local calling within the Hemet Exchange. The nine exchanges which will receive this reciprocal circle calling option are: Arrowhead, Banning/Beaumont, Crestline, Hemet, Idyllwild, Hi Vista, Lake Hughes, Lancaster and Santa Paula. Since this proposal provides a currently available discount plan to the newly reconfigured exchanges and DA's, it is reasonable and should be adopted.

C. Regrading of ULTS Ratepayers

DRA reviewed GTEC's workpapers concerning the incremental change in GTEC costs and billings as a result of customers being converted from flat rate service to LMS. DRA discovered what appeared to be a large decrease in flat rate residential lifeline customers and a large increase in residential measured service rate customers. GTEC admitted that during 1987 and 1988, GTEC had regraded 47,379 residential customers from one-party flat rate lifeline service to one-party measured rate service, approximately 16,439 and 30,940, respectively. These customers had been Universal Lifeline Telephone Service (ULTS) customers who had failed to recertify their continued eligibility for the ULTS rate as required on an annual basis. Because they failed to submit the required documentation, GTEC decided to convert these low income residential customers from flat rate ULTS to measured rate service.

DRA asserted that GTEC's forced conversion constituted a violation of Special Condition 12 of GTEC tariff A-22. That tariff requires eligible ULTS customers to recertify annually. The utility will mail each ULTS customer a recertification form, and if the recipient fails to return the notice within 30 days, the utility will assume that the customer is no longer eligible. The tariff states: "The customer's service rates will be converted to the regular tariffed rates for the type, class, and grade of service furnished..." (Emphasis added.)

GTEC admitted its error and indicated to CACD that it was searching its files to locate former ULTS flat rate customers whose service was converted to measured and who remain on regular measured service. GTEC and DRA propose that after completion of its search, the utility notify these customers by mail, inform them that they were improperly regraded, and offer them an opportunity to recertify as lifeline customers or return to regular flat rate service at no charge. GTEC will send a second notice to all customers who do not respond, then a third notice to customers who have not responded to the two prior notices. However, if the customer has not responded to any of the notices, in lieu of subsequent notice by mail, GTEC may attempt to contact the customer by phone.

GTEC testified that it is willing to work with consumer and community groups to develop the language in these customer notices. The notice should inform the customer that GTEC's representative may be able to advise them which alternative is more cost-effective based on the customer's usage patterns. GTEC should also work with the Commission's Public Advisor in developing the language.

TURN strenuously protests GTEC's forced regrading of ULTS customers. It supports the customer notification plan and also urges the Commission to require GTEC to credit each one of the adversely affected customers with a credit of one month's basic residential flat rate service for every year since the customer was converted to measured service. Since ULTS customers were converted in either 1987 or 1988, and the basic residential flat rate service costs $9.75 per month, each customer's credit would be either

$29.25 or $19.50. TURN intends that the total amount of the credits be a penalty for GTEC.

TURN claims that such a penalty is well justified by the fact that GTEC has long cultivated a plan to convert all residential customers to measured service, that the forced conversion violated the express terms of the ULTS tariff, and that this conversion would not have been revealed but for DRA's investigation. Moreover, GTEC pursued its strategic plan by ignoring tariff provisions enacted for the benefit of GTEC's poorest customers.

TURN also condemns GTEC's delay in acknowledging its tariff violation. GTEC's witness stated that the company realized that the forced conversion was a violation of its tariffs in late 1988. At least 232 customers had complained to GTEC about their conversion. However, GTEC did not advise the Commission of any intent to address the problem until it sent CACD a letter in November 1989. In the meantime, DRA had discovered some anomalies in access line data during its examination of GTEC's workpapers on the Joint Proposal. TURN suggests that it was the DRA's discovery of the situation and not GTEC's recognition of wrong, that led GTEC to address the situation.

We believe the GTEC/DRA proposal has merit. The proposed mail and telephone contact program will provide eligible ULTS customers with long-term benefits. However, we caution GTEC against using this customer contact to promote telephone services other than basic exchange access service. GTEC has a customer list of 47,000 regraded customers, who were previously certified as low income, with whom GTEC is expressly authorized to discuss the terms of basic exchange service. Any attempt to use this customer contact to promote any service besides a Category I service would amount to customer abuse. The customer contact pursuant to the regrade mitigation program is expressly limited to offering the customer the ULTS rate and to explaining the difference between flat and measured rate local exchange service as applied to the customer's prior calling patterns.

Based on the comments of the parties, we feel that some elaboration of the notification program is necessary. TURN's suggestion that the GTEC representative help the ratepayer to make an informed choice is a good one. Thus, the notice should advise the customer that GTEC's representative may be able to advise the customer which alternative, flat rate or measured rate service, is more advantageous based on the customer's usage patterns over the last three months. Therefore, the GTEC/DRA program of mitigating the forced regrade will be adopted, as modified.

We agree with TURN that GTEC's forced regrade was wrongful. The fact that ULTS customers had a responsibility under the tariff to recertify eligibility on an annual basis does not excuse GTEC's conversion. We are not concerned with the re-rating of ULTS customers as regular customers, but with their involuntary conversion from flat rate to measured rate service. GTEC's violation of its own tariff in favor of GTEC's well established goal of residential measured service disregards this Commission's authority.

In its brief, TURN recommends that GTEC be required to record in a memorandum account all its expenses of locating, contacting, and explaining to customers their service options plus expenses of service change orders incurred as a result of adoption of DRA's proposal. The balance should be considered a "Z" factor adjustment in GTEC's October 1990 price cap mechanism filing. Under the new regulatory framework adopted by D.89-10-031, GTEC would not be entitled to additional revenues to compensate it for the expenses of the regrade mitigation plan. We ensure that GTEC will not profit from its tariff violation by specifying here that GTEC shall not include the expense of the regrade mitigation program as a "Z" factor adjustment when it makes its annual price cap filing pursuant to D.89-10-031. TURN's suggestion that GTEC record those expenses for later treatment as a "Z" factor reduction would tend to discourage GTEC from incurring the necessary expenses. The penalty would actually frustrate our aim and will not be adopted.

TURN's suggested penalty goes too far. GTEC should credit each one of the regraded flat rate ULTS customers with one month's flat rate residential basic service. This token penalty is less onerous than the one proposed by TURN, but it will serve to deter GTEC from further tariff violations. We believe this action is necessary to send a message to GTEC that it is not free to pursue its business goals regardless of its filed tariffs and the Commission decisions expressly rejecting its proposals to advance measured rate service (See discussion of Vintage I proposal in D.90-02-050). Therefore, we will order GTEC to refund 1 month of flat rate service charge to each of the approximately 47,379 converted customers, rather than the 2-3 months suggested by TURN.

Thus, the customer notice should also advise the customer that he or she will be credited one month's flat rate and may be eligible for further refund, and that the additional refund would consist of the rates which the customer paid in excess of the flat rate during the months the customer was regraded.

We have clarified that a regraded customer who qualifies and seeks to subscribe to ULTS service will have to pay the applicable service connection charge. That customer will also be credited with one month's flat rate charge. That one-month credit can be leveraged to the advantage of the qualifying ratepayer if it is applied directly to the service connection charge to lower the barrier to changing from regular service to ULTS. Since GTEC is to contact each one of the individuals who are entitled to the one-month credit and ask that person if he or she wishes to convert to ULTS, GTEC can easily advise that person that the otherwise applicable service connection charge will be reduced by $9.75.

GTEC shall complete its customer notification program within 12 months, and all one-month refunds shall have been disbursed within 14 months.

DRA believes that as a consequence of the forced regrade, GTEC's claims to the ULTS Fund must be adjusted. The DRA has estimated the annual billing effects for GTEC which reflect proper treatment of the improperly regraded customers. It urges the Commission to adopt its estimate, rather than GTEC's estimated annual billing effects associated with the proposed expansion of ZUM, to avoid rewarding GTEC for the customer abuse which the company has committed. DRA's position is reasonable. Its estimate and not GTEC's will be used to calculate revenues.

III. Costs of ZUM Implementation

DRA witness Roy Lathrop presented testimony on the cost to implement ZUM. He had testified that the approximate cost for GTEC to implement ZUM would be $2,866,741. This amount does not include the cost to implement Local Measured Service in the affected exchanges because GTEC is already required to offer this service by the rate design decision (D.90-02-050) in that proceeding. GTEC agreed with that figure. As to Pacific, Lathrop testified that the total implementation cost should be $2,082,572. Pacific also agreed with this estimate.

Although it is not necessary to adopt a more detailed breakdown of implementation costs for the purpose of passing through the costs of ZUM implementation, a record of these costs may prove helpful in later ZUM proceedings. For example, Pacific developed its accounting expenses based on its previous experience with a ZUM expansion.

Costs	GTEC (000's)	Pacific (000's)
Facilities	$ 157	$ 73
Customer notification	1,042	1,239
Training	-	284
Miscellaneous	127	-
Translations	51	19
Accounting	-	468
Service Order	1,490	-
Total Adopted Cost	2,867	2,083

(differences are due to rounding)

A more detailed breakdown of implementation costs is provided in the testimony of DRA witness Lathrop. None of the parties disputed those figures; they appear to be reasonable expenses and as a whole, constitute recoverable costs.

GTEC, Pacific, and DRA have agreed that the costs associated with implementation of this ZUM Joint Proposal should be recoverable through a change in the utilities' respective billing surcharge mechanisms as proposed by DRA witness Norman Low. That is, the incremental changes in revenue requirement, divided by the most current billing base established for each utility, would yield an incremental percent change to the respective utilities' billing surcharge.

However, according to DRA's brief, GTEC, Pacific, and DRA have agreed to certain changes in the details of the joint surcharge recommendation subsequent to the evidentiary hearings. The GTEC billing base set forth in DRA's testimony was estimated on the basis of 7 months of billings. In its brief, DRA proposed a 1989 billing base that was derived from the GTEC billing base adopted in D.89-12-048. DRA recommends that if the Commission wishes to recognize the implementation of local measured service ordered in D.90-02-050 for GTEC, it should adopt a billing base for GTEC that incorporates the effects of that change. DRA appended a "1989 Adjusted Billing Base" which, according to the agreement of the three parties, reflects the changes in billings that are anticipated to result from this proceeding. The adjusted billing base was used to develop billing surcharge increments for the two utilities. Those percentages are likewise appended to DRA's brief.

No objections to the DRA's representations were received. Given the concurrence of the affected utilities and DRA, it would be reasonable to adopt the billing bases which the parties have adjusted to recognize the existence of local measured service for GTEC and the implementation of the changes sought in this proceeding. We adopt a 1989 Adjusted Billing Base of $1,520,577,000 for GTEC and a 1989 Adjusted Billing Base of $5,555,647,000 for Pacific for the purpose of calculating the incremental billing surcharge needed to recover the cost of implementing the Joint Proposal.

Application of the adopted revenue requirements to the adopted billing base yields the following billing surcharge increments for GTEC:

Surcharge Applicable to:	Nonrecurring	Recurring
Access Services (Schedule C-1)	None	None
All other services (local/exchange)	1.749%	1.285%
IntraLATA message toll and toll private line service	1.749%	1.285%

The above surcharge elements should be used to revise Schedule No. A-38 of GTEC which is in effect as of the date on which the Joint Proposal is implemented, consistent with the conditions stated on Appendix D-2 Sheet 1 of 2 attached to the DRA's brief. For ease of reference, DRA's Appendix D-2 is attached as Appendix E hereto.

The above-adopted billing base yields the following incremental billing surcharges for Pacific:

Rate Item Number	Nonrecurring	Recurring
1.A	0.400%	0.320%
1.B	0.400%	0.320%

Pacific's Schedule No. A2, Rule 33 should be revised to incorporate the above recommended surcharge increments in the manner described by Appendix D-1 of the DRA's brief. For ease of reference, Appendix D-1 is attached as Appendix H hereto.

IV. Conclusion

The Joint Proposal of GTEC, Pacific, and DRA to implement ZUM pricing in certain areas of Ventura, Los Angeles, Riverside, and San Bernardino Counties which are adjacent to exchanges which already have ZUM pricing is in the public interest. ZUM pricing will provide customers in the affected exchanges with substantial discounts in rates for calling routes in ZUM areas of up to 16 miles. The proposed reconfiguration of exchange area boundaries is, on balance, fair because it recognizes the greater population density of the area and the relative growth of communities of interest over certain routes. The impacts of the Joint Proposal on mileage sensitive phone services will be mitigated by the proposed moratorium. The utilities may initiate change service orders on behalf of foreign exchange customers to avoid imposing nonrecurring charges on them when the value of existing foreign exchange services is diminished by the reconfiguration of boundaries. Finally, the reasonable costs of GTEC's and Pacific's ZUM expansion may be recovered by an incremental surcharge on appropriate rates.

Findings of Fact

1. ZUM is a method of rating toll calls over routes in ZUM areas from 0 to 16 miles which grants customers a substantial discount from otherwise applicable mileage-based time-of-day differentiated toll rates.

2. ZUM rating has been authorized in exchanges where the typical ZUM route lies within a community of interests more intense than the typical non-ZUM (message toll service) route and significant increase in population density has resulted in greater economies of scale to the local exchange company. The resultant cost savings are passed on to telephone customers through the discounted ZUM rate.

3. The areas where population growth has occurred and merit ZUM treatment were previously rural areas which had geographically large exchange areas.

4. The increase in population density that justifies ZUM rating also requires the re-evaluation of exchange area boundaries.

5. GTEC first proposed ZUM rating of toll calls in specific exchanges in the Ventura, Los Angeles, and Riverside/San Bernardino areas in the test year 1986 general rate case of Pacific, A.85-01-34.

6. The Commission's DRA, Pacific, GTEC, County, and TASC participated in workshops to review GTEC's ZUM proposal. The workshops resulted in a Joint Proposal by DRA, Pacific, and GTEC to implement ZUM in certain exchanges.

7. Notice of the changes contained in the Joint Proposal and of scheduled public hearings was provided to telephone customers within the affected local exchanges on or before September 11, 1989 by notice in their telephone bills and publication in newspapers.

8. Public hearings were held in Oxnard, San Bernardino, Temecula, and Valencia during the week of September 25, 1989. Some changes to the Joint Proposal were made in response to public comments at these hearings.

9. Evidentiary hearings were held on December 7 and 8, 1989, and on January 3, 1990, before the assigned Administrative Law Judge (ALJ) in San Francisco.

10. Contel provided customer notice in the three Contel exchanges affected by the Joint Proposal via bill inserts mailed on either August 25 or September 11, 1989. Pursuant to a request from DRA, Contel subsequently provided notice to all of its customers in LATA 5. A customer whose phone service would not be affected by the Joint Proposal because he is located more than 40 miles away from exchanges where rate center coordinates are to be relocated complained that he did not receive notice of the Temecula public hearing until September 25, 1989. Contel did not fail to provide customer notice of the Joint Proposal as required by the ALJ and as requested by DRA. Contel provided customer notice in a reasonable manner.

11. Under the Joint Proposal, expansion of ZUM rate treatment to routes that are presently subject to toll charges will result in a generally reduced level of charges for services paid by customers both in the existing and proposed ZUM areas.

12. The Joint Proposal will expand ZUM into areas in Southern California which have experienced relatively rapid growth since the initial and subsequent implementations of ZUM in highly populated metropolitan areas of the state.

13. The revisions to certain exchange area boundaries contained in the Joint Proposal are needed to recognize the growth of community of interest over certain routes in relation to other routes within the proposed exchanges.

14. Under the proposal to revise exchange area boundaries, the current 26 exchanges in the affected areas will become 43 exchanges. In some instances, existing exchanges would be subdivided into several smaller exchanges. Other exchanges would be divided into district areas.

15. A district area differs from an exchange in the following respects: Calls between different district areas within the same exchange will continue to be rated as local. Calls which are less than 40 miles between the subject district area and another exchange will be rated on the basis of the district area rate center V&H coordinates from which the subscribers are calling or are being called. For calls which are over 40 miles, the exchange rate center V&H coordinates, rather than the district area center V&H coordinates are used. However, for "private line" services, the wire center V&H coordinates are used to determine the distance which is subject to mileage charges.

16. The County recommends that if the Commission does approve exchange reconfiguration, it should assure that no routes should experience rate increases.

17. The County's proposal was not supported by precedent or policy argument and is rejected. It does not recognize the tradeoff between the greater "calling power" within the local calling area that has resulted from development and the relatively greater value of routes which terminate beyond the local calling area as a result of boundary reconfiguration.

18. API recommends that any reconfiguration of exchange area boundaries should not apply to private lines because private lines would not enjoy the benefits of the ZUM pricing structure but would experience increases in their monthly rates when the relocation of rate centers results in greater mileage and new exchange boundaries are created.

19. Private lines should not be exempted from the results of the revisions to exchange area boundaries. The new exchange and district area boundaries will be used to classify a private line service as intraexchange or interexchange for rating purposes. Currently, GTEC and Pacific measure private line mileage as a wire center to wire center basis and this practice will continue. API's

suggestion that private line services be exempt from the boundary changes would cause much confusion and should not be adopted.

20. The Commission in D.89-10-031 as modified by D.90-04-031 has determined that local calling areas should be expanded to include the 0 to 12.00 mile toll band, or where ZUM rating is in effect, that ZUM Zone 1 should be expanded to include ZUM Zone 2.

21. The Joint Proposal provides that all the routes under the proposed ZUM expansion plan which are today rated local but will become ZUM Zone 2 routes as a result of the proposed ZUM expansion plan should continue to be rated local by the utilities during the following periods: (1) after the implementation of the proposed ZUM expansion plan in this proceeding, (2) after the implementation of the requirements in D.89-10-031, and (3) during the interim period between the implementation of this ZUM expansion plan and the implementation of the requirements in D.89-10-031.

22. All of the exchanges covered by the Joint Proposal are scheduled to have LMS by the end of December 1990 as a result of LMS implementation that was ordered in GTEC's Test Year 1989 general rate case decision, D.90-02-050. Therefore, the cost of implementing the Joint Proposal should not include the cost of instituting LMS in the affected local exchange areas.

23. The Joint Proposal provides an overall reduction in toll usage charges to the public and the removal of Extended Area Service increments to customers in the affected exchanges. The associated revision in exchange area boundaries will cause rates to increase for routes which are re-rated to a greater mileage due to movement of rate centers. The reconfiguration recognizes the change in communities of interest over certain calling routes relative to other routes that has occurred since the exchange area boundaries were first drawn. Retention of current rates for routes which are re-rated to higher rates due to higher mileages under the reconfiguration is unreasonable.

24. The ratepayer burden from the upward rate reclassifications on 31 Pacific routes and 18 GTEC routes is outweighed by the ratepayer benefit due to rate reductions for approximately 620 Pacific routes and 440 GTEC routes.

25. The Joint Proposal will produce some ancillary effects on certain customer groups which are not part of the trade off of costs and benefits that on the whole, render ZUM conversion in the public interest. The reconfiguration of exchange area boundaries will in many cases result in rate increases for subscribers of mileage sensitive services, such as private line, Business Answering Lines, Secretarial Lines, and Direct Inward Dialing and Trunk Lines.

26. The Joint Proposal contains a moratorium on charges for mileage sensitive services. Under the moratorium, mileage for these services will be measured based on the exchange and/or district area boundary configuration that existed prior to the ZUM conversion. The former boundary configuration would remain in effect until the impacted customer makes a change in its service, including a change in the party responsible for payment as well as a change in the physical circuit, or until two years from the effective date of the tariff, whichever comes first. At that time, the new boundary configurations, rates, and charges then in effect would apply.

27. Intervenors TASC and the County opposed the term that would lift the moratorium upon a change in billed customers. TASC objected to the fact that the moratorium language was not the same for the two utilities, Pacific and GTEC.

28. The moratorium advanced by the Joint Proposal is fair, it reasonably protects the existing customer from hardship, and it should be adopted.

29. The fact that private line users have no way to determine mileage measurement because the rate centers are not indicated in relation to exchange area boundaries is no reason to reject the ZUM

expansion proposal. Within 60 days of the effective date of this proceeding, representatives of GTEC, Pacific, the Commission staff, API, and any other interested persons should meet to discuss how new exchange area maps which show wire centers, central offices, V&H coordinates, and historical toll rate points at their exact physical location, can be generated and filed with the Commission as part of the companies' tariffs, and how GO 96-A may need to be revised in order to accommodate these revisions. The notice shall state that CACD will conduct the workshop, and that a service list of persons interested in the map workshop shall be compiled. The list shall include all the LECs who are respondents to I.87-11-033, the parties that filed briefs in this ZUM proceeding, representatives of DRA and CACD who participated in this proceeding, and the ALJ as well as any party who submits a written request to be included to CACD. The notice shall summarize all of the following: that Pacific will take the minutes and that within 15 days of the workshop Pacific shall circulate them for comment by parties to the workshop; that parties must submit comments on the minutes to DRA within 30 days of the workshop; that DRA will prepare a report on the workshop and submit it to the workshop participants, CACD, and the ALJ within 45 days of the workshop; that comments shall be submitted to DRA within 20 days of DRA's service of the report; and that the report, with comments appended, will then be filed with the Docket Office and served on the map workshop service list, CACD and the ALJ no later than 150 days after the effective date of this decision. The foregoing notice will be provided to all parties on the service list for this ZUM expansion proceeding. GTEC, Pacific, and DRA should jointly prepare a report of the workshop and circulate it to workshop participants for a 20-day comment period. Comments should be appended to the workshop report, and the report should be filed with the Docket Office and served on the CACD and the ALJ no later than 90 days after the effective date of this decision.

30. The value of existing foreign exchange (FX) services may be diminished by the reconfiguration of exchange area boundaries, such that an FX customer would be required immediately to reorder its FX service in order to maintain its pre-existing level of service. Since this effect is also beyond the anticipated overall benefit of ZUM expansion, the FX customer may be relieved of many nonrecurring service order costs if the telephone company initiates the change order. The telephone company may reasonably initiate the change order procedure for such affected FX customers, consistent with Centrex' proposal.

31. The establishment of a new rate center would require the recalculation of the 40-mile radius of the Circle Calling area and the point-to-point Community Calling Plan. Residential customers who subscribe to these discount plans may obtain a 30% discount on toll calls, and in the case of Community Calling, a call allowance. It is impossible to grandfather existing Circle Calling customers for routes which have been re-rated to more than 40 miles. Existing Community Calling plan customers should continue to have this rate over currently discounted routes for a period of 36 months. This can be accomplished only by tariff deviations for point-to-point routes now reckoned as over 40 but less than 50 miles. The Joint Proposal provisions for the limited grandfathering of discount calling plans is reasonable, provided it is limited to existing customers of record who currently subscribe to the discount calling plan and who continue to be customers of record at the same premises.

32. The Circle Calling and Community Calling plans proposed by Pacific, GTEC, and DRA should be adopted for the reconfigured exchanges.

33. GTEC admitted that it had regraded approximately 47,000 residential customers from one-party flat rate lifeline service to one-party measured rate service because they were Universal Lifeline Telephone Service (ULTS) customers who had failed to

submit their annual recertification of continued eligibility for the ULTS rate. This constitutes a violation of Special Condition 12 of GTEC tariff A-22.

34. GTEC has offered to search customer records to locate customers who had been improperly switched and then notify them by mail. The notice will advise the customers that they were improperly switched to measured service, and enable them to return to regular flat rate service at no charge. The notice shall advise the customer that he/she may be entitled to a refund of excess charges. The notice shall state that the GTEC representative may be able to help the customer select the more cost-effective service option, based on the customer's usage patterns. If the customer does not respond, the notice will be sent again, and a third time if necessary. If a customer does not respond to any one of the notices, then in lieu of additional notices by mail, GTEC will attempt to contact the customer by phone. The purpose of this customer notice plan is to enable GTEC to refund all amounts that the customer paid as a result of the regrade in excess of what the customer would have paid under flat rate service. DRA joins this proposal.

35. The GTEC/DRA proposal has merit so long as GTEC does not use its customer contacts as an opportunity to promote its non-Category I services and limits the content of its contact to matters authorized by this decision and will be adopted.

36. The DRA's estimated annual billing effects which reflect proper treatment of the improperly regraded customers should be adopted to avoid rewarding GTEC with revenues to which it became entitled only because of its wrongful forced regrading of ULTS customers.

37. GTEC should credit each involuntarily converted ULTS customer with one month's flat rate service charge because such a penalty will deter GTEC from further tariff violations and the credit will go to the specific individual who were regraded.

38. All amounts paid under measured rate service in excess of what the customer would have paid under flat rate service, as well as the one-month penalty, should be provided to the individual regardless of whether or not the individual is currently a customer of GTEC because neither the right to restitution or the purpose of the penalty is contingent upon the individual's current status as a customer. In its customer notification program, GTEC shall advise the customer that the service connection charge assessed customers who convert to ULTS service may be offset by the one-month's refund.

39. TURN's recommendation to establish a memorandum account to record the costs of carrying out the GTEC/DRA mitigation plan and to consider those costs a "Z" factor adjustment is not reasonable because it would deter GTEC from properly incurring costs to notify customers under the regrade mitigation plan.

40. The Joint Proposal will impact the revenue requirements of all LECs. The estimated annual incremental one-time and recurring revenue effects are shown in Appendix I of this decision. The reasonable costs of ZUM expansion should be recoverable through a change in the utilities' respective billing surcharge mechanisms.

41. The reasonable cost for GTEC to implement the Joint Proposal is $2,866,741.

42. The reasonable cost for Pacific to implement the Joint Proposal is $2,082,572.

43. The estimated annual incremental revenue requirement effects on GTEC from the Joint Proposal are a one-time revenue decrease of $24,252 million and a recurring reduction in revenue of $21,804 million.

44. The estimated annual incremental revenue requirement effects on Pacific from the Joint Proposal are a one-time revenue decrease of $17.079 million and a recurring reduction in revenue of $15.550 million.

45. The reasonable 1989 total customer billing base for GTEC is $1,416,836,000.

46. The reasonable 1989 total customer billing base for Pacific is $5,555,647,000.

47. The reasonable cost of ZUM expansion should be recovered by GTEC through a nonrecurring incremental billing surcharge of 2.057% on all services but Access Services for a period of four months and through a recurring incremental billing surcharge of 1.539% on all services but Access Services beginning on the first day of the fifth month.

48. The reasonable cost of ZUM expansion should be recovered by Pacific through a nonrecurring incremental billing surcharge of 0.362% on all services but Access Services for a period of four months and through a recurring incremental billing surcharge of 0.280% on all services but Access Services beginning on the first day of the fifth month.

49. LECs other than GTEC and Pacific that are affected by adoption of the Joint Proposal should be allowed to file for the recovery of the increase in their revenue requirements in accordance with the California High Cost Fund requirements established in Appendix B of D.88-07-022.

50. GTEC's proposed tariff Schedule Cal. P.U.C. No. A-1, originally attached as Appendix F of Exhibit 2 has since been modified pursuant to D.90-02-050. As modified, A-1 should be adopted, except that Sheet 30 of Schedule No. A-1 should be modified to read as follows:

> "The service connection, move and change charges shown in Schedule Cal. P.U.C. No. A-41 will not apply to the business customers in these exchanges for conversion from flat to measured service. The applicable service connection, move and change charges will apply for all other changes and/or additions of service(s) requested by the business customers without regard to whether such customer requested changes and/or additions of service(s) are

> effectuated at the same time as the conversion from flat to measured service."

Similarly, to avoid any ambiguity in the interpretation and application of GTEC's proposed service connection charges waiver for its residence customers, GTEC's proposed service connection waiver language, as contained in sheets 10.2 through 10.12 of GTEC's proposed tariff Schedule A-1 should be modified to read as follows:

> "The service connection, move and change charges shown in Schedule A-41 will not apply for requests by residence customers within these exchanges who request conversion from flat to measured service within 90 days after (EFFECTIVE DATE OF THE TARIFF FILED IN COMPLIANCE WITH THE COMMISSION DECISION WHICH AUTHORIZES THE IMPLEMENTATION OF THE PROPOSED ZUM EXPANSION PLAN). Residence customers who elect to convert back from measured rate service to flat rate service within 90 days after the change to measured service, will not be charged the applicable service connection, move and change charges shown in Schedule No. A-41 for such conversion. The applicable service connection, move and change charges will apply for all other changes and/or additions of service(s) requested by residence customers without regard to whether such customer requested changes and/or additions of service(s) are effectuated at the same time as the conversion from flat to measured service or the subsequent customer requested conversion from measured rate service to flat rate service."

The above service connection, move and change charges waiver does not apply to additional services requested by a business or residence customer. It is only applicable to the conversion of an existing business or residence customer from a flat rate to measured rate service for the period stipulated in the proposed tariff Schedule No. A-1.

51. GTEC's proposed tariff Schedule Cal. P.U.C. Nos. A-28, A-38, and A-41 attached as Appendix F of Exhibit 2 should be adopted.

52. GTEC's proposed tariff Schedule No. B-4, providing for Frequent Caller Service, attached as Appendix F of Exhibit 2 should be adopted, except that Sheets 1.1, 1.2, 1.4.1, 2.2, 3.3, 6, 6.3.2, 9.1, 10, 10.3 and 13 of Schedule No. B-4 should be modified to exclude the point (#) sign and the corresponding proposed deviation language. Sheet 10.3 of Schedule No. B-4 should also be revised to include Burbank-Burbank DA, Mira Loma, and Norwalk exchanges as part of the exchanges for the Frequent Caller Service from the San Gabriel Canyon exchange.

53. GTEC'S proposed tariff Schedule No. H-1, which shows GTEC's ZUM service areas, attached as Appendix F of Exhibit 2 should be adopted, except that Sheet 2 of Schedule No. H-1 attached to Exhibit 2 should be eliminated. Sheets 3.4, 4.1, 4.1.1, 4.2, 4.3, 5.1, 5.2 and 6.1 of Schedule No. H-1 should be modified to exclude the terminating ZUM Zone 2 exchanges shown in Appendix D of Exhibit 17 as local calling areas of the corresponding originating exchanges.

54. DRA's moratorium language, modifying GTEC Schedule Cal. P.U.C. No. A-4 Sheet 1 Mileage Rates and reproduced here as Appendix A, should be adopted.

55. DRA's moratorium language, modifying GTEC Schedule Cal. P.U.C. No. GG Sheet 1.1 Private Line Services and Channels and reproduced here as Appendix B, should be adopted.

56. Sheet B of Schedule No. GG attached as Appendix F to Exhibit 2 should be modified to list "Moratorium" under the table of contents as sheet "1.1 (N)."

57. The new exchanges and V+H coordinates proposed for GTEC should be adopted as shown in Appendix C.

58. DRA's recommended deviations to GTEC's Frequent Caller Service-Community Calling plans as set forth in Appendix A-2 of

Exhibit 14 and reproduced here as Appendix D are reasonable. These deviations should be adopted. GTEC should be required to certify in writing at the time it files an advice letter to carry out the deviations that the listing of routes contained in the advice letter includes all routes to which this deviation applies in principle at the time of filing.

59. The GTEC 1989 customer billing base adopted in D.89-12-048 was based on more reliable data than the estimate contained in DRA's testimony. That estimate was submitted by GTEC in the proceeding which yielded D.89-12-048. It was based on seven months' worth of estimated billings. For GTEC, the billing customer bases, adopted in D.89-12-048 and adjusted to reflect GTEC's 1989 LMS billing changes resulting from D.90-02-050 should be used to calculate the surcharge by which impacts of the Joint Proposal are recovered.

60. The GTEC 1989 customer billing base should be adjusted by the net of the decreases and increases in billings estimated to result from the changes in toll and ZUM billings due to ZUM pricing before calculating the surcharge.

61. The DRA proposed customer billing bases derived from D.89-12-048 for GTEC and Pacific and adjusted for (a) 1989 LMS billing impacts for GTEC, and (b) anticipated ZUM pricing effects. No parties objected to DRA's proposal. DRA's proposal recognizes the most recent Commission decision on the companies' 1989 billing bases and the foreseeable effect of the Joint Proposal on customer billings. It should be adopted.

62. GTEC's customer billing base, for the purpose of calculating the incremental bill-and-keep surcharges, is as follows:

1989 Adjusted Billing Base
($000)

Assuming Local Measured Service in Place

Total	Local	IntraLATA Toll
1,416,836	747,236	669,600

63. GTEC's Schedule No. A-38 attached to Exhibit 2 should be revised in accordance with Appendix E.

64. DRA's recommended moratorium language for Pacific, reproduced as Appendix F, is adopted.

65. Pacific's proposed tariff Schedule Cal. P.U.C. Nos. A5, A6, A9, A10, and B3 attached to Exhibit 8 and other subsequent tariff revisions contained in Exhibit 9 should be adopted, except that Sheets 37, 111, 161, 117, and 387 of Schedule No. A5; Sheets 250.1, 256, and 263 of Schedule No. A9; Sheets 10.1 of Schedule No. A10; and Sheets 25.2, 32.1, 35.1, 61.1, 68.1, 86.4, and 89.1 of Schedule No. B3 should be modified to reflect the adopted moratorium language contained in Appendix F of this decision.

66. The deviations from Pacific's Call-Bonus Community plans shown in Appendix G should be authorized. Pacific should file an advice letter to implement the deviation and certify in writing that the routes listed in the advice letter constitute all the routes governed by the principles of deviation authorized by this decision.

67. The Pacific 1989 customer billing base adopted in D.89-12-048 should be adjusted to reflect the impact of ZUM pricing, and these figures should be used to calculate the incremental bill-and-keep surcharges for Pacific for the same reasons as stated above for General.

68. Pacific's customer billing base, for the purpose of calculating the ZUM surcharge, is as follows:

1989 Adjusted Billing Base
($000)

Total	Local	IntraLATA Toll
5,555,647	3,262,525	2,293,122

69. The billing surcharge increments for Pacific shown on Appendix H should be adopted.

Conclusions of Law

1. The Joint Proposal has reasonably redrawn exchange area boundaries to recognize the increase in economies of scale and communities of interests over routes within the reconfigured exchanges which have resulted from population growth in the affected exchanges.

2. The Joint Proposal fairly recognizes the increase in population density in the affected local exchange areas by conferring the discounted ZUM rate on customers within the newly configured exchanges.

3. The increase in rates for certain toll routes as a result of the redrawing of exchange area boundaries is outweighed by the benefit that customers will receive from overall reductions in rates due to ZUM rating of toll routes.

4. The Joint Proposal's provision of a moratorium on private line rates, which continues to determine the intraexchange and interexchange classification of private line services for rating purposes, based on existing exchange boundaries is a reasonable way of exempting existing private line services, unintended secondary effects of the Joint Proposal while enabling those customers to evaluate their options for adjusting to the reconfigured boundaries.

5. It is reasonable to allow GTEC and Pacific to recover the cost of implementing the Joint Proposal in rates. The utilities'

billing surcharges should be increased by the amount necessary to recover the reasonable costs of implementing the Joint Proposal, based on the customer billing bases most recently adopted for the utilities.

O R D E R

IT IS ORDERED that:

1. The Joint Proposal to expand Zone Usage Measurement (ZUM) rating and revise local exchange area boundaries is adopted.

2. GTE California (GTEC) shall file an advice letter no later than October 31, 1990 to revise its Schedule No. A-38 to collect the cost of implementing the Joint Proposal by using incremental bill-and-keep surcharges as shown in Appendix E for services rendered on or after the effective date of December 10, 1990.

3. Pacific Bell (Pacific) shall file an advice letter no later than October 31, 1990 to revise its Schedule No. A-2 to collect the cost of implementing the Joint Proposal by using incremental bill-and-keep surcharges shown in Appendix H for services rendered on or after the effective date of December 10, 1990.

4. GTEC and Pacific shall file an advice letter no later than October 31, 1990 to make revisions to their tariffs as noted in this decision, to become effective on December 10, 1990.

5. GTEC shall file an advice letter to carry out the tariff deviations as set forth in Appendix D of this decision. At the time GTEC files its advice letter to carry out the tariff deviations, GTEC shall certify in writing that the listing of routes contained in the advice letter includes all routes to which this deviation applies in principle. Additionally, if toll rates and charges change, GTEC shall file an advice letter to revise the rates and charges contained in the tariff deviations.

6. Pacific shall file an advice letter to carry out the tariff deviations as set forth in Appendix G of this decision. At the time Pacific files its advice letter to carry out the tariff deviations, Pacific shall certify in writing that the listing of routes contained in the advice letter includes all routes to which this deviation applies in principle. Additionally, if toll rates and charges change, Pacific shall file an advice letter to revise the rates and charges contained in the tariff deviations.

7. As required by Appendix B of D.88-07-022, all Local Exchange Carriers (LECs), other than Pacific and GTEC, are authorized to file advice letters to recover, over a one-year period only, the increases in their revenue requirements contained in Appendix I, page 1 of 2, of this decision. In subsequent years, all LECs, other than Pacific and GTEC, are authorized to file advice letters to recover the increases in their revenue requirements contained in Appendix I, page 2 of 2, of this decision.

8. GTEC and Pacific shall file advice letters within 30 months of the effective date of this decision to offer point-to-point Community Calling service over all routes within the existing and newly proposed ZUM boundary areas on a statewide basis, to be effective after Commission approval, unless GTEC and Pacific are authorized in the supplemental rate design phase of I.87-11-033 to change their current point-to-point Community Calling service plans within three years from the effective date of this decision.

9. Within 60 days of the effective date of this proceeding, representatives of GTEC, Pacific, and DRA shall hold a workshop, chaired by CACD, to discuss how new exchange area maps which show wire centers, central offices, V&H coordinates, and historical toll rate points at their exact location in relation to the adopted exchange area boundaries, can be proposed and filed with the

Commission as part of the companies' tariffs and how GO 96-A may need to be revised in order to accommodate these revisions.

Written notice of the workshop shall be provided by a letter from DRA to all parties on the service list for this ZUM portion of A.87-01-002 at least 10 days prior to the first day of the workshop. Notice of the workshop shall be provided in the Commission's Daily Calendar at least 7 days prior to the workshop. The notice shall contain the date and time of the first day of workshop; indicate if the workshop is expected to run more than one day and the additional dates, if known; location; and purpose of the workshop. The notice shall also state that any member of the public may attend; that CACD will conduct the workshop, and that a new service list of persons interested in the map workshop shall be compiled for use in this compliance phase of the ZUM decision. The service list at the least shall include all the LECs who are respondents to I.87-11-033, the parties that filed briefs in this ZUM proceeding, workshop participants, representatives of DRA and CACD who participated in this proceeding, and the ALJ as well as any party who submits a written request to be included to CACD. The notice shall summarize all of the following:

> that Pacific will take the minutes and that within 15 days of the workshop Pacific shall circulate them for comment by parties to the workshop;
>
> that parties must submit comments on the minutes to DRA within 30 days of the workshop;
>
> that DRA will prepare a report on the workshop and submit it to the workshop participants, CACD, and the ALJ within 45 days of the workshop;
>
> that comments shall be submitted to DRA within 20 days of DRA's service of the report;
>
> that the report, with comments appended, will then be filed with the Docket Office and served on the map workshop service list, CACD and the

ALJ no later than 150 days after the effective date of this decision; and

that the ALJ or the Commission will issue an appropriate ruling or order based on the workshop report.

The notice is to include the name and phone number of a person to contact for further information regarding the workshop. The standard information regarding access and facilities for the disabled shall be included in the workshop notice.

10. GTEC shall mitigate its forced regrade by locating former flat rate Universal Lifeline Telephone Service (ULTS) customers now on measured service and notifying these customers of their opportunity to return to flat rate service at no charge. The customer should also be advised of the opportunity to recertify for ULTS service and the appropriate service connection charge, less the refund of one month's flat rate charge. The notice shall advise the customer that he/she may be entitled to a refund of charges in excess of those the customer would have paid for flat rate service. The notice shall state that GTEC's representative may be able to help the customer select the more effective service option, i.e., flat rate or measured service, based on the customer's usage patterns. This notification may be provided by mail. If the customer has not responded to notice by mail, then in lieu of subsequent notices by mail, GTEC shall attempt to contact the customer by phone. GTEC will attempt to contact the customer by phone. The contents of this customer contact are expressly limited to a discussion of ULTS, the difference between flat rate and measured rate, and the applicable charges. Any attempt to promote non-Category I services in the course of this customer contact would violate this decision. GTEC shall work with community representatives and the Commission's Public Advisor to develop language in the customer notices that effectively

communicates the offer of flat rate service to the regraded ULTS customer. GTEC shall otherwise conform to the GTEC/DRA proposal.

11. Affected customers who have already changed their service back to flat rate, or who elect to change their service back to flat rate after GTEC's notification program, shall receive a refund for any usage charges in excess of the amount the customer would have incurred if that service had been converted to flat rate at the time the customer was removed from ULTS. This refund should appear on the customers's October or November bills. If the individual is no longer a customer of GTEC, GTEC shall nonetheless use reasonable efforts to locate that individual and calculate the amount of refund for those months during which, as a GTEC customer, the individual paid more than he or she would have under flat rate service.

12. If a regraded flat rate ULTS customer is currently a customer of GTEC, the company shall credit the customer's account with $9.75, the cost of one month's flat rate basic exchange service. This refund shall be used to offset the service connection charge required of customers who switch back to ULTS rates. If the individual is no longer a customer of GTEC, the company shall use reasonable efforts to locate and pay the $9.75 refund to that individual. In any event, the customer notification and refund program shall be completed within 12 months of this decision and each improperly regraded individual shall either be credited or receive the $9.75 refund within 14 months of this decision.

13. GTEC shall record each of the following items in a separate memorandum account:

a. All costs related to notifying, locating, contacting, and converting former ULTS customers who were subject to GTEC's forced regrade. Additionally, GTEC shall record in this same memorandum account any refunds owed former ULTS customers.

b. All costs related to implementation of the one-time penalty as a consequence of the forced regrade. Additionally, GTEC shall record in this same memorandum account the total penalty amount refunded to customers and former customers.

c. All costs related to adjustments of claims against the ULTS Fund as a consequence of the forced regrade. Additionally, GTEC shall record in this same memorandum account the total adjustment in claims GTEC makes against the ULTS Fund as a consequence of the forced regrade.

14. GTEC shall certify and provide workpapers to show that its future annual Price Cap Mechanism advice letter filings, pursuant to Ordering Paragraph 15 of D.89-10-031 do not include any of the following: GTEC shall also certify and provide workpapers to show that its future annual Shareable Earnings Advice Letter filings, pursuant to Ordering Paragraph 16 of D.89-10-031 do not include any of the following:

a. any cost and revenue effects associated with refunds to former ULTS customers as a consequence of the forced regrade,

b. any cost and revenue effects associated with the on-time penalty as a consequence of the forced regrade,

c. any cost and revenue effects associated with any GTEC adjustment in claims against the ULTS Fund as a consequence of the forced regrade.

15. GTEC and Pacific shall implement the Joint Proposal on a flash-cut basis statewide on December 10, 1990.

This order is effective today.

Dated JUN 06 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY

Neal J. Shulman

NEAL J. SHULMAN, Executive Director

AB

APPENDIX A

GTE CALIFORNIA, INC.
SCHEDULE CAL. P.U.C. NO. A-4
SHEET 1

MILEAGE RATES

Proposed

Moratorium

For existing foreign exchange services prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION) impacted by the Exchange or District Area boundary reconfigurations introduced by the Zone Usage Measurement (ZUM) Expansion Plan (Cal. P.U.C. Decision No. 90-06-016) the Exchange and/or District Area boundary configurations, rates and charges prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION), will apply.

This moratorium will be in effect for a maximum of TWO YEARS from (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION), or until impacted customers make a change in their service, whichever comes first. After either event, the new boundary configurations, rates and charges currently in effect, will apply. Changes which will void this moratorium prior to (EXPIRATION DATE OF THIS MORATORIUM) are as follows:

(1) Customer requested number changes

(2) Customer name changes with a change in responsibility for payment of bills

(3) CPUC ordered rate structure changes or adjustments to rate elements

(4) Any changes other than those listed above which physically change the service.

This moratorium applies to customers who subscribe to intraexchange/interexchange private line-like and secretarial lines services in the following exchanges:

Calimesa, Camarillo, Conejo, El Rio, Elsinor, Hemet, Lakeview-Nuevo, Marshall, Mentone, Moreno, Murrieta, Newbury Park, Oxnard, Perris, Point Mugu, Redlands, San Bernardino, San Fernando, Somis, Sun City, Temecula, and Thousand Oaks.

The new boundary configurations, rates and charges will apply to all new services.

(END OF APPENDIX A)

APPENDIX B

GTE CALIFORNIA, INC.
SCHEDULE CAL. P.U.C. NO. GG
SHEET 1.1

PRIVATE LINE SERVICE AND CHANNELS

Proposed

Moratorium

For existing mileage-sensitive private lines and private line-like services, including secretarial lines prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION) impacted by the Exchange or District Area boundary reconfigurations introduced by the Zone Usage Measurement (ZUM) Expansion Plan (Cal. P.U.C. Decision No. 90-06-016), the Exchange and/or District Area boundary configurations, rates and charges prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION), will apply.

This moratorium will be in effect for a maximum of two years from (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION), or until impacted customers make a change in their service, whichever comes first. After either event, the new boundary configurations, rates and charges currently in effect, will apply. Changes which will void this moratorium prior to (THE EXPIRATION DATE OF THIS MORATORIUM) are as follows:

(1) Customer requested number changes

(2) Customer name changes with a change in responsibility for payment of bills

(3) CPUC ordered rate structure changes or adjustments to rate elements

(4) Any changes other than those listed above which physically change the service.

This moratorium applies to customers who subscribe to intraexchange/interexchange private lines and private line-like services, including secretarial lines in the following exchanges:

Calimesa, Camarillo, Conejo, El Rio, Elsinor, Hemet, Lakeview-Nuevo, Marshall, Mentone, Moreno, Murrieta, Newbury Park, Oxnard, Perris, Point Mugu, Redlands, San Bernardino, San Fernando, Somis, Sun City, Temecula, and Thousand Oaks.

The new boundary configurations, rates and charges will apply to all new services.

(END OF APPENDIX B)

APPENDIX C

GTE CALIFORNIA
PRESENT AND PROPOSED EXCHANGES AND RATE CENTERS/WIRE CENTERS
FOR ZUM EXPANSION

Exchange Name	Exchange Name	Present Rate Centers V	Present Rate Centers H	Proposed Rate/Wire Centers V	Proposed Rate/Wire Centers H
Ventura County					
Oxnard	Oxnard	9205	8050	9206	8049
	Camarillo	9205	8050	9197	8025
	El Rio	9205	8050	9199	8046
	Pt. Mugu	9205	8050	9216	8041
	Somis	9205	8050	9188	8019
Thousand Oaks	Thousand Oaks	9204	7988	9202	7991
	Conejo	9204	7988	9193	7994
	Newbury Park	9204	7988	9201	8004
Los Angeles County					
San Fernando	San Fernando DA	9168	7922	9168	7920
	Granada Hills DA	9168	7922	9174	7933
	Pacoima DA	9168	7922	9172	7917
	Sepulveda DA	9168	7922	9179	7923
San Bernardino/Riverside County					
Elsinore	Elsinore	9268	7699	9269	7699
Hemet-San Jacinto	Hemet-Hemet DA	9241	7636	9241	7636
	Hemet-Anza DA	9241	7636	9274	7576
	Hemet-Sage DA	9241	7636	9276	7624
	Hemet-Homeland DA	9241	7636	9247	7656
	Hemet-San Jacinto DA	9241	7636	9231	7639
Moreno	Moreno	9214	7697	9210	7698
Perris	Perris	9241	7686	9241	7684
	Lakeview-Nuevo	9241	7686	9232	7669
Redlands	Redlands	9181	7687	9181	7687
	Calimesa	9181	7687	9190	7663
	Mentone	9181	7687	9177	7677
San Bernardino	San Bernardino	9172	7710	9173	7709
	Marshall	9172	7710	9165	7710
Murrieta	Murrieta	9291	7674	9291	7673
Sun City	Sun City	9259	7681	9259	7674
Temecula	Temecula	9300	7660	9300	7658

(END OF APPENDIX C)

APPENDIX D
Sheet 1 of 2

GTE CALIFORNIA INCORPORATED DEVIATIONS

GTEC California Incorporated is authorized to deviate from its effective tariffs to provide Frequent Caller Service - Community Calling plans over the exception routes and between the exchanges listed below in Item 2 at the rates, charges and message rates including the allowances as set forth below to customers of record on the same premises as of the effective date of the tariffs which implement this ZUM expansion.

This deviation shall apply to customers of record on the same premises who subscribe to a present (as of the effective date of the tariffs implementing this ZUM expansion) Frequent Caller Service - Community Calling plan over the routes and between the exchanges listed below in Item 1.

This deviation shall expire 36 months from the effective date of the tariffs which implement this ZUM expansion unless sooner cancelled or changed by order of the Commission. A supercedure or transfer of service will terminate these tariff deviations.

The rates applicable to these exceptions routes are as follows:

Monthly	Allowance	Min. Day	Each Addl. Min.
$ 8.55	$17.10	$.238	$.175
17.10	34.20	.238	.175
25.65	51.30	.238	.175

These rates are current Schedule Cal. P.U.C. Nos. B-1 and B-4 rates. These rates will change simultaneously with any changes in Schedules B-1 and B-4 even during the 36-month period described above.

Item 1 - Present Frequent Caller Service - Community Calling Plan Routes

Alamitos	Canoga Park
Alamitos	Reseda
Azusa-Glendora	Redlands
Thousand Oaks	Compton: Gardena DA
Thousand Oaks	Pasadena: LaCanada DA
Thousand Oaks	Los Angeles: DA 1
Thousand Oaks	" " : DA 3
Thousand Oaks	" " : DA 4
Thousand Oaks	" " : DA 5
Thousand Oaks	" " : DA 6
Thousand Oaks	" " : DA 8
Diamond Bar	Redlands
La Habra	San Bernardino

APPENDIX D
Sheet 2 of 2

GTE CALIFORNIA INCORPORATED
DEVIATIONS

Item 1 - Present Frequent Caller Service - Community Calling Plan Routes (Cont'd)

Monrovia	Riverside
Thousand Oaks	Torrance
San Fernando	San Gabriel Canyon
San Fernando	Saticoy
San Gabriel Canyon	Redlands
Sierra Madre	Corona

Item 2 - Frequent Caller Service - Community Calling Plan Exception Routes

Alamitos	Northridge
Azusa/Glendora	Calimesa
Azusa/Glendora	Mentone
Conejo	Compton: Gardena DA
Conejo	Pasadena: LaCanada DA
Conejo	Los Angeles: DA 3
Conejo	" " : DA 4
Conejo	" " : DA 5
Conejo	" " : DA 6
Diamond Bar	Mentone
La Habra	Marshall
Monrovia	Woodcrest
Newbury Park	Los Angeles: DA 1
" "	" " : DA 3
" "	" " : DA 4
" "	" " : DA 5
" "	" " : DA 6
" "	" " : DA 8
" "	Pasadena: La Canada DA
" "	Torrance
San Fernando:	
Granada Hills DA.	San Gabriel Canyon
Pacoima	Saticoy
San Gabriel Canyon	Montone
Sierra Madre	Temescal Canyon

Service Connection, Move and Change Charges

The service connection, move and change charges does not apply to customers who request a change from an Item 1 - Present Frequent Caller Service - Community Calling Plan Route to an Item 2 - Frequent Caller Service - Community Calling Plan Route.

(END OF APPENDIX D)

APPENDIX E

GTE CALIFORNIA, INC.
ADOPTED BILLING SURCHARGE INCREMENTS

Surcharge Applicable to:	Nonrecurring ***	Recurring ***
Access Services (Schedule C-1)	None	None
All other services (local/exchange)	2.057%	1.539%
IntraLATA message toll and toll private line service	2.057%	1.539%

*** The existing surcharge/surcredit effective on the effective date of the tariffs which provide for the implementation of the adopted ZUM expansion plan are to be adjusted by the nonrecurring billing surcharge increment. Such adjusted surcharge/surcredit will be effective for four months following the effective date of the tariffs which provide for the implementation of the adopted ZUM expansion plan. Effective on the first day of the 5th month following the effective date of the tariffs which provide for the implementation of the adopted ZUM expansion, the nonrecurring billing surcharge increment should be deleted and replaced with the recurring billing surcharge increment.

(END OF APPENDIX E)

APPENDIX F

PACIFIC BELL

Moratorium

Los Angeles, Riverside, San Bernardino and Ventura Counties ZUM Expansion

For services existing prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION) within the Los Angeles, Riverside, San Bernardino and Ventura Counties exchanges impacted by the Exchange or District Area boundary reconfigurations introduced by the Zone Usage Measurement (ZUM) Plan (Cal. P.U.C. Decision No. 90-06-016) the Exchange and/or District Area boundary configuration prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION) will apply.

The boundary configuration prior to (EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION) will remain in effect until impacted customers make a change in their service or until (TWO YEARS FROM EFFECTIVE DATE OF TARIFF IMPLEMENTING THE PROPOSED ZUM EXPANSION), whichever comes first. After either event, the new boundary configurations, rates and charges currently in effect, will apply as set forth in C.1.b., C.2, and C.3 following.

The new boundary configurations, rates and charges will apply to all new services.

(END OF APPENDIX F)

APPENDIX G
Sheet 1 of 3

PACIFIC BELL DEVIATIONS

Pacific Bell is authorized to deviate from its effective tariffs to provide Call-Bonus Community plans over the exception routes and between the exchanges listed below in Item 2 at the rates, charges and message rates including the allowances as set forth below to customers of record on the same premises as of the effective date of the tariffs which implement this ZUM expansion.

This deviation shall apply to customers of record on the same premises who subscribe to a present (as of the effective date of the tariffs implementing this ZUM expansion) Call-Bonus Community plan over the routes and between the exchanges listed below in Item I.

This deviation shall expire 36 months from the effective date of the tariffs which implement this ZUM expansion unless sooner cancelled or changed by order of the Commission. A supercedure or transfer of service will terminate these tariff deviations.

The rates applicable to these exception routes are as follows.

Monthly	Allowance	Min. Day	Each Addl. Min
$ 8.55	$ 17.10	$ .238	$ .175
17.10	34.20	.238	.175
25.65	51.30	.238	.175

Item 1 - Present Call-Bonus Community Plan Routes

Alhambra	Corona
Anaheim	Perris
"	San Bernardino
Brea	Perris
Compton:	
Compton DA	Corona
Gardena DA	Thousand Oaks
Cypress	Reseda
"	Canoga Park
El Monte	Riverside
Fullerton	Perris
"	San Bernardino
Irvine	Perris
La Crescenta	Thousand Oaks

APPENDIX G
Sheet 2 of 3

PACIFIC BELL
DEVIATIONS

Item 1 - Present Call- Bonus Community Plan Routes (Cont'd)

Los Angeles:	
DA 1	Thousand Oaks
DA 3	Thousand Oaks
DA 3	Thousand Oaks
DA 4	Corona
DA 4	Thousand Oaks
DA 5	Corona
DA 5	Thousand Oaks
DA 6	Thousand Oaks
Newhall:	
Santa Clarita DA	Oxnard
Orange	Perris
"	San Bernardino
Pasadena:	
La Canada DA	Thousand Oaks
Pasadena	Corona
Placenta	Perris
Santa Ana	Perris
Torrance	Thousand Oaks

Item 2 - Call-Bonus Community Plan Exception Routes

Alhambra	Temescal Canyon
Anaheim	Lakeview-Nuevo
"	Marshall
Brea	Lakeview-Nuevo
Compton:	
Compton DA	Temescal Canyon
Gardena DA	Conejo
Cypress	Northridge
El Monte	Woodcrest
Fullerton	Lakeview-Nuevo
"	Marshall
Irvine	Lakeview-Nuevo
La Crescenta	Newbury Park
Los Angeles:	
DA 1	Newbury Park
DA 3	Conejo
DA 3	Newbury Park
DA 4	Temescal Canyon
DA 4	Conejo
DA 4	Newbury Park

APPENDIX G
Sheet 3 of 3

PACIFIC BELL
DEVIATIONS

Item 2 - Call-Bonus Community Plan Exception Routes (Cont'd)

DA 5	Temescal Canyon
DA 5	Conejo
DA 5	Newbury Park
DA 6	Conejo
DA 8	Newbury Park
Santa Clarita:	
Saugus Canyon	
Country DA	Pt. Mugu
Orange	Lakeview-Nuevo
"	Marshall
Pasadena:	
La Canada DA	Conejo
La Canada DA	Newbury Park
Pasadena DA	Temescal Canyon
Placentia	Lakeview-Nuevo
Santa Ana	Lakeview-Nuevo
Torrance	Conejo
"	Newbury Park

Service Charge

A Service Charge does not apply to customers who request a change from an Item 1 - Present Call-Bonus Community Plan Route to an Item 2 - Call Bonus Community Plan Exception Route.

(END OF APPENDIX G)

APPENDIX H

PACIFIC BELL

ADOPTED BILLING SURCHARGE INCREMENTS *

Rate Item Number	Nonrecurring ***	Recurring ***
1.A	0.362%	0.280%
1.B	0.362%	0.280%

* Example of application of the Billing Surcharge Incement:

For Pacific Bell:

Present intraLATA toll customer billing surcharge (as of 1/23/90) is <8.295%>.

DRA proposed intraLATA toll customer billing surcharge is: <8.295%> + 0.362% = <7.933%>

Where "<   >" denotes negative surcharge

*** The existing surcharge/surcredit effective on the effective date of the tariffs which provide for the implementation of the adopted ZUM expansion plan are to be adjusted by the nonrecurring billing surcharge increment. Such adjusted surcharge/surcredit will be effective for 4 months following the effective date of the tariffs which provide for the implementation of the adopted ZUM expansion plan. Effective on the first day of the 5th month following the effective date of the tariffs which provide for the implementation of the adopted ZUM expansion, the nonrecurring billing surcharge increment should be deleted and replaced with the recurring billing surcharge increment.

(END OF APPENDIX H)

O.P. 41 - ZUM EXPANSION

ADOPTED INCREMENTAL NON-RECURRING REVENUE REQUIREMENT EFFECTS ON LOCAL EXCHANGE CARRIERS
($ 000'S)

INDEPENDENT COMPANIES	ACCESS	MSG TOLL	PL	EAS	IX ZUM	TOTAL*
	(a)	(b)	(c)	(d)	(e)	(e)
1 CALAVERAS	($0)	($11)	($0)	$0	0	($11)
2 CAPAY	0	0	0	0	0	0
3 CAL-OREGON (with DORIS)	(0)	(7)	(0)	0	0	(8)
4 CAL PAC NATIONAL	(1)	(55)	(0)	0	0	(55)
5 CITIZENS	(4)	(245)	(0)	21	0	(228)
6 CONTINENTAL	(7)	(1,258)	(1)	6	0	(1,261)
7 DUCOR	(0)	(7)	(0)	0	0	(7)
8 EVANS (with LIVINGSTON)	(0)	(33)	(0)	1	0	(33)
9 FORESTHILL	(0)	(6)	(0)	0	0	(6)
10 GENERAL OF CAL	---	(OUT OF INTRASTATE POOLS)			(396)	(396)
11 HAPPY VALLEY	(0)	(12)	0	3	0	(10)
12 HORNITOS	(0)	(6)	(0)	0	0	(7)
13 KERMAN	(0)	(11)	(0)	1	0	(10)
14 PINNACLES	(0)	(0)	(0)	0	0	(0)
15 PONDEROSA	(0)	(66)	(0)	0	0	(67)
16 ROSEVILLE	(2)	(128)	(0)	32	0	(98)
17 SIERRA (with MARIPOSA)	(1)	(58)	(0)	0	0	(59)
18 SISKIYOU	(0)	(26)	(0)	0	0	(26)
19 TUOLUMNE	(0)	(37)	(0)	0	0	(37)
20 VOLCANO	(1)	(21)	(0)	1	0	(21)
21 WEST COAST	0	(37)	(0)	0	0	(37)
22 WINTERHAVEN	(0)	0	0	0	0	(0)
TOTAL OF COLUMNS	(17)	(2,027)	(2)	65	(396)	(2,378)
PACIFIC	(178)	(24,987)	(87)	7,776	396	(17,079)
TOTAL INDUSTRY	(195)	(27,014)	(89)	7,840	0	(19,457)

* NOTE: ( ) amounts represent increase in revenue requirements to all local exchange carriers

O.P. 41 - ZUM EXPANSION

ADOPTED INCREMENTAL RECURRING REVENUE REQUIREMENT EFFECTS ON LOCAL EXCHANGE CARRIERS
($ 000'S)

INDEPENDENT COMPANIES	ACCESS	MSG TOLL	PL*	EAS	IX ZUM	TOTAL*
	(a)	(b)	(c)	(d)	(e)	(e)
1 CALAVERAS	($0)	($11)	($0)	$0	0	($11)
2 CAPAY	0	0	0	0	0	0
3 CAL-OREGON (with DORIS)	(0)	(7)	(0)	0	0	(7)
4 CAL PAC NATIONAL	(0)	(54)	(0)	0	0	(54)
5 CITIZENS	(0)	(242)	(0)	23	0	(218)
6 CONTINENTAL	(0)	(1,242)	(0)	6	0	(1,236)
7 DUCOR	(0)	(7)	(0)	0	0	(7)
8 EVANS (with LIVINGSTON)	(0)	(33)	(0)	1	0	(32)
9 FORESTHILL	(0)	(6)	(0)	0	0	(6)
10 GENERAL OF CAL	----	(OUT OF INTRASTATE POOLS)			(396)	(396)
11 HAPPY VALLEY	(0)	(12)	0	3	0	(9)
12 HORNITOS	(0)	(6)	(0)	0	0	(6)
13 KERMAN	(0)	(11)	(0)	1	0	(10)
14 PINNACLES	(0)	(0)	(0)	0	0	(0)
15 PONDEROSA	(0)	(66)	(0)	0	0	(66)
16 ROSEVILLE	(0)	(126)	(0)	36	0	(91)
17 SIERRA (with MARIPOSA)	(0)	(58)	(0)	0	0	(58)
18 SISKIYOU	(0)	(26)	(0)	0	0	(26)
19 TUOLUMNE	(0)	(37)	(0)	0	0	(36)
20 VOLCANO	(0)	(20)	(0)	1	0	(20)
21 WEST COAST	0	(37)	(0)	0	0	(37)
22 WINTERHAVEN	(0)	0	0	0	0	(0)
TOTAL OF COLUMNS	(0)	(2,001)	(0)	72	(396)	(2,325)
PACIFIC	(2)	(24,664)	(1)	8,721	396	(15,550)
TOTAL INDUSTRY	(2)	(26,665)	(1)	8,793	0	(17,875)

* NOTES: ( ) amounts represent increase in revenue requirements
to all local exchange carriers

(END OF APPENDIX I)