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Decision 90-11-058 November 21, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Alternative Regulatory Frameworks for Local Exchange Carriers.	I.87-11-033 (Filed November 25, 1987)
And Related Matters.	Application 85-01-034 Application 87-01-002 I.85-03-078 OII 84 Case 86-11-028 I.87-02-025 Case 87-07-024

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OPINION

I. Introduction

A. Background

The Commission ordered local calling areas to be expanded for all local exchange carriers in California in Decision (D.) 89-10-031, the interim opinion on Phase II of I.87-11-033, as modified by D.90-04-031. Pursuant to this expansion of local calling areas (ELCA), the 0-12 mile toll calling bands were to be eliminated for directly dialed calls and Extended Area Service (EAS) charges were to be eliminated for exchanges where customers currently pay a flat rate EAS increment for 9 to 12 mile routes. In metropolitan areas, Zone Usage Measurement (ZUM) Zone 1 calling areas were to be expanded to include current Zone 2 calling areas.

The Phase II decision also ordered local exchange carriers to eliminate residential Touch Tone rates and charges. Business Touch Tone rates and charges were not discussed on the record, so the Commission refrained from ordering their deletion in D.89-10-031.

The Commission had delayed implementation of these changes until statewide revenue impacts could be determined in the supplemental rate design proceeding. However, this process has been expedited pursuant to an assigned Commissioner's ruling issued November 22, 1989. The ruling ordered limited hearings on the revenue impacts of elimination of the separate rates and charges for Touch Tone and expansion of the local calling areas. It directed parties to address whether the separate Touch Tone rates and charges should also be eliminated for business customers. The hearing was to develop a record on the rate design changes needed to implement the Touch Tone and ELCA (TT/ELCA) policies immediately. The assigned Commissioner's ruling contemplated subsequent hearings to establish rate design which would eliminate existing surcharges and surcredits.

Accordingly, in March of 1990, the assigned administrative law judge (ALJ) issued a ruling setting a procedural schedule and requiring the local exchange carriers (LECs) and the Commission's Division of Ratepayer Advocates (DRA) to submit specified information to assist in the development of the record. Evidentiary hearings were held in September.

Each of the respondent LECs submitted testimony at the evidentiary hearings. Opening briefs were filed by DRA; Pacific Bell (Pacific); GTE California Incorporated (GTEC); American Telephone and Telegraph Company (AT&T); the California Bankers Clearing House Association and the County of Los Angeles (CBCHA/County); Citizens Utilities Company of California (Citizens); Contel of California, Inc. (Contel); Roseville Telephone Co.; Calaveras Telephone Co., California-Oregon Telephone Co., Ducor Telephone Co., Foresthill Telephone Co., Happy Valley Telephone Co., Hornitos Telephone Co., The Ponderosa Telephone Co., The Volcano Telephone Co., and Winterhaven Telephone Co., and CP National Telephone Co. (CP National), Evans Telephone Company, GTE West Coast Incorporated, Kerman Telephone Co., Pinnacles Telephone Co., Sierra Telephone Co., Inc., The Siskiyou Telephone Co., and Tuolumne Telephone Co. Reply briefs were filed by Pacific; GTEC; CP National, Evans, GTE-West Coast; Kerman, Pinnacles, Sierra, Siskiyou, and Tuolumne; AT&T; CBCHA/County; and DRA.

MCI Telecommunications Corporation (MCI) filed a "Reply" brief, also. Although MCI filed an appearance, it did not present any testimony or otherwise participate in the evidentiary hearings. MCI takes a position on the TT/ELCA revenue recovery mechanism for the first time in its reply brief. There is no opportunity for other parties to respond to MCI's assertions at this stage of the proceedings. For reasons of basic fairness, we will not consider

MCI's reply brief to be part of the record on which our discussion is based.

By ALJ ruling dated April 30, 1990, the assigned ALJ asked Pacific to provide data on the <u>differences</u> in call completion times provided by electronic and other types of switches for Touch Tone dialing. This inquiry was prompted by the protest of DRA to Pacific Advice Letters 15657 and 15658 that Pacific's electromechanical switches provided Touch Tone service that was different from that provided by electronic switches. In its data response, Pacific replied that the requested information was not available. Pacific did include technical descriptions of the switches, call processing times by pulse types, and the effects of changing from rotary to Touch Tone service in different types of central offices in its May 18, 1990 testimony. The DRA served its testimony on June 29, 1990. There, DRA recommended that Pacific be disallowed $66.2 million in rates due to <u>differences</u> in Touch Tone service provided by electromechanical versus electronic switches. Evidentiary hearing had been scheduled for July 30, after the filing of rebuttal testimony. At that point, however, Pacific requested a delay in the schedule to muster its rebuttal of DRA's recommendations. Pacific engaged the services of the individual who developed, tested, and deployed Touch Tone technology for Pacific's predecessor, Bell Telephone. Pacific provided the differences between call completion times from rotary versus Touch Tone instruments and by electromechanical versus electronic switches in its rebuttal testimony. Evidentiary hearing was delayed until the week of September 10, 1990.

Due to the friendly exchange of detailed information between the LECs and DRA from March to September 1990, the parties were able to stipulate to much of the revenue recovery figures presented by DRA in a joint exhibit. The areas of disagreement were limited to the proposal of several LEC's to upgrade central office facilities to provide 100% of their access lines with Touch

Tone capability all at once, Pacific's recovery of lost billed revenues obtained through use of No. 5 crossbar switches to provide Touch Tone service, Pacific's recovery of cost to convert customers on a "line-by-line" basis, Pacific's retention of rates authorized for its Touch Tone Fraud Program, and the requests of Tuolumne and Siskiyou Telephone Companies to exempt three routes from the free calling provisions of ELCA.

The Commission must first resolve these areas of controversy. Then, the sums associated with those issues can be included in a determination of: (a) the LEC's billings which will not be recovered as result of the elimination of Touch Tone rates and charges and the expansion of the local calling area (TT/ELCA), (b) the one-time cost to implement TT/ELCA, (c) the recurring costs to carry out TT/ELCA, and (d) the impact on the intercompany settlements process resulting from changes to the LEC's capital investments. These factors are then used to develop each utility's revenue requirement. Finally, because of our policy of assuring that each LEC will recover its costs of capital used to provide toll service even while limited to charging the average statewide toll rate, the revenue requirements are run through the intercompany settlements process. The LECs will be paid the amounts to which they are entitled from the access, toll MTS, EAS, and toll private line settlements pools administered by Pacific. This decision adopts settlements effects and revenue requirements shown in Appendix D and Appendix E. Finally, a method must be authorized for recovering the incremental revenue requirement effects from ratepayers. The adopted revenue requirement recovery mechanisms for each LEC are reflected in Appendix F to this order. Appendix H lists the surcharge increments for the companies that will collect TT/ELCA revenues through their surcharges, as well as new basic exchange rates ordered for specific companies. Additional revenue requirement support from the California High Cost Fund (CHCF) is listed in Appendix G. Appendices F, G and H are developed based on the LECs' rates, surcharges/surcredits, and CHCF eligibility as of the effective date of this order. The LECs should incorporate interim rate changes, such as those resulting from their October 1990 CHCF filings, when they file their respective advice letters implementing the revenue requirement recovery mechanisms authorized herein.

B. Summary

In this decision, we conclude that the separate Touch Tone rates and charges for business customers should be eliminated. Charges for both business and residential Touch Tone service shall be eliminated by all LECs on February 1, 1991. The LECs had generally suggested longer lead times for implementation. However, we had ordered the abolition of Touch Tone rates and charges last October. The local calling areas will be expanded by all LECs on June 1, 1991. After a thorough review of the evidence and arguments of Pacific and DRA, we decline to disallow Pacific its recovery of Touch Tone revenues for service provided by No. 5 crossbar switches. We find that Pacific need incur only $35,000 in switch conversion expenses, rather than $350,000 as proposed by Pacific. The cost of modifying switches so that 100% of all access lines are Touch Tone capable is disallowed because the requesting LECs have not quantified the likely customer demand for this increment of capacity. Moreover, alternative ratemaking avenues exist for the recovery of these expenditures. We deny the requests of Tuolumne Telephone Co. and The Siskiyou Telephone Co. for authority to continue to charge toll rates for calls over certain routes of less than 12 air miles but greater than 12 "circuit" miles.

We find that the elimination of separately billed Touch Tone rates and charges and the expansion of the local calling area would result in the incremental revenue requirement shortfalls to LECs shown in Appendix E. Consistent with our recognition in D.89-10-031 that rate stability for LECs is an important goal, we will authorize each LEC to recoup those TT/ELCA incremental revenue requirement through a variety of means, as specified in Appendix H.

Pacific and GTEC are authorized to recover the adopted revenue requirement via adjustments to their existing bill-and-keep surcharges/surcredits on local exchange services as shown in Table H-1 of Appendix H.

Roseville, Sierra and Kerman will increase their local payphone rates from 10 cents to 20 cents per call. LECs with intraLATA bill-and-keep surcredit amounts will draw those down. Consistent with the CHCF principles, LECs with flat residential rates would next increase the monthly charge by up to 100% or a maximum of $12.55. After the LEC has reached that maximum, if it still fell short of recovery of the adopted TT/ELCA revenue requirement, it would either apply an incremental bill-and-keep surcharge, or if its monthly residential flat rate was $12.55 or more, it could elect to receive funds from the CHCF.

Appendix F shows the adopted revenue requirement recovery mechanisms for 22 LECs, and, as stated earlier, information shown in Appendix F is based on the LECs' rates, surcharges/surcredits and CHCF eligibility at the time this order is issued.

Pacific, GTEC and LECs who have sufficient intraLATA surcredit amounts to recover their TT/ELCA revenue requirements will adjust their surcredits starting on February 1, 1991 as shown in Table H-1 of Appendix H. All others are authorized to implement their revenue requirement recovery starting on June 1, 1991.

Finally, we deny AT&T's request that we implement on January 1, 1991 our determination in D.90-08-066 to expand the recovery of CHCF revenues to a surcharge on all local exchange carrier end user services, except lifeline, and to all interexchange carrier end user services. AT&T's request is pending in another proceeding and will be resolved there.

C. Comments on the Proposed Decision per Public Utilities Code Section 311

Comments on the proposed decision were submitted by all of the LECs, DRA, AT&T, and the CBCH/County in accordance with Rule 77 et seq. of the Commission's Rules of Practice and Procedure. Reply comments were received from all the LECs plus the County and DRA. We were disappointed by several of the parties' comments which unbashedly reargued the positions taken in their briefs or espoused new positions. The Commission does not have the luxury to indulge the parties' attempts at advocacy under the schedule established by Rule 77 et seq. The parties responsible for the argumentative comments are reminded that the proposed decision is the product of the assigned administrative law judge who is a decision maker, not of one of the parties. The 311 comment process set forth in Rule 77.3 gives parties the opportunity to note errors or omissions of fact or law. It is not an opportunity to reargue one's position to the Commission. The Comments which merely reargue positions taken in briefs are accorded no weight pursuant to Rule 77.3 and are not noted here.

Pacific offered technical corrections to the call completion times of its various switches. Those numbers are supported by the record and are adopted where appropriate in the context of the decision.

GTEC offered minor technical comments on the decision. Those comments are reasonable and have been accepted. In its response, it rebuts the claims of CBCHA/County that the proposed decision's reliance on the Commission's prior SPF to SLU adjustments as an example of how "uniform" rate changes have benefitted one class more than another class of ratepayers was improper because those adjustments were not on the record of this proceeding. GTEC points out that its witness specifically referred to the Commission SPF to SLU decision, and further testified that the decision, along with other decisions including the ZUM expansion and GTEC rate case decisions set a precedent for the use of existing surcharge mechanisms to recover revenue requirements associated with changes implemented prior to supplemental rate design.

The DRA claims the proposed decision's use of evidence of language in an advice letter to interpret the terms of a tariff constitutes legal error. Here, DRA states, the Commission should not allow evidence of Pacific's intent, as expressed in Advice

Letter No. 14949, to modify the language of the tariff itself. Even if the tariff language is ambiguous, DRA maintains that precedent requires that "any doubt in its interpretation is to be resolved against the utility responsible for the ambiguity." DRA submits that the disputed tariff language authorizes the provision of Touch Tone service by electronic central office equipment and not electromechanical offices. Pacific replies that given the rules governing advice letters contained in G.O. 96-A, it would be incorrect for the Commission to disregard A.L. 14949 when interpreting Pacific's Touch Tone tariff. Pacific claims that when providing the information required by G.O. 96-A, utilities are giving factual information about the effect of a proposed tariff change, not explaining intent.

A utility's advice letter filings are required to conform to the requirements of G.O. 96-A, which specifies the format, content, and permissible effect of advice letter filings. Because the utility's advice letter filings are subject to such strict regulatory standards, it is appropriate to refer to an advice letter when interpreting the tariff which was submitted with that advice letter. In stating this rule, we do not deviate from precedent. Rather, we find that an advice letter goes beyond a mere expression of intent. It contitutes a representation by the utility of the regulatory effect of a proposed tariff, and is thus relevant to the interpretation of the tariff. Moreover, we do not give the advice letter "controlling effect"; we have also considered the totality of circumstances which existed at the time A.L. 14949 was filed. Given the fact that there is no evidence the Commission intended that Pacific should cease Touch Tone service to the customers served by nonelectronic switches after the effective date of A.L. 14949, we confirm the proposed decision's interpretation of the Touch Tone tariff.

DRA suggests that the discussion of interstate-intrastate separations factors be modified to recognize that all parties to the proceeding reflected the change in interstate and intrastate separations factors in developing the interstate settlement revenue and revenue requirement effects of ELCA and TT under the present rate condition. The decision should clarify that no party attempted to quantify the effect of the revenue requirement shift from the interstate to the intrastate jurisdiction based on the proposed rate condition. These suggestions are reasonable and are adopted.

DRA goes on to recommend that an LEC's authorization to include the interstate revenue requirement shift resulting from ELCA be limited to inclusion in the test year utilized in either the LEC's next general rate case application or in a G.O. 96-A advice letter rate proceeding. The smaller LECs reply that DRA is suggesting a modification to D.88-07-022. The CHCF rules adopted by that decision authorize recovery of revenue impacts of "interstate separation shifts" through CHCF advice letter filings. We will authorize the LECs to include the revenue requirement shift from the interstate to the intrastate jurisdiction based on the rate condition adopted today in their April 1, 1991 ElCA/TT revenue requirement recovery advice letters.

We adopt the dates recommended by DRA for the CHCF filings to recover TT/ELCA pursuant to this decision. All eligible LECs shall file their CHCF advice letter by April 1, 1991. Pacific, GTEC, GTE-West Coast, and Winterhaven will file their advice letter for the change in CCLC increment to recover TT/ELCA revenue requirement on April 22, 1991. The new CCLC increment for CHCF and revenue requirement recovery for TT/ELCA will become effective on June 1, 1991. Provision for these dates is made in the ordering paragraphs. We also adopt DRA's recommended changes to tables and appendices that appear in the proposed decision, since they correct computational errors.

AT&T's comments were limited to a request for clarification of the approved CHCF revenue requirement for the smaller independent LECs. AT&T's suggested language has been adopted in an ordering paragraph.

Roseville requests that the LECs be specifically authorized to file tariffs for revenue recovery. This concern has been met by the adoption of DRA's suggestions. We modify the Appendices to indicate that Roseville may offset its TT/ELCA revenue requirement against surcredits to become effective in 1991 - this would be consistent with the adopted revenue requirement recovery mechanisms.

CP National, Evans, GTE West Coast, Kerman, Pinnacles, Sierra Telephone, Siskiyou, and Tuolumne suggest that application of the revenue recovery mechanisms described in Appendix E should accommodate the changes that will occur to these smaller LECs on January 1, 1991, the effective date of their annual CHCF changes. We will clarify that Appendix F illustrates the application of our adopted revenue recovery mechanism to the rates and revenues of LECs as of the date of this decision. We acknowledge that application of the revenue recovery mechanisms at the time the LECs are required to file their advice letters may result in different rate, surcharge, and CHCF effects. We also correct the discussion of Tuolumne and Siskiyou's request for exception routes. The reference to Kerman is corrected to reflect the fact that Kerman does not receive CHCF funding.

Calaveras, California-Oregon, Ducor, Foresthill, Happy Valley, Hornitos, Ponderosa, Volcano, and Winterhaven suggest the decision be modified to specifically authorize the LECs to submit the advice letters necessary to implement the TT/ELCA revenue requirement recovery mechanism and to deviate from the revenue requirement recovery mechanisms when necessary due to intervening rate design changes. These matters have been addressed in the final decision.

Citizens states that the interstate to intrastate revenue requirement shift that will result from the expansion of the local calling areas - a revenue requirement shift includable in the CHCF - should be expressly provided for in this decision. We clarify that recovery of the settlements effects of jurisdictional shifts may be sought in the advice letter to be filed April 1, 1991.

The County/CBCHA filed comments challenging the decision to collect the TT/ELCA revenue requirement through a surcharge on local exchange rates. Its "comments" consisted primarily of a reiteration of its testimony and brief. The County/CBCHA legitimately notes a contradiction in its witness' testimony concerning the shift in Pacific's Touch Tone revenues from the residential to the business class. The proposed decision relied on the prepared testimony of County/CBCHA's witness that $37.7 million would be shifted. In its comments, the County/CBCHA asserts that Pacific had conceded its total revenue shift would be about $55 million. Rather than select one of these figures, we will accept $37.7 million and $55 million as representing the range of the shift of revenues from residential to business customers.

County/CBCHA also contests the conclusion that it would be impractical to exempt services which provide Touch Tone on a bundled basis from the surcharge to recover Touch Tone revenues. We bolster that conclusion by observing that in order to exempt those lines from the surcharge, separate billing bases would have to be determined for lines which contribute Touch Tone rates and lines for which Touch Tone is provided as a bundled service. Such evidence is not in the record; LECs do not routinely compile the data to disaggregate their billing gases in this manner. Thus, it would be impractical to adopt the policy that lines which do not generate Touch Tone charges, such as Centrex, COMMSTAR, COPT, and Semi-Public service, should be exempt from the Touch Tone surcharge.

Likewise, we reject the County/CBCHA's proposal to allocate the ELCA revenue requirement between business and residential classes for recovery through separate surcharges. There is no evidence of the split between business and residential toll/ZUM usage or "billing base" which would be needed to establish separate business and residential surcharges.

The County/CBCHA's assertion that the proposed decision violates Public Utilities (PU) Code § 1708 by "failing to comply with D.89-10-031" is disingenous. First, our decision to collect TT/ELCA revenues through a uniform surcharge contitutes our interpretation, not a reversal or change, of our own decision. Secondly, the surcharge is being adopted after five days of hearing during which one of the primary issues addressed in testimony was how TT/ELCA revenues were to be recovered. County/CBCHA had notice as early as April, 1990 when Pacific served its prepared testimony on all parties, that a uniform surcharge on local exchange rates was proposed. Since County/CBCHA actively presented testimony to controvert Pacific's proposal and extensively briefed the issue, it cannot claim there was no opportunity for it to be heard.

After careful review of CBCHA/County's comments, we are reluctantly holding to the ALJ's proposed decision regarding the manner of collecting the needed revenues through a general surcharge on exchange revenues. This is the mechanism we have generally employed to spread revenue increases and decreases since the last general rate case rate design decisions for these utilities, and some shift in revenue between classes is inevitable whenever a uniform surcharge or surcredit is used to make the utility whole for changes in specific rates.

Nonetheless, we wish we had more latitude here to ameliorate the impacts that CBCHA/County described. In large part our decision to employ the uniform surcharge is based in the great difficulty that local telephone companies would have in modifying their billing systems to provide a different surcharge to each customer class. It is amazing, and somewhat disappointing, that these billing systems are as inflexible as described. Such inflexibility may prove to be a significant handicap to these utilities in competitive markets.

Were these surcharges to stay in place for more than the time between now and the implementation phase of I.87-11-033, we would order the needed changes in the name of fairness. However, the amount of time needed to make the billing system changes would mean that the benefits of the customer class-specific surcharges would be in effect for only a short time. Thus, there are limits on the extent to which this outcome will affect CBCHA/County's interests.

As we move forward in I.87-11-033, we will remember that this revenue shift occurred. We will base our rate design on principles of cost and overall fairness rather than the levels of contribution that may exist as an unintended byproduct of decisions such as this one.

D. Motion by TURN for Immediate Relief

On August 27, 1990, Toward Utility Rate Normalization (TURN) filed its "Motion for Immediate Elimination of Touch Tone Service Charge" (Motion) wherein the consumer group sought the immediate termination of the residential Touch Tone charge pending disposition of this proceeding. Pacific, County/CBCHA, GTEC, and DRA filed responses to TURN's Motion. Pacific and GTEC asserted that since the Commission and the parties had already invested their resources in the hearing process, the granting of TURN's Motion would not expedite the removal of the residential Touch Tone charge, but would burden the existing schedule for implementation of D.89-09-033. DRA stated that granting TURN's motion would force ratepayers to bear additional implementation costs. The County/CBCHA indicated that TURN's argument appeared to be premised on the belief that D.89-09-033 intend to relieve ratepayers of rate responsibility for Touch Tone service. Based on the parties' data responses on the question of how the LEC's would actually implement removal of the Touch Tone charge, we determined that even if TURN's

Motion were granted, a delay of at least three months would be needed before charges could be removed statewide. Therefore, we did not act on TURN's Motion, preferring instead to see whether the hearing process would in fact result in a timely decision. We were satisfied with the process and did not grant TURN's Motion. At this time, TURN's Motion should be dismissed as moot.

E. Shift of Revenue Burden

In this phase of our investigation, we have hastened the evolution of basic exchange telephone service. We will not wait until statewide revenue impacts can be accounted for in the supplemental rate design proceeding to eliminate separate Touch Tone charges and to expand the local or "free" calling area to 12 miles. The TT/ELCA revenue requirement should be recovered via an incremental bill-and-keep surcharge or other adopted basis now, even though this will result in a shift of revenue requirement responsibility from the residential to business class due to the uniform nature of the surcharge. We are not persuaded to make an exception to our general surcharge policy because CBCHA/County has not shown that the consequences are severe enough to merit special treatment prior to our general rate design proceeding. Also, CBCHA/County has not supplied any information on the distribution of impacts of previous rate changes of much greater magnitude that were made with the same surcharge approach.

These enhancements to basic exchange service will stimulate calling to business, as well as residential lines. Numerous parties here have stated that Touch Tone charges should be abolished for business customers because there are even more business applications of Touch Tone technology than residential uses. With "free" Touch Tone, the use of Touch Tone instruments for business transactions should become even more prevalent than it is today, thus providing business telephone customers with the opportunity to competitively serve their clients. And, those clients may be calling from either a business or a residential access line. We are recognizing the benefits of disseminating improvements in telecommunications technology throughout society, as will occur as the result of "free" Touch Tone and an expanded local calling area. We expect that these benefits will flow fairly to all classes of telephone ratepayers. Thus, it is reasonable to recover the otherwise lost billed revenues through an incremental bill-and-keep surcharge that recovers some of the TT/ELCA billed revenues now being collected in residential rates from business customers.

We acknowledge that customers who do not currently subscribe to Touch Tone service will experience an increase in monthly service charges as a result of the surcharge. Customers who do not call over routes rated as 0 to 12-mile toll or ZUM Zone 2 calls will not benefit from our expansion of the local calling area, yet they will shoulder some of the cost of expansion through the surcharge. There will be a shift in revenue responsibility from those who currently "pay as they go" to other ratepayers who do not subscribe to Touch Tone and limit their calls to the current local area.

This shift necessarily results from the revenue recovery mechanisms adopted in this decision. It is the result of our determination in D.89-09-031 that basic service should include Touch Tone and an expanded local calling area. By essentially "bundling" Touch Tone and a larger local calling area into the rates paid for local exchange service, the Commission is giving ratepayers a price signal that encourages wider use of the telephone system. We have determined that cost barriers to Dial Tone Multifrequency Technology (DTMF) and communication in modern urban areas should be eliminated. This reallocation of revenue requirement recognizes the increasing role that telecommunications will play, and redefines the value of basic monthly exchange service to the ratepayer.

This shift in revenue requirement responsibility does not constitute rate design because we make no finding regarding the appropriate level of business rates or contribution that should be borne by the business class. Instead, we are continuing the use of a general surcharge/surcredit approach to revenue requirement adjustments prior to a comprehensive rate design, which we intend to undertake shortly.

Many hundreds of millions of dollars of rate reductions have been returned to customers through surcredits that mirror precisely the surcharge contained in this decision. It is inevitable that these surcredits and surcharges will cause some minor shift in the amount of contribution paid by various customers or customer classes. There is no way to avoid such minor impacts short of a comprehensive rate design.

This record does not contain evidence regarding the relative benefits to various customer classes of our ongoing Subscriber Plant Factor-Subscriber Line Usage cost reallocations, nor of the large surcredits now generally applied as a result of the revenue reductions ordered for Pacific and GTEC over the past few years. Presumably, business users as a class received some benefit from those actions. Therefore, we will focus our attention on the proper level of rates and contribution for business customers when we address the same subject for all other classes of ratepayers.

II. Touch Tone

A. Touch Tone for Business Customers

The LECs were unanimous in recommending that the separate charge for Touch Tone service be eliminated for business customers. The CBCHA/County claimed that eliminating Touch Tone charges is an appropriate policy goal and that eliminating the charge for both business and residential customers would result in a realistic definition of modern basic exchange service. The CBCHA/County believes the need for and use of tone signalling by business customers is at least as great, and perhaps even more essential, than for residential subscribers. Pacific states that elimination of a separate charge will help facilitate the introduction and growth of information age services such as voice mail and electronic messaging in California. Pacific notes that approximately 93% of its business access lines are provided with Touch Tone at a $1.70 monthly rate. This is greater than the residential access line subscription rate. GTEC reports that over 80% of its business customers already subscribe to Touch Tone service. DRA agreed with these parties and added that elimination of Touch Tone charges for both business and residential customers at the same time would result in lower operational costs to the LECs than if this were done separately.

In light of the many applications of DTMF cited by the parties, we will order the elimination of a separate Touch Tone charge for business customers. This will, in GTEC's words, make Touch Tone signalling the standard signalling convention for basic exchange service.

Pacific points out that it offers Touch Tone on a bundled basis with several services. These include Semi-Public Telephone Service, Customer-Owned Pay Telephone (COPT) service, Centrex lines and COMMSTAR I and II. Rates for these services were not developed by adding individual rate elements as building blocks. Pacific states that no decrease to rates for these bundled services should occur as separate Touch Tone charges are eliminated because reductions on a piecemeal basis could ultimately result in below-cost pricing. DRA takes a similar position; rates for these bundled services should be excluded when determining billing reductions and costs resulting from the elimination of Touch Tone rates and charges because those lines do not yield "Touch Tone" revenue. GTEC does not include Touch Tone service in its counterpart services.

CBCHA/County argues that there is an implicit charge for Touch Tone service within the rates for bundled service; Touch Tone is not provided "free" to those customers, and there is no reason to conclude that the implicit rate for Touch Tone is any different from the explicit rate charged when Touch Tone is not purchased on a bundled basis. The CBCHA/County urges the Commission to reduce the bundled Centrex or COMMSTAR rates by the explicit Touch Tone rate, $1.70 per month.

We think it is premature to conclude that Pacific's bundled rate for Centrex and COMMSTAR include the $1.70 Touch Tone charge assessed business customers. Glenn Sullivan, who was Pacific's witness on rate design, pricing, and tariffs during the period 1972 to 1977, testified that he did not know the origin or basis for the rates Pacific charged for Touch Tone service. He suggested that rate components should be reviewed in the supplemental rate design proceeding. We agree with Mr. Sullivan; there is no basis for concluding that the Commission intended to collect $1.70 for the Touch Tone component in the bundled Centrex and COMMSTAR rates at this time. Thus, Centrex and COMMSTAR rates will not be decreased by the explicit Touch Tone charge. We endorse the DRA position excluding any portion of Centrex, COMMSTAR, COPT, and Semi-Public rates from the revenue requirement recovery adopted in this proceeding.

B. Recovery of Reasonable Costs and Billed Revenues

The LECS stressed that elimination of Touch Tone rates and charges should leave them in a revenue-neutral position. This means that billed revenues now being collected through the monthly Touch Tone charge will have to be collected through other means. With the exception of Pinnacles Telephone Co. and The Volcano Telephone Co. which already provide Touch Tone at no charge, LECs will incur one-time costs to convert customers to Touch Tone. Also, nonrecurring costs to convert a customer from dial pulse to

Touch Tone service will no longer be incurred by LECs other than Pinnacles and Volcano.

The DRA and the LECs have reached agreement on all Touch Tone-related costs except for Pacific and certain LECs that wish to upgrade their facilities to provide Touch Tone capability to 100% of their access lines. We will accept the stipulated figures as being a reasonable estimate of the LEC's billings, recurring and nonrecurring costs to eliminate Touch Tone for residential and business customers. The DRA's differences with Pacific and the other LECs are reviewed individually below.

1. <u>Touch Tone Capability for 100% of Access Lines</u>

Pacific includes $100,000 in its estimate for the cost of modifying all switches to provide Touch Tone service to customers existing on the date this decision is implemented. CP National requests $23,000 to cover investments in two central offices, Citizens requests $48,720, Contel requests recovery of $75,000, and Siskiyou seeks $18,400 to provide Touch Tone capability to 100% of their access lines.

DRA challenges these requests by referring to D.89-10-031. The words of Ordering Paragraph 1 state, "...residential Touch Tone charges shall be eliminated for all local exchange carriers in California." DRA finds no indication in D.89-10-031 that the Commission intended to provide Touch Tone to 100 % of all customers. DRA would have Pacific and the other LECs provide Touch Tone in conformity with their routine plant modernization schedules.

Pacific, Contel, and Citizens counter that the Commission's general intent as expressed in the body of D.89-10-031 is that Touch Tone should become a part of basic service for residents, and that residential service should be universally - available to all California residents. Consistent with this policy, Touch Tone should be available to all residence customers, and the LECs should be allowed to recover the capital cost needed to accomplish this, according to the LECs.

None of the LECs presented testimony on the present Touch Tone capacity or on the amount of incremental demand for Touch Tone service expected at the central offices where investments are proposed. Absent such evidence we believe it is possible that the existing Touch Tone capacity in these central offices can meet 100% of the demand for Touch Tone that would arise pending the deployment of capital improvements that the LECs would ordinarily undertake in the course of their utility business.

CP National will be replacing its two switches within 12 to 18 months, at which time, all of CP National's access lines will have Touch Tone capability. If they believe that additional plant investment is justified by forecasted demand, Citizens, Contel, and Siskiyou may undertake the necessary capital improvements and seek recovery in rates by filing general rate case applications. At this time, it would be unreasonable for the Commission to increase these companies' capital expenditures because the LECs have not shown that any need for those facilities will arise and that the need cannot be met by the utilities' routine plant investment programs, for which recovery is provided through the general rate case process.

While Pacific is not authorized to file a general rate case under our new regulatory framework, Pacific should not recover capital costs, either, because we have not required the provision of Touch Tone capability for 100% of all access lines. Absent this mandate, Pacific should manage its existing resources to meet whatever incremental demand there may be for Touch Tone service after the separate charge is removed.

2. <u>The Crossbar Switch Issue</u>

Pacific collects Touch Tone rates and charges for DTMF service provided with cross bar and electronic switches. Rates and charges are no longer collected for DTMF service provided by step-by-step switches. By Resolution T-14067, the Commission approved Pacific's proposal to eliminate rates and charges for Touch Tone calling when provided through step-by-step central office equipment. In Resolution T-14068, the Commission ordered Pacific to refund $5 million to Touch Tone customers served by step-by-step central office equipment. The Commission excluded the refund and charges from recovery in rates. Pacific stated that its proposals were intended to promote the goodwill of Touch Tone customers served out of step-by-step offices who may have been confused about differences in the speed of placing calls using rotary versus DTMF telephones.

a. The DRA's Position

DRA believes that similarities between crossbar and step-by-step offices require similar treatment of customers served by these offices with respect to the elimination and refund of Touch Tone charges. That is, DRA urges us to order Pacific to refund Touch Tone rates and charges collected from customers served by crossbar central office equipment over the last three years. This would result in a one-year revenue decrease of $44.69 million. In addition, DRA believes that Pacific should not recover the $8.42 million in recurrent Touch Tone billings derived from crossbar switches. DRA's recommendation would decrease Pacific's first year revenues by $53.11 million and its subsequent years' revenues by $8.42 million.

DRA's recommendation is based on three alternate theories. First, DRA claims that Pacific is in violation of its tariff by offering Touch Tone out of electromechanical offices which did not require "program updates", as defined by DRA. Second, DRA states that Pacific has provided Touch Tone service in a discriminatory manner, in violation of PU Code § 453(c), by allowing customers who do not pay for Touch Tone to avail themselves of that feature. Third, DRA argues that the quality of

Touch Tone service provided by crossbar resembles that of step-by-step and the same ratemaking treatment should be applied.

i. Tariff Violation

DRA focuses our attention on Pacific's Touch Tone Calling Service Regulations, which state in part:

> "The furnishing of Touch-Tone Calling Service requires certain facilities of the utility and may be provided where there is available central office equipment with the proper program updates as determined by the Utility." (Sched. Cal. PUC No. A5.4.2.B.1)

This language was added to Pacific's Touch Tone Tariff by Advice Letter 14949 which became effective on August 7, 1985. DRA believes that the language describing "central office equipment with the proper program updates" refers to electronic central office equipment and does not include electromechanical offices. DRA argues that Pacific's tariff does not authorize it to offer, provide, or collect rates for Touch Tone service provided by an electromechanical office. However, DRA agrees that Pacific did not intend to limit the availability of Touch Tone to only electronic central office equipment, which contain stored programs and Stored Program control requiring program updates, by this language.

Pacific presented the testimony of Cheryl Anderson, the employee responsible for drafting the tariff language and the advice letter which inserted the language in question into the Touch Tone tariff, Advice Letter 14949. She stated that the term "proper program update" was intended to refer the reader to Pacific's APTOS computer data base, which lists all exchanges and prefixes where Touch Tone service is available. After consulting the data bank, one could determine the availability of the central office equipment needed to provide Touch Tone service.

Ms. Anderson testified that Pacific never intended by its advice letter to terminate the Touch Tone service that was being provided to customers served by electromechanical offices. Advice Letter 14949 stated that the tariff changes proposed therein "...will not increase any rate or charges, cause the withdrawal of service, nor conflict with other schedules or rules" (emphasis added). At the time of the advice letter filing, July 15, 1985, about 2 million Touch Tone customers were being served by either cross-bar or step-by-step central office equipment, Pacific testified. DRA's interpretation would imply that Pacific intended to offer Touch Tone to access lines served only by electronic switches. Pacific had no such intent, according to the witness. Since the advice letter stated that no revenue effects would result from the tariff revision, it follows that Pacific had no plans to curtail Touch Tone service to existing subscribers, she testified. Moreover, the "T" alongside the words, "proper program update as determined by the utility" signifies according to G.O. 96-A that the wording was intended to be "a change in wording of text but not a change in rates, rules, or conditions", argues Pacific.

ii. Violation of PU Code § 453(c)

Next, DRA claims that Touch Tone service provided by electromechanical switches is discriminatory and in violation of PU Code § 453(c). DRA asserts that customers served by electromechanical central offices who pay the Touch Tone rates and charges are discriminated against because other customers served by those offices can use their DTMF phonesets to obtain DTMF call processing without subscribing to Touch Tone service.

Pacific stated that it reasonably attempted to prevent unauthorized use of central office Touch Tone capability through its Touch Tone Fraud Program, explained below. Pacific also argued that it should not be held responsible for the unlawful acts of its customers.

iii. Differences in Quality of Service

Finally, DRA alleges that the similarity in the quality of Touch Tone service provided by crossbar offices and step-by-step offices justifies treating crossbar Touch Tone customers in the same manner as step-by-step customers are treated pursuant to Resolutions T-14067 and T-14068. DRA claims that the primary difference in quality of service provided by these electromechanical switches and the electronic switches is call processing speed. Customers experience from 30% to almost 100% more time needed to process a call with a crossbar switch than an electronic switch, states DRA. Other alleged service differences include the availability of Touch Tone service for all electromechanical customers regardless of customer payment and without the need for any central office work to provide Touch Tone service.

Pacific's witnesses believe that the comparison between electromechanical and electronic switches should encompass all of the call processing time, that is, the period which begins when a caller lifts the receiver and hears the dial tone and ends when some audible network signal such as ringing or a busy signal is heard. Pacific states that the most significant factors in call processing speed are the difference in customer dialing time, which depends of the use of a Touch-Tone versus a rotary dial instrument, and the additional switching time needed to complete an intra-office versus an inter-office call.

Ralph Battista, an employee of Bell Communications Research, Inc., provided expert testimony on the functioning of No. 5 crossbar technology and the stored program control switching system on behalf of Pacific.

According to Battista, in a No. 5 crossbar switching system a Touch-Tone receiver is permanently hard-wired to an Originating Register circuit. DTMF signals from the caller are interpreted in milliseconds, unlike the case of step-by-step system, where the DTMF signals must be converted to pulse signals in order to activate the switch.

In a central office served by an electronic switch, a Touch-Tone receiver is hard wired to a Customer Dial Pulse Receiver circuit. When the Touch-Tone receiver detects a Touch Tone signal, the system will determine the digit value present and store it in electronic memory within 40 milliseconds.

Focusing on the period of post dial delay, Pacific concludes that it takes 1.8 seconds more of switch processing time before the caller hears a ringing tone with a No. 5 crossbar switch than with an electronic switch.[1]

Battista believes that it would be highly unlikely that a customer would perceive the 1.8 second average difference between No. 5 crossbar and electronic switch processing times. He states that the difference is even more insignificant when experienced in the context of the wide range of call completion times.` It may take a caller as much as 20 seconds to complete an interoffice call because multiple switching systems must be used, according to Battista. Pacific's witness Sullivan stated that as many as 80% of the calls processed by a central office can be interoffice calls. Thus, for a great deal of

1 The difference consists of 100 milliseconds of switch processing time, 700 milliseconds required by the NAC adjunct (a NAC adjunct is required to provide equal access to interexchange carriers in electromechanical offices), and a one-second ring delay required by the No. 5 crossbar switch. Due to Pacific's 6 second ringing cycle, randomly dialed calls have a 50% probability of experiencing a ring delay of 0-1 seconds. At the most, 2 seconds must be added to No. 5 crossbar switch and NAC adjunct processing times to derive the typical intraoffice post-dial delay time. By comparison, the electronic switch is 100 milliseconds faster than the No. 5 crossbar, it has no NAC adjunct, and ringing commences immediately when a connection is made.

calling, a 2 second difference in call times does not signify inferior telephone service, claims Pacific.

b. Discussion

Pacific filed Advice Letters 15657 and 15658 proposing that Pacific be authorized to stop assessing rates and to refund previously collected rates and charges for Touch Tone services provided by step by step central offices. The DRA filed a protest. DRA questioned the quality of Touch Tone service provided by electromechanical switches, such as crossbar switches, and proposed that customers served by other electromechanical switches be treated in a manner similar to step-by-step customers. The Commission found the record in the advice letter proceeding to be insufficient to support any conclusion regarding Touch Tone service provided to cross-bar customers. Instead, the Commission recognized that DRA's claims could be addressed in this proceeding. We will address each of DRA's arguments in order.

i. Tariff Violation

We first consider DRA's assertion that Pacific is in violation of its Touch Tone tariff because it is collecting tariff rates and charges for Touch Tone service provided by a technology (electromechanical) which is not specified in the Touch Tone tariff. DRA's argument hinges on its interpretation of the words, "stored program control".

We have reviewed the language of the tariff, Advice Letter 14949, and the testimony of Ms. Anderson. Her testimony is credible and persuasive on this point. The language of the tariff, "proper program updates" is vague. DRA recognized this ambiguity and sought to interpret these words by resorting to other Pacific tariffs and industry technical manuals. We think that the more reliable reference is to the advice letter which proposed these words. The two documents were drafted contemporaneously and submitted for Commission review pursuant to the standards of General Order (GO) 96-A.

The language "proper program updates", when viewed in the context of the advice letter, refers to updates of Pacific's APTOS data bank, not to revisions to the stored program control associated with Pacific's electronic switches. The advice letter recites that the change will not cause the withdrawal of service. The designation "T", which indicates under our GO 96-A convention that the wording change will not result in a change in rates, rules or conditions of service appears adjacent to the language in question. They support the conclusion that Pacific would continue to be authorized to provide Touch Tone through electromechanical offices after the words "proper program update" became effective. We conclude that Pacific is not in violation of its Touch Tone tariff.

ii. <u>Unlawful Discrimination</u>

We do not find that Pacific engaged in discrimination violative of § 453(c) of the PU Code. That section prohibits a utility from charging different ratepayers different rates for the same service, or failing to charge ratepayers for tariffed services, among other things. DRA alleges that Pacific has discriminated against customers served out of No. 5 crossbar central offices by providing all of them with call processing that responds to DTMF signals, yet charging Touch Tone tariff rates only of those customers who affirmatively subscribe to the service.

This situation exists because once No. 5 crossbar switches are equipped for Touch Tone, all access lines served by the switch are connected to a Touch Tone receiver. We note that a utility has an obligation to enforce its tariffs and to ensure that certain customers are not able to obtain free of charge services for which other customers must pay. It is not technically possible for Pacific to prevent its equipment from responding to DTMF signals generated by equipment owned by a nonpaying customer. Moreover, Pacific had operated its Touch Tone fraud detection program for years in an attempt to detect and obtain payment from nonpaying users of Touch Tone service. Although a Touch Tone customer served by an electronic switch is served differently than one served by an electromechanical switch, that distinction results from a reasonable difference. Pacific has done all it can to ameliorate that difference, and ultimately, the payment for service which others use free of charge results from the uncontrollable and unauthorized acts of other ratepayers. Thus, no violation of PU Code § 453(c) has occurred.

iii. Service Quality

Since, with limited exception, the only alternative to electronic switches in the last three years has been the No. 5 crossbar switch, we focus on the differences between the No. 5 crossbar and electronic switches.

There are two theories under which service via No. 5 crossbar could be found lacking, and thus, Pacific's collection of rates for Touch Tone service rendered by No. 5 crossbar switches determined to be unreasonable. One, broached by the ALJ, is whether customers served by No. 5 crossbar are receiving Touch Tone service of an inferior quality. The other, raised by DRA, is whether No. 5 crossbar service is more akin to Touch Tone provided by step-by-step switches than electronic switches. If it is, DRA recommends that the No. 5 crossbar customers should be refunded the rates they had paid to Pacific over the last three years for Touch Tone service and revenues from Touch Tone service rendered by No.5 crossbars should be excluded from Pacific's prospective revenue recovery.

The customer confusion which generated Pacific's step-by-step Touch Tone refund program can be assumed to result from Touch Tone's failure to meet performance expectations. In step-by-step offices, a customer's change from rotary dial to Touch Tone equipment increased post dial delay time by 4.2 seconds. After having dialed the call, the customer was worse off by 4.2 seconds with Touch Tone because the dial pulses had to be converted at a rate of 10 pulses per second to DTMF. However, in an electronic office, a customer changing from rotary to Touch Tone reduces her call processing time by 5.9 seconds and experiences no change in post dial delay time.

The difference in call completion times attributable solely to the identity of the switch (No. 5 crossbar vs. electronic) is 0.8 to a maximum of 4.8 seconds. In absolute terms, we do not believe that a customer would be confused about the merits of Touch Tone service if it took approximately 1 to 5 seconds longer to complete a Touch Tone call because the customer is served by a No. 5 crossbar instead of an electronic switch.

In comparative terms, we find that the difference in call completion times for an intraoffice call is very small compared to the wide range of call processing times that customers regularly experience over the variety of calls that they make. We believe that call completion times are more similar between No. 5 crossbar and electronic switches than between step-by-step and No. 5 crossbar switches.

The other differences recited by DRA, the inability to prevent customers from taking advantage of Touch Tone response without paying for the service and the fact that no modification to the No. 5 crossbar must be undertaken to provide Touch Tone to a customer who orders it, are insignificant for our purposes. We recognize that the utility cannot ensure that all services will be provided by identical equipment. To do so would probably result in waste and unnecessary plant investment. These attributes of the No. 5 crossbar, taken together with call processing times, do not distinguish Touch Tone service provided by No. 5 crossbar from that provided by electronic switches to the extent that customers served by No. 5 crossbar central offices receive inferior service.

We reject the DRA's recommendation to disallow Pacific's recovery of revenues earned through the provision of

Touch Tone with No. 5 crossbar offices and to refund Touch Tone charges to customers served by No.5 crossbar switches.

3. Line by Line Conversion

The ALJ's ruling asked the telephone companies to state whether, rather than converting access lines to Touch Tone capability on a line-by-line basis, it would be possible for the utility to convert the lines on a global basis at less cost. Pacific stated that it could use a "software patch" at a cost of $35,000 to convert lines to Touch Tone on a global basis, but that its engineers recommended line-by-line conversion at a cost of $350,000. Pacific characterizes its software patch as a temporary measure, necessary only if the Commission required a conversion to free Touch Tone sooner than 60 days after the issuance of this decision. Given a 60-day implementation period, Pacific would use the line-by-line method, only, at a cost of $350,000.

The DRA would disallow $374,000 in Touch Tone conversion costs sought by Pacific.

Pacific's witness testified that the software patch is not considered reliable on a long-term basis. He stated that if Pacific's office technicians did not make the appropriate entry when reinitializing the central office switch, customers with dial pulse indicators would not be able to break dial tone and make calls using Touch Tone telephone sets following disruption of central office memory. He testified that central office memory might be interrupted in the event of an earthquake, but could provide no other instance where a central office would have to be reinitialized. The witness could not cite another situation where the software patch would not function as well as a line-by-line conversion.

As we see it, Pacific is asking its ratepayers to pay a premium of $315,000 to ensure service even if its employees are not properly prepared to reinitialize a switch in case central office memory is interrupted. Pacific stresses its policy of providing quality service to its customers. We believe that the utility can provide quality service at a more reasonable rate through effective management that properly trains its employees in anticipation of an interruption of central office memory or other outage. We adopt the DRA's recommendation to limit the cost of Pacific's switch reprogramming to $35,000.

4. Touch Tone Fraud

The DRA and AT&T believe that the revenues for which Pacific claims recovery should be reduced by $2.224 million. This amount represents the cost of Pacific's Touch Tone Fraud Program, which detects customers who were using the Touch Tone capability of an electromechanical central office without paying for it. Pacific had included the expense of its program in the revenue requirement it submitted to the Commission to establish the January 1, 1990 "start-up revenue requirement" authorized in D.89-10-031.

Pacific's witness testified that Pacific had halted its Touch Tone Fraud Program in about October of 1989 in anticipation of "free" Touch Tone and because the program, with its potential of recovering a maximum of $1.7 million in revenues, was not cost-effective. On this basis, Pacific believed that the fraud program's revenue requirement should be subject to the productivity sharing between ratepayers and shareholders envisioned in D.89-10-031.

We believe that revenues that were originally authorized for Touch Tone-related costs which Pacific will no longer incur should offset Pacific's revenue recovery. Since we are granting Pacific recovery in rates of expenses specific to eliminating the rates and charges for Touch Tone, we are also factoring in the specific reduction in expense, which is also a direct consequence of our order to eliminate the Touch Tone rates and charges. Both revenue streams are traceable to the existence of a separate charge for Touch Tone services. Pacific was authorized to collect $2.224 million in rates to fight Touch Tone fraud. Since Touch Tone calling will be free, the fraud problem vanishes. There is no reason Pacific should be allowed to retain $2.224 million which it admits it will not spend on the activities for which the money was originally budgeted. If Pacific's revenues are not reduced by that amount, ratepayer money intended to cover an itemized expense potentially would be subject to a productivity sharing with Pacific's shareholders. This would be unfair to ratepayers and would contribute to a false productivity signal. Therefore, Pacific's revenue requirement should be reduced by $2.224 million as recommended by DRA witness Smith.

C. Billings and Incremental Expense and Investment Effects

Appendix A adopts the annual incremental billing effects, both one-time and ongoing, due to the elimination of separate Touch Tone rates and charges. Appendix B adopts the annual incremental expense effects of eliminating Touch Tone rates and charges. A conversion cost of $35,000 is allowed for Pacific's conversion costs. The ongoing incremental expenses incorporates the savings due to termination of the Touch Tone Fraud Detection Program.

Appendix C reflects the annual incremental investments estimated to be needed on a one-time basis to eliminate Touch Tone rates and charges. We have excluded capital costs to CP National, Citizens, Continental, Roseville, Siskiyou, and Pacific that each would incur to provide Touch Tone to 100% of their access lines.

III. Expanded Local Calling Areas

A. Billings

The expansion of the local calling area will result in decreased billings by the LECs. Clearly, LECs will no longer receive toll bands 1 and 2 and ZUM Zone 2 revenues from calls made within the 0 to 12-mile toll band/ZUM Zone 2. Extended area service increments that are currently associated with the 0 to 12 mile toll routes will disappear with the expansion of the local calling area, so that billed revenues from EAS increments will be lost. Pacific anticipates that there will be a shift from measured to flat rate service as residential customers perceive the advantage of the larger calling area. Billings for business access will likely increase for two reasons. There will be a shift from foreign exchange to business access lines as well as a shift from wide area telephone service to business access. Both Pacific and DRA recognize that billings will also be reduced for discretionary services, such as optional calling plans and foreign exchange service, which become less useful due to the expansion of local calling area.

Citizens points out that the ratio of interstate to intrastate separations factors will change as toll routes become local routes. DRA recognized this phenomenon, also. However, no party attempted to quantify the effect of the revenue requirement shift from the interstate to the intrastate jurisdiction based on the proposed rate condition. Since we have no record on which to base an order revising separations factors, we will refrain from doing so until a later proceeding when the record is developed.

B. Switching Between Measured and Flat Rate Basic Residential Exchange Services

DRA points out that expansion of the local calling area may affect the cost-effectiveness of existing residential customer service. Impacts on individual ratepayers will vary, depending on the number of exchanges within each ratepayer's 0 to 12-mile band which were formerly nonlocal calling routes. DRA believes that since the expansion of the local calling area will change the boundaries of the local calling area and perhaps the basis upon which residence customers may have selected either flat or measured rate service, all residence customers should be allowed to switch from flat to measured service, or from measured to flat rate service, and back again, subject to no service connection charges for up to 90 days from the date of ELCA implementation. No party opposed DRA's proposal.

There is precedent for DRA's free switching proposal. When local measured service is authorized in exchanges where only flat rate service was available, we have provided a 90-day trial period where residence customers could experience measured rate service on a trial basis and switch back to flat rate with no service connection charge. The most recent example of this option occurred in the decision approving GTEC's expansion of ZUM services, D.90-06-016. Because the expansion of the local calling area has the potential to significantly affect customers' bills and the impact can only be measured on a case-by-case basis, we will adopt DRA's proposal to enable customers to switch from one type of residential service, and then back again, without incurring any service connection charge, within 90 days from the date on which local calling areas are expanded.

The costs of implementing ELCA include facilities additions to process the additional calls likely to be stimulated by the decrease in rates for routes in the 0 to 12-mile band. Costs will also be incurred to reprogram switches, change billing and accounting systems, to train LEC employees to handle increased customer inquiries, and to notify customers.

The DRA has accepted the LECs' methods for estimating the impacts of ELCA without a detailed criticism of all methodologies. DRA plans to resolve methodological issues, primarily billing volumes, with the LECs before the upcoming Supplemental Rate Design phase of this proceeding rather than risk a delay in the implementation of ELCA. The adopted billing impacts due to expanded local calling areas appear in Appendix A.

C. Affected Routes

The ALJ's March 13, 1990 Ruling required LECs to indicate which routes would be affected by the expansion of the local calling area, the rate-center to rate-center mileages of the affected routes, and classification of the route for rating purposes (ZUM, toll, etc.). DRA has reviewed the LECs responses and believes that all errors in the submittals have been corrected at this time. As a further precaution, DRA recommends that the Commission require all LECs to certify in writing at the time of filing advice letters to implement ELCA that the revised routes set forth in the filings are correct, complete, and fully comply with the orders of the Commission. We have used this LEC certification process before; GTEC and Pacific were required to provide a similar certification of route accuracy in D.90-06-016. DRA's recommendation should be adopted here.

D. Exception Routes

Two LECs, Tuolumne and Siskiyou, requested exceptions for the routes listed below:

> Shingletown (Tuolumne) - Paynes Creek (Citizens)
> These rate centers are 11.1 billable air miles apart, but calls are routed over 219 miles on facilities of Tuolumne, Pacific, and Citizens Utilities.
>
> Oak Run (Tuolumne) - Montgomery Creek (Citizens)
> These rate centers are 10.5 billable air miles apart, but calls are routed over 111 miles on facilities of Tuolumne, Pacific, and Citizens Utilities.
>
> Somes Bar (Siskiyou) - Orleans (Contel)
> These rate centers are 6.84 billable air miles apart, but calls are routed over 349 miles on facilities of Siskiyou, Pacific, and Contel.

The LECs wish to continue to charge the current statewide average toll rates for calls made over these three routes. Tuolumne states that inclusion of its routes within the ELCA conversion would require implementation of some form of three-way settlement between it, Pacific, and Citizens. The agreement would necessarily include compensation for the high cost of the indirect routing. Tuolumne suggested that, because of an average of three calls per month are made over these routes and the extensive indirect routing involved, these routes should be exempted from being rated as local calls.

The DRA opposed these requests on several grounds. DRA believes that continued toll rating of these routes would constitute discrimination against the customers served on these routes. It pointed out that no LEC proposed a consistent set of standards to determine whether a route should be excepted. DRA concurs with Tuolumne that agreements to compensate the companies involved in the indirect routing could be developed.

We agree with DRA that the request to exempt certain toll routes from conversion to local routes should be denied. D.89-10-031, as modified by D.90-04-031, which requires LECs to rate all routes of 12 miles and less as local calls, contains no standards for exempting any routes. Unlike ZUM rating, the expansion of local calling areas was not predicated on any community of interest between originating and terminating communities. Since calls are made over the routes in question, an arrangement between the LECs whose facilities are needed to complete the call must already exist; the decrease in toll revenues resulting from ELCA is incremental. The request of Tuolumne and Siskiyou for route exemptions is denied.

DRA recommends that the Commission adopt the revenue requirement associated with the alternative that results in the lowest cost to the LEC. This would be determined as follows: The LECs first solicit bids from other carriers to provide services to complete calls on these routes. The term of services would approximate the life of the alternative facilities. The LECs then compare the lowest bid received with the amortized capital and operating expense that the LEC would incur to provide the service itself. The Commission would adopt the lower cost as the LECs revenue requirement.

No party opposed DRA's recommendation. We find it to be reasonable. Since there is insufficient time to submit these cost figures to the Commission prior to implementation of ELCA, we will adopt DRA's proposed estimate of annual incremental expense and investment effects for Tuolumne and Siskiyou on an interim basis. We expect that Tuolumne and Siskiyou will submit their cost comparisons by March 1, 1991. Those figures will be reviewed by

CACD and incorporated in the utilities' advice letter filings due on April 1, 1991.

E. Billing Effects, Investment, and Incremental Expenses

The DRA has calculated the one-time and ongoing effects of expanding the local calling area on ratepayer billings for each LEC. The interrelationship of the expansion of the local calling area with recent developments involving GTEC and Contel required that certain assumptions be made. The DRA's numbers assume that GTEC's proposal to expand ZUM service in Application 87-01-002 is adopted, the rates ordered for GTEC in D.90-02-050 are in effect, and that routes which Contel had proposed to be ZUM routes in C.88-08-035 must be converted to local routes. The billing effects adopted in Appendix A incorporate these assumptions.

The one-time and ongoing costs to implement ELCA, which include such expenses as switching translation changes to central offices, employee training and customer notification, were prepared for each LEC. The one-time incremental investments to implement ELCA, such as the cost to install additional trunk lines to accommodate call stimulation, were also estimated. All of the LECs concur with the DRA's figures. We adopt those figures as reasonable estimates of the incremental expense and investment effects of expanding the local calling areas in Appendices B and C, respectively.

F. Revenue Requirement

DRA listed the incremental revenue requirement resulting from the elimination of residential and business Touch Tone rates and charges and the implementation of ELCA in Table II in witness Carlos Figueroa's testimony. The aggregate revenue requirement effects from these changes were shown in Table III of Figueroa's testimony. The LECs concur in these figures. Those figures appear to be reasonable and are adopted in Appendix E.

Due to the existence of statewide toll rates, the LECs' billings, expenses and investments to provide intraLATA toll service are pooled. The pooled revenues are redistributed pursuant to the settlements process. The settlement revenue effects of expanding the local calling areas and eliminating the separate Touch Tone rates and charges are shown in Appendix D, pages 1 through 4.

IV. Revenue Requirement Recovery Mechanisms

The LECs proposed various means of recovering revenues which would otherwise be lost as a result of eliminating Touch Tone rates and charges for residential and business customers and making calls over the 0 to 12-mile toll/ZUM band local calls.

Pacific and GTEC each proposed that those revenue decreases be offset by a corresponding increase in their respective billing surcharge mechanisms applied to local exchange services. A surcharge mechanism on local exchange services is authorized in Pacific's Tariff Schedule A-2, Rule 33 and by GTEC's Tariff Schedule A-38. DRA supported this approach for Pacific and GTEC.

Pacific believes that one reason for shifting revenues from an explicit monthly charge to a surcharge is to accomplish the Commission's goal to eliminate Touch Tone rates and charges immediately. GTEC's witness acknowledged that revenue recovery would be shifted between classes of ratepayers. DRA witness Norman Low testified that use of the surcharge was an "expedient" means of recovering revenue requirement pending the outcome of supplemental rate design. He stressed that the Commission's repudiation of a shift of revenue requirement from the residential class to the business class in D.89-10-031 occurred in the context of Pacific's Alternative Regulatory Framework proposal. The decision did not rule out a temporary shift in revenue requirement pending a final decision on supplemental rate design, according to Low.

Calaveras Telephone Company, California-Oregon Telephone Co., Ducor Telephone Company, Foresthill Telephone Company, Happy

Valley Telephone Company, Hornitos Telephone Company, The Ponderosa Telephone Company, The Volcano Telephone Company, Winterhaven Telephone Company, and Citizens Utility propose to recover the revenue decrease consistent with the CHCF mechanism adopted in D.88-07-022. That is, to the extent the TT/ELCA revenue requirement increase cannot be recovered from increases in local rates and would result in eligibility for CHCF assistance for a particular LEC, revenue requirement could be recovered from the CHCF. Roseville concurs in this approach and adds that revenue requirement recovery should not be subject to the CHCF waterfall provisions because Touch Tone (and ZUM/toll band 2) charges are not subject to any mandatory reductions such as the CHCF "waterfall."

Contel proposes that its impacts be included in the calculation of the CHCF. That is, if the instant decision is issued after the regular annual October 1 CHCF advice filing due date, the Commission should authorize a special advice filing for the CHCF. Contel recognizes that its local residential basic rates already exceed 150% of Pacific Bell's basic rate, so it proposes that its total revenue requirement be included in the CHCF.

CP National, GTE West Coast, Pinnacles, Sierra, Siskiyou, Tuolumne, Evans, and Kerman have proposed to increase business rates by the Touch Tone rate currently applicable to business lines. DRA opposes this proposal as constituting piecemeal rate design. The LECs propose that the increase in revenues from business basic exchange rates would reduce the need for other funding sources to recover TT/ELCA revenues.

Evans Telephone Company, Pinnacles Telephone Company, and The Siskiyou Telephone Company would further offset revenue requirement decreases with increases to recurring rates or surcharges for those companies with basic exchange rates below the 150% California High Cost Fund (CHCF) threshold. The companies state that LECs with rates above the 150% threshold should receive CHCF funding to offset the revenue loss if the Commission extends the CHCF "waterfall" revenue reduction for these offset revenues as well as for the effects of supplemental rate design. They claim that if the Commission does not extend the "waterfall" provision, then those with rates above the 150% threshold should be authorized to recover their revenue offsets from TT/ELCA by use of bill and keep surcharges.

DRA believes that these LECs prefer recovery via the surcharge rather than through the CHCF because a surcharge would allow them to avoid initiating a general rate case or a GO 96-A proceeding. The CHCF provides that LECs which fail to initiate such a proceeding would be subject to the CHCF "waterfall" provisions of D.88-07-022.[2] DRA apparently believes that these LECs should not be able to insulate their TT/ELCA revenue requirement from Commission review of their need for support through the CHCF. Use of DRA's revenue requirement recovery would preserve that option for the Commission, according to DRA.

DRA recommends that the waterfall provisions be stayed through 1991. This would enable the LECs who rely on the CHCF under DRA's suggested revenue requirement recovery mechanisms to maintain a revenue neutral position through 1991.

CBCHA/County maintains that the revenue requirement associated with eliminating Touch Tone rates and charges should be recovered exclusively through separate surcharges on basic residential and business exchange access line rates only. It opposes the use of a general surcharge on all local exchange rates

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2 Under the waterfall terms, instead of receiving 100% of revenues which it would otherwise recover through the CHCF, an LEC which had not filed a general rate case or a GO 96-A proceeding by December 31, 1990 would be entitled to decreasing percentages of its revenues through the CHCF beginning on January 1, 1991. DRA notes that and LECs seeking bill and keep surcharge recovery have unadjusted the unaudited 1989 intrastate rates of return greater than their authorized rates of return.

as impermissibly shifting revenue burden from residential to business customers. It claims that separate recoupment surcharges are also required for residential and business subscribers to recognize the different revenue effects of usage stimulation of the Expanded Local Calling Area plan.

In support of its position, the CBCHA/County relies on the Commission's rejection of Pacific's proposal to freeze residential access line rates while providing Touch Tone and an expanded local calling area without any added charges. Lee Selwyn testified for CBCHA/County that $104 million was formerly collected from residential customers through Touch Tone rates and charges. Selwyn calculated that under Pacific's Rule 33 surcharge, only about $66.3 million in surcharge revenue would be collected from residential subscribers. He concludes that the remaining revenue requirement decrease, or $37.7 million, would be recovered from other classes of customers through the Rule 33 surcharge.

CBCHA/County takes the position that Touch Tone is now a component of basic exchange service, since the Commission abolished the separate charge that exchange customers formerly paid for it. Pacific's proposal to use a Rule 33 surcharge would transfer revenue requirement associated with basic exchange service to other services. For example, CBCHA/County points out that the Rule 33 surcharge applies to Centrex services, with exceptions. According to CBCHA/County, DRA's testimony is contradictory and does not support its recommendation to use the Rule 33 billing surcharge mechanism to recover Touch Tone revenues.

Roseville objects to the CBCHA/County's methodology. Roseville points out that CBCHA/County merely assumes that smaller LECs would have no difficulty providing the data needed to calculate separate billings and surcharges for revenues to be collected separately from the residential and business classes. According to Roseville, CBCHA/County has not shown that the purported benefits of its approach outweigh the broader public interest in a reasonable and efficient implementation of the TT/ELCA charges as proposed by Roseville and DRA.

AT&T states that the $360 million revenue requirement associated with TT/ELCA should be incorporated directly into basic local service rates by the two largest LECs and recovered according to DRA's plan by the smaller LECs. Pacific's basic residential rate would increase by $.90 and GTEC's would increase by $1.10. This is preferable to the surcharge, claims AT&T, because the removal of separately stated charges and use of the surcharge would combine to give the impression that there will be a reduction in local exchange rates. Several of the smaller LECs also expressed this view. Inclusion of the TT/ELCA charges in basic rates now will mitigate the local service rate shock that may result when surcredits and surcharges are eliminated in the course of supplemental rate design, according to AT&T. The interexchange carrier recommends a uniform increase in basic exchange rates and criticizes CBCHA/County's proposal as unnecessarily complex and time consuming, as well as inaccurate regarding Centrex rates.

A. <u>Revenue Requirement Recovery Mechanism for Pacific and GTEC</u>

We approve the use of the Tariff Schedule A-2, Rule 33, and Tariff Schedule A-38 surcharge on local exchange services as the reasonable mechanism for recovering decreased revenue requirement for Pacific and GTEC, respectively. GTEC's witness Tanimura correctly noted that even though the contribution of various customer classes would change, the utility has only two alternatives to implement the expansion of the local calling area and elimination of separate Touch Tone rates and charges. One is to change permanent rates; the other is to revise the existing billing surcharge. Obviously, since we will change permanent rates in the supplemental rate design phase, it would be premature to change rates at this point in our proceeding.

Some of the smaller LECs claim that ratepayers will conclude that TT/ELCA is being provided free of charge unless

TT/ELCA revenues are recovered in basic exchange rates. While this may be true, we are reluctant to fuse TT/ELCA into basic exchange rates now because that may prejudge supplemental rate design.

We acknowledge that shifts in revenue requirement responsibility between classes of ratepayers will occur as a result of using the existing billing surcharge mechanism. However, we have previously determined in this proceeding that the concept of basic exchange service should be revised to include Touch Tone and an expanded local calling area. It is clear that enlarging the scope of basic phone service will promote ratepayer usage of the phone. We note that while the residential ratepayer may be originating a Touch Tone call, in many cases the DTMF technology is employed by a business ratepayer to its competitive advantage. This decision removes the separate Touch Tone rates and charges for business, as well as residential, ratepayers. The convenience of Touch Tone calling redounds to the business customer as much as to the residential customer. Likewise, customer reluctance to contact businesses outside the local exchange area will diminish with the expansion of the local calling area. ELCA has the potential to promote commerce between ratepayers and a larger geographic area. Thus, although there is a quantifiable shift of revenues from the residential class to the business class as a result of the incremental increase in the surcharge, it is a reasonable allocation of rates given the benefits that business customers stand to gain from ELCA and the elimination of Touch Tone rates and charges.

CBCHA/County has misconstrued our discussion of the contribution to residential rates in D.89-10-031. The topic of that discussion was Pacific's proposal for enhanced residential service at current rates through 1992. We have effectively adopted Pacific's suggestion that Touch Tone be made a part of basic exchange service and that the local calling area should be expanded to 12 miles by removing the charges for those services. However, the contribution of other classes to the residential class would be increased if residential rates were frozen through 1992.

This is the type of contribution that we avoided by rejecting Pacific's proposal. We stated, "Residential rate levels should be examined, along with all other rates, in the supplemental rate design proceeding".

When read in context of Pacific's rate proposal, it is clear that our determination to avoid increasing the contribution for residential service applies to the establishment of rates. It is no barrier to the temporary allocation of revenues through a surcharge on existing rates. In fact, a bifurcated surcharge such as the one suggested by CBCHA/County would circumvent the existing revenue allocation embodied in rates. To preserve our ability to examine all rate levels in the supplemental rate design proceeding, revenues should be collected for Pacific and GTEC through a uniform surcharge on all local exchange services. Although we believe in principle that lines that do not generate TT revenues should be exempt from the surcharge, it is impractical at this time to devise a surcharge that could accomplish this.

B. <u>Smaller LECs</u>

We adopt the mechanisms which DRA proposed for revenue requirement recovery by the smaller independent LECs with minor adjustments as shown in Appendices F, G, and H. We find that DRA's method, as modified, best utilizes existing surcredit situations, will minimize "rate shock" for ratepayers of the smaller LECs by recovering recurring TT/ELCA costs through an increase to the basic exchange rate consistent with the principles of the CHCF where necessary, and avoids prejudging supplemental rate design by collecting any further revenues through a surcharge on local exchange services. Appendices F, G, and H are developed based on the LECs' rates, surcharges/surcredits, and CHCF eligibility at the time this order is issued. The LECs should incorporate intervening rate changes, such as those resulting from their October 1990 CHCF filings when they file their respective advice letters to implement the revenue requirement recovery mechanisms authorized herein.

Five different revenue requirement recovery mechanisms are ranked in order of priority. Depending on the rate and revenue circumstances of each LEC, the company would use the first applicable mechanism to recover its revenue requirement. If operation of that method does not result in total recovery, the method next in order of priority would be used. The methodology is as follows:

1. <u>Increase public and semi-public coin rates from 10 cents to 20 cents per local call for LECs that currently charge 10 cents per local call.</u>

Kerman, Roseville, and Sierra currently have public coin rates of 10 cents per local call. Roseville and Sierra currently collect funds from the CHCF. DRA believes its proposal will ameliorate the potential cross-subsidy from the CHCF to pay phone service.

2. <u>Reduce an LEC's surcredit amount as an offset.</u>

DRA estimated the surcredit available to each LEC by multiplying the surcredit percent by an IntraLATA billing base adjusted for Touch Tone and ELCA billing impacts. Twelve LECs are eligible to use this method: Calaveras, Cal-Oregon, Ducor, GTE-West Coast, Happy Valley, Hornitos, Kerman, Pinnacles, Ponderosa, Siskiyou, Tuolumne, and Winterhaven. The surcharges for these LECs should be amended to reflect the increments listed in Appendix H.

3. <u>Increase monthly one-party flat rate residential rates by up to 100% from their current level not to exceed 150% of Pacific's 1FR rate. Currently Pacific's 1FR rate is $8.35 - 150% of this equals $12.55. Business rates would increase by the same percentage as the proposed increase for 1FR rates. This mechanism would not apply to Pacific or GTEC.</u>

DRA cites Ordering Paragraph 78 of D.88-07-022, where the Commission authorized an LEC to increase its basic exchange service rates under this formula to collect revenues no longer being collected through access charges. All LECs which have an 1FR rate less than 150% of Pacific's rate would make these initial increases and establish eligibility to recover TT/ELCA revenues from the CHCF. We find, however, that it would minimize rate shock and facilitate subsequent rate design if the non-recurring revenue requirement were excluded from TT/ELCA revenues destined for recovery through an increase to the basic exchange rate. Therefore, the LECs whose basic exchange rates will be increased are CP National, Calaveras, Cal-Oregon, Ducor, Foresthill, and Happy Valley.

DRA recommends that one-party business exchange service be increased by the same percentage by which the 1FR rate is increased in order to maintain the existing percentage differential. Other monthly rates dependent on either the 1FR or one-party business rate should increase by the same percentage in order to maintain existing differentials. Included in that category are PBX and Universal Lifeline Telephone Service (ULTS). Section 874 of the PU Code requires that ULTS rates be set at 50% of the basic flat and 50% of measured rate service. DRA's suggestion will help to preserve existing rate design and allocation and is adopted.

4. **If an LEC increases its monthly 1FR rate by 100% and (a) this results in a monthly 1FR rate less than 150% of Pacific's 1FR rate, and (b) the LEC is still unable to recover its revenue requirement, apply an incremental bill and keep surcharge to an LEC's customer billing surcharge mechanism.**

DRA recommends that this mechanism be used in conjunction with item #3, above.

Hornitos has a memorandum account. DRA recommends that if after increasing its 1FR rate Hornitos is still unable to recover its revenue requirements, Hornitos should use its memorandum account to offset outstanding revenue requirements before using the following mechanisms. The utility, on the other hand, states that the memorandum account is the result of its inability to reduce its revenues, as required by the settlements process, without facing a cash flow problem. The memorandum account represents a credit due its ratepayers, and Hornitos is anxious to reduce that credit by drawing down the memorandum account by the amount of TT/ELCA revenue shortfall. We believe that Hornitos has a unique cash flow problem that should be addressed now. The utility's proposal for revenue requirement recovery is adopted.

5. **If an LEC has a monthly 1FR rate equal to or greater than 150% of Pacific's 1FR rate, the LEC may use the California High Cost Fund mechanism to recover the change in revenue requirement.**

Based on its revenue calculations, DRA found that CP National, Ducor, and Happy Valley, are eligible for the CHCF. Based on our adjustments to DRA's rate design outlined in No. 3, above, we find that Ducor and Happy Valley do not require support from the CHCF.

The monthly 1FR rate for several LECs already equals or exceeds $12.55, which is 150% of Pacific's 1FR rate. These LECs are: Citizens, Contel, Evans, Kerman, Ponderosa, Roseville, Sierra, Tuolumne, and Volcano could not use methods Nos. 3 and 4, above. We find that these LECs may recover revenue requirement through the CHCF.

We are currently addressing the commencement of CHCF waterfall adjustments in response petitions to modify D.88-07-022. For the sake of consistency, we will apply the result from that forum to the LEC's recovery of TT/ELCA revenues through the CHCF.

C. Revenue Recovery by Specific Exchange

Two of Happy Valley's four exchanges have 1FR rates which are greater than 150% of Pacific's 1FR rate and two exchanges have 1FR rates less than 150% of Pacific's 1FR rate. Cal-Oregon also has four exchanges; two have 1FR rates equal to 150% of Pacific's 1FR rate whereas the other two have a lower 1FR rate. Siskiyou has seven exchanges. One of the exchanges has a 1FR rate greater than 150% of Pacific's 1FR rate while all the other exchanges have 1FR rates less than 150% of Pacific's 1FR rate.

Through these LECs acquisitions of exchanges previously operated by other utilities and their own construction programs, they have amassed service territory with basic service priced differently in their various exchanges. Neither Happy Valley, Cal-Oregon, nor Siskiyou have had a recent general rate case where a common 1FR rate could be established. DRA recommends that since no uniform 1FR rate exists for each of these LECs, revenues should be recovered in each exchange using the above methodology as if the exchange were a separate LEC. The resultant increase in basic exchange rates will help to lessen the "rate shock" which DRA believes will inevitably result from supplemental rate design. We believe DRA's approach is consistent and reasonable. It will be adopted.

D. AT&T and the CHCF

AT&T noted that none of the parties objected to the use of the CHCF as part of the TT/ELCA revenue recovery mechanism. According to AT&T, the present CHCF draw of $14.9 million will grow to between $37 million and $41 million, resulting in a significant increase to the carrier common line charge. The Commission has proposed to modify the CHCF mechanism to shift funding from a surcharge on the access carrier common line charge to a surcharge on all local exchange carrier end user services to which surcharges normally apply, except lifeline, and to all interexchange carrier end user services (D.90-08-066). No date for the change in funding was established. AT&T has filed a petition urging us to implement the broader surcharge on January 1, 1991 and makes the same request in this proceeding.

DRA responded that AT&T's petition should be considered exclusively in accordance with the rule making procedures established in D.90-08-066. DRA believes that those procedures provide for receipt of input of all parties prior to formal adoption of a new funding source for the CHCF. We agree with DRA that it would be inappropriate to order any change to the operation of the CHCF in this proceeding, where the issue concerning the CHCF is administrative, rather than policy, in nature.

E. GTE-West Coast

Finally, DRA claims that GTE-West Coast has not made its required CHCF advice letter filing in a timely manner. GTE-West Coast responds that administrative problems have frustrated its timely compliance.

A Commission order balances the interests of the utility and its ratepayers, and noncompliance with a Commission order may be viewed as a self-serving violation of ratepayers' interests.

Rate decisions by the Commission are to be carried out promptly by each LEC. If an individual LEC must delay implementation of a Commission order, it must use the procedure provided in Rule 43 of the Commission's Rules of Practice and Procedure. Obstacles to performance do not excuse any utility from either complying with Commission order or seeking modification of that order.

V. Conclusion

A. Implementation Dates

It is the Commission's desire to eliminate separate rates and charges for Touch Tone and to expand the local calling area of each LEC at the earliest possible date. We will order all LECs to eliminate the separate charge and rates for residential and business Touch Tone effective February 1, 1991.

The LECs have stated that expansion of the local calling area is a more onerous task, and that additional time is needed for implementation. We find that simultaneous expansion of the local calling area by each LEC is necessary to prevent customer confusion and manipulation of toll charges. Local calling areas will be expanded statewide on June 1, 1991.

Because we have authorized Pacific, GTEC, Pinnacles, Siskiyou, GTE-West Coast, and Winterhaven to recover TT/ELCA revenues through an incremental bill-and-keep surcharge, these companies can recover their Touch Tone revenues starting on February 1, 1991 as shown in Appendix H. For all other LECs, except for Hornitos, revenue requiremment recovery for TT/ELCA will start on June 1, 1991. The surcharge and CHCF recovery will include four months' worth of recurring Touch Tone revenue requirement covering the period from February 1, 1991 through May 31, 1991.

B. Customer Notification

The LECs should notify their customers of the elimination of Touch Tone rates and charges as of February 1, 1991 and of the expansion of their local calling areas as of June 1, 1991 by two separate bill inserts or letters to ratepayers. The notices should be circulated during the bill cycle immediately preceeding the effective date of the changes. Each LEC should submit its proposed notices to the Commission's Office of the Public Advisor for approval before publication.

C. Rates and Tariff Procedure

We adopt the intrastate annual incremental revenue requirement effects of eliminating the Touch Tone rates and charges and expanding the local calling areas of each LEC as shown in Appendix E. The adopted revenue requirement recovery mechanisms are shown in Appendix F. Calculations of the additional support required from the CHCF appear in Appendix G.

The rate design for each LEC should be implemented by the changes to each LEC's tariffs shown in Appendix H. All LECs should make the appropriate advice letter filings to eliminate separate Touch Tone rates and charges consistent with this decision no later than January 1, 1991. All LECs shall file advice letters to implement the expansion of their local calling areas as ordered by this decision no later than April 1, 1991.

Findings of Fact

1. The separate rates and charges for residential Touch Tone was ordered to be eliminated and the local calling area of each LEC to be expanded by Commission decision D.89-10-031 as modified by D.90-04-031.

2. The separate rates and charges for business Touch Tone should be eliminated because uses for Touch Tone technology are as great or greater in the business environment as in the residential one. Elimination of business Touch Tone rates and charges will remove cost barriers to the attainment of information age benefits by businesses and their customers.

3. Implementation of the elimination of separate Touch Tone rates and charges and expansion of local calling area (TT/ELCA) provisions was subject to additional proceedings to determine the revenue requirement effects and appropriate rate treatment of TT/ELCA revenues.

4. Evidentiary hearing on the revenue requirement effects and ratemaking treatment of TT/ELCA effects was held during the week of September 10, 1990. All of the respondent LECs participated in the hearing. The LECs and DRA agreed on the billing, expense, and investment effects of TT/ELCA, except as noted herein.

5. CP National, Citizens, Contel, Pacific, Roseville, and Siskiyou sought to recover the costs of switch upgrades needed to make 100% of their access lines Touch Tone capable. No utility presented evidence of the affected switches' Touch Tone capacity or the incremental demand for Touch Tone service anticipated as a result of "free" Touch Tone calling.

6. By Resolutions T-14067 and T-14068, the Commission authorized Pacific to cease charging customers served by step-by-step central offices for Touch Tone service and to refund Touch Tone billed revenues previously collected in order to

alleviate customer confusion over the usefulness of Touch Tone service.

7. The DRA recommended disallowance of $53.11 million in first year Touch Tone revenues to Pacific due to alleged differences in the quality of Touch Tone service provided by electromechanical versus electronic switches. The disallowance encompasses billed revenues collected by Pacific during the last three years from the provision of Touch Tone service by No. 5 crossbar switches and ongoing revenues from that service. The alleged differences in quality concern call processing time, the availability of Touch Tone service by No. 5 crossbar switches to nonsubscribers, and the lack of central office reprogramming to provide Touch Tone to ratepayers served by No. 5 offices.

8. The No. 5 crossbar switch can require from 0.8 to 4.8 seconds more than an electronic switch to complete call processing. On average, the difference between call processing times for these switches is 1.8 seconds.

9. A customer who is served by a No. 5 crossbar switch experiences call completion 5.9 seconds faster using Touch Tone equipment than if using rotary dial equipment. A customer served by step-by-step equipment experiences post dial delay of 4.2 seconds more using Touch Tone equipment than if he were using rotary dial equipment. Thus, a customer served by step-by-step typically experiences call completion only 1.7 seconds faster using Touch Tone equipment than if he were using rotary dial equipment. However, in rare instances this 1.7 second difference can disappear, leaving Touch Tone service no faster than rotary-dial service in step offices. The average 1.8 second difference between call completion times of No. 5 crossbar and electronic switches does not render No. 5 crossbar call completion similar to that of step-by-step switches. This, plus the fact that customers served by No. 5 crossbar switches can obtain Touch Tone service without paying the tariffed rate and without any specific reprogramming at

the central office, do not compel a conclusion that Touch Tone service from a No. 5 crossbar switch is similar to that provided from a step-by-step switch.

10. The language of the Touch Tone tariff which states that "...Touch Tone Calling Service...may be provided where there is available central office equipment with the proper program update as determined by the Utility" (Sched. Cal. PUC No. A5.4.2.B.1) should be interpreted in light of Advice Letter 14949, which accompanied the filing of that tariff language. The advice letter states that the intent of the language is to avoid the need for Pacific to revise its Touch Tone tariff each time a new exchange or prefix became Touch Tone capable, and that to determine whether Touch Tone was available in a particular exchange, the reader must consult Pacific's computerized data bank. Thus, in the context of the Touch Tone tariff, the words, "proper program update" refers to updates to Pacific's APTOS computerized data bank.

11. Advice Letter 14949 did not modify Pacific's Touch Tone tariff to limit provision of Touch Tone service to electronic central offices.

12. Pacific has no technical means to prevent a customer who is served by a No. 5 crossbar central office from availing himself of the switch's Touch Tone capability by simply using the customer's own Dial Tone Multifrequency Technology premises equipment. Pacific had operated its Touch Tone Fraud program at an annual cost of $2.2 million in an attempt to detect unauthorized Touch Tone usage before issuance of D.89-10-031. Pacific had done all that was reasonable to prevent customers from obtaining a tariffed service free of charge.

13. Pacific's recovery of expenses for conversion to Touch Tone should be limited to $35,000 because the greater expense proposed by Pacific would be unnecessary if Pacific exercises prudent management and properly trains its employees in anticipation of interruption of central office memory. Moreover,

Pacific's witness could give no example, other than interruption of central office memory due to earthquake, where the less expensive conversion technology might prove to be inadequate.

14. Revenues for which Pacific claims recovery should be reduced by $2.224 million, the cost of Pacific's Touch Tone Fraud Program, because Pacific will not spend the $2.224 million on activities for which the money was originally budgeted. If retained in TT/ELCA revenues, the funds would be subject to the productivity sharing between ratepayers and shareholders envisioned by D.89-10-031. Granting Pacific this money in rates would contribute to a false productivity signal.

15. Since the expansion of the local calling area will change the boundaries of the local calling area and perhaps the basis upon which residence customers may have selected either flat or measured rate service, all residential customers should be allowed to switch from flat to measured service, or from measured to flat rate service, and back again, at no charge for up to 90 days from the date of ELCA implementation.

16. The LECs have indicated which routes would be affected by the expansion of the local calling area, the rate-center to rate-center mileage of affected routes, and classification of the route for rating purposes. The DRA recommends that, as a further precaution to ensure completeness of the utilities' filings, each LEC should certify in writing at the time advice letters to implement ELCA are filed that the filings correctly and completely comply with the orders of the Commission. This procedure is reasonable.

17. Tuolumne requests that two of its routes, which are rated at less than 12 air miles but at 219 and 111 miles when measured over the facilities needed to complete calling over the routes, be exempted from ELCA. Siskiyou requests an exemption for one route which is rated at less than 12 air miles but traverses 349 miles of telephone facilities. Neither Tuolumne nor Siskiyou have proposed

a set of standards by which to exempt a route. Since agreements to compensate the other companies involved in routing calls can be completed, the request for exceptions is denied. The revenue requirement associated with the lowest cost to provide toll service over those routes should be adopted.

18. The one-time and ongoing effects of eliminating Touch Tone rates and charges and expanding the local calling area are adopted as shown in the attached Appendices. Appendix A shows the annual incremental billing effects of TT/ELCA. Appendix B lists the annual incremental expense effects of TT/ELCA. Appendix C lists the annual incremental investment effects of TT/ELCA. Appendix D shows the incremental settlement revenue effects of TT/ELCA.

19. The incremental revenue requirement resulting from TT/ELCA shown in Appendix E is reasonable.

20. DRA, Pacific, and GTEC proposed the use of these LECs' existing billing surcharge mechanism on local exchange services as a means of collecting the TT/ELCA revenue requirement. CBCHA/County opposed this proposal, citing the Commission's refusal in D.89-10-031 to increase the contribution of other classes to residential rates. In D.89-10-031, the Commission rejected Pacific's offer to freeze basic exchange rates for three years as part of a package including free Touch Tone and expanded local calling areas. The Commission stated that it would review basic exchange rates for all classes of ratepayers in a subsequent rate design proceeding. The use of Pacific's and GTEC's local exchange service surcharges would be temporary and would not prejudice the Commission's review of basic exchange rates in the upcoming supplemental rate design proceeding. Use of Pacific's and GTEC's surcharges would not increase the contribution to residential rates in the manner disapproved by the Commission in D.89-10-031.

21. The DRA proposed a variety of revenue requirement recovery mechanisms for the smaller LECs.

22. Increasing the local pay phone rate from 10 cents to 20 cents for Kerman, Roseville, and Sierra will ameliorate the potential cross-subsidy from the CHCF to pay phone service.

23. Reduction of the surcredit currently employed by Calaveras, Cal-Oregon, Ducor, GTE-West Coast, Happy Valley, Hornitos, Kerman, Pinnacles, Ponderosa, Kiskiyou, Tuolumne, and Winterhaven will allow these LECs to recover revenues without additional burden to their ratepayers.

24. Recovering TT/ELCA revenue requirement effects by increasing the monthly one-party flat rate residential rates by up to 100%, not to exceed $12.55, with a corresponding percentage increase in business rates, is consistent with the principles of the CHCF and is adopted for CP National, Calaveras, Cal-Oregon, Ducor, Foresthill, and Happy Valley.

25. If, after increasing its basic exchange rates by up to 100% the basic residential exchange rate is less than $12.55 per month, the LEC shall recover the remaining TT/ELCA revenue requirement through an incremental bill and keep surcharge applied to the LEC's customer billing surcharge mechanism.

26. The recommendation of Hornitos to use its memorandum account, and not a surcharge, to recover its TT/ELCA revenue requirement is reasonable because this will reduce a credit in the account without causing cash flow problems for the utility.

27. Since it appears that the resultant monthly basic residential exchange rate will be $12.55 or more for CP National, its remaining TT/ELCA revenue requirement should be recovered through the CHCF.

28. Since the monthly one-party flat rate residential rate for Citizens, Contel, Evans, Kerman, Ponderosa, Roseville, Sierra, Tuolumne, and Volcano already equals or exceeds $12.55, these LECs may recover their TT/ELCA revenue requirement through the CHCF.

29. Since no uniform one-party flat rate residential rate exists for Happy Valley, Cal-Oregon, and Siskiyou, these LECs may

recover their authorized TT/ELCA revenue requirement using the foregoing methodology as if each exchange were a separate LEC.

30. The adopted rate design for each LEC is shown in Appendix H.

31. The CHCF funding requirements of each LEC to offset the approved changes in the TT/ELCA rate design as of the date of adoption of this Order are shown in Appendix G.

32. AT&T's recommendation that the modification to the CHCF proposed in D.90-08-066 be implemented on January 1, 1991 is pending before the Commission as a petition for modification of D.88-07-022. The Commission's decision in that forum will control the recovery of CHCF revenues, including CHCF revenues to compensate the smaller LECs for TT/ELCA revenue requirement effects.

33. GTE-West Coast and any other LEC which has reason to believe that it may fail to implement a Commission order in a timely manner shall use the procedures provided for in Rule 43 of the Commission's Rules of Practice and Procedure to avoid violation of a Commission order.

34. All LECs shall eliminate the separate rates and charges for Touch Tone service on February 1, 1991.

35. Local calling areas will be expanded simultaneously throughout the state on June 1, 1991. This delay until June is needed by the LECs to make the required rating and billing changes as well as the plant upgrades to handle anticipated customer demand. Simultaneous deployment is necessary to avoid customer confusion and artificially induced demand for capacity by ratepayers of an LEC which has expanded its local calling area when calling someone served by an LEC which has not yet expanded its local calling area.

36. TT/ELCA revenue requirement recovery mechanisms shall take effect on June 1, 1991. LECs that are authorized to use billing surcharge mechanisms shall recover Touch Tone revenues

starting on 2/1/91 through a surcharge increment. LECs that must recover TT/ELCA revenue requirement through an increase to local coin and basic rates will not recover the 2/1/91 through 5/31/91 Touch Tone revenues from an increase to local coin and basic exchange rates. This revenue will be recovered through a temporary bill-and-keep surcharge. A special CHCF Advice Letter filing is required so that all LECs eligible for CHCF support can be authorized to recover the one-time and ongoing revenue requirement effects of TT/ELCA. The CHCF amounts that eligible LECs are authorized to recover are identified in Appendix G of this decision. All such advice letter filings should become effective on June 1, 1991.

37. Ratepayers should be notified of the effective date of the elimination of Touch Tone rates and charges and expansion of their local calling areas by bill insert. The bill insert or letter should also advise residential ratepayers of their 90-day option to convert between flat and measured rate service free of service connection charges. The notice should be approved by the Commission's Office of the Public Advisor before publication and should be be circulated during the billing cycle immediately preceeding the implementation dates.

Conclusions of Law

1. Pacific has not violated its Touch Tone tariff by providing Touch Tone service through offices served by electromechanical switches.

2. Pacific has not engaged in discrimination in violation of PU Code § 435(c) by collecting tariffed Touch Tone rates from customers served by No. 5 crossbar switches even though ratepayers who had not subscribed to Touch Tone service were able to obtain Touch Tone responses to their Dial Tone Multifrequency Technology-capable customer premises equipment.

3. It would be unreasonable to treat Touch Tone customers served by No. 5 crossbar switches as we have treated Touch Tone customers served by step-by-step switches.

4. It would be unreasonable to authorize rates for utility plant investment where the utility has not demonstrated need for the plant.

5. Approval of the request for exception routes by Siskiyou and Tuolumne would result in discrimination against ratepayers who make calls over those routes.

6. It would be unreasonable to compel ratepayers to invest in modifications to switches that would not be needed if the utility exercised reasonable care and diligence in training its employees.

7. Recovery in rates of expenses which Pacific will admittedly not incur would contribute to a false productivity signal that would frustrate the principles adopted in D.89-10-031.

8. The shift in revenue requirement recovery from residential to business customers that will result from use of Pacific and GTEC's local exchange service surcharge to collect TT/ELCA revenues is consistent with D.89-10-031 because the shift will be temporary and may be revisited during the course of supplemental rate design.

O R D E R

IT IS ORDERED that:

1. No later than January 1, 1991, all of the local exchange carriers (LECs) shall make the necessary advice letter filings to eliminate Touch Tone rates and charges for residential and business customers on February 1, 1991, consistent with the terms of this decision. In order to recover the one-time and ongoing Touch Tone revenue requirement, no later than January 1, 1991, Pacific Bell (Pacific), GTE California Incorporated (GTEC), The Siskiyou Telephone Company, GTE West Coast Incorporated (GTE West Coast), Winterhaven Telephone Co. (Winterhaven), and any LEC that has

sufficient surcredit due to the October 1990 California High Cost Fund (CHCF) filings are authorized to make the appropriate tariff filings to become effective on February 1, 1991 to reflect the incremental bill-and-keep surcharges contained in Table H-1, column (a) of Appendix H of this decision.

2. No later than April 1, 1991, all LECs shall file the appropriate advice letters to expand their local calling areas on June 1, 1991. The advice letters shall be consistent with the terms of this decision and reflect intervening rate changes, such as those resulting from the October 1990 CHCF filings.

a. All LECs shall submit their local calling area route revisions in their advice letter filings, accompanied by a certification that the revisions are complete, correct, and comply with all Commission decisions affecting the routes.

b. In order to recover the one-time and ongoing Touch Tone/expansion of local calling areas (TT/ELCA) revenue requirement, LECs are authorized to file the appropriate revised tariffs to reflect the incremental bill-and-keep surcharges contained in Table H-1, columns (b) and (c) of Appendix H of this decision. Such filings are to become effective on June 1, 1991.

c. LECs are authorized to file the appropriate tariff changes to reflect the revised rates contained in Table H-2 through Table H-11 of Appendix H of this decision. Such filings are to become effective on June 1, 1991.

d. LECs are authorized to include the revenue requirement from the interstate to the intrastate jurisdiction based on the rate condition adopted today in their April 1, 1991 TT/ELCA revenue requirement recovery advice letters.

e. Those LECs with CHCF revenue requirements set forth in Appendix G to this decision should file advice letters on April 1, 1991 to be effective June 1, 1991 for additional CHCF funding. The advice letters should be consistent with the CHCF eligibility criteria established in D.88-07-022 and this decision and should reflect any CHCF changes approved by the Commission prior to the April 1, 1991 filing date.

3. No later than April 22, 1991, Pacific, GTEC, GTE West Coast, and Winterhaven shall make the appropriate advice letter filings to reflect the Common Carrier Line Charge (CCLC) increment required to offset the CHCF amounts requested by the LECs in their April 1, 1991 special CHCF advice letter filings. The new CCLC shall become effective for the period June 1, 1991 through December 31, 1991. Pacific shall compute the new CCLC increment using the same forecasted total carrier common line minutes-of-use that is used for the 1990 CHCF filings.

4. In order to remove the one-time TT/ELCA revenue requirement effects, no later than November 22, 1991, LECs shall file the appropriate revised tariffs to reflect the incremental bill-and-keep surcharges contained in Table H-1, column (d) of Appendix H of this decision. Such filings are to become effective on January 1, 1992.

5. The LECs shall provide customer notice of the elimination of Touch Tone rates and charges and expansion of the local calling area by two separate bill inserts, one for each change, except that Pacific shall give notice of the expansion of its local calling areas by a separate letter to its customers instead of a bill insert. The inserts, or letter in the case of Pacific, shall be drafted with the assistance of the Commission's Office of the Public Advisor and the Division of Ratepayer Advocates and approved by the Public Advisor before it is distributed. The inserts, or in the case of Pacific, the letters, shall be circulated during the billing cycle immediately prior to February 1, 1991 and June 1, 1991, respectively. The notice concerning the expansion of the

local calling area must advise residential ratepayers in areas where measured rate service is an option that:

> Due to expansion of local calling areas, a residential customer may save money on local calling if flat rate, rather than measured rate service, is chosen;
>
> That flat rate would generally produce savings because calls up to 12 miles would be free under flat rate service while those calls would be charged as local calls under measured rate service;
>
> That cost savings will vary depending on each residential customer's calling needs; and
>
> That residential customers may change from one type of service (flat or measured rate) and back again free of the usual service connection charges through August 31, 1991 so they may judge which type of service is more economical for them. A maximum of two change of service requests will be handled free of charge.

6. The LECs shall not assess or collect the service connection charges that usually apply to residential customer requests to change from one form of existing residential service (flat or measured rate) to the other from any ratepayer who requests such a change, for a maximum to two free changes, from June 1 through August 31, 1991.

7. The Motion of Toward Utility Rate Normalization for expedited removal of the residential Touch Tone charges and rates has been rendered moot by this decision and is dismissed.

This order is effective today.

Dated November 21, 1990, at San Francisco, California.

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

Commissioner Frederick R. Duda, being necessarily absent, did not participate.

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

Neal J. Shulman

NEAL J. SHULMAN, Executive Director

APPENDIX A

ADOPTED ANNUAL INCREMENTAL BILLING EFFECTS
(Dollars)

LEC	ELCA One-Time	ELCA On-Going	TOUCH TONE One-time	TOUCH TONE On-Going
1. Calaveras	0	4,462	0	18,089
2. Cal-Oregon	0	24,817	0	11,475
3. Citizens	(239)	588,805	0	1,034,397
4. Contel	(28,920)	4,757,410	0	2,375,718
5. CP National	(128)	333,954	0	81,949
6. Ducor	0	0	0	3,757
7. Evans	(522)	146,887	0	116,876
8. Foresthill	0	8,500	0	12,963
9. Happy Valley	0	0	0	15,748
10. Hornitos	0	3,200	0	2,821
11. Kerman	0	37,839	0	36,108
12. Pinnacles	0	5,814	0	0
13. Ponderosa	0	75,802	0	37,923
14. Roseville	0	637,170	0	708,774
15. Sierra	0	68,133	0	75,563
16. Siskiyou	0	31,500	0	21,865
17. Tuolumne	(869)	255,469	0	21,825
18. Volcano	0	54,926	0	0
19. GTE West Coast	(750)	137,895	0	107,660
20. Winterhaven	0	0	0	9,487
Subtotal:	(31,428)	7,172,583	0	4,692,998
21. GTEC	(949,589)	47,228,693	0	34,150,241
22. Pacific	(2,288,000)	140,273,000	0	164,011,103
Total Industry:	(3,269,017)	194,674,276	0	202,854,342

Note:

( ) represents an increase in billings to local exchange companies.

(END OF APPENDIX A)

APPENDIX B

ADOPTED ANNUAL INCREMENTAL EXPENSE EFFECTS
(Dollars)

LEC	ELCA One-Time	ELCA On-Going	TOUCH TONE One-time	TOUCH TONE On-Going
1. Calaveras	3,000	0	888	0
2. Cal-Oregon	3,480	0	2,845	0
3. Citizens	24,014	20,683	7,451	(15,902)
4. Contel	25,616	339,477	146,614	(21,330)
5. CP National	2,230	13,649	31,754	0
6. Ducor	600	0	1,000	0
7. Evans	3,593	0	2,506	(1,021)
8. Foresthill	0	0	6,150	0
9. Happy Valley	3,200	0	4,680	0
10. Hornitos	3,274	4,200	1,240	0
11. Kerman	1,730	1,400	7,205	0
12. Pinnacles	350	1,700	0	0
13. Ponderosa	37,114	14,389	4,026	(924)
14. Roseville	69,226	30,427	8,694	(44,866)
15. Sierra	45,765	9,058	9,254	(721)
16. Siskiyou	1,000	15,850	24,475	(750)
17. Tuolumne	1,200	16,712	9,757	0
18. Volcano	3,500	0	0	0
19. GTE West Coast	500	0	984	0
20. Winterhaven	0	0	590	0
Subtotal:	229,392	467,545	270,113	(85,514)
21. GTEC	1,529,629	437,342	65,955	(392,204)
22. Pacific	13,821,000	3,182,000	861,001	(9,638,000)
Total Industry:	15,580,021	4,086,887	1,197,069	(10,115,718)

Note:

( ) represents expense savings.

(END OF APPENDIX B)

I.87-11-033 et al. *

APPENDIX C

ADOPTED ANNUAL INCREMENTAL INVESTMENT EFFECTS
(Dollars)

LEC	ELCA One-Time	ELCA On-Going	TOUCH TONE One-time	TOUCH TONE On-Going
1. Calaveras	0	0	0	0
2. Cal-Oregon	0	0	0	0
3. Citizens	208,249	0	0	0
4. Contel	1,060,737	0	0	0
5. CP National	136,491	0	0	0
6. Ducor	0	0	0	0
7. Evans	11,767	0	0	0
8. Foresthill	0	0	0	0
9. Happy Valley	0	0	0	0
10. Hornitos	0	0	0	0
11. Kerman	8,000	0	0	0
12. Pinnacles	17,000	0	0	0
13. Ponderosa	276,000	0	0	0
14. Roseville	180,933	0	0	0
15. Sierra	138,400	0	0	0
16. Siskiyou	39,530	0	0	0
17. Tuolumne	69,119	0	0	0
18. Volcano	0	0	0	0
19. GTE West Coast	0	0	0	0
20. Winterhaven	0	0	0	0
Subtotal:	2,146,226	0	0	0
21. GTEC	2,260,933	0	0	0
22. Pacific	15,157,000	0	0	0
Total Industry:	19,564,159	0	0	0

(END OF APPENDIX C)

ADOPTED INCREMENTAL ONE-TIME SETTLEMENT REVENUE EFFECTS
($000)

LEC	ELCA ACCESS	TOLL MTS	TOLL PL	EAS	TOTAL
1. Calaveras	1	(2)	0	3	2
2. Cal-Oregon	0	(1)	0	-	(1)
3. Citizens	(10)	(7)	(2)	(12)	(31)
4. Contel	(25)	(101)	(7)	(3)	(136)
5. CP National	0	(4)	0	1	(3)
6. Ducor	0	(2)	0	0	(2)
7. Evans	(2)	(3)	0	0	(5)
8. Foresthill	0	(2)	0	-	(2)
9. Happy Valley	(1)	0	0	(2)	(3)
10. Hornitos	1	1	0	-	2
11. Kerman	(2)	(3)	0	(1)	(6)
12. Pinnacles	0	0	0	0	0
13. Ponderosa	(1)	(6)	0	0	(7)
14. Roseville	(4)	(8)	0	(14)	(26)
15. Sierra	(4)	(4)	0	-	(8)
16. Siskiyou	(1)	(3)	0	-	(4)
17. Tuolumne	(1)	(4)	0	1	(4)
18. Volcano	0	0	0	0	0
19. GTE West Coast	-	(12)	(3)	-	(15)
20. Winterhaven	-	-	-	-	-
Subtotal:	(49)	(161)	(12)	(27)	(249)
21. GTEC	-	-	-	-	-
22. Pacific	252	171	14	27	464
Total Industry:	203	10	2	0	215

Note:

( ) represents decrease in revenues to the local exchange companies.

ADOPTED INCREMENTAL ON-GOING SETTLEMENT REVENUE EFFECTS
($000)

ELCA

LEC	ACCESS	TOLL MTS	TOLL PL	EAS	TOTAL
1. Calaveras	(3)	(36)	0	3	(36)
2. Cal-Oregon	1	(100)	0	-	(99)
3. Citizens	(692)	(1,333)	(4)	(156)	(2,185)
4. Contel	(697)	(8,843)	(439)	150	(9,829)
5. CP National	(60)	(1,007)	(5)	0	(1,072)
6. Ducor	(3)	(11)	0	0	(14)
7. Evans	34	(265)	(1)	(32)	(264)
8. Foresthill	16	(39)	0	-	(23)
9. Happy Valley	(18)	(18)	0	(33)	(69)
10. Hornitos	(7)	(18)	0	-	(25)
11. Kerman	(18)	(118)	(1)	(23)	(160)
12. Pinnacles	1	0	0	(3)	(2)
13. Ponderosa	(63)	(541)	(1)	7	(598)
14. Roseville	(52)	(270)	(2)	150	(174)
15. Sierra	(299)	(437)	(20)	-	(756)
16. Siskiyou	3	(150)	4	-	(143)
17. Tuolumne	(368)	(1,118)	0	256	(1,230)
18. Volcano	62	(196)	0	(2)	(136)
19. GTE West Coast	-	(184)	(3)	-	(187)
20. Winterhaven	-	-	-	-	-
Subtotal:	(2,163)	(14,684)	(472)	317	(17,002)
21. GTEC	-	-	-	-	-
22. Pacific	(9,765)	(44,773)	(1,754)	(317)	(56,609)
Total Industry:	(11,928)	(59,457)	(2,226)	0	(73,611)

Note:

( ) represents decrease in revenues to the local exchange companies.

ADOPTED INCREMENTAL ONE-TIME SETTLEMENT REVENUE EFFECTS
($000)

LEC	TOUCH TONE ACCESS	TOLL MTS	TOLL PL	EAS	TOTAL
1. Calaveras	1	1	0	0	2
2. Cal-Oregon	1	1	0	-	2
3. Citizens	(2)	0	0	1	(1)
4. Contel	13	30	2	2	47
5. CP National	8	1	7	1	17
6. Ducor	1	1	0	0	2
7. Evans	0	(1)	0	0	(1)
8. Foresthill	1	2	0	-	3
9. Happy Valley	1	(1)	0	1	1
10. Hornitos	1	1	0	-	2
11. Kerman	1	2	0	1	4
12. Pinnacles	0	0	0	0	0
13. Ponderosa	1	1	0	0	2
14. Roseville	(2)	1	0	0	(1)
15. Sierra	1	2	0	-	3
16. Siskiyou	4	7	1	-	12
17. Tuolumne	2	0	2	1	5
18. Volcano	0	0	0	0	0
19. GTE West Coast	-	0	0	-	0
20. Winterhaven	-	-	-	-	-
Subtotal:	32	48	12	7	99
21. GTEC	-	-	-	-	-
22. Pacific	(37)	(53)	(12)	(7)	(109)
Total Industry:	(5)	(5)	0	0	(10)

Note:

( ) represents decrease in revenues to the local exchange companies.

ADOPTED INCREMENTAL ON-GOING SETTLEMENT REVENUE EFFECTS
($000)

TOUCH TONE

	LEC	ACCESS	TOLL MTS	TOLL PL	EAS	TOTAL
1.	Calaveras	(10)	2	0	(10)	(18)
2.	Cal-Oregon	(16)	2	0	-	(14)
3.	Citizens	(263)	11	1	(253)	(504)
4.	Contel	(514)	64	5	(107)	(552)
5.	CP National	(40)	2	0	(5)	(43)
6.	Ducor	(6)	1	0	0	(5)
7.	Evans	(24)	4	0	(12)	(32)
8.	Foresthill	(4)	0	0	-	(4)
9.	Happy Valley	(22)	2	0	(59)	(79)
10.	Hornitos	(7)	1	0	-	(6)
11.	Kerman	(8)	2	0	(20)	(26)
12.	Pinnacles	0	0	0	0	0
13.	Ponderosa	(34)	4	0	(4)	(34)
14.	Roseville	(117)	1	0	(422)	(538)
15.	Sierra	(67)	3	0	-	(64)
16.	Siskiyou	(19)	1	0	-	(18)
17.	Tuolumne	(22)	1	0	(27)	(48)
18.	Volcano	(35)	1	0	(20)	(54)
19.	GTE West Coast	-	1	2	-	3
20.	Winterhaven	-	-	-	-	-
Subtotal:		(1,208)	103	8	(939)	(2,036)
21.	GTEC	-	-	-	-	-
22.	Pacific	(13,638)	(97)	1	939	(12,795)
Total Industry:		(14,846)	6	9	0	(14,831)

Note:

( ) represents decrease in revenues to the local exchange companies.

(END OF APPENDIX D)

APPENDIX E

ADOPTED INTRASTATE
ANNUAL INCREMENTAL REVENUE REQUIREMENT EFFECTS
(Dollars)

LEC	ELCA One-Time and On-Going	ELCA On-Going	TOUCH TONE One-Time and On-Going	TOUCH TONE On-Going
1. Calaveras	44,000	38,000	33,000	34,000
2. Cal-Oregon	100,000	97,000	25,000	25,000
3. Citizens	2,470,000	2,419,000	1,532,000	1,525,000
4. Contel	10,216,000	10,088,000	2,981,000	2,911,000
5. CP National	1,118,000	1,113,000	133,000	125,000
6. Ducor	15,000	12,000	8,000	9,000
7. Evans	265,000	257,000	152,000	149,000
8. Foresthill	25,000	23,000	18,000	16,000
9. Happy Valley	71,000	66,000	98,000	95,000
10. Hornitos	29,000	27,000	7,000	8,000
11. Kerman	168,000	160,000	61,000	59,000
12. Pinnacles	3,000	2,000	0	0
13. Ponderosa	684,000	641,000	67,000	66,000
14. Roseville	872,000	780,000	1,217,000	1,208,000
15. Sierra	842,000	788,000	144,000	139,000
16. Siskiyou	157,000	152,000	43,000	34,000
17. Tuolumne	1,244,000	1,240,000	72,000	69,000
18. Volcano	139,000	136,000	54,000	54,000
19. GTE West Coast	129,000	113,000	98,000	97,000
20. Winterhaven	0	0	11,000	10,000
Subtotal:	18,591,000	18,152,000	6,754,000	6,633,000
21. GTEC	42,753,000	42,556,000	33,785,000	33,735,000
22. Pacific	143,707,000	135,272,000	153,628,000	152,822,000
Total Industry:	205,051,000	195,980,000	194,167,000	193,190,000

(END OF APPENDIX E)

APPENDIX F

ADOPTED
REVENUE REQUIREMENT RECOVERY MECHANISMS

LEC	(a) Offset Surcredit	(b) Increase Basic Rates	(c) Use CHCF
1. Calaveras	yes	yes	--------------
2. Cal-Oregon	yes	yes	--------------
3. Citizens	--------------	--------------	yes
4. Contel	--------------	--------------	yes
5. CP National	--------------	yes	yes
6. Ducor	yes	yes	--------------
7. Evans	--------------	--------------	yes
8. Foresthill	yes	yes	--------------
9. GTEC	yes *	--------------	--------------
10. Happy Valley	yes	yes	--------------
11. Hornitos	memo account	--------------	--------------
12. Kerman	yes	yes **	yes
13. Pacific	yes *	--------------	--------------
14. Pinnacles	yes	--------------	--------------
15. Ponderosa	yes	--------------	yes
16. Roseville	yes	yes **	--------------
17. Sierra	--------------	yes **	yes
18. Siskiyou	yes	--------------	--------------
19. Tuolumne	yes	--------------	yes
20. Volcano	--------------	--------------	yes
21. GTE West Coast	yes	--------------	--------------
22. Winterhaven	yes	--------------	--------------

Note:

(a) Offset surcredit and/or add one-time surcredit increment to recover one-time revenue requirement.

(b) Increase basic rates to recover on-going revenue requirement only.

(c) California High Cost Fund to recover on-going and/or one-time revenue requirement.

* Adjust exchange surcharge/surcredit.
** Increase local coin rates from $.10 to $.20; no changes to basic rates.

(END OF APPENDIX F)

APPENDIX G

ADDITIONAL SUPPORT FROM CALIFORNIA HIGH COST FUND (CHCF)
(Dollars)

	LEC	One-Time *	On-Going **
1.	Calaveras	0	0
2.	Cal-Oregon	0	0
3.	Citizens	566,333	3,944,000
4.	Contel	1,168,333	12,999,000
5.	CP National	54,667	1,137,074
6.	Ducor	0	0
7.	Evans	60,667	406,000
8.	Foresthill	0	0
9.	Happy Valley	0	0
10.	Hornitos	0	0
11.	Kerman	29,667	89,004
12.	Pinnacles	0	0
13.	Ponderosa	66,000	455,499
14.	Roseville ***	503,667	1,909,516
15.	Sierra	105,333	916,354
16.	Siskiyou	0	0
17.	Tuolumne	30,000	1,216,032
18.	Volcano	21,000	190,000
19.	GTE West Coast	0	0
20.	Winterhaven	0	0
TOTAL:		2,605,667	23,262,479

* One-time TT revenue requirement + one-time ELCA revenue requirement + 4 months' worth of TT revenue requirement.

** Annual amount

*** Roseville will eliminate its surcredit to recover the revenue requirement effects of TT/ELCA before it seeks support from the CHCF.

(END OF APPENDIX G)

APPENDIX H

TABLE H-1. INCREMENTAL BILL-AND-KEEP SURCHARGE TO RECOVER TOUCH TONE AND ELCA REVENUE REQUIREMENT

		Effective Date			
			------- 6/1/91 -------		
	LEC	2/1/91 [a]	On-Going [b]	One-time [c]	1/1/92 [d]
1.	Calaveras *	-	11.14%	4.65%	-4.65%
2.	Cal-Oregon *	-	9.19%	3.34%	-3.34%
3.	Citizens	-	-	-	-
4.	Contel	-	-	-	-
5.	CP National	-	-	-	-
6.	Ducor *	-	0.62%	4.76%	-4.76%
7.	Evans	-	-	-	-
8.	Foresthill *	-	-	1.87%	-1.87%
9.	Happy Valley *	-	2.18%	5.97%	-5.97%
10.	Hornitos #	-	-	-	-
11.	Kerman *	-	7.42%	-	-
12.	Pinnacles *	0.00%	3.21%	2.75%	-2.75%
13.	Ponderosa *	-	12.66%	-	-
14.	Roseville ##	-	-	-	-
15.	Sierra	-	-	-	-
16.	Siskiyou *	3.52%	12.62%	0.73%	-1.52%
17.	Tuolumne *	-	5.76%	-	-
18.	Volcano	-	-	-	-
19.	GTE West Coast *	3.32%	4.16%	0.97%	-1.01%
20.	Winterhaven *	4.96%	-	-	-0.49%
21.	GTEC **	4.74%	6.37%	0.05%	-0.06%
22.	Pacific **	4.960%	4.629%	0.481%	-0.509%

[a] Surcharge increment to recover one-time and on-going TT revenue requirement starting on 2/1/91 (for Siskiyou, GTE-WC, Winterhaven, GTEC and Pacific only).

[b] Surcharge increment to recover on-going ELCA revenue requirement and for Siskiyou, GTE-WC, Winterhaven, GTEC and Pacific to adjust TT on-going increment to reflect billing base with ELCA effects.

[c] Surcharge increment to recover one-time ELCA revenue requirement and for Siskiyou, GTE-WC, Winterhaven, GTEC and Pacific to adjust TT one-time increment to reflect billing base with ELCA effects.

[d] Surcharge increment to remove one-time Touch Tone and ELCA increments in [a] and [c].

* Surcharge increment is applicable to Toll MTS, Toll PL and exchange.
** Surcharge increment is applicable to exchange services.
\# Revenue recovery through memo account.
\#\# Roseville will reduce its surcredit as a mechanism for recovering TT/ECLA revenue requirements, subject to approval of its advice letter filings.

APPENDIX H

TABLE H-2
Sheet 1 of 2

CALAVERAS TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
INDIVIDUAL AND PARTY LINE SERVICE

SCHEDULE NO. A-1

INDIVIDUAL AND PARTY LINE SERVICE

PRESENT

RATES	Rate per Month	
	Business Service	Residence Service
Extended Service		
Each individual or key access line	$ 6.00	$ 5.00
Each two party access line	5.00	4.00
Each c.o. trunk access line	9.00	-

PROPOSED

RATES	Rate per Month	
	Business Service	Residence Service
Extended Service		
Each individual or key access line	$ 6.30	$ 5.25
Each two party access line	5.25	4.20
Each c.o. trunk access line	9.45	-

APPENDIX H

TABLE H-2
Sheet 2 of 2

CALAVERAS TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-5
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-5

SEMI-PUBLIC COIN BOX SERVICE

PRESENT

RATES	Rate per Month
Each individual access line coin box service	$1.50

PROPOSED

RATES	Rate per Month
Each individual access line coin box service	$1.55

APPENDIX H

TABLE H-3
Sheet 1 of 2

CALFORNIA-OREGON TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
FLAT RATE EXCHANGE SERVICE

SCHEDULE NO. A-1

FLAT RATE EXCHANGE SERVICE

PRESENT

RATES

	Rate per Month	
	Business Service	Residence Service
NEWELL AND TULELAKE BASE RATE AREAS		
One-Party Access Line	$ 10.25	$ 5.50
Two-Party Access Line	7.60	4.40
Key Access Line	15.20	-
PBX Trunk Access Line	15.20	-

PROPOSED

RATES

	Rate per Month	
	Business Service	Residence Service
NEWELL AND TULELAKE BASE RATE AREAS		
One-Party Access Line	$ 17.70	$ 9.50
Two-Party Access Line	13.15	7.60
Key Access Line	26.25	-
PBX Trunk Access Line	26.25	-

APPENDIX H

TABLE H-3
Sheet 2 of 2

CALFORNIA-OREGON TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-12
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-12

SEMI-PUBLIC COIN BOX SERVICE

PRESENT

RATES

	Rate per Month
Each individual line coin box service:	
DORRIS AND MACDOEL	$20.25
NEWELL AND TULELAKE	$20.25

PROPOSED

RATES

	Rate per Month
Each individual line coin box service:	
DORRIS AND MACDOEL	$35.00
NEWELL AND TULELAKE	$35.00

APPENDIX H

TABLE H-4
Sheet 1 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE

PRESENT

RATES

I. RATES FOR EXCHANGES WHERE ONLY FLAT RATE SERVICE IS AVAILABLE

All Exchanges (excluding Lake Almanor and Special Rate Areas)	Business		Residence	
	Monthly Rate	Billing Code	Monthly Rate	Billing Code
PBX Trunks	36.80	PTLA	--	--
Key Lines	24.50	KBIA	11.90	KRIA
Semi-Public	30.65	SPSA	--	--
One-Party	24.50	B1A	11.90	R1A
Two-Party	19.75	B2A	10.05	R2A
Four-Party	--	--	9.40	R4A
Suburban	20.95	BSA	10.65	RSA

Lake Almanor

PBX Trunks	36.80	PTLA	--	
Key Lines	24.50	KBIA	11.90	KRIA
Semi-Public	30.65	SPSA	--	
One-Party	24.50	BIA	11.90	R1A
Suburban	24.50	BSLA	11.90	RSLA

PROPOSED

RATES

I. RATES FOR EXCHANGES WHERE ONLY FLAT RATE SERVICE IS AVAILABLE

All Exchanges (excluding Lake Almanor and Special Rate Areas)	Business		Residence	
	Monthly Rate	Billing Code	Monthly Rate	Billing Code
PBX Trunks	38.80	PTLA	--	--
Key Lines	25.85	KBIA	12.55	KRIA
Semi-Public	32.30	SPSA	--	--

APPENDIX H

TABLE H-4
Sheet 2 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE

	One-Party	25.85	B1A	12.55	R1A
	Two-Party	20.85	B2A	10.60	R2A
	Four-Party	--	--	9.90	R4A
	Suburban	22.10	BSA	11.25	RSA
Lake Almanor					
	PBX Trunks	38.80	PTLA	--	
	Key Lines	25.85	KBIA	12.55	KRIA
	Semi-Public	32.30	SPSA	--	
	One-Party	25.85	BIA	12.55	R1A
	Suburban	25.85	BSLA	12.55	RSLA

APPENDIX H

TABLE H-4
Sheet 3 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE
(Continued)

PRESENT

RATES (Continued)

I. RATES FOR EXCHANGES WHERE ONLY FLAT RATE SERVICE IS AVAILABLE
(Continued)

Special Rate Areas	Business Monthly Rate	Business Billing Code	Residence Monthly Rate	Residence Billing Code
College City				
PBX Trunks	39.45	PTLB	--	--
Key Lines	27.15	KBIB	14.55	KRIB
Semi-Public	33.20	SPSB	--	--
One-Party	27.15	B1B	14.55	R1B
Two-Party	22.35	B2B	12.75	R2B
Four-Party	--	--	12.10	R4B
Clear Creek				
PBX Trunks	38.45	PTLC	--	
Key Lines	25.80	KBIC	13.25	KRIC
Semi-Public	31.90	SPSC	--	
One-Party	25.85	B1C	13.25	R1C
Suburban	21.05	B2C	11.35	R2C

APPENDIX H

TABLE H-4
Sheet 4 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE
(Continued)

PROPOSED

RATES (Continued)

I. RATES FOR EXCHANGES WHERE ONLY FLAT RATE SERVICE IS AVAILABLE
(Continued)

Special Rate Areas	Business Monthly Rate	Business Billing Code	Residence Monthly Rate	Residence Billing Code
College City				
PBX Trunks	41.45	PTLB	--	--
Key Lines	28.50	KBIB	15.20	KRIB
Semi-Public	34.85	SPSB	--	--
One-Party	28.50	B1B	15.20	R1B
Two-Party	23.45	B2B	13.30	R2B
Four-Party	--	--	12.60	R4B
Clear Creek				
PBX Trunks	40.45	PTLC	--	
Key Lines	27.15	KBIC	13.90	KRIC
Semi-Public	33.55	SPSC	--	
One-Party	27.20	B1C	13.90	R1C
Suburban	22.40	B2C	12.00	R2C

APPENDIX H

TABLE H-4
Sheet 5 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE
(Continued)

PRESENT

RATES (Continued)

II. RATES FOR EXCHANGES WHERE ONLY FLAT RATE AND LOCAL MEASURED SERVICE ARE AVAILABLE

		Business		Residence	
		Monthly Rate	Billing Code	Monthly Rate	Billing Code
A.	Flat Rate Service				
	One-Party	--	--	$11.90	RIA
	Key Line	--	--	11.90	KRIA
	Semi-Public	$30.65	SPSA	--	--
	PBX Trunk	--	--	--	--
	Two-Party	--	--	10.05	R2A
	Four-Party	--	--	9.40	R4A
	Suburban	--	--	10.65	RSA
B.	Local Measured Service				
	One-Party	$20.20	BIM/KBIM PTIM	$8.55	RIM/ KRIM

APPENDIX H

TABLE H-4
Sheet 6 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE
(Continued)

PROPOSED

RATES (Continued)

II. RATES FOR EXCHANGES WHERE ONLY FLAT RATE AND LOCAL MEASURED SERVICE ARE AVAILABLE

		Business		Residence	
		Monthly Rate	Billing Code	Monthly Rate	Billing Code
A.	Flat Rate Service				
	One-Party	--	--	$12.55	RIA
	Key Line	--	--	12.55	KRIA
	Semi-Public	$32.30	SPSA	--	--
	PBX Trunk	--	--	--	--
	Two-Party	--	--	10.60	R2A
	Four-Party	--	--	9.90	R4A
	Suburban	--	--	11.25	RSA
B.	Local Measured Service				
	One-Party	$21.30	BIM/KBIM PTIM	$9.00	RIM/ KRIM

(END OF APPENDIX H)

APPENDIX H

TABLE H-4
Sheet 7 of 7

CP NATIONAL - TELEPHONE
SCHEDULE CAL. P.U.C. NO. A-3
FARMER LINE SERVICE

SCHEDULE NO. A-3

FARMER LINE SERVICE

PRESENT

RATES

	Minimum Charge Per Line
Business Service	$15.90
Residence Service	$15.90

PROPOSED

RATES

	Minimum Charge Per Line
Business Service	$16.75
Residence Service	$16.75

APPENDIX H

TABLE H-5
Sheet 1 of 2

DUCOR TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
ACCESS LINE SERVICE

SCHEDULE NO. A-1

ACCESS LINE SERVICE

PRESENT

RATES	Rate per Month Residence Service	Rate per Month Business Service
LOCAL SERVICE		
Each individual access line	$ 9.90	$15.00
Each key access line	-	15.00
Each C.O. trunk access line	-	22.50

PROPOSED

RATES	Rate per Month Residence Service	Rate per Month Business Service
LOCAL SERVICE		
Each individual access line	$12.45	$18.90
Each key access line	-	18.90
Each C.O. trunk access line	-	28.35

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APPENDIX H

TABLE H-5
Sheet 2 of 2

DUCOR TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-4
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-4

SEMI-PUBLIC COIN BOX SERVICE

PRESENT

RATES	Rate per Month
Each individual access line coin box service:	$ 21.00

PROPOSED

RATES	Rate per Month
Each individual access line coin box service	$ 26.45

APPENDIX H

TABLE H-6
Sheet 1 of 2

FORESTHILL TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
FLAT RATE EXCHANGE SERVICE

SCHEDULE NO. A-1

FLAT RATE EXCHANGE SERVICE

PRESENT

RATES	Rate per Month			
	Zone 1	Zone 2	Zone 3	Zone 4
Business Service				
Each one-party access line	$12.55	$16.80	$21.05	$25.30
Each two-party access line	-	-	-	23.60
Each key access line	12.55	16.80	21.05	25.30
Each PBX trunk access line	18.85	23.10	27.35	31.60
Residence Service				
Each one-party access line	7.65	11.90	16.15	20.40
Each two-party access line	5.25	9.50	13.75	18.00

PROPOSED

RATES	Rate per Month			
	Zone 1	Zone 2	Zone 3	Zone 4
Business Service				
Each one-party access line	$15.25	$19.50	$23.75	$28.00
Each two-party access line	-	-	-	23.60
Each key access line	15.25	19.50	23.75	28.00
Each PBX trunk access line	22.90	27.15	31.40	35.65
Residence Service				
Each one-party access line	9.30	13.55	17.80	22.05
Each two-party access line	6.40	10.65	14.90	19.15

APPENDIX H

TABLE H-6
Sheet 2 of 2

FORESTHILL TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-4
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-4

SEMI-PUBLIC COIN BOX SERVICE

PRESENT

RATES	Rate per Month			
	Zone 1	Zone 2	Zone 3	Zone 4
Each individual line coin box station	$12.55	$16.80	$21.05	$25.30

PROPOSED

RATES	Rate per Month			
	Zone 1	Zone 2	Zone 3	Zone 4
Each individual line coin box station	$15.25	$19.50	$23.75	$28.00

APPENDIX H

TABLE H-7
Sheet 1 of 2

HAPPY VALLEY TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
INDIVIDUAL AND PARTY LINE SERVICE

SCHEDULE NO. A-1

INDIVIDUAL AND PARTY LINE SERVICE

PRESENT

RATES	Monthly Rate Business Service	Monthly Rate Residence Service
PLATINA EXCHANGE - LOCAL SERVICE		
Each individual line primary station	$ 8.75	$ 5.50
Each two-party line primary station	7.00	NONE
Each four-party line primary station	NONE	3.90
OLINDA EXCHANGE - EXTENDED SERVICE		
Each individual line primary station	$ 10.50	$ 6.50
Each two-party line primary station	8.50	NONE
Each four-party line primary station	NONE	4.65

PROPOSED

RATES	Monthly Rate Business Service	Monthly Rate Residence Service
PLATINA EXCHANGE - LOCAL SERVICE		
Each individual line primary station	$ 17.30	$ 10.85
Each two-party line primary station	13.85	NONE
Each four-party line primary station	NONE	7.70
OLINDA EXCHANGE - EXTENDED SERVICE		
Each individual line primary station	$ 20.25	$12.55
Each two-party line primary station	16.40	NONE
Each four-party line primary station	NONE	9.00

APPENDIX H

TABLE H-7
Sheet 2 of 2

HAPPY VALLEY TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-5
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-5

SEMI-PUBLIC COIN BOX SERVICE

PRESENT

RATES

	Monthly Rate
OLINDA EXCHANGE	
Each individual line coin box service	$ 0.95
PLATINA EXCHANGE	
Each individual line coin box service	$ 1.00

PROPOSED

RATES

	Monthly Rate
OLINDA EXCHANGE	
Each individual line coin box service	$ 1.90
PLATINA EXCHANGE	
Each individual line coin box service	$ 2.00

APPENDIX H

TABLE H-8
Sheet 1 of 2

KERMAN TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-3
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-3

SEMI-PUBLIC COIN BOX SERVICE

	Each Exchange Message
PRESENT	
RATES	
EXTENDED SERVICE	
Each individual line coin box station	
Before June 21, 1984	$0.10
On or after June 21, 1984	$0.10
PROPOSED	
RATES	
EXTENDED SERVICE	
Each individual line coin box station	$0.20

APPENDIX H

TABLE H-8
Sheet 2 of 2

KERMAN TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-6
PUBLIC TELEPHONE SERVICE

SCHEDULE NO. A-6

PUBLIC TELEPHONE SERVICE

PRESENT

RATES

Each exchange message	$0.10

PROPOSED

RATES

Each exchange message	$0.20

APPENDIX H

TABLE H-9
Sheet 1 of 2

ROSEVILLE TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-2
SEMI-PUBLIC COIN BOX SERVICE

SCHEDULE NO. A-2

SEMI-PUBLIC COIN BOX SERVICE

PRESENT

RATES

	EACH EXCHANGE MESSAGE
(1) Roseville Base Rate Area	
Each individual line coin box station	$ .10
(2) Citrus Hts District Rate Area *	
Each individual line coin box station	.10

PROPOSED

RATES

	EACH EXCHANGE MESSAGE
(1) Roseville Base Rate Area	
Each individual line coin box station	$ .20
(2) Citrus Hts District Rate Area *	
Each individual line coin box station	.20

APPENDIX H

TABLE H-9
Sheet 2 of 2

ROSEVILLE TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-3
PUBLIC TELEPHONE SERVICE

SCHEDULE NO. A-3

PUBLIC TELEPHONE SERVICE

PRESENT

RATES

	RATE
Each exchange message	$0.10

PROPOSED

RATES

	RATE
Each exchange message	$0.20

APPENDIX H

TABLE H-10
Sheet 1 of 1

SIERRA TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-7
PUBLIC TELEPHONE SERVICE

SCHEDULE NO. A-7

PUBLIC TELEPHONE SERVICE

PRESENT

RATES

	RATE
Each exchange message	$0.10

PROPOSED

RATES

	RATE
Each exchange message	$0.20

APPENDIX H

TABLE H-11
Sheet 1 of 3

THE SISKIYOU TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
NETWORK ACCESS LINE SERVICE

SCHEDULE NO. A-1

NETWORK ACCESS LINE SERVICE

PRESENT

RATES	Monthly Rate Rotary Dial	Monthly Rate Touch Calling Dial
(1) Local exchange network access lines for Etna, Fort Jones, Hamburg, Happy Camp, Oak Knoll and Somes Bar exchanges.		
(a) Business access lines		
One party service	9.75	11.60
Suburban four party service	9.25	11.00
(b) Residence access lines		
One party service	7.60	9.05
Suburban four party service	7.20	8.65
(c) PBX office trunk line	14.95	16.80
(d) Key Station Line	10.15	11.90
(2) Special Rate Areas - (SRA)		
A. Fort Jones Exchange		
1. Greenview SRA		
a. Business Access Line One Party	13.75	15.60
b. Residence Access Line One Party	11.60	13.05
c. Business Suburban Access Line Four Party*	9.25	11.00
d. Residence Suburban Access Line Four Party*	7.20	8.65
B. Etna Exchange		
1. Callahan SRA		
a. Business Access Line One Party	15.35	17.20
b. Residence Access Line One Party	13.20	14.65
c. Business Suburban Access Line Four Party*	9.25	11.00
d. Residence Suburban Access Line Four Party*	7.20	8.65
2. Kellems RA		
a. Business Access Line One Party	13.75	15.60
b. Residence Access Line One Party	11.60	13.05
c. Business Suburban Access Line Four Party*	9.25	11.00
d. Residence Suburban Access Line Four Party*	7.20	8.65

* Service limited to existing customers as of August 1, 1985

APPENDIX H

TABLE H-11
Sheet 2 of 3

THE SISKIYOU TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
NETWORK ACCESS LINE SERVICE

SCHEDULE NO. A-1

NETWORK ACCESS LINE SERVICE

RATES	Monthly Rate: Rotary Dial	Monthly Rate: Touch Calling Dial
C. Hamburg Exchange		
1. Seiad SRA		
a. Business Access Line One Party	14.55	
b. Residence Access Line One Party	12.40	
c. Business Suburban Access Line Four Party*	9.25	
d. Residence Suburban Access Line Four Party*	7.20	

PROPOSED

RATES	Monthly Rate
(1) Local exchange network access lines for Etna, Fort Jones, Hamburg, Happy Camp, Oak Knoll and Somes Bar exchanges.	
(a) Business access lines	
One party service	9.75
Suburban four party service	9.25
(b) Residence access lines	
One party service	7.60
Suburban four party service	7.20
(c) PBX office trunk line	14.95
(d) Key Station Line	10.15
(2) Special Rate Areas - (SRA)	
A. Fort Jones Exchange	
1. Greenview SRA	
a. Business Access Line One Party	13.75
b. Residence Access Line One Party	11.60
c. Business Suburban Access Line Four Party*	9.25
d. Residence Suburban Access Line Four Party*	7.20

* Service limited to existing customers as of August 1, 1985.

APPENDIX H

TABLE H-11
Sheet 3 of 3

THE SISKIYOU TELEPHONE COMPANY
SCHEDULE CAL. P.U.C. NO. A-1
NETWORK ACCESS LINE SERVICE

SCHEDULE NO. A-1

NETWORK ACCESS LINE SERVICE

B. Etna Exchange
- 1. Callahan SRA
  - a. Business Access Line One Party 15.35
  - b. Residence Access Line One Party 13.20
  - c. Business Suburban Access Line Four Party* 9.25
  - d. Residence Suburban Access Line Four Party* 7.20
- 2. Kellems RA
  - a. Business Access Line One Party 13.75
  - b. Residence Access Line One Party 11.60
  - c. Business Suburban Access Line Four Party* 9.25
  - d. Residence Suburban Access Line Four Party* 7.20

C. Hamburg Exchange
- 1. Seiad SRA
  - a. Business Access Line One Party 14.55
  - b. Residence Access Line One Party 12.40
  - c. Business Suburban Access Line Four Party* 9.25
  - d. Residence Suburban Access Line Four Party* 7.20

* Service limited to existing customers as of August 1, 1985.

(END OF APPENDIX H)