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Decision 97-08-027 August 1, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
ROSEVILLE LONG DISTANCE COMPANY,)
a California corporation, for a)
Certificate of Public Convenience)
and Necessity to Provide InterLATA)
and IntraLATA Telecommunications)
Services Within the State of)
California.)

Application 97-01-037
(Filed January 28, 1997)

O P I N I O N

Roseville Long Distance Company (applicant), a California corporation, seeks a certificate of public convenience and necessity (CPCN) under Public Utilities (PU) Code § 1001 to permit it to provide interLATA and intraLATA telephone services in California as a nondominant interexchange carrier (NDIEC).¹

Applicant seeks exemption from the requirements of PU Code §§ 816-830, dealing with the issuance of stocks and other evidences of ownership, as well as bonds, notes, and other evidences of indebtedness. Applicant also requests authority to deviate from paragraphs II.C. (1) (b) and II.C. (4) of General Order (GO) 96-A (regarding numbering, reuse, and separate or series use of tariff sheets).

Applicant "proposes to resell interLATA and intraLATA services throughout the State of California using leased facilities obtained from facilities-based long distance carriers."

(Application, page 4.) Applicant "does not intend to construct

¹ California is divided into ten Local Access and Transport Areas (LATAs) of various sizes, each containing numerous local telephone exchanges. "InterLATA" describes services, revenues, and functions that relate to telecommunications originating in one LATA and terminating in another. "IntraLATA" describes services, revenues, and functions that relate to telecommunications originating and terminating within a single LATA.

facilities to provide interLATA and intraLATA services." (Application, page 6.) Applicant will "initially...lease existing facilities and does not plan to construct or extend any facilities..." (Application, page 3.) "At some future date, however, there may be construction of our own facilities, but none of that has been planned to date." (Reporter's Transcript (RT), page 2.)

Applicant is a wholly owned subsidiary of Roseville Communications Company (RCC). Other subsidiaries of RCC include Roseville Telephone Company (RTC - a provider of local exchange telephone service in California), Roseville Directory Company, and Roseville Cable Company.

1. NDIEC Entry

By Decision (D.) 84-01-037 (14 CPUC2d 317 (1984)) and later decisions, we authorized interLATA entry generally. However, we limited the authority conferred to interLATA service; and we subjected the applicants to the condition that they not hold themselves out to the public to provide intraLATA service. Subsequently, by D.94-09-065, we authorized competitive intraLATA services effective January 1, 1995, for carriers meeting specified criteria.

The Commission has established two major criteria for determining whether a CPCN should be granted. The applicant must demonstrate that it has a minimum of \$100,000 of cash or cash equivalent (as described in D.91-10-041, Appendix A, Paragraph 5.1 (41 CPUC2d 505 at 520)), reasonably liquid and readily available to meet the firm's start-up expenses. Such applicants shall also document any deposits required by local exchange carriers (LECs) or interexchange carriers and demonstrate that they have additional resources to cover all such deposits. Any applicant who can demonstrate that \$100,000 of cash is not needed for its first year of operation, may be granted a CPCN with a lesser amount, based on the sufficiency requirements set forth in Ordering Paragraph 1.a of

D.91-10-041. In addition, an applicant is required to make a reasonable showing of technical expertise in telecommunications or a related business. (D.90-08-032, 37 CPUC2d (130, at 147-48, 156, 158).)

As part of its application, applicant provided a letter from its parent company, RCC. The letter states that RCC guarantees the availability of \$100,000 to applicant for a period of twelve (12) months beyond the certification of applicant as an NDIEC. A consolidated balance sheet as of December 31, 1995, and an income statement for the 12 months ending December 31, 1995, show RCC's ability to provide the money to applicant if necessary (based on consolidated data for RCC's subsidiaries before their reorganization into a holding company structure). This shows that applicant has \$100,000 in the form of a guarantee, which satisfies our criteria for being reasonably liquid and readily available to meet the applicant's needs.

The application also includes information on applicant's key executive management team, indicating their background, professional credentials and experience. Their team is composed of Brian H. Strom and Mike Campbell. Strom is applicant's President and Chief Executive Officer (CEO), and is also President and CEO of both applicant's parent, RCC, and applicant's LEC affiliate, RTC. Strom is a certified public accountant and has been with RTC since April 1989. Campbell is applicant's Vice President and Chief Financial Officer (CFO), and is Vice President and CFO of both RCC and RTC. Mr. Campbell is a certified public accountant and has worked for local exchange companies for more than 25 years.

2. Infonxx Protest

Infonxx, Inc. (Infonxx) filed a timely protest. Infonxx is a provider of retail and wholesale competitive directory assistance services to dominant and nondominant local and interexchange carriers. Infonxx asks that the application not be granted until RTC agrees to provide access to its directory

assistance database at what Infonxx believes to be reasonable prices, rather than RTC's "exorbitant monopoly prices." (Infonxx Protest, page 4.) Infonxx asks that RTC's price for this service be set equal to the cost of the transfer media (e.g., magnetic tape), plus a reasonable cost for preparation and shipping of the media, similar to that found reasonable for Pacific Bell and GTE California Incorporated (GTEC) in D.97-01-042.

Applicant moves to dismiss the protest. Applicant's motion is granted.

Infonxx does not question applicant's legal, technical or financial qualifications to provide NDIEC long distance telephone service in California. Rather, Infonxx seeks to obtain a better rate for a particular service from applicant's affiliate, RTC. We will not delay consideration of applicant's request based on an objection to an approved, tariffed rate of an affiliate.

By Advice Letter (AL) 381 (filed February 19, 1997), RTC proposed a directory assistance listing information service (DALIS) tariff. Infonxx protested AL 381 the same day it protested this application. Infonxx's protest of AL 381 was considered but rejected, and AL 381 was approved.

DALIS is a category II service. We authorize downward pricing flexibility from a Commission-determined price ceiling for category II services since they are partially competitive or discretionary services. The price ceiling is generally applicant's proposed rate, and the price floor is the lower of applicant's direct embedded cost or long-run incremental cost. Downward pricing flexibility is limited to prevent category II services from being subsidized by monopoly services and to guard against anticompetitive, predatory pricing. (See, for example, D.96-12-074, mimeo. page 99.) RTC's proposed DALIS tariff met our tests for category II services and was approved consistent with our established process for such approvals. (See D.96-12-074, Ordering

Paragraphs 11 and 12, and GO '96-A.) We are not persuaded to reconsider or reverse that decision.

Infonxx acknowledges that D.97-01-042 applies to Pacific Bell and GTEC, not applicant and not RTC. We will consider the extent to which the principles in D.97-01-042 should be applied to the RTC rate when that matter is properly brought before us in a proceeding dealing with RTC. For example, Infonxx can file a complaint directly dealing with RTC and the subject rate. (Rule 9 of the Commission's Rules of Practice and Procedure.) Or we may consider this matter when properly brought before us in a forum more appropriate for these concerns, such as the local competition proceeding (Rulemaking 95-04-043 and Investigation 95-04-044).

3. AT&T Protest

AT&T Communications of California, Inc. (AT&T) filed a timely protest. AT&T recommends that the Commission order applicant and RTC to implement competitively neutral business office practices, ensuring that fair competition is preserved in RTC's service territory. AT&T cites D.96-12-078 as an example, wherein the Commission adopted a settlement providing for competitively neutral business office procedures for the GTE companies.

On April 29, 1997, written notice was given to all parties of a settlement conference. The settlement conference was held on May 7, 1997. Applicant reported at a prehearing conference (PHC) on May 30, 1997, that a motion for adoption of a settlement agreement would be filed shortly. Infonxx stated at the PHC that, whether or not Infonxx elected to join in the settlement, it would not comment on the settlement. (Rule 51.4.) On June 9, 1997, applicant and AT&T filed the joint motion. No party comments on or protests the settlement, and the proposed settlement is, therefore, uncontested.

The joint motion states that the settlement was negotiated after review and consideration of the competitively

neutral business office practices adopted by the Commission in connection with its orders on intraLATA presubscription. (D.97-04-083, April 23, 1997.) The parties state that the settlement terms and conditions are reasonable in light of the record, consistent with existing law, in the public interest, and should be incorporated in a decision granting applicant a CPCN as a facilities-based NDIEC.

We adopt the uncontested settlement. The settlement closely tracks the provisions of D.97-04-083 and is reasonable.

The motion does not indicate that the settlement is offered for the purpose of relieving applicant of any duties otherwise created by D.97-04-083, and none are authorized by our adoption of the settlement. Thus, for example, even though the settlement does not refer to tracking actual implementation costs, filing a cost analysis, and filing a proposed tariff 18 months after implementing intraLATA presubscription (as required by Ordering Paragraph 11(d) of D.97-04-083), those provision are not mooted by our adoption of the settlement. Similarly, while the settlement only refers to applicant notifying AT&T at least 45 days prior to the date of intended implementation of intraLATA presubscription, this does not relieve applicant of the duty to notify other carriers at least 45 days before intended implementation. (D.97-04-083, Ordering Paragraph 8(d).) Moreover, while the settlement incorporates a copy of a customer notice, that notice must be submitted for review and approval to the Telecommunications Division prior to distribution. (D.97-04-083, Ordering Paragraph 8(c).) With this understanding, the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. (Rule 51.1(e).)

4. Facilities-Based Authority

While applicant intends to initially lease existing facilities and provide service as a reseller, applicant seeks the

broader authority of a facilities-based intraLATA and interLATA NDIEC. No party objects.

We grant the authority with limited conditions. The conditions limit construction within RTC's service territory to tandem switches and other network elements that permit applicant to offer common features for both intraLATA and interLATA long distance services, but do not permit applicant to construct intraLATA transmission and end-office switching facilities in RTC's franchise territory for the purpose of service within RTC's service area without further approval of the Commission. There are no conditions on construction of interLATA or intraLATA facilities outside of RTC's service area.

We apply these conditions to address the concern that unlimited facilities-based intraLATA authority would provide an incentive for RCC to divert capital investment from RTC's service to applicant's service, to the detriment of RTC and its ratepayers. That is at most a small concern. RTC's service area is only a small part of the intraLATA area that applicant seeks authority to serve within RTC's LATA, and the LATA in which RTC resides is only one of many LATAs in which applicant seeks to provide intraLATA service within California. Nevertheless, the facilities-based services of RTC and applicant will overlap in RTC's service area.

To address this small concern, we adopt these limited conditions. Applicant says that there may be construction at some future date, but none is now planned. (RT, p.2.) The conditions will, therefore, not have a detrimental effect on applicant's offering of service, and can be lifted for applicant upon a further showing. Thus, we grant the facilities-based intraLATA authority requested by applicant, limited to construction of tandem switches and other network elements that permit applicant to offer common features for both intraLATA and interLATA long distance services, but do not permit applicant to construct intraLATA transmission and

end-office switching facilities in RTC's franchise territory without further approval of the Commission.

5. Conclusion

Applicant possesses the necessary financial resources and technical expertise to operate as a facilities-based and resale NDIEC. We authorize the intraLATA and interLATA services that applicant seeks to provide, subject to limited conditions for facilities-based intraLATA authority within the franchise service area of RTC.

Findings of Fact

1. A notice of the filing of the application appeared in the Daily Calendar on January 30, 1997.

2. Two protests were filed.

3. Infonxx's protest of RTC's DALIS rate was considered and rejected with the approval of AL 381.

4. AT&T protests the business office practices of applicant and RTC.

5. On June 9, 1997, applicant and AT&T filed a joint motion for adoption of a settlement dealing with the business office practices of applicant and RTC.

6. The settlement is uncontested.

7. The settlement closely tracks the provisions of D.97-04-083.

8. The motion for adoption of the settlement does not state that the settlement is offered for the purpose of relieving applicant of any duties otherwise created by D.97-04-083.

9. The concern that unlimited facilities-based intraLATA authority would provide an incentive for RCC to divert investment from RTC's service to applicant's service can be addressed by limiting construction to certain network elements without any adverse consequences on applicant's proposed service since applicant does not now have plans to construct facilities.

10. A hearing is not required.

11. By prior Commission decisions, we authorized competition in providing interLATA telecommunications service but generally barred those offering such service from holding out to the public the provision of intraLATA service.

12. By D.94-09-065, we authorized competitive intraLATA services effective January 1, 1995, for carriers meeting specified criteria.

13. Applicant has demonstrated that it has \$100,000 of cash equivalent in the form of a guarantee from its parent company, which is reasonably liquid and readily available to meet its start-up expenses.

14. Applicant represents that no deposits are required by local exchange and interexchange carriers with which it plans to do business.

15. Applicant's technical experience consists of two employees with a combined experience of over 33 years in accounting, management of local exchange companies, and management of companies holding subsidiaries including telephone companies.

16. Applicant has submitted with its application a complete draft of applicant's initial tariff which complies with the requirements established by the Commission, including prohibitions on unreasonable deposit requirements.

17. Applicant represents that no member of its management team was previously associated with an NDIEC that filed for bankruptcy or went out of business.

18. Since no facilities are to be constructed at this time, it can be seen with certainty that the proposed operation will not have a significant effect upon the environment.

19. By D.97-06-107, applicants for NDIEC authority are exempt from Rule 18(b).

20. Exemption from the provisions of PU Code §§ 816-830 has been granted to other resellers. (See, e.g., D.86-10-007 and D.88-12-076.)

21. The transfer or encumbrance of property of nondominant carriers has been exempted from the requirements of PU Code § 851 whenever such transfer or encumbrance serves to secure debt. (See D.85-11-044.)

Conclusions of Law

1. Applicant has the financial ability to provide the proposed service.

2. Applicant has made a reasonable showing of technical expertise in telecommunications.

3. The Commission should not reconsider RTC's approved, tariffed DALIS rate in this proceeding, an application of an affiliate of RTC.

4. The June 9, 1997 settlement is reasonable in light of the whole record, consistent with law, and in the the public interest.

5. The joint motion of applicant and AT&T for adoption of a settlement should be granted.

6. The settlement does not relieve applicant of any duties otherwise created by D.97-04-083.

7. Public convenience and necessity require the interLATA and intraLATA services to be offered by applicant, subject to limited conditions on the construction of facilities in the service area of RTC.

8. Applicant is subject to:

a. The current 3.2% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the Universal Lifeline Telephone Service (PU Code § 879; Resolution T-15799, November 21, 1995);

b. The current 0.36% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Relay Service and Communications Devices Fund (PU Code § 2881; Resolution T-16017, April 9, 1997);

- c. The user fee provided in PU Code §§ 431-435, which is 0.11% of gross intrastate revenue for the 1997-1998 fiscal year (Resolution M-4786);
 - d. The current surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-A (PU Code § 739.30; D.96-10-066, pp. 3-4, App. B, Rule 1.C.; set by Resolution T-15987 at 0.0% for 1997 effective February 1, 1997);
 - e. The current 2.87% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-B (D.96-10-066, p. 191, App. B, Rule 6.F.); and
 - f. The current 0.41% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Teleconnect Fund (D.96-10-066, p. 88, App. B, Rule 8.G.).
- 9. Applicant should be exempted from PU Code §§ 816-830.
 - 10. Applicant should be exempted from PU Code § 851 when the transfer or encumbrance serves to secure debt.
 - 11. Applicant is exempt from Rule 18(b).
 - 12. The application should be granted to the extent set forth below.
 - 13. Because of the public interest in competitive interLATA and intraLATA services, the following order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity (CPCN) is granted to Roseville Long Distance Company (applicant) to provide nondominant interexchange carrier (NDIEC) facilities-based and resale interLocal Access and Transport Area (interLATA) telecommunications services and, to the extent authorized by Decision (D.) 94-09-065, intraLocal Access and Transport Area (intraLATA) telecommunications services offered by communication common carriers in California, subject to the terms and conditions set forth below.

2. Applicant's authority to provide facilities-based intraLATA service is limited within Roseville Telephone Company's (RTC) franchise service territory to construction of tandem switches and other network elements that will permit applicant to offer common features for both intraLATA and interLATA long distance services. Applicant is not authorized to construct intraLATA transmission and end-office switching facilities within RTC's franchise service territory for the purpose of service in RTC's service area without further approval of the Commission.

3. Applicant shall file a written acceptance of the certificate granted in this proceeding.

4. a. Applicant is authorized to file with this Commission tariff schedules for the provision of interLATA and intraLATA service. Applicant may not offer interLATA and/or interLATA service until tariffs are on file. Applicant's initial filing shall be made in accordance with General Order (GO) 96-A, excluding Sections IV, V, and VI, and shall be effective not less than one day after filing. Applicant shall comply with the provisions in its tariffs.

b. As an NDIEC, the effectiveness of applicant's future tariffs is subject to the schedules set forth in Ordering Paragraph

5 of D.90-08-032 (37 CPUC2d 130 at 158), as modified by D.91-12-013 (42 CPUC2d 220 at 231) and D.92-06-034 (44 CPUC2d 617 at 618):

- "5. All NDIECs are hereby placed on notice that their California tariff filings will be processed in accordance with the following effectiveness schedule:
- "a. Inclusion of FCC-approved rates for interstate services in California public utilities tariff schedules shall become effective on one (1) day's notice.
 - "b. Uniform rate reductions for existing services shall become effective on five (5) days' notice.
 - "c. Uniform rate increases, except for minor rate increases, for existing services shall become effective on thirty (30) days' notice, and shall require bill inserts, a message on the bill itself, or first class mail notice to customers of the pending increased rates.
 - "d. Uniform minor rate increases, as defined in D.90-11-029, for existing services shall become effective on not less than five (5) working days' notice. Customer notification is not required for such minor rate increases.
 - "e. Advice letter filings for new services and for all other types of tariff revisions, except changes in text not affecting rates or relocations of text in the tariff schedules, shall become effective on forty (40) days' notice.
 - "f. Advice letter filings merely revising the text or location of text material which do not cause an increase in any rate or charge shall become effective on not less than five (5) days' notice."

5. Applicant may deviate from the following provisions of GO 96-A: (a) paragraph II.C.(1)(b), which requires consecutive sheet numbering and prohibits the reuse of sheet numbers, and (b) paragraph II.C.(4), which requires that "a separate sheet or series of sheets should be used for each rule." Tariff filings incorporating these deviations shall be subject to the approval of the Commission's Telecommunications Division. Tariff filings shall reflect all fees and surcharges to which applicant is subject, as reflected in Conclusion of Law 8. Applicant is also exempt from GO 96-A, paragraph III.G.(1) and (2) which requires service of advice letters on competing and adjacent utilities, unless such utilities have specifically requested such service.

6. Applicant shall file as part of its initial tariff, after the effective date of this order and consistent with Ordering Paragraph 3, a service area map.

7. Prior to initiating service, applicant shall provide the Commission's Consumer Services Division with the applicant's designated contact person(s) for purposes of resolving consumer complaints and the corresponding telephone number. This information shall be updated if the name or telephone number changes or at least annually.

8. Applicant shall notify this Commission in writing of the date interLATA service is first rendered to the public within five days after service begins and again within five days of when intraLATA service begins.

9. Applicant shall keep its books and records in accordance with the Uniform System of Accounts specified in Title 47, Code of Federal Regulations, Part 32.

10. Applicant shall file an annual report, in compliance with GO 104-A, on a calendar-year basis using the information request form developed by the Commission Staff and contained in Attachment A.

11. Applicant shall ensure that its employees comply with the provisions of Public Utilities (PU) Code § 2889.5 regarding solicitation of customers.

12. The certificate granted and the authority to render service under the rates, charges, and rules authorized will expire if not exercised within 12 months after the effective date of this order.

13. The corporate identification number assigned to applicant is U-5817-C which shall be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

14. Within 60 days of the effective date of this order, applicant shall comply with PU Code § 708, Employee Identification Cards, and notify the Director of the Telecommunications Division in writing of its compliance.

15. Applicant is exempted from the provisions of PU Code §§ 816-830.

16. Applicant is exempted from PU Code § 851 for the transfer or encumbrance of property, whenever such transfer or encumbrance serves to secure debt.

17. If applicant is 90 days or more late in filing an annual report or in remitting the fees listed in Conclusion of Law 8, Telecommunications Division shall prepare for Commission consideration a resolution that revokes the applicant's CPCN, unless the applicant has received the written permission of Telecommunications Division to file or remit late.

18. Applicant's motion to dismiss the protest of Infonxx Inc. is granted.

19. The joint motion of applicant and AT&T Communications of California, Inc. for adoption of a settlement agreement is granted. The Settlement Agreement is contained in Attachment B.

20. Applicant is not relieved of any duties otherwise ordered by D.97-04-083, including, but not limited to, tracking the actual

costs of implementing intraLATA presubscription, filing a cost analysis and proposed tariff 18 months after implementing intraLATA presubscription, notifying other carriers at least 45 days prior to the date of intended implementation of intraLATA presubscription, and submitting all proposed customer notices to the Commission's Telecommunications Division for review and approval prior to distribution.

21. The application is granted, as set forth above.

22. Application 97-01-037 is closed.

This order is effective today.

Dated August 1, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

TO: ALL INTEREXCHANGE TELEPHONE UTILITIES

Article 5 of the Public Utilities Code grants authority to the California Public Utilities Commission to require all public utilities doing business in California to file reports as specified by the Commission on the utilities' California operations.

A specific annual report form has not yet been prescribed for the California interexchange telephone utilities. However, you are hereby directed to submit an original and two copies of the information requested in Attachment A no later than March 31st of the year following the calendar year for which the annual report is submitted.

Address your report to:

California Public Utilities Commission
Auditing and Compliance Branch, Room 3251
505 Van Ness Avenue
San Francisco, CA 94102-3298

Failure to file this information on time may result in a penalty as provided for in §§ 2107 and 2108 of the Public Utilities Code.

If you have any question concerning this matter, please call (415) 703-1961.

ATTACHMENT A

Information Requested of California Interexchange Telephone Utilities.

To be filed with the California Public Utilities Commission, 505 Van Ness Avenue, Room 3251, San Francisco, CA 94102-3298, no later than March 31st of the year following the calendar year for which the annual report is submitted.

1. Exact legal name and U # of reporting utility.
2. Address.
3. Name, title, address, and telephone number of the person to be contacted concerning the reported information.
4. Name and title of the officer having custody of the general books of account and the address of the office where such books are kept.
5. Type of organization (e.g., corporation, partnership, sole proprietorship, etc.).
If incorporated, specify:
 - a. Date of filing articles of incorporation with the Secretary of State.
 - b. State in which incorporated.
6. Commission decision number granting operating authority and the date of that decision.
7. Date operations were begun.
8. Description of other business activities in which the utility is engaged.
9. A list of all affiliated companies and their relationship to the utility. State if affiliate is:
 - a. Regulated public utility.
 - b. Publicly held corporation.
10. Balance sheet as of December 31st of the year for which information is submitted.
11. Income statement for California operations for the calendar year for which information is submitted.

(END OF ATTACHMENT A)

A.97-01-037 ALJ/BWM/sng

(ATTACHMENT B)

SETTLEMENT AGREEMENT

This **SETTLEMENT AGREEMENT**, executed this 4th day of June 1997, is entered into by and among the following parties (hereinafter collectively "the Parties"):

Roseville Telephone Company ("RTC")
Roseville Long Distance Company ("RLDC")
AT&T Communications of California, Inc. ("AT&T")

WHEREAS, on January 28, 1997, Roseville Long Distance Company filed Application 97-01-037 with the California Public Utilities Commission ("CPUC") for a certificate of public convenience and necessity to provide interLATA and intraLATA telephone services;

WHEREAS, on February 18, 1997, AT&T Communications of California, Inc., submitted a protest of A. 97-01-037; and

WHEREAS, the Parties have negotiated in good faith, and in accordance with the commission's desire to resolve matters, where possible, through alternatives to litigation, to reach a settlement regarding this matter, and have, reached an agreement regarding the issues related to A. 97-01-037.

NOW THEREFORE, the Parties agree as follows:

1. The application of RLDC to provide interLATA and intraLATA telecommunications services within the State of California is reasonable and should be granted.
2. RTC will convert its central offices to intraLATA equal access by February 8, 1999, or on the effective date of tariffs to be submitted by RLDC pursuant to the forthcoming order of the CPUC in A.97-01-037, whichever is sooner, and in accordance with decisions of the Federal Communications Commission ("FCC") implementing the requirements of the Telecommunications Act of 1996. RTC will notify AT&T at least 45 days prior to the date of intended implementation of intraLATA presubscription.
3. Customer balloting should not be used in connection with the implementation of intraLATA equal access.
4. The full, two-PIC methodology should be used as the method to implement intraLATA equal access. This methodology allows telephone customers to choose separate interLATA and intraLATA telephone service providers.
5. RTC will provide notice to its end user customers of the forthcoming conversion of its serving end offices to intraLATA equal access by means of a bill insert, a copy of which is

attached hereto marked as Exhibit A, and incorporated herein by reference at least forty-five (45) days prior to the respective end office conversion dates subject to any schedule modifications made necessary based on the date on which the CPUC approves its Advice Letter to furnish intraLATA equal access.

6. RTC will allow existing end user customers to make one PIC change without charge within one hundred eighty days following implementation of intraLATA equal access. For purposes of this paragraph, an "existing end user customer" is a customer who is a subscriber to telecommunications services from RTC at the time the customer's end office is converted to intraLATA equal access.

7. The non-recurring charge for intraLATA PIC changes shall be set equal to the current rates of RTC for an interLATA PIC change. The parties understand and agree that these rates may change prospectively as a result of actions taken by this CPUC, another regulatory agency or the courts in the exercise of their lawful jurisdiction.

8. The full nonrecurring PIC change charge shall be levied when an intraLATA PIC change is ordered separately from an interLATA PIC change and/or when a customer presubscribes to different carriers for his/her interLATA and intraLATA toll service at the same time. If a customer changes both his/her interLATA and intraLATA PICs at the same time to the same long distance carrier, RTC will bill the customer the full tariffed interLATA PIC change charge and one-half the full intraLATA PIC change charge. The PIC change charges applicable when an end user customer changes his/her interLATA and intraLATA PICs concurrently to the same long distance carrier described herein is subject to change prospectively if a different rate is ordered by the CPUC, another regulatory agency or the courts, in the exercise of their lawful jurisdiction.

9. Existing customers of RTC who do not select an intraLATA PIC will default to RTC as their intraLATA PIC.

10. New telephone customers of RTC who do not affirmatively select an intraLATA/interLATA long distance provider shall not be presubscribed to any carrier; instead, they will be required to place toll calls on an access code basis (i.e. 10XXX, 800, etc.) basis until they select a carrier on a presubscribed basis.

11. The costs associated with RTC's intraLATA equal access conversion costs shall be recovered over a period of three (3) years beginning on the date it begins billing its respective intraLATA equal access cost recovery rate elements. RTC's intraLATA equal access conversion charge will be billed to all intrastate switched access minutes of use and all intrastate toll minutes of use originating in RTC's service area.

12. Subject to further order from the CPUC, the FCC or the courts in the exercise of their lawful jurisdiction, RTC shall continue to handle all 0- calls (except in the case of pay

telephones where calls can be routed differently through the use of smart sets) for customers to their local exchange service who presubscribe to an intraLATA/interLATA long distance carrier other than themselves.

13. RTC will continue to handle for its local exchange service customers on a nonpresubscribed basis operator and directory assistance services traffic. The procedures for handling 500, 700, 800, 888, 900 and 976 dialing protocols will not change in a presubscribed environment.

14. RTC agrees to implement competitively neutral business office procedures with respect to the handling of PIC change requests. Attached hereto marked as Exhibit B is a description of how RTC will handle PIC change requests in a competitively neutral manner. More specifically, RTC agrees to do the following:

- In dealing with a carrier's service representative, both new and existing customers who raise the subject of intraLATA/interLATA presubscription shall be advised that they have a choice of service providers for both intraLATA and interLATA services, including the local exchange carrier and affiliated companies.
- If a new customer asks for a specific company to be his/her intraLATA/interLATA provider, the service representative will not attempt to persuade the customer to choose another carrier unless the carrier requested does not provide service in the customer's service area. In the latter case, the procedures set forth below will apply.
- If a new customer has not decided upon a specific carrier for intraLATA/interLATA service, or if the intraLATA/interLATA provider requested does not provide service in the customer's area, the service representative will provide the customer with a list of available carriers from a list that is randomly generated. The choices will be read off the list in the order that they appear on the representative's screen.
- If a new customer requests more information about an intraLATA/interLATA carrier other than the existing carrier, the service representative will provide the caller with the carrier's 800 number if one has been provided by the carrier.
- If a customer contacts the service representative to advise of an address change, with or without a number change, the caller will be treated as a new customer.
- If a caller reports trouble in placing intraLATA/interLATA toll calls, the service representative first will determine whether the customer is presubscribed to an intraLATA/interLATA toll provider. If so, the call will be handled as a service complaint pursuant to the procedure in effect with that provider. If the customer

is not presubscribed, the customer will be so advised and will be asked to select a provider either by name or, if the customer has no preference, then from a randomly generated list as discussed above.

- Service representatives may sell or market their intraLATA/interLATA long distance services, or those of their affiliates, if the caller agrees to hear information about toll or long distance services available from the called provider. If, however, the CPUC modifies Ordering Paragraph 13(g) of D. 97-04-083 (April 23, 1997), RTC agrees to modify the procedures set forth in this paragraph with respect to both interLATA and intraLATA long distance services in accordance with the modification.
- Service providers shall not use customer provided network information (CPNI) in any manner that violates § 702 of the Telecommunications Act of 1996.
- RTC's customer contact personnel may sell and/or market their company's long distance services and those of other affiliated companies when handling "general service" calls. A general service call is a call to RTC requesting general information about its company's services, the establishment or removal of the company's services, billing inquiries, or calls relating to any other aspects of a customer's service provided by the company. "General service" calls do not include calls requesting a specific PIC change, address change requests from existing customers (whether or not a number change is involved), and initial requests for service. These non-general service calls will be handled in accordance with the competitively neutral procedures described above. For calls from RTC customers to the RTC business office, RTC will not include any announcement on any interactive voice response (IVR) or automatic call distribution (ACD) system that specifically requests that RTC customers change or not change their intraLATA/interLATA PIC choice.

15. The business office procedures described in paragraph 14 shall remain in effect until one year following implementation of intraLATA presubscription.

16. This Settlement Agreement is subject to approval by the CPUC. The Parties agree to file a Motion with the CPUC to request approval of this Settlement Agreement.

17.a. The parties further agree that by entering into this Settlement Agreement, they are not waiving any legal rights they may have against any other party to this Settlement Agreement in a proceeding that is now pending before this CPUC, or which may be asserted in the future except to the extent that the assertion of such a claim conflicts with or would tend to undermine this Settlement Agreement.

b. The parties agree that the CPUC shall have jurisdiction over this Settlement Agreement, and that any party seeking interpretation of this Settlement Agreement enforcement of this Settlement Agreement, or the assertion of rights pursuant to this Settlement Agreement shall seek redress first from the CPUC.

18. The parties further agree that no signatory to this Settlement Agreement, nor any member of the staff of the CPUC, assumes any personal liability as a result of this Settlement Agreement. The parties further agree that no legal action may be brought in any state or federal court, or in any other forum, against any individual signatory, party representative, or staff member related to this Settlement Agreement.

19. The Parties each agree, without further consideration, to execute and/or cause to be executed any other documents, and to take any other action as may be necessary, to effectively consummate the subject matter of this Settlement Agreement.

20. This Settlement Agreement shall not establish, be interpreted as establishing, or be used by any party to establish or to represent their relationship as any form of agency, partnership or joint venture. No party shall have any authority to bind the other or to act as an agent for the other unless written authority, separate from this Settlement Agreement, is provided.

21. This Settlement Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, executors, administrators, parent companies, subsidiary companies, affiliates, divisions, units, agents, attorneys, officers, directors and shareholders.

22. This Settlement Agreement and the provisions contained here shall not be construed or interpreted for or against any party hereto because that party drafted or caused its legal representative to draft any of its provisions.

23. This Settlement Agreement shall be governed by and interpreted in accordance with the domestic laws of the State of California and in accordance with the rules, regulations and General orders of the CPUC.

24. This Settlement Agreement shall not be construed by or deemed precedential by any Party or the CPUC with respect to the establishment of intraLATA equal access terms, conditions and conversion schedules for any other local exchange carriers subject to the obligation to provide intraLATA equal access.

25. This Settlement Agreement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.

26. The provisions of this Settlement Agreement are not severable. If the CPUC or any court of competent jurisdiction rules that any material provision of this Settlement Agreement is invalid or unenforceable, or materially modifies any material provision of this Settlement Agreement, then this Settlement Agreement shall be deemed rescinded and the Parties returned to the status quo as of the date of the execution of this Settlement Agreement.

27. The Parties hereto acknowledge each has read this Settlement Agreement, that each fully understands its rights, privileges and duties under this Settlement Agreement, and that each enters this Settlement Agreement freely and voluntarily.

28. The undersigned hereby acknowledge and covenant that they have been duly authorized to execute this Settlement Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have executed this Settlement Agreement below:

AT&T COMMUNICATIONS OF CALIFORNIA, INC.

By: William A. Ettinger
William A. Ettinger
Its Attorney

ROSEVILLE LONG DISTANCE COMPANY

By: Mark P. Schreiber
Mark P. Schreiber
Its Attorney

ROSEVILLE TELEPHONE COMPANY

By: Mark P. Schreiber
Mark P. Schreiber
Its Attorney

EXHIBIT A

ALTERNATIVES AVAILABLE FOR LOCAL TOLL CALLING*

This information is provided by Roseville Telephone as required by the California Public Utilities Commission

Beginning (*to be determined*), you can pre-select the company you want to handle your local toll calls. These are calls within your service area, but outside your local calling area. Unless you request a change, Roseville Telephone Company will continue to handle your local toll calls. Regardless of what company you choose, you won't have to dial additional digits to place these long-distance calls.

You may sign up with a toll provider other than Roseville Telephone Company with no change charge through (*to be determined*). Each subsequent change will cost \$6.00.

If you choose to make a change, that change will apply only to local toll service. The change will have no impact on the services you currently have for calls between service areas in California or outside California unless you request to make changes to those services.

This change has been approved by the California Public Utilities Commission.

* Local toll calls are placed and completed within your service area. Please see map illustrating your service area in the Roseville Telephone Company Directory on page 16A.

EXHIBIT B

PRESUBSCRIPTION

Abbreviations:

- IXC - Inter-Exchange Carrier
- PIC - Primary Interexchange Carrier
- Rep - Roseville Telephone Company Customer Service Representative.
- RLD - Roseville Long Distance Company
- RTC - Roseville Telephone Company

Presubscription Script:

RTC's presubscription procedures are separated into four categories of customer calls:

- I. New Service Calls - initial requests for RTC service.
- II. General Service Calls- calls from existing RTC customers requesting general information, information about specific RTC or RTC affiliate services, the establishment or removal of an RTC service, billing inquiries, or calls relating to any other aspects of a customer's service.
- III. PIC/Address Change Calls- calls requesting a specific PIC change or address change requests from existing customers (whether or not a number change is involved).
- IV. PIC Service Calls - calls in which a caller reports trouble with an existing PIC or requests a PIC freeze authorization.

New Service Calls:

After taking other new account set-up information, the Rep will move to DXC presubscription.

Rep: "Who would you like your long distance carrier to be?"

<i>Possible Questions from Customer:</i>	<i>RTC Customer Service Representative Responses:</i>
What is equal access, and how does it affect me as an RTC customer?	Presently your intraLATA long distance service is provided by RTC, your local telephone company. Now with intraLATA equal access, all local telephone customers will have a choice of which company provides your intraLATA toll. This gives all carriers equal access to provide intraLATA long distance services. If you would like for RTC to continue to provide your intraLATA long distance services, you don't have to make a change. If you would like to make a change, I would be happy to handle your request.
Do I have to make an intraLATA choice now? I'm not ready to make a choice now.	You are not required to choose now, but until you do, in order to make an intraLATA toll call you will have to dial the applicable long distance access number or code prefix. Otherwise, toll calling will be blocked.
Do I have to make an interLATA choice now? I'm not ready to make a choice now.	You are not required to choose now, but until you do, in order to make an interLATA toll call you will have to dial the applicable long distance access number or code prefix. Otherwise, toll calling will be blocked.
Does RTC provide intraLATA toll? What can you tell me about RTC's intraLATA toll service?	Yes. We are one of the service providers. I will provide you that information.

I. New Customers, continued

<i>Possible Questions from Customer:</i>	<i>RTC Customer Service Representative Responses:</i>
Does RTC provide interLATA toll/ What can you tell me about that service?	Yes. RTC provides interLATA toll through its affiliate Roseville Long Distance Company. I would happy to give you some information or answer any questions that you have about RLD.
<p>I want (_____) for my interLATA carrier <i>"carrier choice"</i></p> <p>or</p> <p>I want (_____) for my intraLATA carrier <i>"carrier choice"</i></p>	<p>The customer will be advised if their carrier choice is not included on the list. The Rep will request an alternative choice. If requested, the Rep will provide the list of carriers serving the jurisdiction.</p> <p>If the customer's choice is a carrier for whom RTC is a billing agent, the Rep will answer any questions and handle account set-up, otherwise:</p> <p>"I will handle your request, however, you must contact (carrier choice) directly if you have questions about rates or services. The number for (carrier choice) is ..."</p>
<p>I want (_____) to be my interLATA and intraLATA carrier. <i>"carrier choice"</i></p> <p>Can I choose them for both?</p>	<p>Yes or no, as applicable. The customer will be advised if his or her specified carrier choice is not on the list. The Rep will request an alternative choice. If requested, the Rep will provide the list of carriers serving the jurisdiction.</p>

I. New Customers, continued

<i>Possible Questions from Customer:</i>	<i>RTC Customer Service Representative Responses:</i>
<p>Request for new service and the customer is unsure which carrier to choose for intraLATA and/or interLATA toll.</p>	<p>If you are unsure, I can read you a list of companies who can provide your (intraLATA and/or interLATA as applicable) long distance service.</p> <p><i>(The Rep will read from current day's randomly ordered list - Company names will be read in the order presented)</i></p> <p>The Rep will preface the reading of the list with "...feel free to stop me at any time if you are ready to make a selection."</p> <p>If the Rep is not stopped by the customer while reading the list, he will pause after every four or five items and ask "...would you like to hear more options?"</p> <p><i>The Rep will continue in this manner until a selection is made.</i></p>
<p>Will RTC I recommend an intraLATA and/or interLATA carrier or have an opinion as to which carrier may be better than others.</p>	<p>Regulations prohibit me from prejudicing your choice of toll providers. This is a personal choice best made by researching various plan features and benefits and weighing each in relation to your individual needs. I can provide you information about companies that RTC is a billing agent for, or I can provide you with an 800-number of those companies you are interested in. You can contact them directly and find out which one best meets your needs.</p>

II. General Service Calls -

A general service call is one in which an existing customer calls RTC requesting general information, information about specific RTC or RTC affiliate services, the establishment or removal of an RTC service, billing inquiries, or calls relating to any other aspects of a customer's service.

During these calls, Reps may sell and/or market RTC intraLATA toll services and Roseville Long Distance InterLATA/IntraLATA toll services. Reps will refer to marketing sheets for marketing and rate information.

III. PIC/Address Change Calls -

A PIC/Address change call is one in which an existing RTC customer requests a specific intraLATA and/or interLATA PIC change or an address change (whether or not a number change is involved).

These calls will be handled in accordance with the procedures for new customers (see section I. above).

IV. PIC Service Calls -

"No - PIC" Complaints:

RTC Rep Response

I am having trouble placing local toll calls. How can I fix this problem?	If RTC records show that the customer does not have an intraLATA/InterLATA toll provider, Rep will so advise customer and ask for the name of the customer's desired carrier. If customer is unsure, Rep will follow procedures from section I., "New Customers" for reading from the IXC list. If the records show that customer has selected an intraLATA/ InterLATA toll provider, the Rep will handle the call through normal RTC trouble clearing procedures.
What's equal access ?	The Rep will refer to the response offered in section I. "New Customers".

IV. PIC Service Calls - continued

PIC Freeze inquiries:

RTC Rep Response:

I do not want my (intraLATA and/or interLATA) carrier changed without my permission. What do I have to do?

At your request, your account will be restricted so that only you can make changes to your PC selection(s). Your request will be verified through a password or private information.

(END OF ATTACHMENT B)