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Decision 97-08-048 August 1, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone Company of California, a corporation, for authority to increase certain intrastate rates and charges for telephone services.

Application 83-07-02 (Petition for Modification Filed May 1, 1986)

And Related Matter.

OII 83-08-02 (Petition for Modification Filed May 1, 1986)

FINAL OPINION

ORIGINAL

In these consolidated proceedings which remain open, Ordering Paragraph 5 of Decision (D.) 85-08-093 (18 CPUC2d, 669 (1985) (identified, but not reported), required 14 small local exchange carriers (LECs)¹ to participate in an informal workshop to arrive at an appropriate attrition mechanism. In the event that the informal workshop did not lead to a reasonable attrition mechanism or procedure in connection with General Order 96-A, then the small LECs were invited to file a petition for hearings in these consolidated proceedings to address the small LECs' attrition mechanism. Upon the filing of such a petition, with good cause demonstrated, hearings would be set.

1 Calaveras Telephone Company California-Oregon Telephone Co. Capay Valley Telephone System, Inc. Ducor Telephone Company Evans Telephone Company Foresthill Telephone Company Happy Valley Telephone Company

Hornitos Telephone Company Kerman Telephone Company Pinnacles Telephone Company Ponderosa Telephone Company Sierra Telephone Company Siskiyou Telephone Company Volcano Telephone Company

Subsequently, on May 1, 1986, the small LECs filed a petition for adoption of the simplified attrition mechanism agreed to at the informal workshop. A response to the petition was filed by Toward Utility Rate Normalization (TURN) on June 10, 1986.²

During the same time period in which the petition and response were filed, the telecommunications industry began to transition from traditional monopoly regulation to reliance on competition and market forces. Hence, no action was taken on the small LECs' petition.

In November 1987, we instituted an investigation (I.87 11-033) into alternative regulatory frameworks for the LECs to facilitate this competitive market transition which resulted in the adoption of a new regulatory framework (NRF) for the large LECs Pacific Bell and GTE California, Inc. (GTEC). By decision (D.) 95-11-024 and D.96-12-074 in the General Rate Cases of Citizens Utilities Company of California and Roseville Telephone Company, respectively, we adopted NRF-Style regulations for these mid-size LECs.³ By D.94-09-065 (56 CPUC2d 117 at 289 (1994)) the small LECs, now totaling 17, were required to file individual general rate case (GRC) proceedings by December 31, 1995. Although the small LECs had the option of filing their GRCs under the traditional rate making method or NRF, all 17 small LECs filed under the traditional rate making method. Subsequent to the granting of the small LECs' rate requests, we instituted a rulemaking (R.97-06-038) on June 25, 1997, into the establishment of a rate case plan (RCP) for small LECs.

Given the change in the telecommunications industry from the date the petition was filed to today and the institution of

² TURN now stands for the Utility Reform Network.

³ Contel of California, the state's other mid-size LEC, is in the last phase of its merge with GTEC.

R.97-06-038, the small LECs petition should be denied and these consolidated proceedings should be closed.

Findings of Fact

1. The small LECs were invited to file a petition in these consolidated proceedings, if an informal workshop did not lead to a reasonable attrition method.

2. The small LECs filed a petition for adoption of the simplified attrition mechanism agreed to at an informal workshop.

3. TURN filed a response to the petition.

4. The telecommunications industry was beginning to transition from traditional monopoly regulation to reliance on competition and market forces during the same time period that the petition and response were filed.

5. The large and mid-size LECs have transitioned from the traditional regulatory framework to NRF.

6. The small LECs were required to file GRCs by December 31, 1995, under either the traditional rate-of-return regulation or NRF.

7. All 17 small LECs filed GRCs under the traditional rate-of-return regulation.

8. A rulemaking was opened to establish a Rate Case Plan for the small LECs.

Conclusion of Law

The small LECs' petition for adoption of a simplified attrition mechanism should be denied.

FINAL ORDER

IT IS ORDERED that:

1. The petition for a simplified attrition mechanism filed by the small Local Exchange Carriers listed on page 1, of the footnote 1, is denied.

2. Application 83-07-02 and Order Instituting Investigation 83-08-02 are 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