

Decision 98-06-028 June 4, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Roseville Telephone Company to
Restructure Intrastate Rates and Charges
and To Implement A New Regulatory
Framework for Telephone Services
Furnished Within the State of California.

ORIGINALA.95-05-030
(Filed May 15, 1995)

Order Instituting Investigation Into the
Rates, Charges, Service, Practices and
Regulation of Roseville Telephone
Company

I.95-09-001
(Filed September 7, 1995)

**ORDER GRANTING LIMITED REHEARING
OF DECISION 96-12-074 ON SPECIFIED ISSUES AND
OTHERWISE DENYING REHEARING**

I. SUMMARY

On January 23, 1997, Roseville Telephone Company (Roseville) filed an application for rehearing of Decision (D.) 96-12-074 in which the Commission authorized a general rate increase in conjunction with adopting a new regulatory framework (NRF) for Roseville that is similar to that developed for Pacific Bell and GTE California Incorporated. The proceeding leading to our decision was a major undertaking requiring a comprehensive review of Roseville's operations.

Roseville now applies for rehearing of the decision with respect to the calculation of certain data on which the new, authorized rates were based. Pursuant to Section 1732 of the California Public Utilities Code, Roseville argues that findings of fact with respect to these calculations are legally required, but are not included in the decision, and that some calculations which can be determined from the decision may be in error.

After careful review of Roseville's application, we hereby grant rehearing, with one exception, and remand this matter to the assigned Administrative Law Judge (ALJ) to allow for clarification of the calculations in question, and to modify and/or supplement the findings of fact and rate orders as shall be determined necessary. We deny rehearing, however, of Roseville's claim to a \$1.8 million increase of its revenue requirement. (Application, p. 4, re: correction of rate design calculations.) This particular issue was resolved by D.97-12-045 in which the Commission modified our original decision to increase Roseville's rates effective January 1, 1998 by approximately \$1.8 million annually. (D.97-12-045, Finding of Fact 2, Ordering Paragraph 1, Attachment 2.)

II. DISCUSSION

A. Review To Clarify Calculations and Establish Findings of Fact.

With respect to the requirements of Section 1705 of the California Public Utilities Code, we first determine that certain matters discussed by Roseville in its application are material to our decision, and, therefore, require some supplemental explanation and findings on how we weighed the record evidence. These matters are: a) the output growth factor of 4.5% which we relied on in Findings of Fact 19 and 20 of D.96-12-074; b) the customer operations expense growth factor of 6% which is used to set Roseville's expenses; c) the allowance for funds used during construction which impacts the test year numbers; d) the telephone plant in service we employed in our calculations; and e) the reduction of expenses for three employees. Where appropriate, upon rehearing findings of fact will be stated and appendices summarizing pertinent calculations will be developed to supplement our original decision.

B. Review and Correction of Calculation Error

In addition to challenging the decision for omitted findings on material matters, Roseville also claims that the decision erroneously applies a portion of the disallowance of FTTC expenses twice, and does not explain the calculations. (See D. 96-

12-074, p. 77, and Findings of Fact 42-43.) Roseville is correct. In our decision we found it reasonable to disallow \$520,187 for the cost of FTTC in excess of the cost of copper. In error, however, we twice attributed 30% of this amount in our calculation of Roseville's rate base. Accordingly, we will immediately correct this item and order in the present decision the reinstatement of \$156,056 in rate base. However, we shall allow Roseville the opportunity to review the related rate calculations affected by this change as part of the rehearing procedure.

III. CONCLUSION

We want to make clear that rehearing is limited to the identified matters for the purpose of confirming the data, explaining the calculations, and formulating the required findings of fact. This proceeding, which newly applied to Roseville the rate design principles adopted in the Implementation Rate Design (IRD) decision, D. 94-09-065, restructured and reset Roseville's rates. The proceeding has been complex, and the decision here challenged by Roseville was lengthy. Rehearing should assure the accuracy of a few of the remaining details of our comprehensive rate order which sets the basis for Roseville's new regulatory framework and brings Roseville into the emerging competitive market of telecommunications carriers.

IT IS THEREFORE ORDERED:

1. The application for rehearing of D. 96-12-074 is denied with respect to a shortfall of \$1.8 million in Roseville's revenue requirement since the matter complained of was corrected in D. 97-12-045 wherein the Commission increased Roseville's rates effective January 1, 1998 by \$1.8 million annually.
2. The application for rehearing of D. 96-12-074 is granted, as discussed above, with respect to the following matters: a) Output Growth Factor of 4.5%, b) Customer Operations Expense Growth Factor of 6%, c) Allowance for Funds Used During Construction (AFUDC), d) Telephone Plant In Service, e) Reduction of Three Employee Expenses.

3. The application for rehearing of D. 96-12-074 is also granted with respect to increasing Roseville's rate base by \$156,056, as discussed above in Section B (2) regarding the FTTC disallowance. The impact of this change in rate base shall be part of the rehearing proceeding established pursuant to Ordering Paragraph 2.

4. This matter is remanded to the assigned ALJ for limited rehearing which shall be conducted in such manner as shall hereafter be determined necessary.

5. The Executive Director shall provide notice of such limited rehearing to the parties to this proceeding, and all other persons and entities appearing on the service list of these consolidated proceedings, in the manner prescribed by Rule 52 of the Commission's Rules of Practice and Procedure.

This order is effective today.

Dated June 4, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners