

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Accounting & Finance Branch

RESOLUTION F-622
December 9, 1988

R E S O L U T I O N

**GTE CALIFORNIA INCORPORATED: ORDER APPROVING
INCREMENTAL SURCHARGE FOR 1988 USOAR MEMORANDUM
ACCOUNT REVENUE REQUIREMENT EFFECTS AND THE ONGOING
USOAR INCREMENTAL SURCHARGE. ADVICE LETTER 5169,
DATED SEPTEMBER 30, 1988.**

SUMMARY

On September 30, 1988 GTE California Incorporated (GTEC) filed Advice Letter 5169 in compliance with Ordering Paragraph (O.P.) 2 of Decision 88-08-024 and O.P. 1, 2, and 14 of (3 and 8) Decision 88-09-030. Decision 88-08-024 provides that the revenue requirement changes for GTEC currently being accumulated in memorandum accounts will be placed in rates through either a refund or a surcredit/surcharge mechanism on a bill-and-keep basis using an estimated 1989 billing base. Decision 88-09-030 requires GTEC to update its Uniform System of Accounts (USOA) balancing account with six months of data, to use the Federal Reserve Statistical Release 90-day commercial paper rate to calculate interest on the average monthly USOA revenue requirement balance, and to propose a method to close out its existing USOA balancing account.

GTEC's filing develops a surcharge on a bill-and-keep basis using an estimated 1989 billing base to implement authorized revenue changes on an ongoing basis. The filing reflects the closing out of GTEC's 1988 memorandum/balancing account which currently consists of GTEC's 1988 revenue requirement effects associated with the adopted Federal Communications Commission's (FCC) USOA Part 32 accounting and Part 36 separations/settlement changes. The advice letter reflects GTEC's proposal to recover its 1988 USOA revenue requirement via a customer billing surcharge over a four-month period beginning January 1, 1989.

The advice letter as adopted charges the 1988 memorandum account balance including interest to the ratepayers over a four-month period beginning January 1, 1989. The increased revenue requirement associated with the 1988 USOA memorandum account is \$39.328 million. The ongoing revenue requirement increase is \$37.997 million.

BACKGROUND

By Interim Decisions D.87-12-063 and D.88-03-072 The FCC's Part 32 and Part 36 (Separations Manual) (USOAR) with modifications discussed in the two decisions was adopted for all telephone companies under the Commission's jurisdiction. Pacific Bell, GTEC, Contel of California, Inc. (ConTel) and Citizens Utilities Company of California (Citizens)

were authorized to record USOA revenue requirement impacts in a balancing account. D.88-09-030 required each utility to update its USOA balancing account with six months of data and to accrue interest calculated on the average monthly balance using the Federal Reserve Statistical Release 90-day commercial paper rate. Ordering Paragraph 8 of this decision states that "GenTel (GTEC) shall apply an adjustment factor identified in this opinion to its construction program impacts if 1988 actual gross plant additions exceed adopted 1988 gross plant additions." As required by D.88-08-024 and D.88-09-030 GTEC filed Advice Letter 5169 proposing a surcharge mechanism whereby the 1988 USOA memorandum account balance and accrued interest would be recovered via a four-month amortization beginning January 1, 1989; and, the ongoing revenue requirement changes would be implemented via an ongoing surcharge effective January 1, 1989. The USOA revenue requirement impacts were calculated using six months of actual data. GTEC also proposes in its advice letter that:

"In order to comply with Ordering Paragraph 8 of Decision No. 88-09-030, GTEC requests the authorization to submit any adjustments to the 1988 and 1989 billing surcharges no later than March 31, 1989 as a result of a review of GTEC's actual 1988 construction programs and separations/settlement arrangements."

The estimated 1988 revenue requirements due to USOAR as filed in this advice letter amounts to \$37.997 million plus the accrued interest for 1988 of \$1.331 million. GTEC's total 1988 USOAR revenue requirement is \$39.328 million. The ongoing revenue requirement effect is \$37.977 million. The 1989 incremental changes (variations from the 1988 figures) for USOAR are incorporated in GTEC's 1989 Attrition filing (Advice Letter No. 5168).

DISCUSSION

On November 14, 1988 a GTEC ratepayer filed a protest to GTEC's advice Letter No. 5169 opposing the 8.91% surcharge and requesting hearings on the merit of this increase. Hearings were held in I.87-02-023 resulting in D.87-12-063, D.88-03-072 and D.88-09-030. This protest is without merit.

The calculations and supporting workpapers for the 1988 USOAR impacts have been reviewed by the Division of Ratepayer Advocates and have been found to be reasonable. Decision 88-08-024 states that GTEC shall use an estimated 1989 billing base to implement authorized revenue changes on an ongoing basis. GTEC's estimate 1989 billing base of \$1,786,754,173 as filed in the advice letter has been reviewed and found to be a reasonable base to develop the surcharge for the 1988 memorandum account balance and the ongoing revenue requirement changes. GTEC's proposal to amortize the 1988 memorandum account balance via a four-month surcharge effective January 1, 1989 is reasonable as this method allows for a timely recovery yet also allows for mitigation of fluctuations in usage patterns.

The surcharge changes implemented in this advice letter will be spread evenly over the three intrastate services: intralata exchange, intralata toll and intrastate access. The surcharge increment for the 1988 memorandum account revenue requirement changes of \$39.328 million is 6.78%, effective January 1989 through April 1989. The surcharge increment for the ongoing revenue requirement impacts for USOAR of \$37.997 million is 2.13% effective January 1, 1989. Therefore the incremental surcharge for intralata exchange services, intralata toll services and intrastate access services will be 8.91% from January 1, 1989 through April 30, 1989 and then drop to 2.13% beginning May 1, 1989.

Ordering Paragraph 8 allows for an adjustment factor to be applied to the actual capital to expense shift figure to yield an adopted capital to expense shift for USOA revenue requirement purposes only if 1988 actual gross plant additions exceed 1988 adopted gross plant additions. GTEC's proposal to adjust its 1988 and 1989 USOAR revenue requirement impacts no later than March 31, 1989 in compliance with O.P. 8 is reasonable. Therefore, GTEC should be allowed to file on or before March 31, 1989 to request this adjustment if so warranted. However, D.88-09-030 does not allow for an adjustment of the USOAR revenue requirement impacts after review of actual 1988 separation/settlement arrangements. GTEC's request is not in compliance with D.88-09-030 and should not be adopted herein. If the utility wishes to pursue its request, a petition to modify D.88-09-030 would be required.

FINDINGS OF FACTS

1. GTEC's proposed intrastate surcharge mechanism to account for the 1988 memorandum account balance for the Uniform System of Accounts Rewrite (D.87-12-063, D.88-03-072, and D.88-09-030) and the ongoing revenue requirement changes associated with USOAR is reasonable.
2. GTEC's proposal to amortize the 1988 USOAR memorandum account balance including accrued interest over four months beginning January 1, 1989 is reasonable.
3. The revenue requirement increase resulting from the 1988 USOAR memorandum account of \$39.328 million is reasonable.
4. The ongoing revenue requirement increase resulting from USOAR of \$37.997 million is reasonable.
5. GTEC'S 1989 estimated billing base of \$1,786,754,173 is reasonable.
6. The incremental intrastate surcharge applied to intralata exchange services, intralata toll services and intrastate access services and effective January 1, 1989 through April 30, 1989 of 8.91% is reasonable.

7. The incremental intrastate surcharge applied to intralata exchange services, intralata toll services and intrastate access services and effective May 1, 1989 of 2.13% is reasonable.
8. GTEC's proposal to file an advice letter no later than March 31, 1989 in compliance with O.P. 8 of D.88-09-030 is reasonable.
9. GTEC's proposal to adjust 1988 and 1989 USOAR revenue requirements after a review of actual 1988 separations/settlement arrangements is not in compliance with D.88-09-030 and should not be addressed in this Resolution.

IS ORDERED THAT:

- (1) The incremental billing surcharge of 8.91% on a bill-and-keep basis shall become effective January 1, 1989 and remain in effect through April 30, 1989.
- (2) The incremental billing surcharge of 2.13% on a bill-and-keep basis shall become effective May 1, 1989.
- (3) This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 9, 1988. The following Commissioners approved it.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director