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RESOLUTION NO. T-11002

EVALUATION AND COMPLIANCE
DIVISION

DATE: January 8, 1986

R E S O L U T I O N

____ Director
____ Numerical File
____ Alphabetical File
____ Accounting Officer

SUBJECT: Tuolumne Telephone Company. Order authorizing directory assistance charges (\$ 522), the elimination of the 7.1 percent intrastate message toll billing surcharge (-\$ 85,083), the implementation of Optional Residence Telephone Service (ORTS) from Shingletown and Oak Run to Redding, and tariff revisions to the FEX service. These authorized changes result in a net decrease in annual revenues of \$ 84,561. Resolution T-11002.

WHEREAS: TUOLUMNE TELEPHONE COMPANY amends in its entirety its Advice Letter No.102-T and Supplement I with Supplement II filed on December 13, 1985, which requests authority under Section VI of General Order No.96-A and Section 454 of the Public Utilities Code to make the following tariff revisions:

1. to charge for directory assistance calls,
2. to eliminate the 7.1 percent Intrastate Message Toll Billing Surcharge,
3. to implement Optional Residence Telephone Service (ORTS) from Shingletown and Oak Run to Redding, and
4. to freeze FEX service to existing customers at existing locations.

Tuolumne serves about 3600 customers in the Counties of Tuolumne, Shasta, and Tehama with 1500 in the Tuolumne exchange and 2100 in the Shingletown and Oak Run exchanges.

On December 13, 1985, Tuolumne Telephone Company filed Supplement II to Advice Letter No.102-T, its G.O.96A rate increase filing. In Supplement II, Tuolumne states that a general rate increase is not warranted at this time due to an improvement in the economic environment and an improvement in toll earnings. Instead Tuolumne requests the tariff revisions discussed below:

1. To implement directory assistance charges in conformance with the rates, charges, and conditions of Pacific Bell (See Pacific Bell Schedule A.5.7.2) resulting in an annual revenue increase of \$ 522. The directory assistance charges were authorized for Pacific Bell by D.84-06-111 dated June 13, 1984. Currently Pacific provides directory assistance service to the customers of Tuolumne and bills Tuolumne for the service. Tuolumne presently has no authorization to pass the charges on to its customers, the cost causers.

Approval of this resolution and concurrence in Pacific's tariff will provide the needed authority. The \$ 522 revenue increase is merely an offset to the cost incurred to the company and the implementation of directory assistance charges is appropriate to transfer the burden of the cost from the general body of ratepayers to those customers who actually use the service.

2. To eliminate the 7.1 percent Intrastate Message Toll Billing Surcharge resulting in a decrease of \$ 85,083 in annual revenue. By resolution T-10656, August 1, 1984, the Commission authorized Tuolumne Telephone Company a 7.1 percent intrastate message toll billing surcharge on all intrastate toll calls which included both interLATA and intraLATA services. Tuolumne requests the elimination the 7.1 percent Intrastate Message Toll Billing Surcharge due to improved earnings and not to AT&T's formal complaint C.85-07-062 filed July 23, 1985. In C.85-07-062 AT&T alleges that the imposition of the intrastate message toll billing surcharge on interLATA services by Tuolumne and other independent telephone companies to its customers is illegal and requests the elimination of the billing surcharge.

3. To offer Optional Residence Telephone Service (ORTS) from its Shingletown and Oak Run exchanges to Pacific's Redding exchange. Presently ORTS is being offered to Tuolumne's customers only from the Tuolumne exchange to Pacific's Sonora exchange. The Commission granted authorization to Tuolumne to implement ORTS from its Tuolumne exchange to Sonora by Resolution No. T-10753, dated October 19, 1983 after the Commission had found that ORIS is a reasonable alternative to "toll-free" service to Sonora. ORTS from the Tuolumne exchange to Pacific's Sonora exchange was implemented on July 1, 1985. Tuolumne's request for ORTS in the Shingletown and Oak Run exchanges is in response to customers' desire for "toll-free" calling to Redding. Tuolumne also requests that the offering of ORTS become effective 30 days after the effective date of this resolution. Tuolumne states the 30 days are needed for customer notification and for programming its billing system. In addition, Tuolumne requests a 60-day waiver period of service connection charges. Staff notes that the Commission has authorized a 90-day waiver period with ORTS implementation by other local exchange telephone companies. Therefore, we will authorized 90-day waiver period of service connection charges.

4. To freeze the FEX service to existing customers at existing locations. FEX service is currently being provided only to customers of the Tuolumne exchange via cross-boundary interconnections to Pacific Bell's Sonora exchange. The number of FEX customers has remained constant at about 80 due to the limited cross-boundary feeds available for FEX service. Effective December 1, 1985, Pacific Bell implemented Metro Measured Service in Sonora. This implementation is part of an on-going statewide conversion program which was authorized by Commission D.90642 dated July 31, 1979. As part of this program, Pacific Bell is re-routing the FEX facilities from cross-boundary to central office-to-central office basis. Tuolumne believes the re-routing of FEX facilities will encourage local exchange customers located near the central office, especially the high usage business customers to subscribe to FEX service. The shift of local exchange customers to FEX service will result in lost revenues. Historically the charges for FEX service have not recovered the

cost of providing FEX service. We note that D.85-03-057 issued March 20, 1985 provides for an Order Instituting Investigation (OII) of FEX service. Until a decision in the forthcoming FEX OII is issued, Tuolumne's request for an interim freeze of FEX service to existing customers on existing locations is reasonable.

It is Staff's opinion that small telephone companies should not be allowed more than one general rate increase every three years. However, since none of the small independents have proposed a reasonable attrition mechanism, three years would appear to be an unreasonably long period between test years. We note that D.85-08-093, dated August 21, 1985, provided for informal workshops, in mid-November 1985, to develop an appropriate attrition mechanism applicable to small independents. A consensus of the workshops is pending. Until an attrition mechanism appropriate for Tuolumne and other small independents is adopted, a more reasonable period between test years would be two years. This is consistent with Commission Resolutions T-10964, issued October 2, 1985 for Evans Telephone Company and T-10986 dated November 13, 1985 for CP National-Telephone.

The Commission finds as facts that:

- a) The implementation of directory assistance charges is just and reasonable.
- b) The elimination of the 7.1 percent Intrastate Message Toll Billing Surcharge is to the benefit of the ratepayers.
- c) Optional Residence Telephone Service (ORTS) is a reasonable alternative in lieu of "toll-free" service to Redding.
- d) The freezing of the FEX service to existing customers at existing locations will prevent the revenue loss due to the FEX service re-routing.

The Commission finds that the rates, charges, and conditions authorized in this Resolution are just and reasonable and present rates, charges and conditions, as they differ from the rates, charges and conditions authorized in this Resolution are for the future unjust and unreasonable; and good cause appearing,

IT IS ORDERED that:

- (1) Within five days from the effective date of this Resolution, Tuolumne shall file a supplemental advice letter with revised tariff schedules to reflect the rates, charges and conditions of service in compliance with this Resolution. The revised tariff schedules shall become effective 15 days after filing and shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission, No. T-11002.
- (2) The 7.1 percent Intrastate Message Toll Billing Surcharge shall be eliminated and not be applicable to services rendered on and after the effective date of the tariff.

(3) ORTS offering shall become effective on March 1, 1986. Service connection charges shall not be applicable to customers' initial requests for ORTS within 90 days after the effective date of the offering.

(4) Tuolumne shall, within 45 days prior to the effective date of the ORTS offering, notify its customers of the ORTS service by a billing insert and through local newspapers.

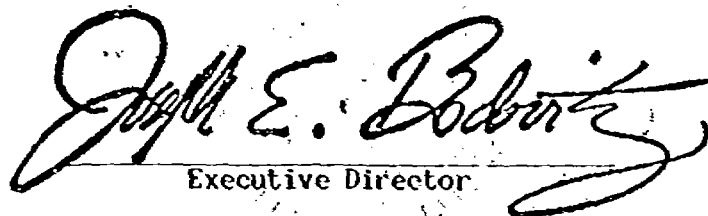
(5) Tuolumne shall not file for a general rate increase prior to May 1987. However, should the Commission approve a timely attrition mechanism applicable to small independent telephone companies which would allow Tuolumne an attrition review for 1986 and 1987, Tuolumne shall not file for a general rate increase prior to May 1988.

(6) The rates and charges in this Resolution are authorized on an interim basis and subject to adjustment pending disposition of Pacific Bell's (A.85-01-34) application and the access charge proceeding, and the forthcoming FEX OII.

The effective date of this Resolution is today.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular meeting of the Public Utilities Commission of the State of California, held on January 8, 1986, the following Commissioners voting favorably thereon:

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
FREDERICK R. DUDA
Commissioners


Executive Director