

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Telecommunications BranchRESOLUTION NO. T-12032  
June 24, 1987R E S O L U T I O N

AT&T COMMUNICATIONS OF CALIFORNIA. ORDER AUTHORIZING DECREASE OF BILLING SURCHARGE ON SWITCHED SERVICES AND PRIVATE LINE SERVICE AND INCREASE OF UNIVERSAL LIFELINE TELEPHONE SERVICE SURCHARGE.

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SUMMARY

This resolution authorizes AT&T Communications of California, Inc. (AT&T-C) to combine and decrease its billing surcharges of 2.583% and 2.379% applicable to Switched Services (NTS/WATS) and Private Line Service, respectively, to one surcharge of 0.108% from July 1, 1987 to December 31, 1987; to increase the surcharge applicable to those services to 1.421% on January 1, 1988; and to increase the Universal Lifeline Telephone Service (ULTS) surcharge from 1.523% to 4.167% effective July 1, 1987.

BACKGROUND

AT&T-C filed Advice Letter No. 83 on May 15, 1987, in compliance with Ordering Paragraph 4 of D.87-04-041, dated April 8, 1987, in Application No. 85-11-029 (AT&T-C's general rate case). This filing requests authority under Section 454 of the Public Utilities Code to make the following tariff revisions:

1. Decrease billing surcharges of 2.583% and 2.379% applicable to Switched Services (NTS/WATS) and Private Line Service, respectively, to 0.108% to be effective from July 1, 1987 through December 31, 1987.
2. Increase the billing surcharge applicable to Switched Services (NTS/WATS) and Private Line Service from 0.108% to 1.421%, effective January 1, 1988.
3. Increase Universal Lifeline Telephone Service surcharge from 1.523% to 4.167%, effective July 1, 1987.

The billing surcharge decrease on switched service and private line service is a result of adjustments in maintenance, tax depreciation,

legal advertising and access charge expenses which were determined in D.87-04-041, Resolution T-12007, and an agreed-upon stipulation at the Prehearing Conference held on April 28, 1987.

Ordering Paragraph 1 of D.87-04-041 provided, subject to refund, for an intrastate maintenance expense adjustment of an additional \$0.52 million due to the inadvertent exclusion of adjusted Shared Network Facilities Agreement (SNFA) expense. The revenue effect of this \$.52 million adjustment for the remainder of 1987 is \$0.382 million.

Ordering Paragraph 2 of D.87-04-041 provided for an adjustment of federal and state tax depreciation expense by an additional \$3.8 million in annualized revenue, subject to refund. At the Prehearing Conference held April 28, \$3.012 million was determined to be the correct adjustment and was stipulated to by Public Staff Division and AT&T-C. Advice Letter No. 83 requests \$3.012 million (\$2.211 million revenue effect) for tax depreciation expense. We concur with the requested lower amount as stipulated as it is in the best interest of the ratepayers.

In Decision 87-04-041, Ordering Paragraph 4 stated that AT&T-C's adjustment to its existing surcharge was to reflect the effects of the reduced access charges ordered in Resolution No. T-12007, (Pacific Bell's 1987 Attrition Filing) dated March 25, 1987. In that resolution, Pacific Bell was required to reduce its access charges to AT&T-C, and AT&T-C was ordered to flow-through the reduced charges to its customers. AT&T-C estimates this reduction to be about \$23.114 million. For 1987, the total amount (\$23.114 million) is to be passed on to AT&T-C customers equally over the last six months of the year, starting July 1. In 1988, the reduction will be spread out over the entire twelve months. We concur with AT&T-C's flow-through of the access charge reduction of \$23.114 million.

During the hearings on A.85-11-029, Public Staff Division (PSD) recommended disallowance of \$3.8 million for corporate advertising as it was unaudited at that time. At the April 28 Prehearing Conference, PSD stated the audit had now been completed and that \$0.936 million of the \$3.8 million was for legal advertising expense (noticing of customers of impending rate changes) and the staff recommended that the \$0.936 million be added to the adopted commercial expense. The adjustment of \$0.936 million on a total California basis (\$0.377 million on an intrastate basis with a \$0.190 million revenue effect) was stipulated to by Public Staff Division and AT&T-C at the prehearing conference. Advice Letter No. 83 requests the \$0.377 million be included in the authorized revenue requirement to be recovered by the new surcharge. While not a part of D.87-04-041, we recognize the appropriateness of this expense and therefore, concur with AT&T-C's request.

The following table summarizes the 1987 prorated intrastate impact of the above adjustments and the equivalent revenue requirement:

Item	Effective Date	Revenue Effect (\$M)	Revenue Requirement* (\$M)
Maintenance Expense	4-8-87	\$0.382	\$0.363
Tax Depreciation	4-8-87	2.211	2.219
Access Charge Reduction	1-1-87	(23.114)	(22.004)
Legal Advertising	7-1-87	<u>0.190</u>	<u>0.181</u>
Total		(\$20.331)	(\$19.241)

For 1988, the net intrastate revenue effect and equivalent revenue requirement is:

Item	Revenue Effect (\$M)	Revenue Requirement* (\$M)
Maintenance Expense	\$0.520	\$0.495
Tax Depreciation	3.012	3.022
Access Charge Reduction	(23.114)	(22.004)
Legal Advertising	<u>0.377</u>	<u>0.359</u>
Total Annual Effect	(\$19.205)	(\$18.128)

The negative revenue reduction realized from these adjustments reduces AT&T-C's total revenue requirement. Advice Letter No. 83 requests a 0.108% billing surcharge applicable to switched services and private line service effective July 1, 1987 through December 31, 1987, and a 1.421% billing surcharge effective January 1, 1988. We concur with AT&T-C's request.

Resolution T-12014, dated April 8, 1987, authorized a tax increase on the gross revenue of interLATA (Local Access and Transport Area) service suppliers from 1.5% to 4%. This tax increase is effective July 1, 1987, and is to support Universal Lifeline Telephone Service (ULTS). In order to recover the expense effects from the 4% gross receipts tax, without affecting AT&T-C's revenue requirement, AT&T-C, in Advice Letter No. 83, requests a 4.167% surcharge to be applied to intrastate/interlata telecommunications services. This surcharge is identical to the one approved in Resolution T-10849, dated July 5, 1984, when a 4% ULTS tax was also imposed. We concur with AT&T-C's request.

\*The difference between revenue effect and revenue requirement is due to the income tax and uncollectible effects.

FINDINGS

1. The requested lower federal and state tax depreciation expense adjustment of \$3.012 million was stipulated to by Public Staff Division and AT&T-C at the April 28, 1987 Prehearing Conference. This amount is reasonable and, in the best interest of the ratepayers, is adopted herein.
2. AT&T-C's request for legal advertising expense of \$0.936 million on total California basis (\$0.377 million on intrastate basis) based on the amount stipulated to by Public Staff Division and AT&T-C at the April 28, 1987 Prehearing Conference, is reasonable and is adopted herein.
3. The flow-through access charge reduction of \$23.114 million resulting from Pacific Bell's 1987 Attrition Filing is reasonable.
4. The 0.108% and 1.421% billing surcharges applicable on intrastate/interLATA rates and charges effective July 1, 1987, and January 1, 1988, respectively, are just and reasonable.
5. The 4.167% billing surcharge to effect the 4% gross receipt tax for Universal Lifeline Telephone Service is reasonable.

IT IS ORDERED THAT:

- (1) Authority is granted to establish a 0.108% billing surcharge applicable to all AT&T-C intrastate/interLATA rates and charges exclusive of federal and local excise taxes, effective July 1, 1987 through December 31, 1987.
- (2) Authority is granted to establish a 4.167% Universal Lifeline Telephone Service surcharge to be applied to the aggregate amount of customer billings associated with intrastate/interLATA telecommunication services, effective July 1, 1987.
- (3) Authority is granted to increase the billing surcharge applicable to all AT&T-C intrastate/interLATA rates and charges exclusive of federal and local excise taxes to 1.421%, effective January 1, 1988.
- (4) All tariff sheets filed under Advice Letter No. 83 shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission of the State of California Number T-12032.

(5) The effective date of this resolution is June 24, 1987.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 24, 1987. The following Commissioners approved it:



Executive Director

STANLEY W. HULETT  
President  
FREDERICK R. DUDA  
JOHN B. OHANIAN  
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate..

Commissioner G. Mitchell Wilk being necessarily absent, did not participate.