

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-13021
September 28, 1988

R E S O L U T I O N

ORDER AUTHORIZING 1988 INTRASTATE HIGH COST FUND REVENUE REQUIREMENT OF \$267,910; INCREMENTAL INCREASE IN CARRIER COMMON LINE CHARGE OF \$0.0001; AND DENYING AT&T'S PROTESTS.

SUMMARY

This resolution authorizes Pacific Bell, GTE California and GTE West Coast to increase their Carrier Common Line Charge (CCLC) by an increment of \$0.0001 per minute to provide funds for the 1988 intrastate High Cost Fund (HCF) revenue requirement of \$267,910. When the increment is added to the current CCLC rates the new rates, effective October 1, 1988, are as follows:

	<u>PREMIUM</u>	<u>NON-PREMIUM</u>
Pacific Bell	\$ 0.0351	\$ 0.0274
GTE California (GTEC)	0.03885012	0.03037353
GTE West Coast	0.099538	0.077786

This resolution also denies AT&T's protests of Pacific Bell's and GTEC's Advice Letter Nos. 15443 and 5164, respectively.

BACKGROUND

By Decision No. 88-07-022, dated July 8, 1988 the Commission adopted the intrastate HCF mechanism stating in Ordering Paragraph No. 64:

"64. The proposed modifications to the intrastate HCF mechanism adopted in D.85-06-115, as described in the foregoing opinion, are hereby adopted and shall be implemented in the manner described in Appendix B of this decision."

Appendix B, Page 3 states:

"HCF funding shall be provided by a uniform incremental amount on the carrier common line charge (CCLC) of all local exchange company interLATA access tariffs. Concurrently with this decision and in each succeeding year, Pacific shall determine the total statewide HCF funding requirement based on the funding requirements identified in the advice letters described in (1) paragraph A for 1988 and (2) paragraph B for succeeding years, and shall coordinate the filing of appropriate advice letter modifications to all California exchange carrier access

charge tariffs to generate the calculated level of HCF revenue requirement."

Ordering Paragraph No. 78 authorizes each Independent Telephone Company (ITC) to recover the settlement effects resulting from that decision. The process which each ITC shall use is as follows:

1. Increase basic exchange service rates exclusive of EAS and SRA increments by a uniform percentage up to 100% of the present rates, rounded to the nearest \$.05 but not to exceed the 150% threshold level of comparable urban rates.
2. Implement a bill and keep surcharge on intraLATA services to recover the remaining settlements effects if the revised basic rates do not fully recover the settlements effects and the 1-party residence flat rate has not exceeded the threshold level of 150% of comparable California urban rates.
3. Recover the remaining settlements effects from the intrastate High Cost Fund if the revised basic local rates do not fully recover the settlements effects but the 1-party residence flat rate has reached the 150% threshold level.

On August 4, 1988 Ponderosa Telephone Company (Ponderosa) filed Advice Letter (AL) No. 151 in accordance with Ordering Paragraph No. 78 supporting a 1988 revenue requirement of \$28,134 to be recovered from the intrastate HCF for the period from September 6, 1988 to December 31, 1988. On August 8, 1988 Citizens Utilities Company of California (Citizens) filed AL No. 449 for \$238,177 and Kerman Telephone Company (Kerman) filed AL No. 169 for \$1,599. The total 1988 revenue requirement requested to be recovered from the intrastate HCF for the period from September 6 to December 31, 1988 is \$267,910 (the annual amount is \$838,000).

In compliance with the aforementioned Ordering Paragraph No. 64, Pacific filed AL No. 15443 on August 22, 1988 and GTEC filed AL No. 5164 on August 24, 1988 requesting authority to increase the CCLC by \$0.0001 to fund the intrastate HCF for recovery of the 1988 revenue requirement. GTE West Coast filed AL No. 309 on September 6, 1988 to implement the intrastate 1988 HCF. On August 24, 1988 AT&T protested Pacific's and GTEC's advice letter filings and on September 6, 1988 it protested GTE West Coast's advice letter filing.

PROTEST

AT&T filed protests to Pacific's AL No. 15443 and GTEC's AL No. 5164 on August 24, 1988. On September 6, 1988 AT&T protested GTE West Coast AL No. 309. AT&T based the three protests on its August 10, 1988 filing of an Application for Rehearing of Commission D.88-07-022. AT&T states that "It is AT&T's belief that placing the entire HCF burden on InterLATA carrier common line charges (CCLCs) is unjustified, and that a distribution over all intrastate toll services is warranted. The Commission has not yet ruled on AT&T's application". AT&T further states that "it would be inappropriate for

Pacific (GTEC and GTE West Coast) to begin collecting incremental CCLC revenue to fund the intrastate HCF when a legitimate issue concerning the funding methodology remains before the Commission".

Additionally, AT&T alleges that "delaying the commencement of intrastate HCF funding will have no material financial impact" on Citizens, Ponderosa and Kerman. AT&T supports its allegations with the following table which shows that each of the three independent telephone companies are receiving substantial 1988 interstate HCF that more than covers the annual settlement effects of D.88-07-022.

Table 1
(\$ 000)

	Interstate HCF Support 1988	Settlement Impacts	Interstate HCF Support In Excess Of Settlement Impacts
Citizens Utilities	\$3,473	(\$745)	\$2,728
Ponderosa Telephone	674	(88)	586
Kerman Telephone	28	(5)	23

Therefore, for the above reasons, AT&T requests that Pacific's AL No. 15443 and GTEC's AL No. 5164 be suspended.

Pacific, GTEC and GTE West Coast have not responded to AT&T's protest as required by General Order 96A. However, on August 30, 1988, Citizens, Ponderosa and Kerman filed a joint response to AT&T's protest of Pacific's and GTEC's advice letter. On September 14, 1988 Citizens and Kerman jointly responded to AT&T's protest of GTE West Coast advice letter referencing their earlier August 30, 1988 response. While AT&T did not protest their advice letter filings, these companies would be directly affected should the Commission grant AT&T's protests. In their response, the three independent telephone companies state that Pacific's and GTEC's and GTE West Coast advice letter filings are compliance filings as a direct result of D.88-07-022. Furthermore, "procedurally, AT&T had a previous opportunity to raise any such question during the hearing process, in its comments on the proposed decision, and in its application for rehearing. Additionally, if there was any fault whatsoever with the compliance advice letters filed on or before August 8, 1988 by Citizens, Ponderosa, and Kerman, as their compliance filings with D.88-07-022, AT&T had the opportunity to protest at that point but failed to do so."

With regard to the interstate HCF, the independent telephone companies assert that AT&T is incorrect to freely impute interstate HCF as an offset to the settlement effects determined in D.88-07-022. They support their assertion that "there is no evidentiary basis either in the record of the proceeding or in AT&T's protest that justifies conclusion that interstate High Cost Funding is an unfettered 'windfall' for AT&T to offset against Commission-ordered intrastate

separations and settlements changes, as were determined in D.88-07-022 upon the basis of the evidentiary record."

AT&T's protests of August 24, 1988 of Pacific and GTEC advice letters are attached as Appendices A and B, respectively. AT&T's protest of GTE West Coast advice letter is attached as Appendix C. Appendices D and E are the joint responses of Citizens, Ponderosa and Kernan of August 30, 1988 and September 14, 1988, respectively.

DISCUSSION

Citizens, Ponderosa and Kernan filed AL Nos. 449, 151 and 169, respectively as authorized by Ordering Paragraph 78 of D.88-07-022, the Phase II, Rate Design decision of Pacific Bell A.85-01-034. Citizens requested recovery of its settlement effects resulting from D.88-07-022 of \$238,177 for period from September 6, 1988 to the end of the year from the intrastate HCF; Ponderosa requested \$28,134; and Kernan requested \$1,599. The total requested for that period is \$267,910. The total annual settlement effect is \$838,000.

In compliance with Ordering Paragraph No. 64 of that decision, Pacific filed AL No. 15443, GTEC filed AL No. 5164 and GTE West Coast filed AL No. 309 to commence implementation of intrastate HCF funding to support the requested intrastate 1988 revenue requirement. Pacific GTEC and GTE West Coast requested authority to increase the CCLC by \$0.0001 per minute of use to be effective October 1, 1988.

We have considered AT&T's protests. The three protests are all identical with respect to content except for the names of the respective utility. The protests do not cite errors of non-compliance with the advice letter filings of Pacific, GTEC, GTE West Coast and the three independent telephone companies. Instead, the protests are predicated on the funding methodology issue raised in AT&T's Application for Rehearing of D.88-07-022 filed on August 10, 1988. In the Application for Rehearing, AT&T alleges that placing the entire HCF funding burden on the CCLC is unjustified and that sufficient data and information already exist to warrant a different distribution of that burden. We have not yet acted upon its Application for Rehearing. Therefore, by this resolution, we will deny AT&T's protests.

FINDINGS OF FACT

1. Ordering Paragraph No. 64 of D.88-07-022 adopted and directed the implementation of the intrastate High Cost Fund described in Appendix B of that decision.
2. Appendix B provides for HCF funding by a uniform incremental amount on the Carrier Common Line Charge of all local exchange company interLATA access tariff.
3. Ordering Paragraph No. 78 of D.88-07-022 authorizes independent telephone companies to recover the settlement effects resulting from that decision by the process set forth in that Ordering Paragraph as discussed in this resolution.

4. Citizens Utilities Company of California, Ponderosa Telephone Company and Kerman Telephone Company are the only three independent telephone companies that filed for 1988 intrastate HCF funding. The total 1988 revenue requirement requested for the period from September 6, 1988 to December 31, 1988 of \$267,910 (the annual amount is \$838,000) is reasonable.
5. Pacific Bell's AL No. 15443, GTEC's AL No. 5164 and GTE West Coast's AL No. 309 are compliance filings as a result of D.88-07-022.
6. The incremental increase of \$0.0001 per minute of use in CCLC to fund the 1988 intrastate HCF is reasonable and should be adopted.
7. AT&T's protests do not cite non-compliance errors in the advice letter filings of Pacific, GTEC, GTE West Coast and the three independent telephone companies. The protests are based on the funding methodology issue raised in AT&T's Application for Rehearing of D.88-07-022. Therefore, the protests should be denied.
8. The Commission has not yet acted on AT&T's Application for Rehearing of D.88-07-022.

IT IS ORDERED that:

- (1) Authority is granted to increase the CCLC by \$0.0001 per minute of use to fund the 1988 intrastate HCF revenue requirement of \$267,910 for the period from September 6, 1988 to the end of the year. The above access tariff revisions are effective October 1, 1988.
- (2) All tariff sheets filed under Pacific's Advice Letter No. 15443, GTEC's Advice Letter No. 5164 and GTE West Coast Advice Letter No. 309 shall be marked to show that such sheets were authorized by Commission Resolution No. T-13021.
- (3) AT&T's protests of Pacific Bell, GTEC and GTE West Coast advice letter filing are denied.

The effective dated of this Resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 14, 1988. The following Commissioners approved it:

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



Executive Director

REC'D -
PUBLIC UTILITIES COMM.
STATE OF CALIF.

AUG 24 3 56 PM '88



Randolph W. Deutsch
Attorney

795 Folsom Street
San Francisco, CA 94107
Phone (415) 442-5550

August 24, 1988

Mr. Victor Weisser, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Protest of Pacific Bell Advice Letter No. 15443

Dear Mr. Weisser:

AT&T Communications of California ("AT&T") by this letter and pursuant to Section III (H) of the Commission's General Order 96-A protests the above referenced Advice Letter 15443 filed on August 22, 1988 by Pacific Bell ("Pacific") to impose a high-cost fund surcharge on its intrastate carrier common line charge.

On August 10, 1988 AT&T filed an Application for Rehearing of Commission Decision 88-07-022. The Application for Rehearing includes AT&T's request for a limited rehearing of the portion of D.88-07-022 that approves the intrastate high-cost fund (HCF) funding methodology. It is AT&T's belief that placing the entire HCF funding burden on interLATA carrier common line charges (CCLCs) is unjustified, and that a distribution over all intrastate toll services is warranted. The Commission has not yet ruled on AT&T's application.

AT&T requests that Pacific's Advice Letter No. 15443 be suspended until the issues raised in AT&T's application are resolved.* It would be inappropriate for Pacific to begin collecting incremental CCLC revenue to fund the intrastate HCF when a legitimate issue concerning the funding methodology remains before the Commission.

* While the proposed \$.0001 surcharge is the minimum increase that could be imposed by GTE California, GTE West Coast and Pacific Bell, this amount represents more than a \$1 million annual increase in access charges. As AT&T pointed out in its Application for Rehearing, the potential amount of the access surcharge could dramatically increase over time.

Delaying the commencement of intrastate HCF funding will have no material financial impact of the three independent telephone companies that have filed for intrastate HCF support (Citizens Utilities Company of California by Advice Letter No. 449, Ponderosa Telephone Company by Advice Letter No. 151 and Kerman Telephone Company by Advice Letter No. 169). Indeed, as demonstrated below, if these companies receive any intrastate HCF support for 1988, it will result in an unintended windfall for their shareholders. Although all three companies complied with the requirements of Ordering Paragraph 78 of D.88-07-022 in filing advice letters for intrastate HCF support, the filing requirements for 1988 evidently do not contain a provision for including increased levels of interstate HCF support as an offset to intrastate HCF support. (The requirements for 1989 and beyond do include such a requirement). Each of these companies are receiving substantial interstate HCF support in 1988 at levels higher than what they had received in 1987 (Table 1). Since the interstate HCF support more than covers the annual settlements impacts included in Appendix C of D.88-07-022, any delay in implementing the funding mechanism for the intrastate HCF will not adversely impact these three companies.

TABLE 1

(Thousands)

	Interstate HCF Support 1988	Appendix C Settlements Impacts	Interstate HCF Support In Excess Of Settlement Impacts
Citizens Utilities	\$3,473	(\$745)	\$2,728
Ponderosa Telephone	674	(88)	586
Kerman Telephone	28	(5)	23

Therefore, for the reasons cited above, AT&T requests that Pacific's Advice Letter No. 15442 be suspended.

Sincerely,

Randolph Deutsch

Randolph H. Deutsch
Attorney

cc: Pacific Bell
Citizens Utilities
Ponderosa Telephone
Kerman Telephone
GTE California
GTE West Coast

REC'D
PUBLIC UTILITIES COMM.
STATE OF CALIF.

AUG 24 3 56 PM '88



Randolph W. Deutsch
Attorney

795 Folsom Street
San Francisco, CA 94107
Phone (415) 442-5550

August 24, 1988

Mr. Victor Heisser, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Protest of GTE California Advice Letter No. 5164

Dear Mr. Heisser:

AT&T Communications of California ("AT&T") by this letter and pursuant to Section III (H) of the Commission's General Order 96-A protests the above referenced Advice Letter No. 5164 filed on August 22, 1988 by GTE-California ("GTE-C") to impose a high-cost fund surcharge on its intrastate carrier common line charge.

On August 10, 1988 AT&T filed an Application For Rehearing of Commission Decision 88-07-022. The Application for Rehearing includes AT&T's request for a limited rehearing of the portion of D.88-07-022 that approves the intrastate high-cost fund (HCF) funding methodology. It is AT&T's belief that placing the entire HCF funding burden on interLATA carrier common line charges (CCLCs) is unjustified, and that a distribution over all intrastate toll services is warranted. The Commission has not yet ruled on AT&T's application.

AT&T requests that GTE-C's Advice Letter No. 5164 be suspended until the issues raised in AT&T's Applications are resolved.* It would be inappropriate for GTE-C to begin collecting incremental CCLC revenue to fund the intrastate HCF when a legitimate issue concerning the funding methodology remains before the Commission.

* While the proposed \$.0001 surcharge is the minimum increase that could be imposed by GTE California, GTE West Coast and Pacific Bell, this amount represents more than a \$1 million annual increase in access charges. As AT&T pointed out in its Application for Rehearing, the potential amount of the access surcharge could dramatically increase over time.

Delaying the commencement of intrastate HCF funding will have no material financial impact of the three independent telephone companies that have filed for intrastate HCF support (Citizens Utilities Company of California by Advice Letter No. 449, Ponderosa Telephone Company by Advice Letter No. 151 and Kerman Telephone Company by Advice Letter No. 169). Indeed, as demonstrated below, if these companies receive any intrastate HCF support for 1988, it will result in an unintended windfall for their shareholders. Although all three companies complied with the requirements of Ordering Paragraph 78 of D.88-07-022 in filing advice letters for intrastate HCF support, the filing requirements for 1988 evidently do not contain a provision for including increased levels of interstate HCF support as an offset to intrastate HCF support. (The requirements for 1989 and beyond do include such a requirement). Each of these companies are receiving substantial interstate HCF support in 1988 at levels higher than what they had received in 1987 (Table 1). Since the interstate HCF support more than covers the annual settlements impacts included in Appendix C of D.88-07-022, any delay in implementing the funding mechanism for the intrastate HCF will not adversely impact these three companies.

TABLE 1

(Thousands)

	<u>Interstate HCF Support 1988</u>	<u>Appendix C Settlements Impacts</u>	<u>Interstate HCF Support In Excess Of Settlement Impacts</u>
Citizens Utilities	\$3,473	(\$745)	\$2,728
Ponderosa Telephone	674	(88)	586
Kerman Telephone	28	(5)	23

Therefore, for the reasons cited above, AT&T requests that GTE-C Advice Letter No. 5164 be suspended.

Sincerely,

Randolph Deutsch

Randolph H. Deutsch
Attorney

cc: Pacific Bell
Citizens Utilities
Ponderosa Telephone
Kerman Telephone
GTE California
GTE West Coast

REC'D
PUBLIC UTILITIES COMM.
STATE OF CALIF.
1988 SEP -6 PM 2:37



Randolph W. Deutsch
Attorney

795 Folsom Street
San Francisco, CA 94107
Phone (415) 442-5550

September 6, 1988

Mr. Victor Weisser, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Protest of GTE West Coast Advice Letter No. 309

Dear Mr. Weisser:

AT&T Communications of California ("AT&T") by this letter and pursuant to Section III (H) of the Commission's General Order 96-A protests the above referenced Advice Letter No. 309 filed on September 1, 1988 by GTE West Coast to impose a high-cost fund surcharge on its intrastate carrier common line charge.

On August 10, 1988 AT&T filed an Application For Rehearing of Commission Decision 88-07-022. The Application for Rehearing includes AT&T's request for a limited rehearing of the portion of D.88-07-022 that approves the intrastate high-cost fund (HCF) funding methodology. It is AT&T's belief that placing the entire HCF funding burden on interLATA carrier common line charges (CCLCs) is unjustified, and that a distribution over all intrastate toll services is warranted. The Commission has not yet ruled on AT&T's application.

AT&T requests that GTE West Coast's Advice Letter No. 309 be suspended until the issues raised in AT&T's application are resolved.* It would be inappropriate for GTE West Coast to begin collecting incremental CCLC revenue to fund the intrastate HCF when a legitimate issue concerning the funding methodology remains before the Commission.

* While the proposed \$.0001 surcharge is the minimum increase that could be imposed by GTE California, GTE West Coast and Pacific Bell, this amount represents more than a \$1 million annual increase in access charges. As AT&T pointed out in its Application for Rehearing, the potential amount of the access surcharge could dramatically increase over time.

Delaying the commencement of intrastate HCF funding will have no material financial impact of the three independent telephone companies that have filed for intrastate HCF support (Citizens Utilities Company of California by Advice Letter No. 449, Ponderosa Telephone Company by Advice Letter No. 151 and Kerman Telephone Company by Advice Letter No. 169). Indeed, as demonstrated below, if these companies receive any intrastate HCF support for 1988, it will result in an unintended windfall for their shareholders. Although all three companies complied with the requirements of Ordering Paragraph 78 of D.88-07-022 in filing advice letters for intrastate HCF support, the filing requirements for 1988 evidently do not contain a provision for including increased levels of interstate HCF support as an offset to intrastate HCF support. (The requirements for 1989 and beyond do include such a requirement). Each of these companies are receiving substantial interstate HCF support in 1988 at levels higher than what they had received in 1987 (Table 1). Since the interstate HCF support more than covers the annual settlements impacts included in Appendix C of D.88-07-022, any delay in implementing the funding mechanism for the intrastate HCF will not adversely impact these three companies.

TABLE 1
(Thousands)

	<u>Interstate HCF Support 1988</u>	<u>Appendix C Settlements Impacts</u>	<u>Interstate HCF Support In Excess Of Settlement Impacts</u>
Citizens Utilities	\$3,473	(\$745)	\$2,728
Ponderosa Telephone	674	(88)	586
Kerman Telephone	28	(5)	23

Therefore, for the reasons cited above, AT&T requests that GTE West Coast Advice Letter No. 309 be suspended.

Sincerely,

Randolph W. Deutsch

Randolph W. Deutsch
Attorney

cc: Pacific Bell
Citizens Utilities
Ponderosa Telephone
Kerman Telephone
GTE California
GTE West Coast

PELAVIN, NORBERG & BECK
A PROFESSIONAL CORPORATION

TWO EMBARCADERO CENTER • 23RD FLOOR • SAN FRANCISCO 94111-3993 • TELEPHONE (415) 398-4600
TELECOPIER (415) 398-4620 • CABLE: PELAVYLAW SAN FRANCISCO

JEFFREY F. BECK

TWX: 9103721078

August 30, 1988

RECEIVED EXECUTIVE DIRECTOR'S OFFICE

AUG 3 1988

Victor R. Weisser
Executive Director
California Public Utilities Commission
505 Van Ness Avenue, Room 5222
San Francisco, CA 94102

Re: Response of Citizens Utilities
Company of California (U 87 C)
The Ponderosa Telephone Co. (U 1014 C)
Kerman Telephone Co. (U 1012 C)
to Protests of AT&T Communications
to Pacific Bell Advice Letter No. 15443
and GTE California Advice Letter No. 5614
Our File No. 8323-5532-29

Dear Mr. Weisser:

Citizens Utilities Company of California ("Citizens"), The Ponderosa Telephone Co. ("Ponderosa"), and Kerman Telephone Co. ("Kerman") hereby respond to the protests of AT&T Communications of California ("AT&T") to Pacific Bell's Advice Letter No. 15443 and GTE California's Advice Letter No. 5164. While AT&T's protest is not directed at advice letters filed by these responding companies, they would be directly affected should the Commission accept AT&T's protest.

AT&T's protest is improper and should be denied. The Pacific Bell and GTE California advice letter filings in question are compliance filings generated as a direct result of orders of the Commission in D. 88-07-022. The sole question of their propriety must therefore be whether the advice letters in fact comply with the orders of the Commission in D. 88-07-022. AT&T raises no contention that Pacific Bell or GTE California has improperly calculated the \$0.0001 additional element to the carrier common line charge in order to comply with the High Cost Funding requirements mandated by D. 88-07-022.

Victor R. Weisser
August 30, 1988
Page 2

AT&T's protests refer to an application for rehearing of D. 88-07-022 earlier filed by AT&T to which Citizens, Ponderosa, and Kerman, among others, have responded. In its protests to the Pacific Bell and GTE California advice letters, however, AT&T attempts to interject a new issue that was not raised in its application for rehearing of D. 88-07-022 or, for that matter, in AT&T earlier comments on the ALJ's proposed decision. This is AT&T's attempt to introduce evidence through its protests to compliance filing advice letters to establish that the High Cost Fund support ordered by the Commission in D. 88-07-022 should not have been ordered at all. AT&T's attempt to interject this issue for the first time in its protest to the advice letters is procedurally improper as well as being factually incorrect.

Procedurally, AT&T had a previous opportunity to raise any such question during the hearing process, in its comments on the proposed decision, and in its application for rehearing. Additionally, if there was any fault whatsoever with the compliance advice letters filed on or before August 8, 1988 by Citizens, Ponderosa, and Kerman, as their compliance filings with D. 88-07-022, AT&T had the opportunity to protest at that point but failed to do so.

Factually, AT&T is incorrect in its blithe assumption that AT&T is free to impute interstate High Cost Funding as an offset to the settlement effects determined in D. 88-07-022. There are several positive and negative settlements and separations changes that will simultaneously be offset with each other as of January 1, 1989, under the High Cost Fund mechanism as adopted by the Commission. There is no evidentiary basis either in the record of the proceeding or in AT&T's protest that justifies conclusion that interstate High Cost Funding is an unfettered "windfall" for AT&T to offset against Commission-ordered intrastate separations and settlements changes, as were determined in D. 88-07-022 upon the basis of the evidentiary record.

Victor R. Weisser
August 30, 1988
Page 3

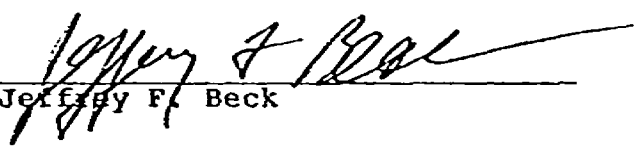
For the reasons stated above, AT&T's attempt to protest these compliance advice letter filings as a means of collateral attack on D. 88-07-022 should be rejected by the Commission.

Respectfully submitted,

CITIZENS UTILITIES COMPANY OF
CALIFORNIA (U 87 C)
KERMAN TELEPHONE CO. (U 1012 C)
THE PONDEROSA TELEPHONE CO. (U 1014 C)

By their Attorneys

Alvin H. Pelavin
Jeffrey F. Beck
Pelavin, Norberg & Beck



Jeffrey F. Beck

JFB575:ncg
cc: AT&T Communications
Pacific Bell
GTE California
GTE West Coast
Client Companies

JAMES B. DAVIS, INC.
S. L. P. YOUNG, INC.
R. M. MENDELSON, INC.
JAMES H. FRENCH, INC.
MICHAEL S. BROWN, INC.
THOMAS P. SULLIVAN, INC.
MARY K. WOODRIF, INC.
SHEILA A. BRUTOCO
JOHN B. OCKSON
ANTHONY C. DOCHLER
STEVEN D. HELLEMA

LAW OFFICES OF
DAVIS, YOUNG & MENDELSON
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
ONE MARKET PLAZA
STEWART STREET TOWER
SUITE 1400
SAN FRANCISCO, CALIFORNIA 94105
TELEPHONE (415) 243-0400
FACSIMILE (415) 243-8200

OF COUNSEL
BECK & ACKERMAN
A PROFESSIONAL CORPORATION
JEFFREY E. BECK
KAREN ACKERMAN

September 14, 1988

Victor R. Weisser
Executive Director
California Public
Utilities Commission
505 Van Ness Avenue, Room 5222
San Francisco, CA 94102

Re: Response of Citizens Utilities
Company of California (U 87 C) and
Kerman Telephone Co. (U 1012 C)
to Protest of AT&T Communications
to GTE West Coast's Advice Letter No. 309
Our File No. 8323-5532-29

Dear Mr. Weisser:

Citizens Utilities Company of California ("Citizens"),
and Kerman Telephone Co. ("Kerman") hereby respond to the
protest of AT&T Communications of California ("AT&T") to GTE
West Coast's Advice Letter No. 309. AT&T's protest was
received by GTE West Coast on September 9, 1988, and replies
are therefore due on September 14.

AT&T's protest is substantially the same as its earlier
protest to Pacific Bell's Advice Letter No. 15443 and GTE
California's Advice Letter No. 5164. On August 30, 1988,
these responding companies (along with Ponderosa Telephone
Co.) filed a response to AT&T's protests to those Pacific
Bell and GTE California advice letters, and a copy of that
earlier response is attached hereto for ease of reference.

For the reasons stated in the attached response of
August 30, 1988, AT&T's attempt to protest, the compliance

ATTENTION: COMPLIANCE DIVISION
TELECOMMUNICATIONS BRANCH

SEP 15 1988

Victor R. Weisser
September 14, 1988
Page 2

advice letter filing of GTE West Coast should be rejected by
the Commission.

Respectfully submitted,
CITIZENS UTILITIES COMPANY OF
CALIFORNIA (U 87 C)
KERNAN TELEPHONE CO. (U 1012 C)

By their Attorneys

Jeffrey F. Beck
Davis, Young & Mendelson



Jeffrey F. Beck

JFB714:ncg
cc: AT&T Communications
Pacific Bell
GTE California
GTE West Coast
Client Companies

PELAVIN, NORBERG & BECK
A PROFESSIONAL CORPORATION

TWO EMBARCADERO CENTER • 23RD FLOOR • SAN FRANCISCO 94111-3993 • TELEPHONE (415) 398-4600
TELECOPIER (415) 398-4620 • CABLE: PELAVYLA SAN FRANCISCO

JEFFREY E. BECK

TWX: 9103721076

August 30, 1988

Victor R. Weisser
Executive Director
California Public Utilities Commission
505 Van Ness Avenue, Room 5222
San Francisco, CA 94102

Re: Response of Citizens Utilities
Company of California (U 87 C)
The Ponderosa Telephone Co. (U 1014 C)
Kerman Telephone Co. (U 1012 C)
to Protests of AT&T Communications
to Pacific Bell Advice Letter No. 15443
and GTE California Advice Letter No. 5614
Our File No. 8323-5532-29

Dear Mr. Weisser:

Citizens Utilities Company of California ("Citizens"),
The Ponderosa Telephone Co. ("Ponderosa"), and Kerman
Telephone Co. ("Kerman") hereby respond to the protests of
AT&T Communications of California ("AT&T") to Pacific Bell's
Advice Letter No. 15443 and GTE California's Advice Letter
No. 5164. While AT&T's protest is not directed at advice
letters filed by these responding companies, they would be
directly affected should the Commission accept AT&T's
protest.

AT&T's protest is improper and should be denied. The
Pacific Bell and GTE California advice letter filings in
question are compliance filings generated as a direct result
of orders of the Commission in D. 88-07-022. The sole
question of their propriety must therefore be whether the
advice letters in fact comply with the orders of the
Commission in D. 88-07-022. AT&T raises no contention that
Pacific Bell or GTE California has improperly calculated the
\$0.0001 additional element to the carrier common line charge
in order to comply with the High Cost Funding requirements
mandated by D. 88-07-022.

PELAVIN, NORBERG & BECK
A PROFESSIONAL CORPORATION

Victor R. Weisser
August 30, 1988
Page 2

AT&T's protests refer to an application for rehearing of D. 88-07-022 earlier filed by AT&T to which Citizens, Ponderosa, and Kerman, among others, have responded. In its protests to the Pacific Bell and GTE California advice letters, however, AT&T attempts to interject a new issue that was not raised in its application for rehearing of D. 88-07-022 or, for that matter, in AT&T earlier comments on the ALJ's proposed decision. This is AT&T's attempt to introduce evidence through its protests to compliance filing advice letters to establish that the High Cost Fund support ordered by the Commission in D. 88-07-022 should not have been ordered at all. AT&T's attempt to interject this issue for the first time in its protest to the advice letters is procedurally improper as well as being factually incorrect.

Procedurally, AT&T had a previous opportunity to raise any such question during the hearing process, in its comments on the proposed decision, and in its application for rehearing. Additionally, if there was any fault whatsoever with the compliance advice letters filed on or before August 8, 1988 by Citizens, Ponderosa, and Kerman, as their compliance filings with D. 88-07-022, AT&T had the opportunity to protest at that point but failed to do so.

Factually, AT&T is incorrect in its blithe assumption that AT&T is free to impute interstate High Cost Funding as an offset to the settlement effects determined in D. 88-07-022. There are several positive and negative settlements and separations changes that will simultaneously be offset with each other as of January 1, 1989, under the High Cost Fund mechanism as adopted by the Commission. There is no evidentiary basis either in the record of the proceeding or in AT&T's protest that justifies conclusion that interstate High Cost Funding is an unfettered "windfall" for AT&T to offset against Commission-ordered intrastate separations and settlements changes, as were determined in D. 88-07-022 upon the basis of the evidentiary record.

(
PELAVIN, NORBERG & BECK
A PROFESSIONAL CORPORATION

Victor R. Weisser
August 30, 1988
Page 3

For the reasons stated above, AT&T's attempt to protest these compliance advice letter filings as a means of collateral attack on D. 88-07-022 should be rejected by the Commission.

Respectfully submitted,

CITIZENS UTILITIES COMPANY OF
CALIFORNIA (U 87 C)
KERMAN TELEPHONE CO. (U 1012 C)
THE PONDEROSA TELEPHONE CO. (U 1014 C)

By their Attorneys

Alvin H. Pelavin
Jeffrey F. Beck
Pelavin, Norberg & Beck


Jeffrey F. Beck

JFB575:ncg
cc: AT&T Communications
Pacific Bell
GTE California
GTE West Coast
Client Companies