

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-13063
April 26, 1989

R E S O L U T I O N

ORDER AUTHORIZING INCREMENTAL INCREASE IN CARRIER COMMON
LINE CHARGE OF \$0.0003 PER MINUTE TO ADJUST FOR THE
UNDERCOLLECTION OF REVENUES TO FUND THE 1989 INTRASTATE
HIGH COST FUND REVENUE REQUIREMENT OF \$12,562,219.

SUMMARY

This resolution authorizes Pacific Bell, GTE California (GTEC) and GTE West Coast to increase their Carrier Common Line Charge (CCLC) by an increment of \$0.0003 per minute to provide sufficient funds for the 1989 intrastate High Cost Fund (HCF) revenue requirement of \$12,562,219. This increment is needed to compensate for the undercollection caused by Pacific Bell's and GTEC's access service billing surcredits. The increment, when added to the current HCF element of \$0.0008 in the CCLCs, results in a total HCF element of \$0.0011 per minute effective May 1, 1989.

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."

Page 3 of Appendix B of D.88-07-022, states:

"The HCF funding increment shall be adjusted each January 1 to implement the annual revisions to HCF funding requirements. The HCF access charge increment may also be adjusted not more often than quarterly during any year where revision is required to compensate for any overcollection or undercollection of the then-current Commission authorized fund revenue requirement, including adjustments caused by variation in actual and projected usage used in developing the HCF CCL increment and adjustments caused by any mid-year changes in the funding revenue requirement due to decisions in pending rate proceedings or any other decisions of the Commission affecting the HCF funding level."

In accordance with the aforementioned Appendix B, Pacific Bell filed Advice Letter (AL) No. 15532 on March 17, 1989, requesting authority to adjust the HCF element by an additional \$0.0003 for the undercollection of revenues caused by the billing surcredits on access service ordered by the Commission. Similar requests were filed by GTEC on March 27, 1989 in AL No. 5205 and GTE West Coast on April 3, 1989 in AL No. 321.

A copy of Pacific's Advice Letter was mailed to the parties of the Service List in Pacific Bell's Application No. 85-01-034 and to all certified interexchange carriers. To date, the Commission has not received any protest to Pacific's AL No. 15532, to GTEC's AL No. 5205 or to GTE West Coast's AL No. 321.

DISCUSSION

The intrastate HCF guidelines, as adopted and set forth in Appendix B of D.88-07-022, provide financial support to Local Exchange Companies (LECs) whose customers' Basic Exchange Access Line Service rates would necessarily be increased to recover lost settlement revenues thereby threatening universal service. Appendix B of D.88-07-022 authorizes each LEC to make an annual advice letter filing by October 1 of each year that proposes a rate design and requests for HCF support to reflect the net increase or decrease in settlement revenues upon its company, irrespective of its current earnings. In October 1988 twenty LECs filed advice letters as required by Appendix B of D.88-07-022 which resulted in Resolution T-13038, dated December 19, 1988.

In Resolution T-13038, the Commission authorized the 1989 intrastate HCF revenue requirement of \$12,562,219 to be funded by a HCF element of \$0.0008 per minute in the CCLC effective January 1, 1989. However, as indicated in AL No. 15532, the current HCF element of \$0.0008 per minute is not providing sufficient revenue to fund the 1989 HCF revenue requirement due to the current Pacific Bell and GTEC access service billing surcredits of 24.016% and 10.400%, respectively. Since the billing systems apply the surcredits to the tariffed rates, the actual revenue realized from the HCF element will not fully fund the 1989 HCF revenue requirement.

During the time that the current HCF element of \$0.0008 was being evaluated, several advice letter filings were concurrently being reviewed, subject to Commission approval, that affected the access service billing surcredits, i.e. the 1989 operational and financial attrition filings for Pacific and GTEC, the elimination of the USOAR and the 1986 Tax Reform balancing accounts and the 1989 interLATA SPF to SLU transition filings. Since the effect on the billing surcredit was not finalized, it was appropriate not to consider the effect of billing surcredits in the HCF element. Additionally, the HCF guidelines do provide for future updates "not more than quarterly during any year where revision is required to compensate for any overcollection or undercollection of the then-current Commission authorized fund revenue requirement". Therefore, in AL No. 15532 Pacific, as administrator of the intrastate HCF fund, requests authority to adjust the HCF element by an additional \$0.0003 to reflect the undercollection of revenues caused by the billing surcredits which were not considered in the current HCF element. GTEC

and GTE West Coast make similar requests in AL No. 5205 and AL No. 321, respectively. Based on our review, the requests are reasonable and should be granted.

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. The 1989 intrastate HCF revenue requirement of \$12,562,219 was authorized by Resolution T-13038, dated December 19, 1988.
4. The current HCF element of \$0.0008 in the Carrier Common Line Charge does not reflect the access service billing surcredits of Pacific Bell and GTE California. Therefore, the application of the billing surcredit to the tariffed rates results in an undercollection of revenues necessary to fund the 1989 HCF revenue requirement.
5. Pacific Bell's, GTEC's and GTE West Coast's request to adjust the HCF element by an additional \$0.0003 to reflect the effects of the billing surcredits are reasonable and will be authorized.
6. When the additional \$0.0003 is added to the current HCF element of \$0.0008, the revised HCF element in the Carrier Common Line Charge is \$0.0011 per minute.

IT IS ORDERED that:

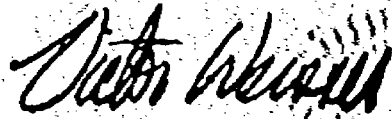
- (1) Pacific's Advice Letter No. 15532, GTEC's Advice Letter No. 5205 and GTE West Coast's Advice Letter No. 321 and their attended tariff revisions adjusting the HCF element by an additional \$0.0003 per minute to a total \$0.0011 per minute in the CCLC to reflect the undercollection of revenues caused by the access service billing surcredits are granted. The tariff revisions shall become effective May 1, 1989.

- (2) All tariff sheets filed under Pacific's Advice Letter No. 15532, GTEC's Advice Letter No. 5205 and GTE West Coast's Advice Letter No. 321 shall be marked to show that such sheets were authorized by Commission Resolution T-13063.

The effective date of this Resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 26, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. O'HANIAN
PATRICIA M. ECKERT
Commissioners



Executive Director