

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Telecommunications BranchRESOLUTION NO. T-14029  
December 18, 1989R E S O L U T I O N

RESOLUTION T-14029. ORDER AUTHORIZING 1990 CALIFORNIA HIGH COST FUND REVENUE REQUIREMENT OF \$14,942,100; INCREMENTAL DECREASE IN CARRIER COMMON LINE CHARGE OF \$0.0002 PER MINUTE; AND REVISIONS TO LOCAL EXCHANGE COMPANIES BASIC EXCHANGE RATES AND INTRALATA BILLING SURCHARGE/SURCREDIT.

SUMMARY

This resolution authorizes Pacific Bell, GTE California (GTEC), and GTE West Coast to decrease their Carrier Common Line Charge (CCLC) by an increment of \$0.0002 per minute of use. A decrease in the California High Cost Fund (CHCF) element in the CCLC rate will provide increased CHCF support because of increased usage. The incremental decrease, when netted to the current CHCF element of \$0.0011 in the CCLC rates becomes \$0.0009 effective January 1, 1990. The new CHCF element of \$0.0009 will provide \$13,911,311 of the 1990 CHCF revenue requirement of \$14,942,100 with the balance being provided by the 1989 CHCF surplus of \$1,030,789.

In addition, this resolution authorizes local exchange companies (LECs) to revise their local exchange rates while maintaining the average one party residence flat rate of 150% of comparable California urban rate or to revise their intralATA billing surcharge/surcredit to compensate for the net positive or negative settlement effect for 1990. Each local exchange company's advice letter request is discussed below and summarized in Appendix A of this resolution.

BACKGROUND

By Decision No. 88-07-022, dated July 8, 1988 the Commission adopted the CHCF 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 2 of Appendix B of D.88-07-022, requires each local exchange company to file an advice letter incorporating the net settlement effect upon its company of regulatory changes ordered by the Commission and the Federal Communications Commission (FCC). Page 2 of Appendix B states:

"These advice letter filings will include previously authorized annual filings for interLATA SPF to SLU shifts set forth in D.85-06-115 as well as all other regulatory changes of industry-wide effect such as changes in levels of interstate high cost funding, interstate NTS assignment, other FCC-ordered changes in separations and accounting methodology and Commission-ordered changes such as rate changes affecting access charges, intraLATA toll or EAS settlements revenues, interLATA separations shifts and the effects of other Commission decisions which increase or decrease settlements revenues or cost assignments."

"The advice letter and supporting workpapers shall also set forth proposed revisions to the company's local exchange rate design to compensate for the net positive or negative settlements effects while maintaining the overall rate design within the 150% guidelines as most recently defined Commission decision and further calculating any resultant increases or decreases in the company's HCF funding requirements."

In addition Section B of Appendix B in D.88-07-022 as modified by D.88-12-044 dated December 9, 1988 states:

"For good cause, a company may propose in its advice filing that in lieu of increases or decreases to its recurring intraLATA exchange rates it instead be authorized to utilize a surcharge or surcredit to reflect the net revenue change. In addition, a company may choose to limit any surcredit to 50% of its total intraLATA billing base even where that is insufficient to deplete an existing memorandum account."

On various dates in September and October 1989, twenty LECs filed their advice letter as required by Appendix B of D. 88-07-022 which sets forth their 1990 net settlement effect and requests for 1990 CHCF support and/or revisions to the basic exchange rates and intraLATA billing surcharge/surcredit. Of the 20 LECs, 6 LECs requested CHCF support to recover their 1990 net settlement effects totaling \$14,942,100. A summary of each LEC advice letter filing and requests is shown in Appendix A.

In compliance with the aforementioned Ordering Paragraph No. 64, both Pacific and GTEC filed an advice letter on November 21, 1989 requesting authority to decrease the CHCF element in the CCLC to \$0.0009 to fund the CHCF for recovery of the requested 1990 net settlement effects. Pacific filed Advice Letter (AL) No. 15642 and GTEC filed AL No. 5237. However, GTE West Coast has not yet filed an Advice Letter to implement the new HCF element in the CCLC.

On October 24, 1989, AT&T filed a consolidated protest on five of the 20 LECs' CHCF advice letter filings. The five LECs are Citizens Utilities Company of California (Citizens), Foresthill Telephone Company (Foresthill), Roseville Telephone Company (Roseville), Sierra Telephone Company (Sierra), and Volcano Telephone Company (Volcano). A joint response was filed on November 7, 1989 by Citizens, Sierra, and Volcano. Foresthill filed its response to the protest on November 20, 1989. In response to AT&T's protest, Roseville met with AT&T on

November 14, 1989 and resolved the issues raised in AT&T's protest; as a result, AT&T, by its letter dated November 20, 1989, withdrew Roseville from its consolidated protest.

#### PROTEST AND RESPONSES

In AT&T's protest, two issues were raised concerning: (1) the appropriate offset for actual effects and changes in interstate funding, and (2) an apparent unauthorized offset for the settlement effects by Foresthill and Volcano of the Pacific Bell and GTE high capacity private line and special access rate reductions.

With regard to the first issue, AT&T stated that the 1990 CHCF Advice Letters filed by the LECs must reflect an offset for total interstate high cost fund relief, the revenue requirement effects of the interstate SPF to gross allocator and the revenue requirement effects of the allocation of central office equipment costs based on a transitional dial equipment minute (DEM) factor. AT&T indicated that none of the five LECs reflected the full extent of net interstate expense adjustments (NIEA) in their CHCF relief requests.

With regard to the second issue, AT&T protested that Foresthill and Volcano requested in their filings CHCF reimbursement for lost settlement revenues arising from Pacific and GTEC high capacity private line rate restructuring in contravention of D.89-02-023 and D.89-02-024.

In their joint response, Citizens, Sierra, and Volcano stated that their HCF advice letters were filed either before or on October 2, 1989 whereas AT&T's protest was filed on October 24, 1989, one day after the 20 day protest period allowed under General Order 96-A and is therefore untimely and should be rejected. It further stated that under Appendix B of D.88-07-022, the annual advice filings are to include "changes in levels of interstate High Cost Funding, interstate NTS assignment, other FCC-ordered changes in separations and accounting methodology". Therefore, the incremental change in net interstate expense adjustment has been appropriately included in each company's advice filings and is the same method utilized in the 1989 California High Cost Fund filings which were approved by the Commission in Resolution T-13038, dated December 19, 1988.

In Foresthill's response, it stated that its net interstate expense adjustment as reflected in its advice letter supplemental has included the actual adjustments provided by the National Exchange Carrier Association (NECA) and believes it has properly reflected the effects of the adjustment on its revenues in accordance with D.88-07-022. It stated further that Foresthill remains available to discuss the advice letters and the supplement with the Commission staff and AT&T. As to the settlement effects resulting from D.89-02-023 and 89-02-024 which repriced and restructured respectively Pacific's and GTEC's high capacity private line services, Foresthill stated that it will not seek recovery of it either through the HCF or through a billing surcharge considering its small amount of approximately \$700.

On November 20, 1989, AT&T filed reply comments to the joint response filed by Citizens, Sierra, and Volcano. In its reply comments, AT&T

stated that the filing date for protests to the annual October 2 compliance filing for CHCF relief was October 23. AT&T filed its protest on October 24 due to the earthquake of October 17 which closed its offices for three days, prohibiting AT&T employees from completing their review and preparing the protest. Under this extraordinary circumstances, AT&T alleged that its protest cannot be considered late. It further argued that the incorporation by the three companies' CHCF filings of only the incremental increase in the interstate high cost fund would be correct if at the initiation of the CHCF the full amount of the interstate high cost fund offset received at that date had been included in the first CHCF calculation, but this was not the case.

We agree with AT&T that its protest, filed on October 24, 1989, should not be considered late in view of the October 17 earthquake. Therefore, AT&T's protest is considered timely.

With regard to the two issues raised in AT&T's protest, we agree with AT&T on the second issue that D.89-02-023 and D.89-02-024 specifically disallowed the recovery of lost settlement revenues arising from the repricing and restructuring of Pacific's and GTEC's high capacity private line rates from CHCF. As for the first issue raised in AT&T's protest concerning the appropriate offset for actual effects and changes in interstate funding, we do not disagree with AT&T in principle that the appropriate offset for interstate HCF at the initiation of the CHCF should be more than just the incremental change over prior year.

However, in our review of the 1989 CHCF AL filings, we observed that if the total historical level of net interstate expense adjustment (NIEA) amounts rather than the incremental amounts were used while the 8.57% pooled surcharge is kept in place, the effect was a significant decrease in rates or increase in the intraLATA billing surcredit for many companies. This is especially the case for Hornitos whose intraLATA billing surcredits would have needed to increase from the adopted (50.0%) to an unreasonable level of approximately (105.0%). This would mean that Hornitos would have to provide services free of charge to its customers. In order to keep the rates of these companies at a more reasonable level, the incremental NIEA amounts were used in the 1989 CHCF AL filings and we will use this approach until such time when the 8.57% pooled surcharge is eliminated. However, if companies wish to reflect the total historical level of net interstate expense adjustment in their 1990 CHCF AL filings, they may do so. At the time when the 8.57% pooled surcharge is eliminated, companies that have not reflected the total historical level of net interstate expense adjustment in their previous CHCF AL filings shall make the appropriate adjustment to reflect any under or over collection from CHCF as a result of using the incremental NIEA amounts. Our review of the 1990 CHCF AL filings is consistent with the previous years filings and is reasonable.

#### DISCUSSION

The CHCF, as adopted and set forth in Appendix B of D.88-07-022, provides financial support to LECs whose customers Basic Exchange Access Line Service rates would necessarily be increased to recover

lost settlement revenues at a level 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 CHCF support to reflect the net increase or decrease in settlement revenues upon its company irrespective of its current earnings. The LECs are allowed up to three years to make a general rate filing before their HCF is affected. The LECs are permitted to recover 100% of the revenue requirement effect from the intrastate HCF for the years 1988 through 1990. The amount of recovery from the CHCF is reduced to 80%, 50% and 0% over the next three succeeding years if the LEC has not initiated a general rate proceeding by December 31 of the previous year. Authorizations granted in this resolution are made irrespective of each LEC's current earnings which have not been reviewed or adopted as reasonable since that issue is normally undertaken in a general rate proceeding.

Twenty LECs except Pacific and GTEC filed advice letters as required by the guidelines and procedures for intrastate HCF set forth in Appendix B of D.88-07-022. These advice letters have been summarized in Appendix A of this resolution. Appendix A indicates that six LECs have requested CHCF support; 11 LECs have requested an intralATA billing surcredit; one LEC requested no CHCF; one LEC has requested to reduce its current intralATA billing surcredit; and one LEC requested to increase BEALS rates. Each of these are discussed below.

#### REQUEST FOR CHCF

The 6 LECs requesting CHCF to recover their 1989 positive net settlement effects<sup>[1]</sup> totaling \$14,942,100 are: Roseville Telephone Company, \$5,012,768; Citizens Utilities Company of California, \$9,389,584; Sierra Telephone Company, \$83,275; The Volcano Telephone Company, \$309,537; Foresthill Telephone Company, \$64,225; and Evans Telephone Company, \$82,711. In addition, to be eligible for CHCF each LEC is required by D.88-07-022, to propose a rate design that will increase its BEALS rates by a uniform percentage up to 100%, rounded to the nearest \$.05 while maintaining the 150% threshold level of comparable urban rates, a standard measured generally by a 1-R flat rate of Pacific's present \$8.35 per month. Except for Evans whose present residence flat rate of \$10.50 is below the 150% threshold level of \$12.55 per month, the other 5 LECs' BEALS rates are either at or exceed the 150% threshold level. Evans proposed in its filing to increase its BEALS rate by a uniform 20% such that the residence flat rate is increased to the 150% threshold level of \$12.55 per month. Evans' proposed increase in BEALS rate is reasonable and is in compliance with D.88-07-022.

#### BILLING SURCREDIT REQUEST

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1 As shown in Appendix A, a positive net settlement effect denotes a need for intrastate HCF support and/or increase rates. A negative net settlement effect denotes a need to decrease rates.

Eleven LECs listed in Appendix A of this resolution have requested to flow through the negative net settlement effects as a bill and keep intraLATA billing surcredit. In support of their request, the LECs state that the proposed surcredit offers a less disruptive method of flowing through the revenue requirement reduction and is preferable to making changes to recurring rates pending the supplement rate design proceeding. One company requested to recover the positive net settlement effect by reducing its existing intraLATA billing surcredit. The request to reflect negative/positive net settlement effect by a bill and keep intraLATA billing surcredit/surcharge is reasonable and is in compliance with D.88-07-022.

#### REQUEST FOR NO CHCF SUPPORT

In AL No. 880, Contel of California (Contel) did not make a request for CHCF support. Instead Contel requested in its AL that the Commission review its calculations which supported a positive net settlement effect of \$9,685,311. By Supplement AL filed on November 13, 1989, Contel revised its positive net settlement effect to \$6,382,794, which reflected corrections to its original AL filing. Based on our review of Contel's AL and Supplement, we agree with Contel that its calculations supporting the revised positive net settlement effect of \$6,382,794 is reasonable and its request is granted.

#### REQUEST TO INCREASE BEALS RATES

As directed by D.88-07-022, a LEC is required to increase its 1-R flat rate up to the 150% threshold before the LEC is eligible to receive CHCF support. Therefore, CP National Telephone Company by AL No. 255-T, Supplement 1, proposes to increase its BEALS rates by 8.2% which will increase the monthly 1-R flat rate from \$11.00 to \$11.90. The positive net settlement effect to be recovered from the proposed increase is \$143,684. CP National's request is reasonable and will be granted.

In compliance with Ordering Paragraph No. 64 of D.88-07-022, Pacific filed AL No. 15642 and GTEC filed AL No. 5237 to request authority to decrease the current CHCF element of \$0.0011 per minute in CCLC to \$0.0009 per minute of use to be effective January 1, 1990. A decrease in the CHCF element in the CCLC rate will provide increased CHCF support because of increased usage. The new HCF element of \$0.0009 will provide \$13,911,311 of the 1990 CHCF revenue requirement of \$14,942,100 with the balance being provided by the 1989 HCF surplus of \$1,030,789. The requests are reasonable and should be authorized. To date, GTE West Coast has not filed an AL to make the similar request as required by Appendix B of D.88-07-022. Therefore, we will direct GTE West Coast to file an AL within five days from the effective date of this resolution to implement the CHCF element of \$0.0009 per minute of use in CCLC.

#### 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 CHCF funding by a uniform incremental amount on the Carrier Common Line Charge of all local exchange company interLATA access tariff.
3. The Advice Letter filings by the LECs listed in Appendix A of this resolution are compliance filings required by Appendix B of D.88-07-022.
4. The review of each LEC's current earnings is normally done in a general rate proceeding therefore, no finding of reasonableness concerning the current earnings of the LEC is made.
5. To be eligible for CHCF, D.88-07-022 requires the LECs to propose a rate design that will increase or decrease basic exchange access line service rates by a uniform percentage while maintaining the 150% threshold level of comparable California urban rates presently measured by Pacific's 1-R flat rate of \$8.35 per month.
6. With respect to AT&T's protest, we have considered the recommendations as discussed in this resolution. To that extent, AT&T's protest is granted.
7. To recover its 1990 positive net settlement effect, Evans Telephone Company by AL No. 192 and Supplement, propose to increase BEALS rates and recover the balance from the CHCF. Evans' advice letter requests are reasonable and should be adopted.
8. The requests for 1990 CHCF support by Roseville Telephone Company of \$5,012,768, Citizens Utilities Company of California of \$9,389,584, Sierra Telephone Company of \$83,275, The Volcano Telephone Company of \$309,537, Foresthill Telephone Company of \$64,225 and Evans Telephone Company of \$82,711 totaling \$14,942,100 are reasonable and adopted.
9. The request by some LECs to flow through the 1990 negative net settlement effect as a bill and keep surcredit to avoid low recurring rates is reasonable and granted.
10. Tuolumne Telephone Company by AL No. 148-T and Supplement 1 request to reduce its current surcredit to reflect the 1990 positive net settlement effect is reasonable and granted.
11. Contel by AL No.880 and Supplement A request no intrastate HCF. Instead it requested its 1990 positive net settlement effect of \$6,382,794 to be determined as reasonable. Contel's request is granted.
12. CP National Telephone Company's AL No. 255-T and Supplement 1 request to increase its BEALS rates by 8.2% to recover its 1990 positive net settlement effect is reasonable and granted.
13. Pacific Bell's AL No. 15642, and GTEC's AL No. 5237 are compliance filings as a result of D.88-07-022.

14. The 1990 CHCF element of \$0.0009 per minute of use is reasonable and should be adopted.
15. GTE West Coast has not made an AL filing as required by D.88-07-022 to implement the 1990 CHCF element in CCLC and should make such an AL filing within five days from the effective date of this resolution.



## IT IS ORDERED that:

- (1) Authority is granted to decrease the CHCF element of \$0.0011 per minute of use in CCLC to \$0.0009 per minute of use. The new CHCF element of \$0.0009 per minute will provide \$13,911,311 of the 1990 intrastate HCF revenue requirement of \$14,942,100 with the balance being provided by the 1989 CHCF surplus of \$1,030,789. The access tariff revisions filed to implement the 1990 CHCF element of \$0.0009 per minute of use are effective January 1, 1990.
- (2) GTE West Coast shall file an Advice Letter within five days of the effective date of this resolution to implement the adopted CHCF element of \$0.0009 per minute of use to be effective January 1, 1990.
- (3) Roseville Telephone Company's AL No. 278 and Supplement; Citizens Utilities Company of California's AL No. 467 and Supplement; Sierra Telephone Company's AL Nos. 141 and Supplement; The Volcano Telephone Company's AL No. 162 and Supplement; and Foresthill Telephone Company's AL No. 135 request to recover the 1990 positive net settlement effects from CHCF are granted. Evans Telephone Company's AL No. 192 and Supplement request to increase Basic Exchange Access Line Service rates and recover the balance positive net settlement effect from CHCF is granted. Evans' revised tariffs shall become effective January 1, 1990.
- (4) The advice letters and supplements of the LECs requesting a bill and keep intraLATA billing surcredit as discussed in this resolution are granted. The tariff revisions contained in the advice letters shall become effective January 1, 1990.
- (5) Tuolumne Telephone Company's AL No. 148-T and Supplement request to recover its 1990 positive net settlement effect by reducing its current intraLATA billing surcredit is granted. The tariff revisions contained in the advice letter shall become effective January 1, 1990.
- (6) CP National Telephone Company's AL No. 255-T and Supplement request to increase its Basic Exchange Access Line Service rates to recover the positive net settlement effect is granted. The tariff revisions shall become effective January 1, 1990.

December 18, 1989

- (7) All tariff sheets filed under Pacific's Advice Letter No. 15642, GTEC's Advice Letter No. 5237, and the Advice Letters of the LECs listed in Appendix A shall be marked to show that such sheets were authorized by Commission Resolution No. T-14029.

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 December 18, 1989. The following Commissioners approved it:

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

*Wesley Franklin*

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WESLEY FRANKLIN  
Acting Executive Director

APPENDIX A  
SUMMARY  
1990 HIGH COST FUND

LOCAL EXCHANGE COMPANIES	ADVICE LETTER NO.	NET SETTLEMENT EFFECTS	COMMENTS
1. Contel	: 880 & Supp.	: 6,382,794	: Did not request CHCF support.
2. Roseville	: 278 & Supp.	: 5,012,768	: Requested the full amt. to be recovered from CHCF.
3. Citizens	: 467 & Supp.	: 9,389,584	: Requested the full amt. to be recovered from CHCF.
4. Sierra	: 141 & Supp.	: 83,275	: Requested the full amt. to be recovered from CHCF.
5. CP National	: 255-T & Supp.	: 143,684	: Incr. BEALS by 8.2%.
6. W. Coast	: 329 & Supp.	: -317,679	: Request (7.51)% surcred.
7. Evans	: 192 & Supp.	: 191,137	: Incr. BEALS 20% or \$108,426 and recover the bal. of \$82,711 from CHCF.
8. Volcano	: 162 & Supp.	: 309,537	: Requested the full amt. to be recovered from CHCF.
9. Ponderosa	: 161 & Supp.	: -353,103	: Request (12.66)% surcred.
10. Kernan	: 179 & Supp.	: -74,986	: Request (3.79)% surcredit.
11. Tuolumne	: 148-T & Supp.	: 76,767	: Requested to reduce the existing (9.78)% surcredit by 4.02% to (5.76)%.
12. Siskiyou	: 170	: -280,724	: Request (21.04)% surcred.
13. Happy Val.	: 107 & Supp.	: -15,510	: Request (2.18)% surcredit.
14. Cal-Ore	: 137 & Supp.	: -58,801	: Request (9.19)% surcredit.
15. Foresthill	: 135 & Supp.	: 64,225	: Request full amt. to be recovered from CHCF.
16. Calaveras	: 126 & Supp.	: -66,811	: Request (11.14)% surcred.
17. Winterhaven	: 10 & Supp.	: -7,449	: Request (4.78)% surcredit.
18. Ducor	: 149 & Supp.	: -1,515	: Request (0.62)% surcredit.
19. Hornitos	: 97 & Supp.	: -83,267	: Request (50.00)% surcred.
20. Pinnacles	: 73 & Supp.	: -3,644	: Request (6.07)% surcredit.

6 have requested CHCF.  
 11 have requested Surcredit.  
 1 have not requested CHCF.  
 1 have increased BEALS.  
 1 have requested to reduce surcredit.  
20

(End of Appendix A)