

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
 COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14388
 Telecommunications Branch May 8, 1991

R E S O L U T I O N

RESOLUTION T-14388. CP NATIONAL CORPORATION AND
 TUOLUMNE TELEPHONE COMPANY REQUEST TO DISCONTINUE
 EMPLOYEE SERVICE DISCOUNT.

BY ADVICE LETTER NO. 271-T, FILED ON JANUARY 4, 1991,
 AND ADVICE LETTER NO. 160-T, FILED ON JANUARY 4, 1991,
 RESPECTIVELY.

SUMMARY

This resolution authorizes CP National Corporation (CP National) and Tuolumne Telephone Company (Tuolumne) to discontinue the service discount currently provided to all qualified employees, effective no earlier than May 15, 1991.

BACKGROUND

The current tariffs (i.e., CP National's Schedule No. A-22 and Tuolumne's Schedule No. A-12) provide to all active and retired full-time employees a 50% discount on their fixed monthly charged services. The purpose of CP National's Advice Letter 271-T and Tuolumne's Advice Letter 160-T is to cancel this discount and charge employees the full tariffed rates charged to nonemployees for the same services. In exchange, the employees' discounted amounts will be added to their salaries (except for a minimal reduction due to income tax effects).

PROTESTS

Notices of these Advice Letters were published in the Commission Calendar on January 10, 1991. The Commission Advisory and Compliance Division (CACD) has received no protests to Advice Letter Nos. 271-T and 160-T.

DISCUSSION

CP National has the following rates and employee benefits:

Schedule No. A-1 Access Line Service

Residential One-Party Flat Rate	\$12.20 per month
Residential One-Party Measured Rate	\$8.70 per month

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Schedule No. A-29 Custom Calling Service

Residential Call Waiting Rate	\$3.50 per month
Call Waiting and Speed Call 8 Rate	\$6.00 per month
Call Forwarding and Call Waiting Rate	\$6.00 per month
Call Waiting and Speed Call 30 Rate	\$7.36 per month

Schedule No. A-22 Employee Service

Each regular, full-time employee (and retired employee) receives a 50% discount on his residential, fixed, monthly exchange service (i.e., his/her charges from Schedules A-1 and A-29). CP National states that the average discount amount for its 44 qualified employees is \$8.33 per month.

Tuolumne has the following rates and employee benefits:

Schedule No. A-1 Access Line Service

Residential One-Party Flat Rate	\$13.45 per month
Residential One-Party Measured Rate	9.15 per month

Schedule No. A-16 Custom Calling Service

Residential Call Waiting Rate	\$ 3.00 per month
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Schedule No. A-12 Employee Service

Each employee (active and retired) receives a 50% discount on residential tariffed rates (i.e., his/her charges from Schedules A-1 and A-16). Tuolumne states that the average discount amount for its 11 qualified employees is \$8.00 per month.

In Advice Letters Nos. 271-T and 160-T, filed on January 4, 1991, CP National and Tuolumne request the following discontinuance schedule for various groups of employees:

1. Non-union Active Full-Time Employees: as of January 1, 1991.
2. Non-union Retired Employees: If the employee retired before January 1, 1991, only the employee can discontinue the discount at his/her discretion. If the employee retired on or after January 1, 1991, the discount should discontinue on January 1, 1991.
3. Union Full-Time Employees: as of the expiration date of the present union contract.
4. Union Retired Employees: as of the expiration date of present union contract.

The discontinuance of these employee discounts is a rate increase for the affected employees. Affected employees were not properly noticed (in accordance with General Order 96-A) until after the proposed effective date of that increase.

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CACD believes that this proposed schedule would be a retroactive rate increase. Each change in the tariff should occur on or after the date of this Resolution. CACD recommends that the effective date be May 15, 1991 for all changes in the tariff, except for labor union contracts that may expire after that date.

CP National and Tuolumne state that the reason for discontinuing the employee service discount is to standardize the benefits provided to all employees and retirees of the parent company, AllTel, which does not offer employee discounts to its other employees. CP National and Tuolumne will make appropriate wage adjustments such that each employee's total compensation package is not diminished. All 55 affected employees were noticed in writing on March 19, 1991, but not prior to the proposed effective dates.

There is an income tax effect because of this restructured compensation package. The Internal Revenue Code, Section 1199, states that 20% of the price of the service offered as a qualified employee discount is not included in gross income for tax purposes. Thus, the average tax effect for a year (using CP National's average discount amount) may be as follows:

$\$8.33 \times 12 \text{ mo.} \times 20\% \times 33\%$ (the highest tax bracket) = \$6.60

That is, on average, an employee's annual income tax liability may increase by \$6.60, if CP National were to increase pay levels by the amount of the average discount. The liability of Tuolumne employees may be even less.

CP National and Tuolumne state that the present discount service is difficult to standardize and administer because each employee has his/her own quantity and types of service. There are also high administrative costs to report this benefit to the employee and taxing agencies. Both of these difficulties can be eliminated by discontinuing the employee and retiree discount.

FINDINGS

1. The discontinuance of the employees and retirees' service discount is a rate increase for that group of customers.
2. Employees and retirees were not properly and timely noticed of the proposed increase; therefore, its postponement from January 1, 1991 is just and reasonable. Employees and retirees were noticed on March 19, 1991, and none has protested.
3. CP National and Tuolumne Telephone Company propose to fully compensate employees for their rate increase with comparable wage increases (except for a minimal income tax effect to which there was no protest).
4. CP National and Tuolumne's proposed effective schedule would constitute retroactive ratemaking. To avoid this problem, it is reasonable that all effective dates of the supplements must be on or after May 15, 1991.

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5. The elimination of the employee/retiree discount is justified, and the resulting rates are reasonable.

THEREFORE, IT IS ORDERED that:

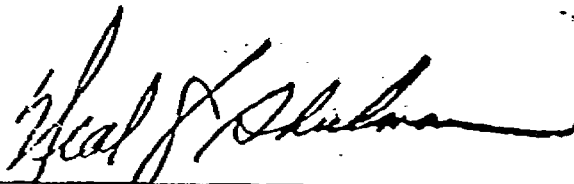
1. CP National and Tuolumne Telephone Company are authorized to discontinue their employee and retiree service discounts on or after May 15, 1991, except where union contracts containing the discount expire later. In that case, the discount may be discontinued on the expiration date of those contracts.

2. If the authority granted in this Resolution is exercised, CP National and Tuolumne Telephone Company shall supplement Advice Letters Nos. 271-T and 160-T respectively to reflect the effective dates of discontinuance authorized by this Resolution within 7 days of its effective date.

3. The supplements as ordered above to CP National's Advice Letter No. 271-T and Tuolumne Telephone Company's Advice Letter No. 160-T and the accompanying tariff sheets shall be marked to show that they were authorized by Resolution T-14388, with the effective date the day that Ordering Paragraph 2 is complied with.

4. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 8, 1991. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSIER
NORMAN D. SHUMWAY
Commissioners