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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications BranchRESOLUTION T-15183
December 16, 1992

R E S O L U T I O N

RESOLUTION T-15183. ALL LOCAL EXCHANGE TELEPHONE COMPANIES. ORDER REVISING 1993 INTRASTATE HIGH COST FUND REVENUE REQUIREMENT, THE HIGH COST FUND ELEMENT OF THE CARRIER COMMON LINE CHARGE, AND LOCAL EXCHANGE COMPANIES' BASIC EXCHANGE RATES AND/OR INTRALATA BILLING SURCHARGE/(SURCREDIT).

BY ADVICE

LETTER NO.	FILED BY	DATE FILED
294-T	ALLTEL-CP NATIONAL CORPORATION	OCTOBER 19, 1992
181-T	ALLTEL-TUOLUMNE TELEPHONE COMPANY	OCTOBER 19, 1992
150	CALAVERAS TELEPHONE COMPANY	OCTOBER 1, 1992
150A	CALAVERAS TELEPHONE COMPANY	OCTOBER 19, 1992
168	CALIFORNIA-OREGON TELEPHONE CO.	OCTOBER 1, 1992
168A	CALIFORNIA-OREGON TELEPHONE CO.	OCTOBER 19, 1992
519	CITIZENS UTILITIES COMPANY OF CALIFORNIA	OCTOBER 1, 1992
519A	CITIZENS UTILITIES COMPANY OF CALIFORNIA	OCTOBER 9, 1992
953	CONTINENTAL TELEPHONE COMPANY OF CALIFORNIA	OCTOBER 13, 1992
173	DUCOR TELEPHONE COMPANY	OCTOBER 1, 1992
173A	DUCOR TELEPHONE COMPANY	OCTOBER 19, 1992
219	EVANS TELEPHONE COMPANY	OCTOBER 1, 1992
219A	EVANS TELEPHONE COMPANY	OCTOBER 8, 1992
219B	EVANS TELEPHONE COMPANY	NOVEMBER 18, 1992
219C	EVANS TELEPHONE COMPANY	DECEMBER 7, 1992
219D	EVANS TELEPHONE COMPANY	DECEMBER 7, 1992
153	FORESTHILL TELEPHONE CO.	OCTOBER 2, 1992
153A	FORESTHILL TELEPHONE CO.	NOVEMBER 18, 1992
5434	GTE CALIFORNIA INCORPORATED	NOVEMBER 12, 1992
373	GTE WEST COAST INCORPORATED	OCTOBER 5, 1992
374	GTE WEST COAST INCORPORATED	NOVEMBER 12, 1992
130	HAPPY VALLEY TELEPHONE COMPANY	OCTOBER 1, 1992
130A	HAPPY VALLEY TELEPHONE COMPANY	OCTOBER 19, 1992
119	HORNITOS TELEPHONE COMPANY	OCTOBER 1, 1992
119A	HORNITOS TELEPHONE COMPANY	OCTOBER 19, 1992
204	KERMAN TELEPHONE COMPANY	OCTOBER 1, 1992
204A	KERMAN TELEPHONE COMPANY	OCTOBER 23, 1992
204B	KERMAN TELEPHONE COMPANY	NOVEMBER 2, 1992
204C	KERMAN TELEPHONE COMPANY	NOVEMBER 16, 1992
16374	PACIFIC BELL	NOVEMBER 6, 1992
90	PINNACLES TELEPHONE COMPANY	OCTOBER 1, 1992
90A	PINNACLES TELEPHONE COMPANY	OCTOBER 19, 1992
188	THE PONDEROSA TELEPHONE CO.	OCTOBER 1, 1992
188A	THE PONDEROSA TELEPHONE CO.	OCTOBER 23, 1992
318	ROSEVILLE TELEPHONE COMPANY	OCTOBER 2, 1992
165	SIERRA TELEPHONE CO., INC.	OCTOBER 1, 1992
165A	SIERRA TELEPHONE CO., INC.	OCTOBER 22, 1992
201	THE SISKIYOU TELEPHONE COMPANY	OCTOBER 1, 1992
201A	THE SISKIYOU TELEPHONE COMPANY	DECEMBER 7, 1992
185	THE VOLCANO TELEPHONE COMPANY	OCTOBER 1, 1992
185A	THE VOLCANO TELEPHONE COMPANY	OCTOBER 19, 1992
35	WINTERHAVEN TELEPHONE COMPANY	OCTOBER 1, 1992

SUMMARY

This Resolution authorizes Pacific Bell (Pacific), GTE California Incorporated (GTEC), and GTE West Coast Incorporated (West Coast) to continue the California High Cost Fund (HCF) element of the Carrier Common Line Charge (CCLC) at \$0.0000. The HCF revenue requirement for 1993 developed in accordance with Decision (D.) 88-07-022, Appendix B, Sections B and D is zero.

BACKGROUND

By D.88-07-022 dated July 8, 1988, the Commission adopted the intrastate HCF mechanism, stating in Ordering Paragraph (OP) 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 settlements 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 Commissions' 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 effect while maintaining the overall rate design within the 150% guidelines as most recently defined by Commission decision and further calculating any resultant increases or decreases in the company's HCF funding requirements.

In addition, the following sentence was added to the end of Section B of Appendix B by D.88-12-044 dated December 9, 1988 which addressed the Petition for Modification filed on November 1, 1988 by twelve small independent local exchange companies (LEC)¹:

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.

Section D of Appendix B describes the "waterfall" provision of the HCF:

HCF funding shall continue at 100% of the Commission authorized funding requirement for the years 1988 and 1989. The HCF support level for those local exchange companies which have not initiated a general rate proceeding, either under General Order 96-A or by a general rate case application, by December 31, 1990, shall be reduced during the year 1991, so that such a company shall receive only 80% of the amount of funds that would otherwise be paid to it from the HCF during 1991. The HCF funding level for those companies not initiating rate proceedings by December 31, 1991, shall be further reduced to 50% of the funding requirement during the year 1992, and HCF funding for those companies which have not initiated rate proceedings by December 31, 1992, shall terminate entirely in 1993.

D.90-08-066 invited petitions for modification of D.88-07-022 to suspend the waterfall provisions of the HCF. The Commission denied these petitions. Therefore, this Resolution authorizes no recovery of the 1993 revenue requirement from the HCF.

¹ The companies are CP National, Evans, GTE West Coast, Happy Valley, Hornitos, Kerman, Pinnacles, Sierra, Siskiyou, Tuolumne, Volcano, and Winterhaven.

Appendix A of D.91-09-042 sets forth the HCF recovery guidelines:

Utilities shall be eligible for support from the fund limited to the amount[s] which are forecasted to result in earnings not to exceed authorized intrastate rates of return or to the current funding level amount for the year for which HCF is being requested, whichever amount is lower. The forecasted intrastate rate of return shall be developed using annualized earnings based on at least seven months of recorded financial data for the year in which the advice letter is filed. Funding levels from past years shall be subject to this limitation in each succeeding year. For purposes of determining amounts for which a utility may be eligible, utilities which do not have an authorized intrastate rate of return shall apply the highest intrastate rate of return authorized by the Commission for a local exchange company.

To recover a net positive revenue requirement a LEC must file a "means test" with its advice letter. The 1993 HCF filing is the second year that the means test is required. The provisions of the means test delineated in D.91-05-016 and as modified by D.91-09-042 are as follows:

For those companies requesting HCF support, the filing shall include, unless otherwise exempted herein, at least seven months of recorded data annualized for the year in which the advice letter is filed and adjusted for known Commission regulatory decisions regarding the utility's rate of return.

On various dates in October, November, and December, 1992, twenty LECs filed their advice letters and supplements as required by Appendix B of D.88-07-022, setting forth their 1993 net settlements effects and requests for 1993 HCF support and/or revisions to their basic exchange rates and intraLATA billing surcharge/surcredits. Of the twenty LECs, none requested intrastate HCF support to recover its 1993 net settlements effect. Because the waterfall provisions delineated in Section D of D.88-07-022 are now in effect, 1993 recipients of the HCF are entitled to freeze their recovery from the HCF at 1992's 50% level only if they have initiated a general rate proceeding by December 31, 1992. No LEC has initiated a general rate proceeding to date so no LEC is currently eligible to draw from the HCF during 1993. LECs are, however, eligible to recover their 1993 net settlements effects by increasing their Basic Exchange Access Line Service (BEALS) rates to a level equivalent to 150% of Pacific's. A summary of each LEC advice letter filing and request is shown in Appendix A to this Resolution.

In compliance with D.88-07-022, OP 64, Pacific, GTEC, and West Coast filed advice letters requesting authority to continue the HCF increment on the CCLC at \$0.0000 to fund the intrastate HCF for recovery of the requested 1993 net settlements effects. D.91-05-016 mandates that any residual amount (positive or negative) be reconciled with the succeeding year's HCF prospective funding requirement. Because there is no funding requirement projected for 1993 and administration of a small surplus refund would be difficult, Pacific's proposed CCLC would leave the small residual balance in the fund to help offset any future HCF funding requirements.

NOTICE/PROTESTS

Public notice of the LEC's HCF advice letters appeared in the Commission's Daily Calendar throughout October and November, 1992. The Commission Advisory and Compliance Division has not received any protests regarding these advice letter filings.

DISCUSSION

The intrastate HCF, as adopted and set forth in Appendix B of D.88-07-022, provides financial support to LECs whose BEALS rates would necessarily be increased to recover lost settlement revenues at a level threatening universal service. Appendix B of D.88-07-022 requires each LEC to make an annual advice letter filing by October 1 of each year which both proposes a rate design and requests HCF support to reflect the net increase or decrease in its settlement revenues.

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 filed advice letters as summarized in Appendix A of this Resolution. As Appendix A demonstrates, ten LECs have requested no intrastate HCF recovery despite having positive 1993 net settlement effects; nine LECs have requested intraLATA billing surcredits; and one LEC requested to increase its BEALS rates and implement a 2.49% intraLATA billing surcharge. Each of these filings is discussed below.

REQUEST FOR NO HCF SUPPORT

Ten LECs have positive net settlements effects but do not request HCF support in 1993. Those are Continental Telephone Company of California (Contel), Roseville Telephone Company (Roseville), Citizens Utilities Company of California (Citizens), ALLTEL-CP National Corporation (CP National), Foresthill Telephone Co. (Foresthill), The Ponderosa Telephone Co. (Ponderosa), Sierra Telephone Co., Inc. (Sierra), ALLTEL-Tuolumne Telephone Company (Tuolumne), The Volcano Telephone Company (Volcano), and Winterhaven Telephone Company (Winterhaven). Contel and Roseville requested in their advice letters that the Commission review their

calculations which supported a positive net settlements effect² and that the Commission confirm their respective amounts.

Our Commission Advisory and Compliance Division (CACD) staff has examined these companies' advice letters and the backup workpapers and agrees that they are correct. Accordingly, we will find that the estimates of 1993 positive net settlements effects shown in those advice letters and summarized in Appendix A to this Resolution are reasonable.

BILLING SURCREDIT REQUEST

Eight LECs listed in Appendix A of this Resolution have requested to flow through their negative net settlements effect as a bill and keep intraLATA billing surcredit. In support of their requests, these LECs state that their proposed surcredits offer a less disruptive method to implement their revenue requirement reductions and are preferable to making changes to recurring rates pending a Commission decision in the Implementation Rate Design (IRD) proceeding.

Two of these eight LECs, Hornitos Telephone Company (Hornitos) and Pinnacles Telephone Company (Pinnacles), requested to maintain their current bill and keep intraLATA billing surcredits at 50% and place the differences between their respective 1993 net settlements impacts and their 50% surcredits into established memorandum accounts.

The request to reflect a negative net settlements effect by a bill and keep intraLATA billing surcredit is reasonable for all eight LECs and is in compliance with D.88-07-022.

Placing Hornitos' and Pinnacles' differences between their 1993 net settlements impacts and their 50% surcredits into established memorandum accounts is consistent with D.88-12-044 and will be adopted.

CALIFORNIA-OREGON TELEPHONE CO. REQUEST TO INCREASE BEALS RATES

As directed by D.88-07-022, a LEC is required to increase its 1FR flat rate up to the 150% threshold before the LEC is eligible to receive intrastate HCF support. Accordingly, California-Oregon Telephone Company (Cal-Oregon) by Advice Letter (AL) No. 168 and supplement, proposes to increase its Newell and Tullake BEALS rates by 100%, which would increase the monthly 1FR flat rate from \$6.05 to \$12.10, and to implement a 2.49% intraLATA billing surcharge in these exchange areas to collect the remaining revenue that would have resulted by raising its BEALS rates to the 150%

² As shown in Appendix A, a positive net settlements effect denotes a need for intrastate HCF support and/or to increase rates. A negative net settlements effect denotes a need to decrease rates.

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threshold level of Pacific's. Cal-Oregon's other BEALS rates are already at or above that level.

The positive net settlements effect to be recovered from the proposed increase is \$125,022. Cal-Oregon has not filed a general rate case in 1992 and is therefore not eligible to draw from the HCF during 1993 the additional \$24,380 that would be needed to cover its full net settlement effect of \$149,402. Cal-Oregon's request complies with our previous HCF decisions and will be granted.

EVANS' REQUEST TO RECORD 1992 REVENUE IMPACT IN BALANCING ACCOUNT

Evans Telephone Company (Evans) initially requested authority to place its negative net settlements effect of \$21,274 into an established memorandum account. A similar request was denied in Resolution No. T-13038, on December 19, 1988. Evans' AL No. 219 and Supplements A and B are not in compliance with D.88-12-044. However, following discussions with CACD staff, on December 7, 1992, Evans filed Supplement D to AL No. 219 proposing a bill and keep intraLATA billing surcredit of 0.5%. Evans' Supplement D to AL No. 219 is in compliance with D.88-12-044 and should be adopted.

CCLC CHARGE

In compliance with OP 64 of D.88-07-022, Pacific filed AL No. 16374, GTEC filed AL No. 5434, and West Coast Filed AL No. 374 requesting authority to continue the current HCF increment on the CCLC at \$0.0000 per minute of use. This rate is based on the projection that no revenue recovery will be needed from the HCF during 1993. Because the 1993 HCF funding requirement we are ordering herein is zero, and because refunding the small surplus currently existing in the fund would be administratively burdensome, it is reasonable to continue the current HCF increment on the CCLC at \$0.0000 per minute of use and carry over the current surplus into 1993.

FINDINGS OF FACT

1. Ordering Paragraph 64 of D.88-07-022 adopted and directed the implementation of the intrastate HCF described in Appendix B of that decision.
2. D.88-07-022, Appendix B, provides for intrastate HCF funding by a incremental amount on the Carrier Common Line Charge of all local exchange company interLATA access tariffs.
3. The waterfall provisions delineated in Section D of D.88-07-022 are now in effect. None of the twenty applicant LECs have filed general rate cases to date and thus none are currently eligible to draw from the HCF in 1993.
4. The means test provisions in D.91-05-016 as modified by D. 91-09-042 are now in effect.
5. 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.
6. There were no protests to the LECs' HCF advice letter filings.
7. 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 any LEC is made.
8. In order to be eligible for the intrastate HCF, LECs are first required by D.88-07-022 to propose a rate design that will increase basic exchange access line service rates while not exceeding the 150% threshold level of comparable California urban rates presently measured by Pacific's LFR flat rate of \$8.35 per month.
9. The request by several LECs to flow through their 1993 negative net settlements effects as bill and keep intraLATA surcredits to avoid lowering recurring rates is reasonable and should be granted.
10. The requests by Hornitos Telephone Company and Pinnacles Telephone Company to maintain their current bill and keep intraLATA billing surcredits at 50% and place the differences between their respective 1993 net settlements impacts and their 50% intraLATA billing surcredits into established memorandum accounts are consistent with D.88-12-044 and should be approved.
11. Citizens, Contel, CP National, Foresthill, Ponderosa, Roseville, Sierra, Tuolumne, Volcano, and Winterhaven by their advice letters and supplements show positive net settlement impacts but request no intrastate HCF support. The estimates of 1993 positive net settlement effects shown in those advice letters and summarized in Appendix A to this Resolution have been examined and concurred in by our CACD staff, and are reasonable.

12. California-Oregon Telephone Company's proposal by AL No. 168 and supplement to increase its Newell and Tulelake BEALS rates by 100% and implement a 2.49% intraLATA billing surcharge in those exchanges to recover its 1993 positive net settlements effect is reasonable and should be adopted. Cal-Oregon should be required to notify its customers of the tariff revisions authorized in this Resolution in its next billing cycle.

13. Pacific Bell's AL No. 16374, GTEC's AL No. 5434, and GTE West Coast's AL No. 374 are compliance filings as a result of D.88-07-022.

14. Refunding the small surplus currently existing in the HCF would be administratively burdensome. The current surplus should be carried over into 1993.

15. The HCF increment of \$0.0000 is reasonable and should be effective January 1, 1993.

THEREFORE, IT IS ORDERED that:

1. Pacific Bell (Pacific), GTE California Incorporated (GTEC), and GTE West Coast Incorporated (West Coast) shall continue the High Cost Fund increment in the Carrier Common Line Charge at \$0.0000 per minute of use, effective January 1, 1993.

2. The bill and keep intraLATA billing surcredits proposed by Calaveras Telephone Company, Ducor Telephone Company, Evans Telephone Company, GTE West Coast Incorporated, Happy Valley Telephone Company, Kerman Telephone Company, and The Siskiyou Telephone Company are adopted. The tariff revisions contained in those companies' advice letters as supplemented shall become effective January 1, 1993.

3. The compliance advice letter filings of ALLTEL-CP National Corporation, ALLTEL-Tuolumne Telephone Company, Citizens Utilities Company of California, Continental Telephone Company of California, Foresthill Telephone Co., The Ponderosa Telephone Co., Roseville Telephone Company, Sierra Telephone Co., Inc., The Volcano Telephone Company, and Winterhaven Telephone Company are accepted as filed, and shall be made effective on January 1, 1993.

4. Hornitos Telephone Company's (Hornitos) and Pinnacles Telephone Company's (Pinnacles) request to maintain their current bill and keep intraLATA billing surcredits at 50% and to place the differences between their 1993 net settlements impacts and their 50% intraLATA billing surcredits into established memorandum accounts are granted. The revised tariff sheets in Hornitos' Advice Letter No. 119 and Pinnacles' Advice Letter No. 90 shall become effective January 1, 1993.

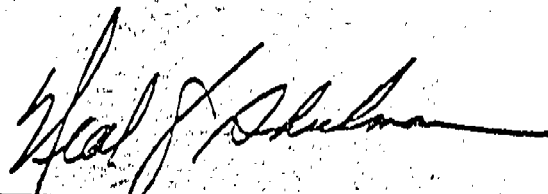
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5. California-Oregon Telephone Company's (Cal-Oregon) request in Advice Letter No. 168 and supplement to increase its Basic Exchange Access Line Service rates and implement a 2.49% intraLATA billing surcharge in its Tulelake and Newell exchanges to recover its positive net settlements effect is granted. The tariff revisions shall become effective January 1, 1993. Cal-Oregon shall notify its customers of the tariff revisions authorized in this Resolution in its next billing cycle.

6. All tariff sheets filed under the Advice Letters of the local exchange companies listed in Appendix A to this Resolution shall be marked to show that such sheets were authorized by Commission Resolution T-15183.

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 16, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

APPENDIX A
SUMMARY
1993 HIGH COST FUND

LOCAL EXCHANGE COMPANIES	ADVICE LETTER NO.	NET SETTLEMENTS EFFECTS	CONTRIBUTION FROM LOCAL RATES	1993 NET CHCF REQUIREMENT	COMMENTS
1. Calaveras	150	(\$338,377)	0	(\$338,377)	Request (35.53%) surcredit.
	& supplement				
2. Cal-Oregon	168	149,402	125,022	0	Request to increase some BEALS rates and implement a surcharge. [1]
	& supplement				
3. Citizens	519	2,459,211	0	0	Did not request CHCF support. [2]
4. Contel	953	22,817,850	0	0	Did not request CHCF support. [2]
5. CP National	294-T	1,278,344	0	0	Did not request CHCF support. [2]
6. Ducor	173	(123,632)	0	(123,632)	Request (46.39%) surcredit.
	& supplement				
7. Evans	219	(21,274)	0	(21,274)	Request (0.5%) surcredit.
	& supplement				
8. Foresthill	153	3,366	0	0	Did not request CHCF support. [2]
	& supplement				
9. Happy Valley	130	(233,264)	0	(233,264)	Request (29.23%) surcredit.
	& supplement				
10. Hornitos	119	(20,711)	0	(20,711)	Maintain (50%) surcredit, remainder in memo acct.
	& supplement				
11. Kerman	204	(204,422)	0	(204,422)	Request (9.19%) surcredit.
	& supplement				
12. Pinnacles	90	(36,664)	0	(36,664)	Maintain (50%) surcredit, remainder in memo acct.
	& supplement				
13. Ponderosa	188	196,967	0	0	Did not request CHCF support. [2]
	& supplement				
Roseville	318	4,545,007	0	0	Did not request CHCF support. [2]
Sierra	165	822,775	0	0	Did not request CHCF support. [2]
	& supplement				
16. Siskiyou	201	(324,063)	0	(324,063)	Request (28.66%) surcredit.
	& supplement				
17. Tuolumne	181-T	1,301,414	0	0	Did not request CHCF support. [2]
18. Volcano	185	19,225	0	0	Did not request CHCF support. [2]
	& supplement				
19. West Coast	373	(1,002,096)	0	(1,002,096)	Request (10.25%) surcredit.
20. Winterhaven	35	477,989	0	0	Did not request CHCF support. [2]

TOTAL DRAW FROM CHCF

\$0

[1] Request to increase Howell/Tulelake BEALS rates by 100.0% and implement 2.49% surcharge.
[2] Adjusted for 0% waterfall impact.

7 requested a surcredit
10 did not request CHCF recovery
2 requested to maintain a 50% surcredit and place remaining amount in a memorandum account
1 requested to increase its BEALS rates by 100% and implement a 2.49% surcharge