PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division
Market Structure Branch

RESOLUTION T-16000
April 23, 1997

R E S O L U T I O N

RESOLUTION T-16000. GTE WEST COAST INCORPORATED (U-1020-C). GENERAL RATE CASE FILING IN COMPLIANCE WITH DECISION NO. 94-09-065, ORDERING PARAGRAPH 45, AND SECTION 454 OF THE PUBLIC UTILITIES CODE.

BY ADVICE LETTER NO. 408, FILED ON DECEMBER 28, 1995.

SUMMARY

This Resolution authorizes a revenue requirement reduction of $250,491 for GTE West Coast Incorporated (West Coast) for the 1997 test year. An intrastate rate base amount of $13,662,782 is adopted with an authorized rate of return (ROR) of 10.00%. West Coast had requested a test year revenue requirement increase of $325,934, on an intrastate rate base amount of $13,819,285, and an ROR of 11.30%.

Appendix A contains a comparison of Telecommunications Division (TD) and West Coast's 1997 Test Year Intrastate Summary Results of Operations (RO) at present rates. Appendix B contains TD's proposed 1997 Summary Results of Operations for West Coast. Appendix C contains the calculation of the Net to Gross Multiplier, the determination of the incremental revenue requirement decrease, and the calculation of the 4.44% surcredit required to offset the gross revenue requirement decrease of $250,491. We adopt TD's proposed RO and 4.44% surcredit. Appendix D sets forth West Coast's proposed service connection charges (SCCs). We adopt West Coast's proposed SCCs. Appendix E contains West Coast's proposed revisions to its General Exchange and Facilities for Intrastate Access tariffs. We adopt West Coast's proposed tariff revisions.

Resolution No. T-15970, November 26, 1996, required that West Coast's present rates be made subject to refund as of January 1, 1997 pending a final decision on West Coast's GRC filing. A

6.65% surcredit has been calculated to refund West Coast's excess rates and charges between January 1, 1997 and the end of April, 1997. This 6.65% surcredit, as set forth in Appendix C, will remain in effect until December 31, 1997. The 4.44% surcredit will become effective January 1, 1998.

BACKGROUND

Decision No. 94-09-065, Ordering Paragraph (O.P.) No. 45, required all small Local Exchange Companies (LECs) to file general rate cases (GRCs) on or before December 31, 1995. The decision also permitted the small LECs to file applications for New Regulatory Framework (NRF) authority by application. West Coast filed Advice Letter No. 408[1] on December 28, 1995, with its Test Year 1997 GRC filing. West Coast did not file an application seeking NRF authority. West Coast's last GRC filing was in 1983 and was authorized by Resolution No. T-10710.

West Coast is a small rural LEC serving Crescent City, Klamath, Orick and Smith River exchanges in Del Norte and Humboldt Counties. West Coast estimates that it will serve an average of 13,370 access lines during the test year 1997.

In Advice Letter No. 408, West Coast seeks a 1997 test year total operating revenue requirement of $8,692,220, with total operating expenses of $4,497,805. Taxes, Depreciation, and Amortization amount to $2,632,421. Net revenues amount to $1,561,994 based on an intrastate rate base of $13,819,285 and an overall rate of return of 11.30%. West Coast does not propose specific rate changes to recover the $325,934 net revenue requirement increase it seeks for the 1997 test year.

NOTICE/PROTESTS

West Coast states that a copy of the Advice Letter and related tariff sheets were mailed to competing and adjacent utilities and/or other utilities. Notice of Advice Letter No. 408 was published in the Commission Daily Calendar of December 29, 1995.

Notice of the Advice Letter No. 408 filing was made to customers by bill insert. No protest to this Advice Letter has been received to date.

---

[1] West Coast subsequently filed the following Supplemental Advice Letter s (AL): 1) AL No. 408-B, filed on November 19, 1996, to reflect the new state tax rate of 8.84% in its GRC filing; 2) AL No. 408-C, filed on November 27, 1996, to reflect the revenue effect of its exit from the intrastate pooling arrangements; and 3) AL No. 408-D, filed on January 20, 1997, to reflect the impact of elimination of charges for non-listed and non-published telephone numbers and the deregulation of coin telephone on its intrastate operations.

Staff of the TD held a Public Meeting in Crescent City on March 28, 1996, at which West Coast explained the basis of its GRC filing and subscribers were offered the opportunity to ask questions of West Coast and the TD staff. Approximately 15 subscribers attended the Public Meeting.

Other than some general comments about price increases and West Coast's good quality of service, no substantive issues were raised by customers in attendance. Some subscribers expressed concerns regarding West Coast's proposed increases in SCCs. In response, West Coast noted that its proposed SCCs do not cover all the costs of providing these services, and that the proposed increase is an attempt to align these charges with the costs of providing these services. West Coast further explained that the proposed SCCs will affect primarily new subscribers, and that under the California Lifeline program, qualified low income individuals will pay only 50% of these charges.

DISCUSSION

Results of Operations

Appendix A compares West Coast and TD 1997 test year results of operations at present rates. Differences in revenues result from new services for which West Coast obtained authorization to provide since filing its GRC. West Coast has been granted authority to provide certain new services since filing its GRC. However, West Coast did not include certain amounts of revenues from these new services in its revenue estimates, while TD did. Differences in expenses arise from different methods of estimating. West Coast used 1994 recorded expenses to develop its 1997 estimates. TD used the average of three years (1994 - 1996) recorded expenses to develop its 1997 estimates. We find TD's method and estimates to be reasonable and more reflective of West Coast's current operating characteristics.

Rate of Return

Appendix B presents TD's proposed surcredit to achieve the authorized revenue requirement. A major difference between TD Staff and West Coast concerns the overall ROR. TD originally recommended that the Commission adopt a 9.0% ROR figure instead of the 11.30% proposed by West Coast. However, a ROR of 10.0%, with a determination that equity components in the range of 60 to 80% is reasonable, was adopted for California-Oregon, Calaveras, Ducor, Foresthill, and Sierra Telephone Companies in Decisions issued in their respective GRC Applications: (A.95-12-073, A.95-12-075, A.95-12-076, A.95-12-078, and A.95-12-077). TD concurs that the 10.0% ROR adopted for those five telephone companies should be adopted for West Coast.

West Coast requests a capital structure of 59.77% equity and 40.23% debt and TD concurs. Consistent with our treatment for the other small size telephone companies, we decline to adopt a specific capital structure. However, we do find the proposed common equity ratio, although at the low end of the reasonable range of common equity for small telephone companies, is reasonable and provides equitable benefits between customers and shareholders.[2]

West Coast's estimated 1997 cost of debt is 8.27%. TD agrees to the proposed cost of debt. The 8.27% cost of debt for the test year is reasonable and should be adopted.

As shown in the table below, the application of the 10.0% ROR we recently adopted for the five small telecommunications companies in the above applications results in a 11.16% equity return for GTE West Coast. This equity return is well within the reasonable range of common equity we adopted in the five small LEC GRC decisions. Accordingly, we find the use of a 10.0% overall ROR to calculate the authorized revenue requirement to be reasonable for West Coast.

	Ratio Cost	Cost	Weighted
Long Term Debt	40.23%	8.27%	3.33%
Equity	59.77%	11.16%	6.67%
Total	100.00%		10.00%

West Coast has the flexibility to increase or decrease its equity return through the management of its debt cost and equity ratio.

To correct the imbalance of benefit from a leveraged capital structure, an interest deduction must be reflected in calculating the test year state and federal income tax expense. We derive a $448,823 interest deduction by multiplying the adopted ratebase by the 3.33% reasonable weighted cost of debt.

Intrastate Settlement Pools

[2]Customers with a reduced revenue requirement for the company as a result of reduced income tax expense and shareholders with an additional source of funding for capital expenditures.

Pursuant to a signed agreement with Pacific Bell (Pacific) on March 14, 1997, West Coast seeks exit from the intrastate toll and private line pooling arrangements with Pacific. The exit from the intrastate pooling arrangements with Pacific will effectively terminate annual settlement revenues of approximately $1,951,820 for West Coast. This amount of lost annual revenue has been reflected in the adopted Summary Results of Operations in Appendix B.

We find West Coast's proposal to exit the intrastate pooling arrangements with Pacific to be reasonable, in the public interest, and consistent with Commission policy articulated in D.91-07-044.[3]

Senate Bill 1035

Senate Bill 1035 (Chapter 675, 1996), approved by the Governor, September 20, 1996, prohibits any telephone corporation in a noncompetitive market from charging any subscriber for having an unlisted or unpublished telephone number. West Coast's Schedule A-9, Directory Listings, provides non-published and non-listed services at the monthly rate of $.30 and $0.15, respectively. 1997 estimated average units of 3,179 and 61 for non-published and non-listed services, respectively, result in annual revenues of $11,444 and $110 for non-published and non-listed services, respectively, for a total annual revenue of $11,554. SB 1035 states that the charge shall not be eliminated until offsetting rates are implemented by the Commission. TD Staff proposes that the charge be eliminated as of April 1, 1997, but that the $11,554 annual revenue requirement remain as part of local revenues to be recovered as part of the local exchange rate (Schedule A-1, Residence). We find this proposal to be reasonable.

Deregulation of Pay Telephone Service

West Coast proposes to detariff its payphone service pursuant to Federal Communications Commission (FCC) Order (Docket 96-388)

---

[3]In D.91-07-044, the Commission authorized Citizens Utilities Company of California, Contel of California, and Roseville Telephone Company to exit from the intrastate pooling arrangements. (Order Paragraph 12, p.74.)

In the current toll and private line pooling arrangements, the pool participants concur in Pacific's intrastate toll and private line tariffs. The settlement revenues Pacific pays to the pool participants are costs to Pacific and are funded in rates by subscribers to Pacific's services. In the prevailing competitive telecommunications market and in light of West Coast's excess earnings, we believe it is reasonable for West Coast to exit the intrastate pooling arrangements, establish its own intrastate toll and private line tariffs, and relieve Pacific of this additional cost burden.

dated September 20, 1996. The order directs all LECs to reclassify their payphone operations as unregulated customer premise equipment and to transfer associated telephone plant to unregulated service accounts.

West Coast's Advice Letter No. 429 filing to detarriff its payphone operations will become effective on April 15, 1997. The detariffing of West Coast payphone operations eliminates 1997 estimated revenues of $90,523, expenses of $99,413, plant-in-service of $237,423, and average rate base of $56,526 from West Coast's intrastate operations. These amounts have been reflected in the adopted Summary Results of Operations in Appendix B.

The California High Cost Fund (CHCF-A)

Small LECs were authorized and ordered by D.88-07-022 and D.91-09-042 to file with the Commission, by October 1 of each year, advice letters setting forth calculations of their California High Cost Fund (CHCF-A) funding requirements for the following year. On page 1 of its appendix, D.91-09-042 stated that "Those companies with a revised local exchange revenue requirement (the sum of the present level of local exchange revenues and the net positive and negative settlements effects for such company herein specified) which cannot be met from the local exchange rate designs incorporating the 150% threshold shall be eligible to receive the balance of their revised local exchange revenue requirement from the HCF, ..." This appendix went on to state, on page 2, "Utilities shall be eligible for support from the fund limited to the amount (sic) 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."

CHCF-A advice letters are required of each small LEC annually, regardless of whether the LEC is actually requesting funds from the CHCF-A. In both the annual CHCF-A advice letters and in the Commission Resolution ruling on them, it has become customary to refer to the amount a LEC calculates as its revenue shortfall, due to the net settlements effects of specified events beyond its control, as the LEC's "CHCF-A requirement". This phrase is used regardless of whether the LEC is actually requesting to draw funds from the CHCF-A. A LEC's CHCF-A requirement of a given year becomes the starting point for the calculation of its following year's CHCF-A requirement and, potentially, fund request.

Resolution T-15987, January 13, 1997, deferred the determination of West Coast's CHCF-A funding request for 1997 made in Advice Letter No. 426 (November 1, 1996) to its present GRC. In that advice letter, West Coast requested $2,037,607 from the CHCF-A. Since West Coast is found herein to be overearning by $250,491 in 1997, we find that West Coast's actual 1997 CHCF-A requirement is zero. In its 1998 CHCF-A advice letter filing, West Coast should use zero as its 1997 CHCF-A requirement, from which the calculation of its 1998 CHCF-A requirement begins.

Depreciation Rates

West Coast submitted a Depreciation Study on September 1, 1995. West Coast's current represcription rates became effective on November 15, 1995. TD staff recommends that West Coast's current Depreciation Study and represcription rates be accepted for ratemaking purposes. We find this request to be reasonable.

Service Connection Charges

West Coast proposes to increase its service connection charges (SCCs) in order to align these charges with the cost of providing these services. A comparison of West Coast's present and proposed SCCs for its business, residence, and lifeline customers is set forth in Appendix D. TD has reviewed West Coast's proposed SCCs, including the pertinent cost support. A notice of this proposed increase was mailed to subscribers in January 1996 as a bill insert. No protests were received. The estimated annual revenue impact of these changes is an increase of $46,597. This revenue increase has been included in the adopted Summary Results of Operations in Appendix B. Accordingly, we find West Coast's proposed SCCs reasonable.

Tariff Revisions

West Coast did not provide a rate design proposal to offset its proposed net revenue requirement. However, as an integral part of its voluntarily exit from the intrastate pooling arrangements, West Coast proposes revisions to its tariffs for Intrastate IntraLATA Long Distance Telecommunications Services (Toll), Wide Area Telecommunications Service (WATS), Local Exchange Service (Exchange), and Facilities for Intrastate Access Service (Access). The revenue effects of these proposed tariff revisions have been reflected in the adopted Summary Results of Operations in Appendix B.

West Coast's proposed revisions to its Toll and WATS tarriffs were transmitted for filing in Advice Letters 412 and 413, respectively, on February 14, 1996 and became effective on March 1, 1996.

West Coast's proposed revisions to its Exchange and Access tariffs are discussed in detail in Appendix E. The revisions are substantial and affect all parts of the current tariff. Therefore, a cancellation of the current tariff and a complete reissue of West Coast's General Exchange tariff is in order. The tariff page numbering, structure, and contents are revised. However, the application of the new tariff is consistent with the current tariff.

FINDINGS

1. West Coast filed its GRC Advice Letter No. 408 on December 28, 1995, in compliance with Decision No. 94-09-065.

2. West Coast requested a 1997 test year net revenue requirement increase of $325,934 and a total Rate Base amount of $13,819,285, with an overall Rate of Return of 11.30%.

3. TD Staff recommends a 1997 test year net revenue requirement decrease of $250,491, a total Rate Base amount of $13,662,782 and an overall Rate of Return of 10.0%.

4. Differences between TD Staff and West Coast result from methods of estimating revenues and expenses, and overall Rate of Return.

5. We find TD's recommendation to adopt for West Coast the 10.0% overall Rate of Return adopted in Decisions issued in A.95-12-073, A.95-12-075, A.95-12-076, A.95-12-078, and A.95-12-077) to be reasonable.

6. We find TD's recommended revenues, expenses, and rate base for test year 1997, as set forth in Appendix B, to be reasonable.

7. TD's recommended $250,491 annual revenue decrease should be refunded to customers in accord with TD's recommended 4.44% surcredit adopted in Appendix C.

8. Resolution No. T-15970, November 26, 1996, made West Coast's present rates subject to refund effective January 1, 1997.

9. TD recommended 6.65% surcredit to recover West Coast excess earnings in 1997, as adopted in Appendix C, will be in effect until December 31, 1997.

10. The 4.44% and 6.65% surcredit adopted in Appendix C should be applied to West Coast's Local Exchange and IntraLATA Toll billing base.

11. West Coast's proposal to exit the intrastate pooling arrangements with Pacific Bell is reasonable, is in the public interest, and is consistent with Commission policy.

12. TD's proposal in response to Senate Bill 1035 to eliminate West Coast's charges for Non-Published and Non-listed services, (Schedule A-9, $0.30 and $0.15 per month), effective May 1, 1997, but to retain an annual revenue requirement of $11,554 as part of Schedule A-1, Residence Service, is reasonable.

13. West Coast's proposal to detariff its Pay Telephone service, and to remove from West Coast's intrastate operations 1997 estimated revenues of $90,523, expenses of $99,413, plant-in-service of $237,423, and average rate base of $56,526, pursuant to FCC Order (Docket 96-388), effective May 1, 1997, is reasonable.

14. Resolution T-15987, January 13, 1997, deferred the determination of West Coast' California High Cost Fund (CHCF-A) requirement for 1997, as filed in Advice Letter No. 426, November 1, 1996, to its present GRC.

15. Since West Coast is found to be overearning by $250,491 for 1997, we find that West Coast's actual CHCF-A requirement for 1997 is zero, rather than $2,037,607 as stated in its Advice Letter No. 426.

16. West Coast's Depreciation Study and represcription rates, which became effective on November 15, 1995, should be adopted for ratemaking purposes.

17. West Coast's proposed service connection charges, as set forth in Appendix D, are reasonable and should be adopted.

18. West Coast's proposed revisions to its General Exchange and Facilities for Intrastate Access tariffs, as set forth in Appendix E, are reasonable and should be adopted.

19. West Coast should file a Supplement to Advice Letter No. 408-D to implement the 6.65% surcredit approved in Appendix C.

20. West Coast should file an Advice Letter, no later than December 25, 1997, to implement the 4.44% surcredit approved in Appendix C.

21. West Coast should file a Supplement to Advice Letter No. 408-D to implement the SCCs approved in Appendix D.

22. West Coast should file a Supplement to Advice Letter No. 408-D to implement the tariff revisions approved in Appendix E.

THEREFORE, IT IS ORDERED that:

1. The revenues, expenses, and rate base amounts recommended by the Telecommunications Division for GTE West Coast Incorporated for test year 1997 in Appendix B are adopted for ratemaking purposes.

2. The 6.65% surcredit adopted in Appendix C is made effective from May 1, 1997 until December 31, 1997.

3. The 4.44% surcredit adopted in Appendix C is made effective January 1, 1998.

4. The service connection charges adopted in Appendix D are made effective May 1, 1997.

5. The tariff revisions adopted in Appendix E are made effective May 1, 1997

6. The 6.65% and 4.44% surcredits adopted in Ordering Paragraphs 2 and 3 above, respectively shall be applied to West Coasts' Local Exchange and IntraLATA Toll billing base.

7. GTE West Coast Incorporated shall file a supplement to Advice Letter No. 408-D, effective on 5 days notice, to implement the 6.65% surcredit adopted in Ordering Paragraph 2 above.

8. GTE West Coast Incorporated shall file an Advice Letter, effective on 5 days notice, to implement the 4.44% surcredit adopted in Ordering Paragraph 3 above.

9. GTE West Coast Incorporated shall file a supplement to Advice Letter No. 408-D, effective on 5 days notice, to

implement the service connection charges adopted in Ordering Paragraph 4 above.

10. GTE West Coast Incorporated shall file a supplement to Advice Letter No. 408-D, effective on 5 days notice, to implement the tariff revisions adopted in Ordering Paragraph 5 above.

11. The request by GTE West Coast Incorporated in Advice Letter No. 426, November 1, 1996, for CHCF-A amount of $2,037,607 for 1997 is denied.

12. GTE West Coast Incorporated shall use zero as its 1997 CHCF-A requirement when it files its 1998 CHCF-A advice letter.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 23, 1997. The following Commissioners approved it:

Wesley Franklin
WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

Appendix A, Resolution No. T-16000, April 23, 1997

GTE West Coast Incorporated

Comparison of TD's and GTE West Coast's Estimated Intrastate Results of Operations at Present Rates, Test Year 1997

Line Number		Intrastate GTE-WC	Intrastate TD	GTE-WC > TD Amount	GTE-WC > TD Percent
	OPERATING REVENUES				
1	Local Network Revenues	$4,968,049	$5,092,157	($124,108)	-2.4%
2	Network Access Service	2,249,872	2,286,684	(36,812)	-1.6%
3	Long Distance Network Serv.	629,512	629,512	0	0.0%
4	Miscellaneous	623,863	623,863	0	0.0%
5	LESS: Uncollectibles	(105,010)	(107,351)	2,341	-2.2%
6	TOTAL OPER. REV.	8,366,286	8,524,865	(158,579)	-1.9%
	OPERATING EXPENSES				
7	Plant Specific	1,641,120	1,606,978	34,142	2.1%
8	Plant Non-Specific (less Depr.)	522,418	518,238	4,180	0.8%
9	Depreciation & Amortization	1,732,111	1,732,111	0	0.0%
10	Customer Operations	1,052,462	1,052,462	0	0.0%
11	Corporate Operations	1,281,805	1,261,216	20,589	1.6%
12	TOTAL OPER. EXPS.	6,229,916	6,171,005	58,911	1.6%
	OPERATING TAXES				
13	Operating ITC - Net	(16,403)	(16,403)	0	0.0%
14	Oper. Federal Income Tax	498,451	554,596	(56,145)	-10.1%
15	Oper. State Income Tax	137,658	153,658	(16,000)	-10.4%
16	Taxes Other than on Income	160,106	160,106	0	0.0%
17	Deferred Oper. Income Taxes	(15,184)	(15,184)	0	0.0%
16	TOTAL OPER. TAXES	764,628	836,773	(72,145)	-8.6%
17	NET OPERATING INCOME	1,371,742	1,517,086	(145,344)	-9.6%
	AVG. RATE BASE				
18	Plant in Service	25,552,356	25,552,356	0	0.0%
19	Tel. Plant Under Constr.	167,458	167,458	0	0.0%
20	Materials & Supplies	80,680	80,680	0	0.0%
21	Working Cash	673,100	517,717	155,383	30.0%
22	Depreciation Reserve	(10,079,371)	(10,080,491)	1,120	0.0%
23	Deferred Tax	(2,535,436)	(2,535,436)	0	0.0%
24	Customer Deposits	(1,357)	(1,357)	0	0.0%
25	Unamortized ITC	(38,145)	(38,145)	0	0.0%
26	TOT. AVG. RATE BASE	$13,819,285	$13,662,782	$156,503	1.1%
27	RATE OF RETURN	9.93%	11.10%	-1.18%	-10.6%

Appendix B, Resolution No. T-16000, April 23, 1997

GTE West Coast Incorporated

Summary Results of Operations Forecast for 1997 Test Year
at TD's Proposed Rates

Line Number		Total Intrastate	Proposed Changes	Adopted Intrastate
	OPERATING REVENUES			
1	Local Network Revenues	$5,092,157	($225,856)	$4,866,301
2	Network Access Service	2,286,684		2,286,684
3	Long Distance Network Serv.	629,512	(27,921)	601,591
4	Miscellaneous	623,863		623,863
5	LESS: Uncollectibles	(107,351)	3,286	(104,065)
6	TOTAL OPER. REV.	8,524,865	(250,491)	8,274,374
	OPERATING EXPENSES			
7	Plant Specific	1,606,978		1,606,978
8	Plant Non-Specific (less Depr.)	518,238		518,238
9	Depreciation & Amortization	1,732,111		1,732,111
10	Customer Operations	1,052,462		1,052,462
11	Corporate Operations	1,261,216		1,261,216
12	TOTAL OPER. EXPS.	6,171,005		6,171,005
	OPERATING TAXES			
13	Operating ITC - Net	(16,403)		(16,403)
14	Oper. Federal Income Tax	554,596	(79,922)	474,674
15	Oper. State Income Tax	153,658	(22,143)	131,515
16	Taxes Other than on Income	160,106		160,106
17	Deferred Oper. Income Taxes	(15,184)		(15,184)
16	TOTAL OPER. TAXES	836,773	(102,065)	734,708
17	NET OPERATING INCOME	1,517,086		1,368,661
	AVG. RATE BASE			
18	Plant in Service	25,552,356		25,552,356
19	Tel. Plant Under Constr.	167,458		167,458
20	Materials & Supplies	80,680		80,680
21	Working Cash	517,717		517,717
22	Depreciation Reserve	(10,080,491)		(10,080,491)
23	Deferred Tax	(2,535,436)		(2,535,436)
24	Customer Deposits	(1,357)		(1,357)
25	Unamortized ITC	(38,145)		(38,145)
26	TOT. AVG. RATE BASE	$13,662,782		$13,662,782
27	RATE OF RETURN	11.10%		10.0%

Appendix C, Resolution No. T-16000, April 23, 1997

GTE West Coast Incorporated

Calculation of Net to Gross Multiplier
Test Year 1997

Gross Operating Revenues	1.00000
Uncollectibles at 1.23%	0.01230
Subtotal	0.98770
State Income Tax Rate (at 8.84% eff. 1/1/97)	0.08731
Subtotal	0.90039
Federal Income Tax at 34%	0.30613
Net Revenue	0.59426

Net to Gross Revenue Multiplier (Gross Revenue/Net Revenue) = 1.68278

Determination of Incremental Revenue Requirement
Test Year 1997

Estimated ROR at Present Rates	11.10%
TD Recommended ROR	10.00%
Estimated Average Rate Base	$13,662,782
Net to Gross Mulitiplier	1.68278

Net Rev. Req. Reduction = $13,478,715 * (11.10% - 10.0) * 1.68278 = $253,777

Calculation of Billing Surcredit
Test Year 1997

Estimated Local Exchange Billing	$5,092,157
Estimated Toll Billing	$629,512
Total Estimated Billing Base	$5,721,669

Estimated Annual Surcredit = ($253,777/$5,721,669)x100% = 4.44% 1/

Estimated 1997 Surcredit = (4.90% x 12 monhts)/8 months = 6.65% 2/

1/ Effective January 1, 1998.

2/ Effective May 1, 1997 until December 31, 1997.

Appendix D, Resolution No. T-16000, April 23, 1997

GTE West Coast Incorporated

Multi-element Service Connection Charges - Schedule No. A 6

	Service Charge		Difference	
Residence Service	Present	Proposed	Amount	Percent
Initial Service Order	$9.75	$15.00	$5.25	53.85%
Subsequent Service Order	4.90	9.25	4.35	88.78%
Line conection	10.35	20.00	9.65	93.24%
Reconection Charge	10.05	29.25	19.20	191.04%
Return Check Charge	7.50	15.00	7.50	100.00%
Business Service				
Initial Service Order	9.75	25.00	15.25	156.41%
Subsequent Service Order	4.90	14.40	9.50	193.88%
Line conection	10.35	21.00	10.65	102.90%
Reconection Charge	10.05	35.40	25.35	252.24%
Return Check Charge	7.50	15.00	7.50	100.00%
Residence Lifeline Service				
Initial Service Order	4.88	7.50	2.62	53.69%
Subsequent Service Order	2.45	4.63	2.18	88.98%
Line conection	5.18	10.00	4.82	93.05%
Reconection Charge	10.05	29.25	19.20	191.04%
Return Check Charge	7.50	15.00	7.50	100.00%
Monthly Service Charge				
Individual Reseller Line	26.75	33.70	6.95	25.98%
Directory Listing				
Non-listed	0.15	0.00	(0.15)	-100%
Non-published	0.30	0.00	(0.30)	-100%

APPENDIX E

General Exchange Tariff

1. Section 1, Table of Contents - Provides a Table of Contents to the tariff.

2. Section 2, Rules and Regulations - Except for format changes, no changes were made to the rules and regulations as they are contained in the current tariff. This section also contains separate pages denoting the concurrences with other tariffs that are in effect today.

3. Section 3, Definitions - This section provides a listing of definitions used in the tariff. Some definitions were removed since they are no longer relevant. Otherwise, the definitions that are in the reissued tariff are the same as in the current tariff.

4. Section 4, Local Exchange Service - No changes are made to the current local rates. Suburban mileage rates are removed as all remaining customers who presently receive this service will be upgraded to single party service by 1997. The estimated revenue impact of the removal of suburban mileage charges is a decrease of $64,062 annually.

5. Section 5, Service Charges - This section contains the language and rates associated with Service Ordering. The existing structure is maintained with two changes. First the cost of a premise visit is included with the cost of the line connection rate element. As noted in the cost support, premise visits are only expected to be made on 15% of the new installs. This assumption was taken into account in developing the cost. Second, a Restoral Charge is established and will be assessed to customers requesting reconnection after being disconnected. The Restoral Charge is the sum of the Subsequent Service Order and Line Connection charges. This accurately reflects the cost West Coast incurs to reconnect a customer. As noted in the cost support, the cost is substantially higher than the current charges. West Coast requested increases to these charges do not recover the full cost because the difference between the current charges and the costs is too great to absorb as a one time transition. We believe this to be a fair approach. This section also contains an increase for the Return Check Charge from $7.50 to $15.00 for each occurrence. The estimated revenue impact of these changes is an annual increase of $46,597.

6. Section 6, Custom Calling Services - This section is revised to include the option of Cancel Call Waiting in the Call Waiting feature. There is no increase in the current rate for Call Waiting. The estimated revenue impact is a decrease of $864 annually.

7. Section 7, Digital Services - This section provides the new service of Switched Data Service under the heading of Digital Services. As new digital services are offered, this section of the tariff will be expanded. The estimated annual revenue impact of this new offering is an increase of $18,897.

8. Section 8, Coin/Coinless Telephone Services - No changes are made to the offering of Public or Semi-Public Coin Service. However, this section now includes Customer Owned Pay Telephone Service which provides customers the option of providing their own pay telephone equipment. West Coast will provide network access at the tariffed B1 rate for the applicable exchange. West Coast will also offer Selective Class of Call Screening as an option for $3.00 per month. The estimated annual revenue impact of these changes is an increase of $13,652.

9. Section 9, Directory/Operator Services - The rates for the optional Non-listed Number and Non-published Number services are revised. Non-listed and Non-published Number services will be provided at no charge to customers consistent with SB 1035. The estimated annual revenue impact of this change is a decrease of $11,554 and will be recovered in local residence rates.

10. Section 10, General Services - These services will be offered under the same terms and conditions as contained in the current except for the following modifications:

Transfer Service (Line Hunt) - The current rate of $5.90 per month is reduced to $1.50 per month to reflect the cost of this service. The estimated annual revenue impact is a decrease of $53.
Telephone Answering Service - The service is restructured to reflect the cost of the loop from the customer's service connection point to the answering service provider's location. The applicable charge is the rate ($13.34 per month) for the 2-wire Special Access Line (SAL) as contained in the Facilities for Intrastate Access Tariff. The estimated impact on revenues is a decrease of $13,356 annually.
Individual Reseller Line Service - The rate for this service is increased from $27.47 to the current B1 rate of $33.70 to reflect the cost for this service. No units are forecasted for this service at this time; therefore there is no revenue impact.
Off Premises Extension Service (OPX) - OPX service provides a loop from a customer's point of service to an extension location. The applicable charge is the rate ($13.34 per

month) for the 2-wire Special Access Line (SAL) as contained in the Facilities for Intrastate Access Tariff. The estimated annual revenue impact is an increase of $1,045. Foreign Exchange Service - The current mileage structure is simplified and equalized at a rate of $1.50 per quarter mile. Units are adjusted to reflect the fact that Crescent City and Smith River have identical calling scopes. The estimated annual revenue impact is a decrease of $11,746. Private Line Services - All Private Line services will be ordered and provisioned out of the Facilities for Intrastate Access Tariff. The estimated revenue impact is a decrease of $15,726 annually.

11. Section 11, CentraNet Service - This section provides a general tariff offering of CentraNet service to customers in the 2 to 200 line size with a number of options designed to meet their needs. Previously, CentraNet was only offered as a Special Assembly. The structure of the offering includes a rate per line, a rate per network access, a subscriber offset rate to bring the offering into PBX service equivalency, and additional charges based on the options selected. The estimated revenue impact of this new offering is an increase $46,078 annually.

12. Section 50, Special Assemblies - This section provides the descriptions and rates associated with Special Assembly or Individual Case Basis offerings and shows each special assembly contract West Coast offers. The proposed rates reflect the network access register (NAR) portion of this contract migrating to the proposed NAR rate in the general CentraNet service offering under Section 11. The estimated annual revenue impact is a decrease of $2,145.

13. Section 100, Services Limited to Existing Customers - This section is reserved for obsolete services which are limited to existing customers. West Coast currently does not have any of these services. Therefore, this section is left blank.

14. Section 110, Forms - This section contains Commission prescribed forms used by the West Coast.

15. Section 120, Maps - This section contains the exchange maps showing West Coast service areas.

Facilities for Intrastate Access Tariff

1. Section 1, Application of Tariff - Applicability is changed to include the IntraLATA jurisdiction, Private Line and Local Private Line Services.

2. <u>Section 3, Ordering Options for FIA</u> - The Design Change Charge is moved from Section 3 to Sections 4 and 5, and rates are established in lieu of the 1/2 Installation Charge.

3. <u>Section 4, Switched Access</u> - The Common Line Termination, End Office Switching and Intercept rate elements are consolidated into an End Office Switching rate element. In addition, the following services are added to Section 4 of the tariff:
   - Extended Feature Group A (FGA) text and rate element
   - InterLATA Call Denial on Line or Hunt Group
   - Call Denial on Line or Hunt Group Outside the Access Area
   - FGA Optional Toll Block

   Other changes include:
   - The Network Blocking Charge is expanded to include Feature Group B and SAC Access Service
   - End Office Switching 1 and End Office Switching 2 are set at the same rate level
   - Individual Reseller Line Service rates are set to match the One Party Business line rate
   - The Nonrecurring Charge structure is changed to Switched Access Initial and Subsequent Ordering Charges
   - The Design Change Charge is moved from Section 3 to Section 4 and rates are established in lieu of the 1/2 Installation Charge

   The estimated annual revenue impact of these changes is an increase of $425. This revenue increase has been reflected in the Summary Results of Operations in Appendix A.

4. <u>Section 5, Special Access</u>

   The following items are added to Section 5 of the tariff:
   - Service Rearrangement regulations
   - Special Access Ordering Charge - Initial and Subsequent
   - Additional billing codes for new services
   - Private Line and Local Private Lines services are added to Special Access
   - Nonrecurring charge regulations for Temporary Videoband Services

   Rate applications for the following services are changed:
   - Multipoint Data Bridging
   - Voice Conference Bridging
   - Alarm Distribution Bridging
   - Program Audio Bridging
   - DDS Bridging

   The following services are removed from the tariff:
   - The Inside Wiring Charge
   - "Dataphone Select-A-Station"
   - "Voiceband to Narrowband" multiplexing
   - Digital Data Channel Units
   - Special Access Surcharge

- Message Station Equipment Recovery Charge
- Nonrecurring Charge - Subsequent
- "DS1C to Voice" multiplexing
- "DS1C to DS1" multiplexing
- "High Capacity Digital DS1C" service

Other changes include:

- "First Special Access Installed" and "Each Additional Special Access Installed" is changed to "Service Installation Charge"
- The Design Change Charge is moved from Section 3 to Section 5 and rates are established in lieu of the 1/2 Installation Charge
- Nonrecurring charge regulations are modified for Supplemental Features and Multiplexing
- Regulations are modified for the move of a Customer Designated Location (CDL) to a different CDL within the same serving wire center
- Lists of ICB services are modified
- DS1 Special Transport Termination is added and Special Access Line and Special Transport rate levels are revised.

The estimated annual revenue impact of these changes is an increase of $36,403. This revenue amount been included in the Summary Results of Operations in Appendix A.