

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division  
Carrier Branch

RESOLUTION T-16082  
September 3, 1997

R E S O L U T I O N

RESOLUTION T-16082. SIXTEEN SMALL LOCAL EXCHANGE TELEPHONE COMPANIES. ORDER AUTHORIZING PAY TELEPHONE DEREGULATION RATEMAKING ADJUSTMENTS EFFECTIVE THROUGH THE CALIFORNIA HIGH COST FUND - A (CHCF-A) FOR 1998.

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ADVICE LETTER NO.	FILED BY	DATE FILED
187	CALAVERAS TELEPHONE COMPANY	19-MAY-97
209	CALIFORNIA-OREGON TELEPHONE CO.	19-MAY-97
20	CTC OF THE GOLDEN STATE	28-MAY-97
19	CTC OF TUOLUMNE	28-MAY-97
207	DUCOR TELEPHONE COMPANY	16-MAY-97
259	EVANS TELEPHONE COMPANY	19-MAY-97
177	FORESTHILL TELEPHONE COMPANY	21-AUG-97
184	HAPPY VALLEY TELEPHONE COMPANY	21-JUL-97
159	HORNITOS TELEPHONE COMPANY	08-JUL-97
239	KERMAN TELEPHONE COMPANY	14-MAY-97
124	PINNACLES TELEPHONE COMPANY	19-MAY-97
234	THE PONDEROSA TELEPHONE COMPANY	15-MAY-97
203	SIERRA TELEPHONE COMPANY	19-MAY-97
239	THE SISKIYOU TELEPHONE COMPANY	07-MAY-97
219	THE VOLCANO TELEPHONE COMPANY	19-MAY-97
80	WINTERHAVEN TELEPHONE COMPANY	21-JUL-97

SUMMARY

This Resolution authorizes the revenue requirement adjustments contained in Appendix A to address the intrastate ratemaking effects of the pay telephone deregulation executed by the sixteen small local exchange companies (SMLECs) in Appendix A in response to a Federal Communications Commission (FCC) Order. The revenue requirement changes authorized in Appendix A shall be submitted as part of these SMLECs' filings in their annual California High Cost Fund - A (CHCF-A) Advice Letters, to be submitted October 1, 1997, to become effective January 1, 1998, pending further action of this Commission.

BACKGROUND

## SMLEC Pay Telephone Deregulation Ratemaking ALs

FCC Order (Docket 96-388) dated September 20, 1996, directed all local exchange companies (LECs) to reclassify their pay telephone operations as unregulated customer premise equipment and to transfer associated telephone plant to unregulated service accounts. Seventeen SMLECs filed advice letters to become effective April 15, 1997, to detariff and deregulate their pay telephone equipment and operations. These advice letters have been made effective by this Commission.

Only one of these advice letters (GTE West Coast Incorporated, Advice Letter No. 429), however, addressed the ratemaking aspects of the pay telephone deregulation. Resolution No. T-16000, dated April 23, 1997, considered the ratemaking aspects of GTE West Coast Incorporated's pay telephone deregulation as part of its overall general rate case (GRC) revenue requirements. In separate resolutions addressing the GRC revenue requirements of eleven other SMLECs, the individual SMLECs were required to file new advice letters to address the intrastate ratemaking aspects of the pay telephone deregulation.

Subsequently these eleven SMLECs, and five other SMLECs who had submitted GRC filings by Application in 1995, filed advice letters addressing the intrastate ratemaking aspects of the pay telephone deregulation. The effects of the pay telephone deregulation will cause the SMLECs to exceed (overearn) their authorized intrastate rate of return (10%) or to fall short (underearn) of that 10% return.

The ratemaking aspects of the pay telephone deregulation advice letters submitted by these sixteen SMLECs is discussed below.

#### NOTICE/PROTESTS

Notice of the sixteen SMLEC pay telephone deregulation ratemaking advice letters appeared in the Commission's Daily Calendar between May 9 and August 25, 1997. No protests have been received.

#### DISCUSSION

Some of the sixteen SMLECs proposed immediate surcharges/surcredits to address revenue requirement underearning/overearning due to the pay telephone deregulation. Others proposed that the revenue requirement changes identified in the company's intrastate Results of Operations (RO) be addressed in the company's annual CHCF-A filing for 1998 due October 1, 1997.

The Telecommunications Division (TD) has reviewed workpapers submitted by the sixteen SMLECs revising the ROs adopted in their GRCs for the effects of the pay telephone deregulation. The effects range from four thousandths of one percent (.004) to two and one-quarter percent (2.25) of a company's Total Intrastate Operating Revenue. While it may be appropriate to adopt an individual surcharge/surcredit in certain cases, TD

believes that to do so may give the ratepayer a wrong pricing signal in the face of major revenue fluctuations for SMLECs due to anticipated toll settlement changes. Such toll settlement revenue revisions may be addressed in future SMLEC annual CHCF-A filings and TD recommends that the gross (total intrastate) revenue requirement changes in Appendix A be filed as part of the worksheet calculations to be submitted with the 1998 CHCF-A advice letter filings from the SMLECs due October 1, 1997.

We concur with TD's recommendation and adopt the gross intrastate revenue requirements adjustments contained in Appendix A to compute the RO changes for each SMLEC due to its pay telephone deregulation. The gross intrastate revenue requirement adjustments approved in Appendix A should be filed as part of each SMLEC's revenue requirement changes in its 1998 annual CHCF-A filing due October 1, 1997.

#### FINDINGS

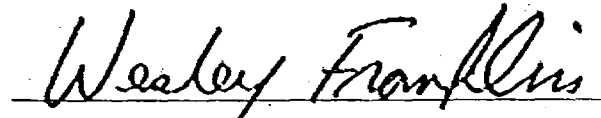
1. Seventeen SMLECs filed advice letters, effective April 15, 1997, to deregulate their pay telephone operations pursuant to FCC order.
2. GTEC West Coast Incorporated's pay telephone deregulation ratemaking effect has been addressed in its GRC Resolution No. T-16000, April 23, 1997.
3. Sixteen other SMLECs filed advice letters to address their pay telephone deregulation subsequent to their GRC completion.
4. The gross intrastate operating revenue ratemaking adjustments in Appendix A addressing the pay telephone deregulation of the sixteen SMLECs is reasonable and should be adopted.
5. The gross intrastate operating revenue requirement adjustments for the sixteen SMLECs adopted in Appendix A should be submitted as part of their respective 1998 CHCF-A advice letter filings.

THEREFORE, IT IS ORDERED that:

1. The gross intrastate operating revenue requirement adjustments for each small local exchange telephone company in Appendix A is adopted to account for its pay telephone deregulation.
2. Each small local exchange company in Appendix A shall file the adopted gross intrastate operating revenue requirement adjustment as part of its 1998 California High Cost Fund - A (CHCF-A) advice letter filing.
3. Small local exchange companies in Appendix A who requested other than CHCF-A treatment of their pay telephone ratemaking adjustments in their respective Advice Letters should file supplements to those Advice Letters cancelling such requests as appropriate.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 3, 1997. The following Commissioners approved it:



WESLEY FRANKLIN  
Executive Director

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

Appendix A

Small Local Exchange Company Pay Telephone Deregulation  
Gross Intrastate Operating Revenue Rate-making Adjustments

Company	CIS Number	Authorized Adjustment
Calaveras Telephone Co.	U-1004-C	\$217
California-Oregon Telephone Co.	U-1006-C	\$(33,088)
CTC of Golden State	U-1025-C	\$(10,746)
CTC of Tuolumne Ducor Telephone Co.	U-1023-C	\$(485)
	U-1007-C	\$(456)
Evans Telephone Company	U-1008-C	\$12,116
Foresthill Telephone Co.	U-1009-C	\$2,373
Happy Valley Telephone Co.	U-1010-C	\$(8,902)
Hornitos Telephone Co.	U-1011-C	\$3,338
Kerman Telephone Company	U-1012-C	\$4,770
Pinnacles Telephone Co.	U-1013-C	\$(3,056)
The Ponderosa Telephone Co.	U-1014-C	\$(17,921)
Sierra Telephone Co.	U-1016-C	\$(77,859)
The Siskiyou Telephone Co.	U-1017-C	\$(10,821)
The Volcano Telephone Co.	U-1019-C	\$(26,036)
Winterhaven Telephone Co.	U-1021-C	\$(23,510)

End of Appendix A