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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION T-15700
December 21, 1994

R E S O L U T I O N

RESOLUTION T-15700. TWENTY SMALL AND MID-SIZE LOCAL EXCHANGE TELEPHONE COMPANIES. ORDER REVISING INTRASTATE HIGH COST FUND DRAWS, BASIC EXCHANGE RATES, AND INTRALATA BILLING SURCHARGES/SURCREDITS.

BY ADVICE LETTER NO.	FILED BY		DATE FILED
323-T	ALLTEL-CP NATIONAL CORPORATION	(CP National)	10/24/94
203-T	ALLTEL-TUOLUMNE TELEPHONE COMPANY	(Tuolumne)	10/24/94
168	CALAVERAS TELEPHONE COMPANY	(Calaveras)	10/13/94
187	CALIFORNIA-OREGON TELEPHONE CO.	(Cal-Oregon)	10/14/94
187A	CALIFORNIA-OREGON TELEPHONE CO.		12/02/94
553	CITIZENS UTILITIES COMPANY OF CALIFORNIA	(Citizens)	10/17/94
999	CONTEL OF CALIFORNIA, INC.	(Contel)	10/17/94
999A	CONTEL OF CALIFORNIA, INC.		12/01/94
189	DUCOR TELEPHONE COMPANY	(Ducor)	10/13/94
237	EVANS TELEPHONE COMPANY	(Evans)	10/17/94
237A	EVANS TELEPHONE COMPANY		12/02/94
161	FORESTHILL TELEPHONE COMPANY	(Foresthill)	10/18/94
395	GTE WEST COAST INCORPORATED	(GTE West Coast)	10/19/94
147	HAPPY VALLEY TELEPHONE COMPANY	(Happy Valley)	10/13/94
135	HORNITOS TELEPHONE COMPANY	(Hornitos)	10/13/94
216	KERMAN TELEPHONE COMPANY	(Kerman)	10/17/94
216A	KERMAN TELEPHONE COMPANY		12/02/94
106	PINNACLES TELEPHONE COMPANY	(Pinnacles)	10/14/94
207	THE PONDEROSA TELEPHONE CO.	(Ponderosa)	10/18/94
349	ROSEVILLE TELEPHONE COMPANY	(Roseville)	10/17/94
178	SIERRA TELEPHONE CO., INC.	(Sierra)	10/17/94
178A	SIERRA TELEPHONE CO., INC.		12/05/94
216	THE SISKIYOU TELEPHONE COMPANY	(Siskiyou)	10/13/94
216A	THE SISKIYOU TELEPHONE COMPANY		12/02/94
198	THE VOLCANO TELEPHONE COMPANY	(Volcano)	10/14/94
54	WINTERHAVEN TELEPHONE COMPANY	(Winterhaven)	10/17/94

SUMMARY

The California High Cost Fund (HCF) revenue requirement for 1995 developed in accordance with Decision (D.) 88-07-022, Appendix B, Sections B and D, and with D.94-09-065 is $47,619,698. The limited protest by AT&T Communications of California, Inc. (AT&T) requesting setting the HCF draws subject to refund is denied. The limited protest by AT&T opposing the carryovers of 1994 HCF revenue requirements is granted. We have recalculated the HCF net revenue requirement for some companies that misreported the first

three-eighths phase-in of the interstate Universal Service Fund (USF), or the 1995 USF increment, or both. Certain Local Exchange Companies (LECs) shall file supplemental advice letters with tariff sheets to replace those filed in compliance with D.94-09-065.

BACKGROUND

The HCF provides a source of supplemental revenue to small and mid-size (S&MS) LECs whose basic exchange access line service (BEALS) rates would otherwise need to be increased to levels threatening universal service, as a result of toll and access rate changes and their effect on these LECs' settlements revenues. By D.88-07-022 dated July 8, 1988, the Commission adopted the intrastate HCF mechanism, stating in Ordering Paragraph 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 (Subscriber Plant Factor-to-Subscriber Line Usage) 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 (Extended Area Service) 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 a Petition for Modification filed on November 1, 1988 by twelve small independent LECs:

> 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 stated that the Commission would entertain petitions for modification of D.88-07-022 to suspend the waterfall provisions of the HCF. In D.90-12-080 the Commission considered and denied these petitions.

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 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.

Decision 94-09-065 reinstated the funding of the HCF at 100% for 1995, 1996, and 1997. No LEC is eligible to receive its 1995 authorized HCF until it files an application for a General Rate Case (GRC), at which time it may begin drawing from the fund. With the exception of Roseville, which was ordered to file a GRC application by April 1, 1995, each S&MS LEC must file a GRC application by December 31, 1995. The LEC will be eligible for immediate payment of 1/12 of its 1995 authorized funding for each month that has passed during 1995 at the time it files for its GRC, subject to the period of lag for fund collection. After it files its GRC application, the LEC will draw the remainder of its authorized 1995 HCF in equal portions each remaining month of 1995. For example, if a LEC files its GRC application on June 1, 1995, it will receive 5/12 (for 5 months out of 12) of its authorized payment for 1995 at that time, with the remaining 7/12 paid in equal portions each month from June through December of 1995, subject to the lag period for fund collection. The LECs were ordered to base their 1995 HCF filings on the "Incremental Revenue Requirement to be recovered from the CHCF" specified in Appendix E of D.94-09-065, adjusted for:

1) the annual change in funds received from the interstate high cost fund;
2) the first three-eighths phase-in of the interstate high cost fund that historically has been deferred until the 8.57% pooled surcharge is eliminated and;
3) any net 1995 settlements impacts upon a LEC as a result of regulatory changes (other than IRD) ordered by the Commission or the Federal Communications Commission.

LECs with higher than average loop costs receive varying amounts of money each year from the USF. The amount of USF funding received by each LEC varies annually because of the annual recalculation by the National Exchange Carrier Association (NECA) of each LEC's Net Interstate Expense Adjustment (NIEA). The annual recalculation of each LEC's NIEA is an event beyond the control of each LEC, and represents a regulatory change of industry-wide effect. Adjustments (1) and (2) above refer to the change in funds received from the USF and to the first three-eighths USF payment received in 1988.

Decision 94-09-065 does not change the means test requirement established in D.91-09-042. However, the Appendix E figures have been adjusted for overearnings, and thus implicitly include a means test. LECs were not required to file a means test with their 1995 advice letters, although in future years they will be required to file a means test as set forth in D.91-09-042.

1995 HCF ADVICE LETTER FILINGS

Appendix B of D.88-07-022 requires each LEC to file, by October 1 of each year, an advice letter that both proposes a rate design and requests HCF support, if needed, to offset the forecasted net increase or decrease in its settlement revenues. An extension of this year's October 1 filing deadline for HCF advice letters was requested by Mark Schreiber of Cooper, White & Cooper (Schreiber) on behalf of nine LECs, Jeffrey Beck of Beck & Ackerman (Beck) on behalf of eight LECs, and by Robert Gloistein of Orrick, Herrington & Sutcliffe (Gloistein) on behalf of Contel of California, Inc. in order to provide adequate time after receipt of a final decision in Phase III of I.87-11-033 (IRD) to prepare their clients' HCF advice letters. Decision 94-09-065 (the IRD decision) was released on September 15, 1994. The requests for an extension were granted, and the filing deadline was extended, for calendar year 1994 only, to Monday, October 17, 1994.

The twenty S&MS LECs filed their advice letters and supplements as required by Appendix B of D.88-07-022 on various dates in October, November and December of 1994, setting forth their 1995 net settlements effects, requests for 1995 HCF support and/or revisions to their intraLATA billing surcharge/surcredits or recurring rates. LECs are required to increase their BEALS rates to a level equivalent to 150% of Pacific Bell's (Pacific) in order to be eligible to draw from the HCF.

Twenty LECs filed advice letters: six LECs will be decreasing their intraLATA billing surcredits as ordered by D.94-09-065[1]; two LECs[2] requested to increase their BEALS rates; one LEC (Kerman) requested an intraLATA billing surcredit; one LEC (Hornitos) requested placing its negative HCF requirement in its memorandum account; one LEC (Foresthill) requested deducting

1 The six companies are Calaveras, Ducor, Evans, GTE West Coast, Pinnacles, and Siskiyou. Although some of these companies requested to eliminate surcredits in the HCF advice letters, all of them did so in their compliance filing in response to D.94-09-065.

2 Cal-Oregon requested that recurring rates for the Newell-Tulelake exchange be increased to 150% of Pacific's rate, with the remainder recovered from the HCF. GTE West Coast requested recovery of the net settlements amount be from rates, with no remainder to recover from the HCF.

the HCF requirement from its existing memorandum account; and fifteen LECs[3] requested to draw funds from the HCF. Citizens did not request support from HCF because this matter is being addressed in its GRC Application 93-12-005.

Hornitos and Foresthill were ordered in D.94-09-065 to eliminate their memorandum accounts by use of a surcredit over two years. As a result, Hornitos will be replacing its 50% surcredit established in the 1994 HCF resolution with a 66.45% surcredit, and has requested that the remainder of its net settlements effects,[4] in the amount of $51,229, be placed in a memorandum account. Foresthill will be instituting a surcredit of 7.17% in response to D.94-09-065, and has requested that its net settlements effects of $26,997 be deducted from to its existing memorandum account.

Decision 94-09-065 ordered the HCF to be funded by an all end-user surcharge, and set the rate for this year at 0.5%. In future years, this surcharge will be calculated by Pacific and submitted by an advice letter.

NOTICE/PROTESTS

Public notice of the LECs' HCF advice letters and supplements appeared in the Commission's Daily Calendar throughout October and December, 1994. The Commission Advisory and Compliance Division (CACD) received a protest from AT&T regarding these advice letter filings.

AT&T filed a limited protest of 19 of the LECs' HCF filings regarding three areas.[5] First, AT&T requests that all authorized 1995 HCF draws be subject to refund since the filings do not include a "means test" based on current year data. Second, AT&T requests that the Commission carefully verify the first three-eighths USF phase-in calculations. Third, AT&T requests that specific adjustments for four companies be excluded from authorized HCF draws. Responses to AT&T's protest were received from Beck on behalf of eight LECs, from Schreiber on behalf of nine LECs, and from Schreiber on behalf of Roseville Telephone Company.

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3 The fifteen LECs that requested to draw from HCF are: Calaveras, Cal-Oregon, Contel, CP National, Ducor, Evans, Happy Valley, Pinnacles, Ponderosa, Roseville, Sierra, Siskiyou, Tuolumne, Volcano, and Winterhaven.

4 The remainder is a negative revenue requirement, which means that settlement effects net of USF funding changes have resulted in a lower revenue requirement to be recovered from rates.

5 AT&T did not include Citizens in its limited protest.

DISCUSSION

The first point of AT&T's limited protest is a request that the Commission set the HCF draws subject to refund because there has been no current year "means test." Schreiber and Beck respond that a "means test" has been included in the Appendix E figures on which the HCF filings are based. It is correct that the incremental revenue requirements adopted in D.94-09-065 are net of over- or underearnings for the base year (1991), which serves as the "means test" for the 1995 HCF filings. However, the "Incremental Revenue Requirement to be recovered from the CHCF" was calculated based on 1991 volumes, which is the basis of AT&T's objection.

The HCF rules established in D.91-09-042 require a "means test" based on at least seven months of recorded financial data for the year in which the advice letter is filed. When LECs file HCF advice letters October 1, 1995 for the 1996 HCF, they will be required to submit a means test, which will be based on seven months of actual 1995 earnings. If a LEC has earned more than its authorized rate of return, it will not be eligible for 1996 HCF draws. We believe this is sufficient to guard against possible overearnings in 1995. If a LEC is underearning in 1995, the LEC has the option of applying for general rate relief early in the year, thereby initiating receipt of its 1995 HCF draws.

According to the rules established by D.91-09-042, no means test will be required of a LEC the year after a decision or resolution is rendered in the LEC's general rate proceeding. We anticipate addressing the need for HCF funding for each company in its GRC. All S&MS LECs have been ordered to file for GRCs by December 31, 1995, except Roseville, which must file by April 1, 1995. If a decision or resolution is not rendered in a LEC's GRC before October 1, 1995, the LEC will be required to submit a means test with its 1996 HCF advice letter. However, if a decision or resolution is rendered before October 1, 1995, no means test will be required in that LEC's 1996 HCF filing, because any under- or overearnings would have been examined in its GRC.

Each LEC will either file a means test based on 1995 earnings with the 1996 HCF advice letter or have a new revenue requirement established through a GRC filing. For these reasons, we believe that establishing a procedure for reassessing the 1995 HCF draws and making them subject to refund is not necessary at this time, and we deny AT&T's limited protest regarding setting the 1995 HCF draw subject to refund.

The second point of AT&T's limited protest is a request that the Commission carefully verify the first three-eighths USF phase-in figures. This refers to the phase-in by the FCC of USF payments over a six year period beginning in 1988, mandating USF payments to high-cost LECs at three-eighths, one-half, five-eighths, three-quarters, seven-eighths, and 100% of the amount of the expense adjustment computed during the years 1988 through 1993. The USF payments are fully phased-in at this time. The NECA administers the USF and sends a letter to each LEC notifying the LEC of its estimated USF payment for the following year. During the course of the year, revisions to the payment sometimes occur, in which case the payments would deviate from those stated in the letter.

AT&T's protest included a table showing AT&T's calculation of the three-eighths phase-in amount, which is equal to three-eighths of the reported annual 1992 USF funding. Because the LECs have reported incremental changes in their USF receipts in their HCF advice letters each year, this method of calculating the first three-eighths would often overstate the actual total payments received from the USF in 1988. Instead, the actual payment received by a LEC for the first three-eighths was used in the HCF advice letters. In some cases, the first three-eighths shown on the HCF advice letter worksheets is somewhat greater or less than the 1988 payment letter states. This is because there have been differences between the estimated payments reported to the HCF in October of a given year, and the actual payments, after revisions by NECA, received by the LEC over the course of that year. Since this effectively was a true-up between estimated and actual payments, we find this reasonable.

In the normal course of reviewing the advice letters, the CACD requested and received verification in the form of letters or other statements from NECA regarding these USF payments. We have carefully verified the first three-eighths phase-in, and found that the figures submitted in the advice letters correctly represent the payments actually received by LECs, except for those submitted by Foresthill, Sierra, CP National, and Tuolumne. We have adjusted these companies' net settlements effects for the correct three-eighths numbers. As a result, we order Foresthill to add $532 to its existing memorandum account. After these adjustments the amounts authorized for HCF recovery by these companies are:

CP National	$1,427,669
Sierra	3,268,376
Tuolumne	381,947

The third point of AT&T's limited protest is a request to deny requests by Cal-Oregon, Happy Valley, and Volcano for "1994 Carry Over from CHCF" and to deny GTE West Coast's request for 1993 and 1994 CPUC/FCC regulatory changes. AT&T asserts that Appendix E figures already provide compensation for all such prior year events. Although AT&T does not protest Ponderosa's advice letter, it also includes a carryover from 1994 HCF.

In past years, companies based their current HCF filings on the previous year's authorized HCF revenue requirement. The HCF for each company was based on incremental changes in revenues caused by various events, as delineated in the HCF rules. In D.94-09-065, we ordered LECs to base their 1995 HCF filings on the HCF figures specified in Appendix E, with certain adjustments. Due to the waterfall provision, recovery from the HCF in 1994 was at 0% of net settlements effects, because no LEC had filed a GRC in previous years to freeze HCF funding at the level applicable in that year. No LEC drew any money from the HCF in 1994, although some LECs returned money to ratepayers through surcredits, and one LEC (Kerman) assessed a small surcharge (0.33%) on its customers.

Those LECs showing a positive HCF amount on their HCF worksheet (which equates to a decrease in revenue) were not eligible to receive any money from the HCF, unless they had filed a rate case in previous years. If this shortfall in revenue caused by events outside the control of the LEC jeopardized its financial position, the LEC could file for rate relief at that time.

Pendency of the IRD decision during 1993 and 1994 should not have prevented a company from seeking rate relief if it was required. At no time was IRD intended to examine the revenue requirements of S&MS LECs, and no S&MS LEC could expect to be compensated through IRD for changes that occurred outside of IRD. We do not find the 1994 carryovers reasonable, and grant AT&T's protest concerning these carryovers.

Cal-Oregon, Happy Valley, and Volcano also include an adjustment to the NIEA for 1993 and 1994, which is a "true-up" between the estimated payments reported for 1994 and the payments actually received. By excluding the 1994 carryover, we are excluding the estimated incremental change in USF payments between 1993 and 1994, and therefore the "true-up" becomes irrelevant.

We have removed the 1994 carryovers from the HCF requirements for Cal-Oregon, Happy Valley, and Volcano. We also excluded the adjustments to the NIEA of these companies' worksheets. Although AT&T did not protest the 1994 carryover included in Ponderosa's filing, we recalculated Ponderosa's HCF requirement for the same reason. The amounts authorized for HCF recovery by these companies are:

Cal-Oregon	$327,180
Happy Valley	730,376
Ponderosa	2,085,872
Volcano	387,436

GTE West Coast is a different case than the 1994 carryovers discussed above. GTE West Coast included effects that occurred during previous years in its 1995 HCF advice letter. Specifically, GTE West Coast included an incremental loss of revenue due to 1993 transitional DEM and PBOP impacts for 1993, 1994 and 1995, and an incremental loss of revenue due to federal tax rate increase and SFAS 112 impacts for 1994 and 1995. According to GTE West Coast, it originally excluded these effects for the year in which they occurred because it was anticipating exiting the settlement pools, but negotiations with Pacific were unsuccessful. Thus, GTE West Coast is requesting recovery of the revenue losses it faced in 1993 and 1994 as well as 1995. Although GTE West Coast was not eligible to draw from the HCF during those years, it returned money to ratepayers through a surcredit. If GTE West Coast had included those changes at that time, its surcredit would have been lower. We find that the inclusion of these changes is reasonable, based on the fact that GTE West Coast did have a surcredit in effect for those years. However, to ensure the effects of only one year are carried forward in future years, we order GTE West Coast to subtract, in its 1996 HCF filing, the 1993 and 1994 amounts for the DEM and

PBOP impacts, and the 1994 amount for federal tax rate increase and SFAS 112 impacts.

Since GTE West Coast's rates are not at 150% of Pacific's it must increase its rates before drawing from the fund. Although its worksheet did indicate recovery of the net settlement amount to be contributed from local rates rather than as a draw on the HCF, GTE West Coast did not submit its proposed revisions to the company's local exchange rate design. We order GTE West Coast to file a supplemental advice letter setting forth its proposed rate changes to recover the amount authorized in Appendix A. This supplemental advice letter shall be subject to the 20 day protest period, and will be acted on in a separate resolution.

We authorize Hornitos to add $51,229 to its memorandum account and Foresthill to add $532 to its memorandum account. Kerman is authorized to institute a surcredit of 2%. Cal-Oregon is authorized to increase BEALS rates as requested. We authorize each LEC to draw the amount listed in Appendix A to this resolution under the column entitled "1995 Approved CHCF Draw" when it meets the requirement established in D.94-09-065 of filing a GRC. The method of drawing from the fund is outlined in the background section of this resolution.

The LECs were ordered by D.94-09-065 to file tariff pages, by advice letter, complying with that decision. Some LECs also filed changes to the same tariff pages with their HCF advice letters. To avoid any confusion about which pages apply, we order certain LECs to file a supplemental HCF advice letter by December 27, 1994 to include tariff pages, effective January 1, 1995, which will replace the pages filed in compliance with the IRD decision. These pages should include <u>both</u> the IRD compliance changes and HCF changes authorized by this resolution. These LECs are: Calaveras, Cal-Oregon, Ducor, Evans, Hornitos, Kerman and Pinnacles.

<u>FINDINGS OF FACT</u>

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. Full funding of the HCF for 1995, 1996, and 1997 was ordered by D.94-09-065, replacing the waterfall provisions delineated in Section D of D.88-07-022. LECs are eligible to begin drawing from the fund at the time they file a GRC application.

3. The means test provisions in D.91-05-016 as modified by D.91-09-042 are now in effect.

4. 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.

5. D.94-09-065 ordered the HCF to be funded by an all end-user surcharge, and set the surcharge rate for 1995 at 0.5%.

6. A protest to 19 LECs' HCF advice letter filings was received from AT&T.

7. Each LEC will either file a means test based on 1995 earnings with the 1996 HCF advice letter or have a new revenue requirement established through a GRC filing. For these reasons, establishing a procedure for reassessing the 1995 HCF draws is not necessary at this time, and we deny AT&T's limited protest regarding setting the 1995 HCF draws subject to refund.

8. We have carefully verified the three-eighths phase-in figures submitted by the LECs and find them to be correct, except for those three-eighths phase-in figures submitted by Foresthill, Sierra, CP National, and Tuolumne.

9. Due to the waterfall provision, recovery from the HCF in 1994 was at 0%, because no LEC filed a GRC application in 1992.

10. We do not find the 1994 carryovers reasonable, and grant AT&T's request concerning these carryovers.

11. GTE West Coast did not file its proposed revisions to its local exchange rate design in its HCF advice letter.

12. Citizens did not request support from the HCF because this matter is being addressed in its GRC Application 93-12-005.

THEREFORE, IT IS ORDERED that:

1. We approve Calaveras Telephone Company's advice letter No. 168, California-Oregon Telephone Company's advice letter No. 187 as supplemented and adjusted by this resolution, Citizens Utilities Company of California's advice letter No. 553, Contel of California, Inc.'s advice letter No. 999 as supplemented, Alltel's advice letters Nos. 323-T and 203-T as adjusted by this resolution, Ducor Telephone Company's advice letter No. 189, Evans Telephone Company's advice letter No. 237 as supplemented, Foresthill Telephone Company's advice letter No. 161 as adjusted by this resolution, Happy Valley Telephone Company's advice letter No. 147 as adjusted by this resolution, Hornitos Telephone Company's advice letter No. 135, Kerman Telephone Company's advice letter No. 216 as supplemented, Pinnacles Telephone Company's advice letter No. 106, The Ponderosa Telephone Company's advice letter No. 207 as adjusted by this resolution, Roseville Telephone Company's advice letter No. 349, The Sierra Telephone Company's advice letter No. 178 as supplemented and adjusted by this resolution, The Siskiyou Telephone Company's advice letter No. 216 as supplemented, The Volcano Telephone Company's advice letter 198 as adjusted by this resolution, and Winterhaven Telephone Company's advice letter No. 54.

2. Each LEC may begin drawing from the High Cost Fund the "1995 Approved CHCF Draw" listed in Appendix A, when it files a General Rate Case application. At that time it may draw 1/12 of that amount for every month of 1995 that has passed, with the remainder to be drawn in equal portions each month until the year ends, subject to the lag period for fund collection.

3. The following LECs shall file supplemental HCF advice letters with tariff pages cancelling those filed in their IRD compliance filings: Calaveras Telephone Company, California-Oregon Telephone Company, Ducor Telephone Company, Evans Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, and Pinnacles Telephone Company. These tariff pages shall include both the IRD compliance filing changes and the HCF changes authorized by this resolution, and shall be filed by December 27, 1994 to be effective January 1, 1995.

4. Foresthill Telephone Company shall add $532 to its existing memorandum account.

5. GTE West Coast, Incorporated shall subtract the 1993 and 1994 amounts for the DEM and PBOP impacts and the 1994 amount for the federal tax rate increase and SFAS 112 impacts in its 1996 HCF filing.

6. GTE West Coast shall file a supplemental advice letter setting forth its proposed rate changes to recover the amount authorized in Appendix A.

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 21, 1994. The following Commissioners approved it:

NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT JR.
Commissioners

I abstain.
/s/ PATRICIA M. ECKERT
Commissioner

Appendix A

	Local Exchange Company	Advice Letter No.	Reported Gross CHCF Requirement	Contrib. From Local Rates	1995 Requested CHCF Draw	1995 Approved CHCF Draw	Adopted CHCF Surcharge	Comments -- Company Requests
1	Calaveras	168	$738,536	-	$738,536	$738,536	none	Eliminate surcredit of 34.85% Requests draw of $738,536
2	Cal-Oregon	187 & supp.	503,362	95,918	407,444	327,180	none	Rate increase for Newell and Tulelake Requests draw of $407,444
3	Citizens	553	Requesting no support from CHCF			none	none	Requests no funds from CHCF
4	Contel	999 & supp.	31,887,558	-	31,887,558	31,887,558	none	No change in rates Requests draw of $31,887,557
5	CP National	323-T	1,545,751	-	1,545,751	1,427,669	none	No change in rates Requests draw of $1,545,751
6	Ducor	189	242,890	-	242,890	242,890	none	Eliminate surcredit of 30.55% Requests draw of $242,890
7	Evans	237 & supp.	215,970		215,970	215,970	none	Eliminate surcredit of 0.5% Requests draw of $215,970
8	Foresthill	161	26,997	-	-	none	none	Requests to reduce memo. acct. by $26,997 Ordered to add $532 to memo. acct.
9	GTE West Coast	395	764,942	764,942	-	none		Rate increase No draw is requested
10	Happy Valley	147	743,001	-	743,001	730,376	none	No change in rates Requests draw of $743,001
11	Hornitos	135	(51,229)	-	(51,229)	none	none	$51,229 to memorandum account, replace 50% surcredit with 66.45% IRD-ordered
12	Kerman	216 & supp.	(47,814)	-	(47,814)	none	(2.00)%	Replace surcharge with 2% surcredit
13	Pinnacles	106	65,018	-	65,018	65,018	none	Eliminate surcredit of 50% Requests draw of $65,018
14	Ponderosa	207	2,092,940	-	2,092,940	2,085,872	none	No change in rates Requests draw of $2,092,940
15	Roseville	349	4,524,535	-	4,524,535	4,524,535	none	No change in rates Requests draw of $4,524,535
16	Sierra	178 & supp.	3,307,899	-	3,307,899	3,268,376	none	No change in rates Requests draw of $3,307,899
17	Siskiyou	216 & supp.	797,189		797,189	797,189	none	17.49% surcr. eliminated in IRD compliance filing. Requests draw of $797,189
18	Tuolumne	203-T	400,106	-	400,106	381,947	none	No change in rates Requests draw of $400,106
19	Volcano	198	803,298	-	803,298	387,436	none	No change in rates Requests draw of $803,298
20	Winterhaven	54	539,146	-	539,146	539,146	none	No change in rates Requests draw of $539,146
				Total Approved CHCF Draw		$47,619,698		