PUC BULLETIN

A Publication of the Public Utility Commission of Texas

Volume 13, No. 7 March 1988

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Editor's Note: The Examiner's Report, Phases I and II, and final Orders in Docket No. 5113, Petition of the Public Utility Commission of Texas for an Inquiry Concerning the Effects of the Modified Final Judgment and the Access Charge Order upon Southwestern Bell Telephone Company and the Independent Telephone Companies of Texas, will be continued in the January, February, March, and April issues of the **PUC Bulletin**, Volume 13, Nos. 5-8.

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- Rate filing package, Class C & D (electric & telephone)
- Class A & B annual electric report
- Class A & B quarterly electric report
- Class C & D annual electric report
- Annual peak demand and consumption report
- Quarterly peak demand and consumption report

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DOCKET NO. 5113
PHASE II

PETITION OF THE PUBLIC UTILITY COMMISSION OF TEXAS FOR AN INQUIRY CONCERNING THE EFFECTS OF THE MODIFIED FINAL JUDGMENT AND THE ACCESS CHARGE ORDER UPON SOUTHWESTERN BELL TELEPHONE COMPANY AND THE INDEPENDENT TELEPHONE COMPANIES OF TEXAS	§	PUBLIC UTILITY COMMISSION OF TEXAS

EXAMINER'S REPORT

D. Group 4 - Brazoria Telephone Company, Cameron Telephone Company, Colmesneil Telephone Company, Comanche County Telephone Company, Fort Bend Telephone, Ganado Telephone Company, Industry Telephone Company, LaWard Telephone Company, Lake Telephone Company, Lake Dallas Telephone Company, Muenster Telephone Corporation of Texas, ALLTEL Texas, Inc. (formerly Nocona Telephone Company), Peeples Telephone Company, Riviera Telephone Company and Valley View Telephone Company

1. Procedural History

The hearing on the merits for the Group 4 companies convened as scheduled at 10:00 a.m. on Monday, December 17, 1984, with Mary Ross McDonald presiding. Appearances were entered by Mr. Stephen R. Butler for Fort Bend Telephone Company; Mr. Dale H. Johnson for Colmesneil Telephone Company, Comanche County Telephone Company, Ganado Telephone Company, Industry Telephone Company, Lake Telephone Company, LaWard Telephone Company, Peeples Telephone Company and Riviera Telephone Company; Mr. John F. Bell for Brazoria Telephone Company, Lake Dallas Telephone Company, Muenster Telephone Corporation of Texas and Valley View Telephone Company; Mr. H. Edward Skinner for ALLTEL Texas, Inc. (formerly Nocona Telephone Company); Mr. Robert L. Lehr for AT&TC; Ms. Laura Fiene and Mr. Ray G. Besing for MCI; Ms. Carolyn Shellman for U.S. Tel; Mr. W. Scott McCollough for SP&GSC; Ms. Brook Bennett Brown for Cameron Telephone Company; and Ms. Debra Nikazy and Mr. Jesus Sifuentes for the Commission staff.

MCI's motion to dismiss the Group 4 hearing, incorporating the same arguments made in its Motion to Dismiss filed on July 5, 1984, was denied for the same reasons stated for the denial of the July 5, 1984, motion.

The following witnesses presented testimony in the Group 4 hearing: for Colmesneil Telephone Company, Mr. Charles Fortenberry and Mr. William J. Thomas; for Ganado Telephone Company, Mr. Raymond A. Young and Mr. Thomas; for LaWard Telephone Company, Mr. Larry Green and Mr. Thomas; for Fort Bend Telephone Company, Mr. John F. Callender and Mr. Thomas; for ALLTEL Texas, Inc., Mr. Jack Mitchell; for Muenster Telephone Corporation of Texas and Valley View Telephone Company, Ms. Grace Fuhrman, Mr. Alvin M. Fuhrman and Mr. Erick D. Steinman; for Brazoria Telephone Company, Ms. Hope Cameron, Mr. John Greenberg, Mr. Conley L. Cathey and Mr. Terry K. Watson; for Lake Dallas Telephone Company, Ms. Kitna Griggs, Mr. Fred Stevens, Mr. Cathey and Mr. Watson; for Comanche County Telephone Company, Mr. Don Weehunt, Mr. Watson and Mr. Cathey; for Industry Telephone Company, Mr. Gaylen Ackley, Mr. Watson and Mr. Cathey; for Peeples Telephone Company, Ms. La Nelda Goodin, Mr. Watson and Mr. Cathey; for Riviera Telephone Company, Mr. Bill Colston, Mr. Watson and Mr. Cathey; for Lake Telephone Company, Mr. Marvin Hicks, Mr. Watson and Mr. Cathey; for Cameron Telephone Company, Mr. Glen Chamblee and Ms. Gerry Guillory; and for the Commission staff, Regulatory Accountants Ms. Pamela McClellan (regarding Colmesneil Telephone Company, Ganado Telephone Company, LaWard Telephone Company and ALLTEL Texas, Inc.), Mr. Gary D. Esters (regarding Fort Bend Telephone Company, Muenster Telephone Corporation of Texas, Valley View Telephone Company and Cameron Telephone Company) and Ms. Judy Poole (regarding Brazoria Telephone Company, Lake Dallas Telephone Company, Comanche County Telephone Company, Industry Telephone Company, Peeples Telephone Company, Riviera Telephone Company and Lake Telephone Company) and Telephone Rate Specialist Joan vom Eigen (regarding all Group 4 companies).

The Group 4 hearing adjourned on December 20, 1984.

The discussion of each company is presented below in the order of presentation in the Group 4 hearing.

2. Colmesneil Telephone Company

a. <u>Calculation of access revenue requirement</u>. In his testimony, Mr. Charles Fortenberry gave an overview of company operations and supported the financial information and documentation of Colmesneil Telephone Company which was furnished to the other Colmesneil witness for the development of the intrastate toll revenue requirements. (Colmesneil Exhibit No. 1.) Mr. William J. Thomas, in his original prefiled direct testimony and first supplemental testimony, presented the financial information for Colmesneil on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Colmesneil's ICAC requirement. (Colmesneil Exhibit Nos. 2A and 2B.) He also testified regarding the interLATA access minutes. (Id.) Mr. Thomas amended his original recommendations and reflected those amendments in his second supplemental testimony. (Colmesneil Exhibit No. 2C.) His second supplemental testimony made additional amendments for divestiture related items and made corrections to his first supplemental testimony. (Colmesneil Exhibit No. 2C.)

Staff accounting witness Pamela McClellan testified about her review of Colmesneil's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Colmesneil as shown in Mr. Thomas's second supplemental testimony, Colmesneil Exhibit No. 2C. (Staff Exhibit No. 19B.) The staff and Colmesneil originally calculated the $675,709 revenue requirement using the 12.04 percent rate of return; $664,688 for MTS/WATS and $11,021 for Private Line. (Colmesneil Exhibit No. 2C at Schedule A, Revision No. 2; Staff Exhibit No. 19B.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return. Colmesneil's intrastate toll revenue requirement should then be separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Colmesneil's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Colmesneil's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

Ms. vom Eigen also reviewed Colmesneil's calculations of its switched access and ancillary services revenues as stated in Mr. Thomas's supplemental testimony (Colmesneil Exhibit No. 2C), and recommended their adoption. (Staff Exhibit No. 20.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $112,672; AT&TC ancillary revenues are $17,931. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) Access revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Colmesneil's revenue producing loops of 1,754. (Colmesneil Exhibit No. 2A at Schedule A; Staff Exhibit No. 20.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Colmesneil should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Colmesneil's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Colmesneil's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Colmesneil in its supplemental filings, as agreed to by the staff and general counsel, and as recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Colmesneil.

d. ICAC requirement. Colmesneil's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Colmesneil concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

3. Ganado Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Raymond A. Young gave an overview of company operations and supported the financial information and documentation of Ganado Telephone Company which was furnished to the other Ganado witnesses for the development of the intrastate toll revenue requirements. (Ganado Exhibit No. 1.) Mr. William J. Thomas, in his original prefiled direct testimony and first supplemental testimony, presented the financial information for Ganado on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Ganado's ICAC requirement. (Ganado Exhibit Nos. 2A and 2B.) He also testified regarding interLATA access minutes. Mr. Thomas amended his original recommendations and reflected those amendments in his second supplemental testimony. (Ganado Exhibit No. 2C.) His second supplemental testimony made amendments for divestiture related items and carried the changes through the various schedules. (Ganado Exhibit No. 2C.)

Staff accounting witness Pamela McClellan testified about her review of Ganado's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Ganado as shown in Mr. Thomas's second supplemental testimony, Ganado Exhibit No. 2C at Schedule A, Revision No. 2. (Staff Exhibit No. 19C.) The staff and Ganado originally calculated the

$422,525 revenue requirement using the 12.04 percent rate of return; $418,772 for MTS/WATS and $3,753 for Private Line. (Ganado Exhibit No. 2C at Schedule A, Revision No. 2; Staff Exhibit No. 19C.) The revenue requirement should be recalculated using the corrected 11.94 percent rate of return and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Rate Analyst, reviewed Ganado's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Ganado's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

She also reviewed Ganado's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Thomas's supplemental testimony (Ganado Exhibit No. 2C), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $140,023; AT&TC special access revenues are $1,668; and AT&TC ancillary revenues are $30,265. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if different CCL rates are adopted by the Commission.

Finally, Ms. vom Eigen also agreed with Ganado's revenue producing loops of 1,224. (Ganado Exhibit No. 2A at Schedule A; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Ganado should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Ganado's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Ganado's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Ganado in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Ganado.

d. ICAC requirement. Ganado's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment and the access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Ganado concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

4. La Ward Telephone Exchange, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Larry Green gave an overview of company operations and supported the financial information and documentation of La Ward Telephone Exchange, Inc. which was furnished to the other La Ward witnesses for the development of intrastate toll revenue requirements. (La Ward Exhibit No. 1.) Mr. William J. Thomas, in his original prefiled direct testimony and first supplemental testimony, presented the financial information for La Ward on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating La Ward's ICAC requirement. (La Ward Exhibit Nos. 2A and 2B.) Mr. Thomas amended his original recommendations to include divestiture related expenses, and reflected those amendments in his second supplemental testimony. (La Ward Exhibit No. 2C.) His third supplemental testimony made corrections to his second supplemental testimony. (La Ward Exhibit No. 2D.)

Staff Regulatory Accountant Pamela McClellan testified about her review of La Ward's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of La Ward as shown in Mr. Thomas's third supplemental testimony, La Ward Exhibit No. 2D. (Staff Exhibit No. 19D.) The staff and La Ward originally calculated the $572,356 revenue requirement using the 12.04 percent rate of return; $570,987 for MTS/WATS and $1,369 for Private Line. (La Ward Exhibit No. 2D at Schedule A, Revision No. 2; Staff Exhibit No. 19D.) La Ward's intrastate toll revenue requirement should be recalculated using the corrected 11.94 percent rate of return and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed La Ward's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of La Ward's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

She also reviewed La Ward's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Thomas's third supplemental testimony (La Ward Exhibit No. 2D at Schedule A, Revision No. 2), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $75,417; AT&TC special access revenues are $718; and AT&TC ancillary revenues are $12,094. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with La Ward's, revenue producing loops of 794. (La Ward Exhibit No. 2D at Schedule A, Revision No. 2; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for La Ward should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of La Ward's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding La Ward's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by La Ward in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for La Ward.

d. ICAC requirement. La Ward's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment and the access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. La Ward concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

5. Fort Bend Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. John F. Callendar gave an overview of company operations and supported the financial information and documentation of Fort Bend Telephone Company which was furnished to the other Fort Bend witness for the development of intrastate revenue requirements. (Fort Bend Exhibit No. 1.) Mr. William J. Thomas, in his original prefiled direct testimony and first supplemental testimony, presented the financial information for Fort Bend on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Fort Bend's ICAC requirement. (Fort Bend Exhibit Nos. 2A and 2B.) He also testified regarding the interLATA access minutes. Mr. Thomas amended his original recommendations and reflected those amendments in his second supplemental testimony. (Fort Bend Exhibit No. 2C.) His second supplemental testimony made corrections to his first supplemental testimony. (Fort Bend Exhibit No. 2C.)

Staff Regulatory Accountant Gary D. Esters testified about his review of Fort Bend's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of the access revenue requirement of Fort Bend as shown in Mr. Thomas's second supplemental testimony, Fort Bend Exhibit No. 2C. (Staff Exhibit No. 21D at 4.) The staff and Fort Bend originally calculated the $3,998,991 revenue requirement using the 12.04 percent rate of return; $3,795,490 for MTS/WATS and $203,501 for Private Line. (Fort Bend Exhibit No. 2C at Schedule A, Revision No. 2; Staff Exhibit No. 21D at 4.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Fort Bend's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Fort Bend's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

She also reviewed Fort Bend's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Thomas's supplemental testimony (Fort Bend Exhibit No. 2C at Schedule A, Revision No. 2), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $660,484; AT&TC special access revenues are $2,084; and AT&TC ancillary revenues are $24,411. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Fort Bend's revenue producing loops of 13,475. (Fort Bend Exhibit No. 2B at Schedule A; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Fort Bend should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Fort Bend's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Fort Bend's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Fort Bend in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Fort Bend.

d. ICAC requirement. Fort Bend's ICAC requirement should be calculated using the access revenue requirement recalculated using 11.94 percent rate of return, the TECA per-loop adjustment and the access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Fort Bend concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

6. ALLTEL Texas, Inc. (formerly Nocona Telephone Company)

a. Calculation of access revenue requirement. In his testimony, Mr. Jack Mitchell provided the financial information for ALLTEL Texas, Inc. used to develop the intrastate toll revenue requirement. This information was based on a test year ending December 31, 1983. Mr. Mitchell also calculated the access revenues (switched, special and ancillary) of ALLTEL, lease revenues and intraLATA MTS/WATS and Private Line revenues to be applied to the intrastate toll revenue requirement and the resulting shortfall or ICAC requirement. (ALLTEL Texas Exhibit No. 1A.) Pursuant to discussions with the staff, Mr. Mitchell filed supplemental testimony revising some of his original adjustments, adding several divestiture related adjustments and revising the computation of switched and ancillary access revenues. (ALLTEL Texas Exhibit No. 1B.)

Staff accounting witness Pamela McClellan testified about her review of ALLTEL's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of ALLTEL as shown in Mr. Mitchell's supplemental testimony, ALLTEL Texas Exhibit No. 1B at Schedule A, Revised 12-7-84. (Staff Exhibit No. 19; Staff Exhibit No. 19A at 2-3.) The staff and ALLTEL originally calculated the $979,676 revenue requirement using the 12.04 percent rate of return; $977,766 for MTS/WATS and $1,910 for Private Line. (ALLTEL Exhibit No. 1B at Schedule A, Revised 12-7-84; Staff Exhibit No. 19A.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed ALLTEL's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 2-3.) Her review of ALLTEL's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

She also reviewed ALLTEL's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Mitchell's supplemental testimony (ALLTEL Exhibit No. 1B at Schedule A, Revised 12-7-84), and recommended their adoption. (Staff Exhibit No. 20.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $286,914; AT&TC special access revenues are $10,772; and AT&TC ancillary revenues are $47,587. Interexchange lease revenue (AT&TC) was agreed to be $129,795. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with ALLTEL's revenue producing loops of 2,380. (ALLTEL Texas Exhibit No. 1A at Schedule A-2; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for ALLTEL should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of ALLTEL's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding ALLTEL's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by ALLTEL in its supplemental filing, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for ALLTEL.

d. ICAC requirement. ALLTEL's ICAC requirement should be calculated using the recalculated access revenue requirement, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. ALLTEL concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

7. Muenster Telephone Corporation of Texas and Valley View Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Alvin M. Fuhrman gave an overview of the operations of Muenster Telephone Corporation of Texas and Valley View Telephone Company. (Muenster/Valley View Exhibit No. 2.) Ms. Grace Fuhrman supported the financial information and documentation of Muenster and Valley View which was furnished to the other Muenster and Valley View witness for the development of intrastate toll revenue requirements. (Muenster/Valley View Exhibit No. 1.) Mr. Erick D. Steinman testified in support of the development of the traffic factors, used in Muenster's and Valley View's Toll Cost studies and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line for each company, and of the AT&TC interLATA access minutes for each company. (Muenster/Valley View Exhibit No. 3.) Mr. Steinman presented the financial information for both Muenster and Valley View on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating the ICAC requirement for both Muenster and Valley View. (Muenster/Valley View Exhibit No. 3.)

Staff Regulatory Accountant Gary D. Esters testified about his review of Muenster's and Valley View's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of the access revenue requirements of both Muenster and Valley View as shown in Mr. Steinman's testimony, Muenster/Valley View Exhibit No. 3. (Staff Exhibit Nos. 21, 21A and 21C.) The staff and Muenster and Valley View originally calculated the revenue requirements using the 12.04 percent rate of return: for Muenster, $616,366, of which $599,698 is for MTS/WATS and $16,668 is for Private Line; and for Valley View, $274,479, of which $270,696 is for MTS/WATS and $3,783 is for Private Line. (Muenster/Valley View Exhibit No. 3 at

Exhibits 1A and 1B; Staff Exhibit Nos. 21A and 21C.) These revenue requirements should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line for both Muenster and Valley View.

b. Access and intraLATA MTS/WATS and Private Line revenues. Staff Telephone Utility Specialist Joan vom Eigen reviewed the numbers of revenue producing loops, the access revenues, the switched access minutes, and the intraLATA split factors of Muenster and Valley View, and she noted that while Mr. Steinman had employed revenue calculations methodologies which differed slightly from those used by a majority of the independent local exchange companies, the results were very close to those produced by the more common methods. The revenue calculations of Muenster and Valley View yield slightly more revenue (and therefore less of a shortfall) than the other methods. She therefore recommended accepting the companies' access revenue numbers (Staff Exhibit No. 20 at 3), which are shown in Mr. Steinman's testimony. (Muenster/Valley View Exhibit No. 3 at Exhibits 2A and 2B.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $70,593; AT&TC ancillary revenues are $16,657 for Muenster. Valley View has FG-C (AT&TC) switched access revenues of $17,933 and AT&TC ancillary revenues of $4,819. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Muenster's revenue producing loops of 1,536 and Valley View's revenue producing loops of 665. (Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Muenster and Valley View should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Muenster's and Valley View's access revenue requirements and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding either Muenster's or Valley View's access revenue requirements or access revenues. This report therefore recommends adoption of the numbers proposed by Muenster and Valley View, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Muenster and Valley View.

d. ICAC requirement. Muenster's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission. Valley View's ICAC requirement should be similarly calculated.

e. Tariff issues. Muenster and Valley View both concur in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which they concur in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. These concurrences were given interim approval effective July 5, 1984, and this report recommends that the concurrences be given final approval.

8. Brazoria Telephone Company, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. John Greenberg gave an overview of company operations (Brazoria Exhibit No. 2), and Ms. Hope Cameron supported the financial information and documentation of Brazoria which was furnished to the other Brazoria witnesses for the development of the intrastate toll revenue requirements. (Brazoria Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Brazoria's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Brazoria Exhibit No. 4.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Brazoria on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirement developed for the purpose of calculating Brazoria's ICAC requirement. (Brazoria Exhibit No. 3.) Pursuant to discussions with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony. (Brazoria Exhibit No. 3A.) His supplemental testimony made corrections to his original testimony for depreciation reserve and expense adjustments; reflected the retirement of one central office; and stated the correct contractual SWB recording charges. (Brazoria Exhibit No. 3A.)

Staff accounting witness Judy Poole testified about her review of Brazoria's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Brazoria as shown in Mr. Cathey's supplemental testimony, Brazoria Exhibit No. 3A. (Staff Exhibit No. 22 at 3-5; Staff Exhibit No. 22A.) The staff and Brazoria originally calculated the $1,509,407 revenue requirement using the 12.04 percent rate of return; $1,502,531 for MTS/WATS and $6,876 for Private Line. (Brazoria Exhibit No. 3A at Schedule A; Staff Exhibit No. 22A.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues.</u> Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Brazoria's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20.) Her review of Brazoria's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20.)

Ms. vom Eigen also reviewed Brazoria's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Brazoria Exhibit No. 3A), and recommend their adoption. (Staff Exhibit No. 20.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $127,990; AT&TC ancillary revenues are $28,985; and AT&TC interexchange lease revenues are $74,189. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Brazoria's revenue producing loops of 3,915. (Brazoria Exhibit No. 3A at Schedule C; Staff Exhibit No. 20.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Brazoria should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Brazoria's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Brazoria's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Brazoria in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Brazoria.

d. <u>ICAC requirement</u>. Brazoria's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. <u>Tariff issues</u>. Brazoria concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

9. Lake Dallas Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Fred Stevens gave an overview of Lake Dallas Telephone Company's operations. (Lake Dallas Exhibit No. 2.) Ms. Kitna Griggs supported the financial information and documentation of Lake Dallas which was furnished to the other Lake Dallas witnesses for the development of the intrastate toll revenue requirements. (Lake Dallas Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Lake Dallas's Toll Cost Study in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Lake Dallas Exhibit No. 4.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Lake Dallas on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Lake Dallas's ICAC requirement. (Lake Dallas Exhibit No. 3.) Mr. Cathey amended his original recommendations and reflected those amendments in his first supplemental testimony. (Lake Dallas Exhibit No. 3A.) Pursuant to negotiations with some of the parties in this docket, Mr. Cathey filed his second supplemental testimony, which made additional amendments and corrections to his first supplemental testimony. (Lake Dallas Exhibit No. 3B.)

Staff Regulatory Accountant Judy Poole testified about her review of Lake Dallas's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Lake Dallas as shown in Mr. Cathey's second supplemental testimony, Lake Dallas Exhibit No. 3B. (Staff Exhibit No. 22 at 2-5; Staff Exhibit No. 22C.) The staff and Lake Dallas originally calculated the $1,279,854 revenue requirement using the 12.04 percent rate of return; $1,274,422 for MTS/WATS and $5,432 for Private Line. (Lake Dallas Exhibit No. 3B at Schedule A; Staff Exhibit No. 22C.) The revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Lake Dallas's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Lake Dallas's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

Ms. vom Eigen also reviewed Lake Dallas's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Lake Dallas Exhibit No. 3B), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $117,861; AT&TC ancillary revenues are $24,115. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Lake Dallas's revenue producing loops of 3,045. (Lake Dallas Exhibit No. 3 at Schedule C; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Lake Dallas should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Lake Dallas's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Lake Dallas's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Lake Dallas in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Lake Dallas.

d. ICAC requirement. Lake Dallas's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Lake Dallas concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

10. Comanche County Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Don Weehunt gave an overview of company operations, its service area and development, and supported the financial information and documentation of Comanche County Telephone Company which was furnished to the other Comanche County witnesses for the development of the intrastate toll revenue requirements. (Comanche County Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Comanche County's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Comanche County Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Comanche County on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Comanche County's ICAC requirement. (Comanche County Exhibit No. 3A.) Mr. Cathey amended his original recommendations to include divestiture related items, and he reflected those amendments in his first supplemental testimony. (Comanche County Exhibit No. 3B.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey's second supplemental testimony made additional amendments for divestiture related items and made corrections to his first supplemental testimony. (Comanche County Exhibit No. 3C.)

Staff Regulatory Accountant Judy Poole testified about her review of Comanche County's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Comanche County as shown in Mr. Cathey's second supplemental testimony, Comanche County Exhibit No. 3C. (Staff Exhibit Nos. 22 and 22B.) The staff and Comanche County originally calculated the $1,205,361 revenue requirement using the 12.04 percent rate of return; $1,197,913 for MTS/WATS and $7,448 for Private Line. (Comanche County Exhibit No. 3C at Schedule A; Staff Exhibit No. 22B.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Comanche County's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20.) Her review of Comanche County's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20.)

She also reviewed Comanche County's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Comanche County Exhibit No. 3C), and recommended their adoption. (Staff

Exhibit No. 20.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenue of $392,471; AT&TC ancillary revenues are $76,780. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Comanche County's revenue producing loops of 4,494. (Comanche County Exhibit No. 3A at Schedule C, Line 16; Staff Exhibit No. 20.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Comanche County should be calculated using the TECA methodology.

c. Recommendation. The staff's review of Comanche County's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Comanche County's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Comanche County in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Comanche County.

d. ICAC requirement. Comanche County's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Comanche County concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

11. Industry Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Gaylen Ackley gave an overview of company operations and supported the financial information and documentation of Industry Telephone Company which was furnished to the other Industry witnesses for the development of the intrastate toll revenue requirements. (Industry Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Industry's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Industry Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Industry on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Industry's ICAC requirement. (Industry Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony. (Industry Exhibit No. 3B.) His supplemental testimony made additional adjustments for divestiture related items and made corrections to his original testimony and schedules. (Industry Exhibit No. 3B.)

Staff Regulatory Accountant Judy Poole testified about her review of Industry's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Industry as shown in Mr. Cathey's supplemental testimony, Industry Exhibit No. 3B, with one exception. She corrected the amount shown for the operator services adjustment shown on Mr. Cathey's schedule. Mr. Cathey acknowledged that Ms. Poole's number was correct. (Tr. at 3742.) (Staff Exhibit No. 22 at 4; Staff Exhibit No. 22D.) The staff and Industry originally calculated the $1,031,935 revenue requirement using the 12.04 percent rate of return; $1,002,514 for MTS/WATS and $29,421 for Private Line. (Industry Exhibit No. 3B at Schedule A; Staff Exhibit No. 22D.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Industry's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Industry's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

She also reviewed Industry's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Industry Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $53,169; AT&TC special access revenues are $2,121; and AT&TC ancillary revenues are $12,877. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Industry's revenue producing loops of 1,345. (Industry Exhibit No. 3A at Schedule C; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Industry should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Industry's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Industry's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Industry in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the interLATA MTS/WATS and Private Line revenue requirements for Industry.

d. ICAC requirement. Industry's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Industry concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

12. Peeples Telephone Company

a. Calculation of access revenue requirement. In her testimony, Ms. LaNelda Goodin gave an overview of Peeples Telephone Company's operations and supported the financial information and documentation of Peeples which was furnished to the other Peeples witnesses for the development of the intrastate toll revenue requirements. (Peeples Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Peeples' Toll Cost Study in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Peeples Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Peeples on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Peeples's ICAC requirement. (Peeples Exhibit No. 3.) Mr. Cathey amended his original recommendations and reflected those amendments in his first supplemental testimony. (Peeples Exhibit No. 3A.) Pursuant to negotiations with some of the parties in this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony, in which he made amendments for divestiture related items and made corrections to his original testimony. (Peeples Exhibit No. 3B.)

Staff Regulatory Accountant Judy Poole testified about her review of Peeples's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Peeples as shown in Mr. Cathey's supplemental testimony, Peeples Exhibit No. 3B. (Staff Exhibit No. 22 at 2-5; Staff Exhibit No. 22F.) The staff and Peeples originally calculated the $642,976 revenue requirement using the 12.04 percent rate of return; $637,997 for MTS/WATS and $6,480 for Private Line. (Peeples Exhibit No. 3B at Schedule A; Staff Exhibit No. 22F.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Peeples's intraLATA split factor and found it appropriate, she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Peeples's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

Ms. vom Eigen also reviewed Peeples's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Peeples Exhibit No. 3B), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $105,839; AT&TC ancillary revenues are $15,886. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Peeples's revenue producing loops of 904. (Peeples Exhibit No. 3A at Schedule C; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Peeples should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Peeples's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Peeples's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Peeples in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Peeples.

d. ICAC requirement. Peeples's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Peeples concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

13. Riviera Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Bill Colston gave an overview of company operations and supported the financial information and documentation of Riviera Telephone Company which was furnished to the other Riviera witnesses for the development of the intrastate toll revenue requirements. (Riviera Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Riviera's Toll Cost Study in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Riviera Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Riviera on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Riviera's ICAC requirement. (Riviera Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony, in which he made amendments for divestiture related items and made corrections to his original testimony. (Riviera Exhibit No. 3B.)

Staff Regulatory Accountant Judy Poole testified about her review of Riviera's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Riviera as shown in Mr. Cathey's supplemental testimony, Riviera Exhibit No. 3B at Schedule A. (Staff Exhibit No. 22 at 2-5; Staff Exhibit No. 22G.) The staff and Riviera originally calculated the $523,538 revenue requirement using the 12.04 percent rate of return; $499,194 for MTS/WATS and $24,344 for Private Line. (Riviera Exhibit No. 3B at Schedule A; Staff Exhibit No. 22G.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Riviera's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Riviera's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

Ms. vom Eigen also reviewed Riviera's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Riviera Exhibit No. 3B), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $80,600; AT&TC ancillary revenues are $12,559. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Riviera's revenue producing loops of 651. (Riviera Exhibit No. 3A at Schedule C; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Riviera should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Riviera's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Riviera's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Riviera in its supplemental filings, as agreed to by the staff and general counsel, and recalculated at 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Riviera.

d. ICAC requirement. Riviera's ICAC requirement ahould be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Riviera concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

14. Lake Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Marvin Hicks gave an overview of company operations and supported the financial information and documentation of Lake Telephone Company which was furnished to the other Lake witnesses for the development of the intrastate toll revenue requirements. (Lake Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Lake's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Lake Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Lake on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Lake's ICAC requirement. (Lake Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony. (Lake Exhibit No. 3B.)

Staff Regulatory Accountant Judy Poole testified about her review of Lake's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Lake as shown in Mr. Cathey's supplemental testimony, Lake Exhibit No. 3B. (Staff Exhibit No. 22 at 3-5; Staff Exhibit No. 22E.) The staff and Lake originally calculated the $310,074 revenue requirement using the 12.04 percent rate of return; all of that amount is for MTS/WATS. (Lake Exhibit No. 3B at Schedule A, Staff Exhibit No. 22E.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Lake's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20 at 3.) Her review of Lake's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20 at 3.)

She also reviewed Lake's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Lake Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 20 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $22,924; AT&TC ancillary revenues are $6,546. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Lake's revenue producing loops of 816. (Lake Exhibit No. 3A at Schedule C; Staff Exhibit No. 20 at 3.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS revenues for Lake should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Lake's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase 1 Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Lake's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Lake in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 63.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS revenue requirement for Lake.

d. ICAC requirement. Lake's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return; the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Lake concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

15. Cameron Telephone Company

a. Calculation of access revenues requirement. Mr. Marvin Glen Chamblee adopted the testimony of Ms. Anna M. Smith for Cameron Telephone Company regarding the financial information for the company's operations using a test year ending December 31, 1983; this information was furnished to Cameron's other witness for the development of the intrastate toll revenue requirement and the ICAC requirement. (Cameron Exhibit No. 1.) Ms. Gerry Guillory sponsored the traffic factors, used in Cameron's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and the AT&TC interLATA access minutes. (Cameron Exhibit No. 2A.) Ms. Guillory also calculated access revenues for Cameron. (Id.) In her first supplemental testimony, Ms. Guillory presented a revised revenue requirement resulting from negotiations with AT&TC. (Cameron Exhibit No. 2B.) Her second supplemental testimony corrected the calculation of that revenue requirement. (Cameron Exhibit No. 2C.)

Staff Regulatory Accountant witness Gary D. Esters testified about his review of Cameron's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of the access revenue requirement of Cameron as shown in Ms. Guillory's second supplemental testimony, Cameron Exhibit No. 2C. (Staff Exhibit Nos. 21 and 21B.) The staff and Cameron originally calculated the $425,678 revenue requirement using the 12.04 percent rate of return; $390,811 for MTS/WATS and $34,867 for Private Line. (Cameron Exhibit No. 2C; Staff Exhibit No. 21B.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Ms. Joan vom Eigen, staff Telephone Utility Specialist, reviewed Cameron's intraLATA split factor and found it appropriate; she recommended approval. (Staff Exhibit No. 20.) Her review of Cameron's calculation of its FG-C access minutes resulted in her recommending their adoption. (Staff Exhibit No. 20.)

She also reviewed Cameron's calculations of its switched access, special access, and ancillary services revenues as stated in Ms. Guillory's supplemental testimonies (Cameron Exhibit Nos. 2B and 2C), and recommended their adoption. (Staff Exhibit No. 20.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $126,644; AT&TC special access revenues are $22,200; AT&TC ancillary revenues are $13,606. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Ms. vom Eigen also agreed with Cameron's revenue producing loops of 894. (Cameron Exhibit No. 2B at Exhibit No. 9 at 3 of 3, line 46; Staff Exhibit No. 20.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Cameron should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Cameron's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Cameron's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Cameron in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 62.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Cameron.

d. ICAC requirement. Cameron's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Cameron concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

E. Group 5 - United Telephone Company of Texas and Palo Pinto Telephone Company

1. Procedural History

The hearing on the merits for the companies in Group 5 of Phase II of this docket convened as scheduled at 10:00 a.m. on Monday, January 7, 1985, with Mary Ross McDonald presiding. Appearances were entered by Mr. L. Keith Pafford, on behalf of the United Telephone Company of Texas (United) and Palo Pinto Telephone Company (Palo Pinto); Ms. Paula Fulks-Vonder Haar on behalf of AT&TC; Ms. Laura Fiene and Mr. Ray G. Besing for MCI; Ms. Carolyn Shellman, on behalf of U.S. Tel.; Mr. W. Scott McCollough for SP&GSC; Messrs. Paul Herrmann and T. Keith Williams for GTE Sprint; and Ms. Debra Nikazy and Mr. Jesus Sifuentes, on behalf of the Commission staff.

MCI's motion to dismiss the Group 5 hearing, incorporating the arguments made in its July 5, 1984, motion to dismiss, was denied for the same reasons stated for denial of the July 5, 1984, motion.

Argument was heard on United's and Palo Pinto's objections to MCI's Third Request for Information. The objections were overruled, United and Palo Pinto were ordered to produce the information in Austin for MCI's (and other parties') review, and Mr. Pafford agreed to recall the witness responding to or explaining the responses to the RFIs. After the evening recess on Monday, the hearing was not reconvened until 9:00 a.m., Wednesday, January 9, 1985, to accommodate that review.

United and Palo Pinto jointly presented the testimony of three witnesses: Mr. Francis E. Westmeyer, Mr. James R. Westberry and Mr. John R. Ludenia. AT&TC presented the testimony of Mr. Phillip L. Gaddy. Regulatory Accountant Mr. Mark Young and Telephone Rate Analyst Mr. Donald G. Price testified for the Commission staff.

The Group 5 hearing adjourned on January 10, 1985.

2. Calculation of Access Revenue Requirement

Mr. Francis E. Westmeyer testified for United and Palo Pinto. He sponsored the development of the ICAC requirement for each company and presented the components of that calculation. He also testified regarding the total company expenses booked in 1983 and the state toll related portion of the various categories of expense, along with the adjustments for known and measurable changes. (United Exhibit No. 1.) In supplemental testimony, Mr. Westmeyer reflected an additional adjustment covering operator service costs billed to United and Palo Pinto and made corrections to his original prefiled testimony. In his original testimony, Mr. James R. Westberry presented the calculations underlying the access minutes, the total pro forma intrastate toll revenue requirements, separations factors, the intraLATA ratios, and interexchange lease revenues for United and Palo Pinto. (United Exhibit No. 2A.) His supplemental testimony presented changes in the intrastate toll revenue of United and Palo Pinto resulting from the additional adjustment covering operator service costs. (United Exhibit No. 2B.) Mr. John R. Ludenia sponsored the Intrastate Access Service Tariffs for United and Palo Pinto (United Exhibit Nos. 3A, 3B and 3C); his supplemental testimony made corrections to improper references, misspelled words and incorrect rates in those tariffs. (United Exhibit No.3D.)

AT&TC witness Mr. Phillip L. Gaddy testified regarding United's billing of AT&TC for Directory Assistance access. (AT&TC Exhibit No. 60.)

Staff Regulatory Accountant Mr. Mark Young testified regarding United and Palo Pinto's filings, his review of those filings and his recommendations with respect to the intrastate MTS/WATS and Private Line revenue requirements for these companies. Mr. Donald G. Price, staff Telephone Rate Analyst, provided testimony about his review of the companies' intraLATA split factors, switched access minutes, access revenues, revenue producing loops, and the Access Service Tariffs.

In brief, United and Palo Pinto reiterated their belief that their interpretation of the Commission's Phase I Orders was correct and that their filing complied with the directives in those orders. Nevertheless, United and Palo Pinto agreed to the use of the revenue requirement proposed by the staff. (Brief of United and Palo Pinto at 4.) No other party submitted evidence regarding the access revenue requirements of United and Palo Pinto; the testimony of AT&TC's witness was limited to the issue of Directory Assistance, which is discussed separately below. Following is a brief discussion of each of the adjustments to United's and Palo Pinto's requested access revenue requirements which staff proposed.

a. Separations factors. Mr. Young reviewed the separations factors (and their derivation) used by United and Palo Pinto; he concurred in their use. (Staff Exhibit No. 25 at 20.) No party offered evidence that any other separations factors should have been used; therefore, this report recommends adoption of the separations factors filed by United and Palo Pinto.

b. Operating and miscellaneous expense.

(1) Payroll. United's and Palo Pinto's payroll adjustments annualized the impacts of wage increases granted during 1983. In addition, the United adjustment included contractual increases through November 30, 1984, based on the test year end level of employees. Since only those known and measurable events or changes occurring subsequent to January 1, 1984, as a result of divestiture were recognized by the staff, Mr. Young recalculated a payroll amount based on an annualization of the last pay period payroll amount for test year 1983 from information provided by the companies through staff Requests for Information. When compared to the companies' proposed payroll adjustments, the staff amounts are a decrease of $242,894 for United and a $5,496 increase for Palo Pinto. The staff's payroll adjustments were distributed to United's and Palo Pinto's operating expense accounts based on the test year actual payroll (labor) distributions of United and Palo Pinto as provided through responses to staff Requests for Information. (Staff Exhibit No. 25 at 13 and at Schedule 2a for each company.)

(2) Depreciation and amortization. Mr. Young made adjustments to increase the depreciation/amortization expense of United and Palo Pinto by $26,330 and $2,331, respectively, because of the staff adjustments related to station connections discussed immediately below. (Staff Exhibit No. 25 at 14 and at Schedule 2a for each company.)

(3) Station connections. FCC Docket 79-105 required a change in the accounting for station connection costs. To effect the accounting change, the FCC in Docket 79-105 authorized two methods: "phase in" and "flash cut." United and Palo Pinto were ordered by this Commission to use the phase in method. Under the phase in method, expenditures which were previously 100 percent capitalized are charged to expense using a graduated percentage over 4 years: 25 percent the first year, 50 percent the second year, 75 percent the third year, and 100 percent the fourth year. During the entire test year,

United and Palo Pinto were in the third year of phase in, or the 75 percent level. Their requested station connection adjustments reflect the fourth year phase in at the 100 percent expense level effective January 1, 1984. United and Palo Pinto then proposed related adjustments to test year end plant in service balances and depreciation expense to recognize that if these companies are expensing 100 percent of station connection costs in 1984, then the 25 percent of capitalized station connection cost booked during the test year would not exist in 1984 nor would the related depreciation expense. Consistent with the staff's approach of recognizing only those known and measurable events or changes occurring on or after January 1, 1984, that were a direct result of divestiture, the staff reversed United's and Palo Pinto's adjustments because they were not divestiture related. (Staff Exhibit No. 25 at 14-15 and at Schedule 2a for each company.)

(4) CPE phase down. The staff's adjustments to the phase down of Customer Premise Equipment (CPE) result from the FCC's Order in Docket No. 80-286, in which the FCC ordered that CPE be phase out of toll separations and settlements over a five year period. CPE investments, reserves, maintenance, depreciation, and other related expenses were theoretically frozen based on December 31, 1982, levels. The portion of these frozen amounts allocated to intrastate and interstate are being phased down to zero at 1/60th per month beginning January 1, 1983. United and Palo Pinto had phased down CPE through December 31, 1984, using an approximate 60 percent phase down percentage for investment and related balance sheet or rate base accounts and an approximate 70 percent phase down percentage for operating expenses, taxes, and other related expense accounts. The staff phased down CPE on an end of period basis to test year end 1983. This results in a staff phase down percentage of 80 percent for investment and related balance sheet accounts and 80 percent for operating expenses, taxes, and other related expense accounts. The resulting staff CPE phase down adjustments shown on Staff Exhibit No. 25 at Schedule 2a relate to the differences between the phase down percentages requested by United and Palo Pinto and the staff's phase down percentages. The methodology utilized to calculate the staff CPE adjustments was the same methodology employed by United and Palo Pinto in a calculating their proposed CPE adjustments. As United and Palo Pinto had done, the staff adjustments were distributed to the operating expense accounts based on the actual CPE activity relative to each expense account. (Staff Exhibit No. 25 at 15-16 and at Schedule 2a for each company.)

(5) Pension. United's and Palo Pinto's requested pension adjustments are based on 1984 pension rates. As stated previously in this report, the staff recognized only those known and measurable events or changes occurring in 1984 as a result of divestiture. Accordingly, the staff reversed the pension adjustments proposed by United and Palo Pinto. (Staff Exhibit No. 25 at 16 and at Schedule 2a for each company.)

c. Other taxes.

(1) Ad valorem taxes. The staff adjustments to the ad valorem taxes requested by United and Palo Pinto are the result of the staff adjustments proposed for the phase down of CPE as discussed above. (Staff Exhibit No. 25 at 17 and at Schedule 3 for each company.)

(2) Payroll taxes. United and Palo Pinto requested additional payroll taxes associated with the requested payroll increases. They also requested payroll taxes associated with the changes in the tax rates and bases effective on January 1, 1984. The staff recommended additional payroll taxes based on the staff calculated payroll amounts only. The payroll tax base and rate changes effective January 1, 1984, were not recognized by the staff because the changes were not divestiture related. (Staff Exhibit No. 25 at 17 and at Schedule 3 for each company.)

(3) State and local taxes. The staff's adjustments to the amounts requested by United and Palo Pinto for state and local taxes are the result of the staff's CPE phase down adjustments discussed above. (Staff Exhibit No. 25 at 17 and at Schedule 3 for each company.)

d. Federal income taxes. The staff's recommended federal income tax is calculated on a basis that is in accordance with the methodology used for settlement purposes, as supported by United's and Palo Pinto's settlement studies. The starting point for this calculation is return, which is an after income tax amount. Mr. Young deducted interest costs from the return, and reflected additions and deductions for non-normalized timing differences and direct offsets to taxes payable pursuant to the treatment of these items in the settlements process. The resulting taxable income after income taxes was then grossed up to arrive at net taxable income before income taxes. This number when multiplied by the federal income tax rate of 46 percent and reduced by tax credits results in the staff's recommended income taxes. Because the phase down of CPE has an impact on the investment tax credit, adjustments to the credit are necessary to reflect the CPE phase down as proposed by the staff and discussed above. The staff's calculations do not provide for full normalization of all book to tax timing differences because not all timing differences are normalized by United and Palo Pinto for settlement purposes. (Staff Exhibit No. 25 at 17-18 and at Schedule 4 for each company.)

e. Return base and return.

(1) Plant in service. United and Palo Pinto proposed two adjustments to plant in service. One adjustment reduces plant in service for the 25 percent of station connection costs capitalized during the test year that will not be capitalized in 1984. The second adjustment reflects the companies' phase down of CPE through December 31, 1984. Mr. Young reversed the companies' station connection adjustments to plant in service for the reasons discussed above. In

addition, a staff adjustment to plant in service is necessary to reflect the staff phase down of CPE to the 80 percent level as discussed above. (Staff Exhibit No. 25 at 18-19 and at Schedule 5 for each company.)

(2) Accumulated depreciation reserves. United and Palo Pinto proposed two adjustments to the accumulated depreciation reserves. The first adjustment was the phase down of CPE to December 31, 1984, or the 60 percent level. The second adjustment was the traditional accumulated depreciation adjustment proposed in rate cases where the incremental increase in depreciation expense is recognized in the depreciation reserve. In addition, United proposed a general service and license (GS&L) adjustment to the depreciation reserve to reflect an adjustment required for settlement purposes.

The staff recalculated the CPE phase down adjustments as of December 31, 1983, at an 80 percent level. The staff also reversed the companies' incremental depreciation reserve adjustments related to the increase in depreciation expense because these adjustments are not in accordance with the settlement agreements. Finally, the staff restated United's GS&L adjustment to the depreciation reserve to reflect a 12-month test year GS&L amount. The requested adjustment to United's reserve reflected an 18-month GS&L amount. (Staff Exhibit No. 25 at 19-20 and at Schedule 5 for each company.)

(3) Deferred tax reserves. The staff adjustments to the deferred tax reserves of United and Palo Pinto are related to the staff CPE phase down adjustment as discussed above. (Staff Exhibit No. 25 at Schedule 5 for each company.)

(4) Rate of return. Both United and Palo Pinto and the Commission staff utilized a 12.04 percent rate of return in calculating the access revenue requirements of these companies. Testimony in the Group 9 hearing made it clear, however, that the actual earned return on toll for 1983 was 11.94 percent. United's and Palo Pinto's access revenue requirements as adjusted pursuant to the staff recommendations, should be recalculated incorporating the changed rate of return.

f. Summary. Mr. Young's computation of the access revenue requirements for United and Palo Pinto, using the 12.04 percent rate of return, are as follows:

	MTS/WATS	Private Line	Total
United	$38,079,957	$ 1,367,926	$39,447,883
Palo Pinto	$ 3,891,576	$ 141,952	$ 4,033,528

(Staff Exhibit No. 25 at 21 and at Schedule 1 for each company.) United and Palo Pinto declared in brief that they did not object to staff's revenue requirement, which is an increase of $312,181 to the requested access revenue requirement of United and of $26,350 to that of Palo Pinto. (Id.)

g. Interexchange lease revenues. Mr. Young found United's $3,538,077 in interexchange lease revenues to be reasonable.

h. Recommendation. For the reasons stated earlier in this report, the staff's methodology in calculating the access revenue requirements should be utilized for United and Palo Pinto, along with the revised rate of return of 11.94 percent.

3. Access and IntraLATA MTS/WATS and Private Line Revenues

a. IntraLATA split factors. Mr. Price reviewed the intraLATA split factors filed by Mr. Westberry for United and Palo Pinto and recommended their adoption. (United Exhibit No. 2A at JRW Exhibit No. 5, Column headed "Intrastate IntraLATA" line 7 for each company; Staff Exhibit No. 26 at 4.) There was no other evidence regarding the intraLATA split factors for these companies. The split factors as filed should be adopted.

b. Switched access minutes. Mr. Price also reviewed United's and Palo Pinto's calculations of switched access minutes shown in Mr. Westmeyer's testimony. (United Exhibit No. 1B at FEW Exhibit No. 1 Revised.) Noting that neither company has any OCC FG-A or FG-B connections, Mr. Price found the results of the calculations reasonable and recommended approval of the FG-C (AT&TC) and FG-A (AT&TC) access minutes for United and Palo Pinto. (Staff Exhibit No. 26 at 6.) There was no other evidence regarding the access minutes for these companies; the numbers as filed should be adopted.

c. Access revenues. Mr. Price reviewed the calculations and underlying assumptions for special access and ancillary services revenues filed by United and Palo Pinto, as shown in Mr. Westmeyer's testimony, United Exhibit No. 1B at FEW Exhibit No. 1 Revised at lines 13 through 16. Mr. Price found these revenues reasonable and recommended their adoption. He found, however, that tariff rates other than those currently effective were used to calculate the companies' switched access revenues, although he did not state whether use of the incorrect rates produced switched access revenues higher or lower than the correct rates would have. Mr. Price recommended adoption of the switched access revenues shown in Mr. Westmeyer's testimony (United Exhibit No. 1B at FEW Exhibit No. 1 Revised at lines 10 through 12) be adopted for the determination of the ICAC for United and Palo Pinto (Staff Exhibit No. 26 at 7); no other party challenged that recommendation and the record does not contain any other numbers for switched access revenues for these companies.

Recalculating switched access revenues using the mirrored CCL rates of $0.0543 (premium) and $0.0244 (non-premium) results in access revenues for United and Palo Pinto as follows:

	United	Palo Pinto
Switched Access (AT&TC) - FG-C	$8,037,245	$849,607
Switched Access (AT&TC) - FG-A	142,580	6,698
Special Access (AT&TC)	344,496	16,164
Ancillary Access (AT&TC)	723,261	36,407
Interexchange Lease Revenue	$3,538,077	0

(Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of the General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

d. IntraLATA MTS/WATS and Private Line revenues. Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, United's and Palo Pinto's intraLATA MTS/WATS and Private Line revenues should be recalculated using the TECA methodology.

e. Revenue producing loops. Mr. Price reviewed the revenue producing loops filed by United and Palo Pinto in the July 3, 1984, TECA filing. He found the numbers reasonable and recommended their adoption. (Staff Exhibit No. 26 at 8-9.) United witness Mr. Westberry agreed with the use of those numbers. (Tr. at 4213.) United has 74,127 revenue producing loops; Palo Pinto has 6,953. This report concurs in their use.

4. Directory Assistance

As with GTSW and Centel, United's and Palo Pinto's tariff charge for directory assistance (DA) evoked the strong objection of AT&TC through its witness, Phillip L. Gaddy, for the same reasons discussed above in Section III.A.4. (AT&TC Exhibit No. 60; AT&TC Brief at 78-82.) For the reasons given in Section III.A.4., this report recommends deletion of this charge from United's and Palo Pinto's tariffs and inclusion of the revenue requirement in their ICAC requirements, so that all interexchange carriers contribute to the recovery of this cost for United and Palo Pinto. Upon termination of the ICAC rate element, United and Palo Pinto should recover their costs from SWB, which can then include those costs in establishing a tariffed rate for interLATA directory assistance calls.

Mr. Gaddy had an additional dispute with respect to the DA charges of United and Palo Pinto. He testified that until August 1, 1984, United charged AT&TC $4,116 per month and Palo Pinto charged AT&TC $615 per month, the rates contained in the companies' respective original Access Service Tariffs filed with the Commission. These tariffs were later changed to comply with interstate rates under the parity concept to $939.33 for United and $73.75 for Palo Pinto. AT&TC was charged the higher rates until August 31, 1984. (AT&TC Exhibit No. 60 at 4-5.) AT&TC has been billed at the correct rate since then but has not been credited with amounts paid in excess of the proper rate. (AT&TC Exhibit No. 60

at 5.) Mr. Gaddy seeks, in addition to removal of the DA charge from United's and Palo Pinto's tariffs, a credit or refund from January 1, 1984, of all erroneous billing. (AT&TC Exhibit No. 60 at 8.) This report recommends requiring United and Palo Pinto to refund to AT&TC the difference between amounts collected from DA charges at the higher rates and the amounts which would have been collected had United and Palo Pinto used the parity rates for DA charges, if such refund has not already been made.

5. ICAC Requirements

The ICAC requirements of United and Palo Pinto should be calculated using the staff's revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop shortfall adjustment, access revenues calculated using the CCL rates adopted by the Commission, and the directory assistance revenue requirement.

6. Tariff Issues

Mr. Price's review of the Access Service Tariffs filed by United and Palo Pinto revealed several areas with which he disagreed. United and Palo Pinto do not concur in SWB's Access Service Tariff; they filed their own tariffs pursuant to the interim Orders issued in December 1983 which were given interim approval effective January 1, 1984. In accordance with the Commission's Phase I Orders, changes were made to those tariffs and they were approved on an interim basis effective July 5, 1984. The tariffs sponsored by Mr. Ludenia (United Exhibit Nos. 3B [United] and 3C [Palo Pinto]) contain proposed changes from the tariffs currently in effect for these companies. Mr. Price agreed that the changes proposed by Mr. Ludenia in his supplemental testimony (United Exhibit No. 3D) which correct misspelled words and incorrect references to other sections of each tariff were appropriate and should be made. (Staff Exhibit No. 26 at 10.)

Mr. Price's greatest concern was that the rates contained in the proposed tariffs (United Exhibit Nos. 3B and 3C), which were different from the rates in the tariffs filed on June 4, 1984 (and supplemented on July 3, 1984), were at parity with the interstate tariffs for these companies. During cross-examination, United and Palo Pinto witness Mr. Ludenia testified that the rates in the proposed tariffs properly mirrored the interstate rates for these companies filed at the FCC. (Tr. at 4300-02; Staff Exhibit Nos. 23 and 24.)

Mr. Price also proposed amendments to three tariff sections in each tariff. (Staff Exhibit No. 26 at 10-11.) (The United and Palo Pinto tariffs are identical in pagination; therefore the references and amendments apply to both tariffs.) The first change Mr. Price recommended would correct a typographical error in Section 3, First Revised Sheet 5, paragraph 3.4(I) in each tariff. He stated the sentence as it should read:

> Where Operator Trunk-Coin or Combined Coin and Noncoin or Operator Trunk-Full Feature Optional Features for sent-paid pay telephone access is provided to the IC and the IC wishes to receive the monies it is due for the monies collected by the Telephone Company from coin pay telephone stations, the IC shall furnish to the Telephone Company, at a location specified by the Telephone Company, the IC message call detail for the IC sent-paid (coin) pay telephone calls in accordance with the Telephone Company collection schedule.

The next change Mr. Price suggested was to clarify the language in Section 7, First Revised Sheet 1, paragraph 7.1, under the heading "<u>General</u>." He offered the following in substitution:

> Special Access Service provides a transmission path to directly connect an IC terminal location to an end user premises,* two IC terminal locations, an IC terminal location and a Hub, or two end user premises.

The third section Mr. Price recommended changing was Section 7, First Revised Sheet 3, paragraph 7.1.1(B), the first sentence, which he thought should read as follows:

> This rate category provides the actual physical transmission facilities between (1) an IC terminal location serving wire center and the end user serving wire center, (2) an IC terminal location serving wire center and a Hub, or (3) a Hub and the end user serving wire center.

Mr. Ludenia agreed with the changes Mr. Price suggested. (Tr. at 4302-03.)

Since the record is clear that the tariffs proposed by United and Palo Pinto properly mirror interstate rates as required by the Commission's Phase I Orders, this report recommends that those tariffs (United Exhibit Nos. 3B [United] and 3C [Palo Pinto]), as amended by Mr. Price's recommendations, and with the exception of the special access portions (Section 7) be given final approval in this docket. Special access matters for all companies are discussed below.

F. Group 6 - Brazos Telephone Cooperative, Inc., Central Texas Telephone Cooperative, Inc., Coleman County Telephone Cooperative, Inc., Colorado Valley Telephone Cooperative, Inc., Dell Telephone Cooperative Inc., Eastex Telephone Cooperative, Inc., Eastern New Mexico Rural Telephone Cooperative, Inc., Etex Telephone Cooperative, Inc., Five Area Telephone Cooperative, Inc., Guadalupe Valley Telephone Cooperative, Inc., Hill Country Telephone Cooperative, Inc., Mid-Plains Rural Telephone Cooperative, Inc., Peoples Telephone Cooperative, Inc., Poka-Lambro Rural Telephone Cooperative, Inc., Santa Rosa Telephone Cooperative, Inc., South Plains Telephone Cooperative, Inc., Southwest Arkansas Telephone Cooperative, Inc., Taylor Telephone Cooperative, Inc., Valley Telephone Cooperative, Inc., Wes-Tex Telephone Cooperative, Inc., West Texas Rural Telephone Cooperative, Inc. and XIT Rural Telephone Cooperative, Inc.

1. Procedural History

On November 29, 1984, Texas Statewide Telephone Cooperative, Inc. (TSTCI) and Panhandle Telephone Cooperative, Inc. filed a joint motion to dismiss Panhandle Telephone Cooperative, Inc. from participation in Phase II of Docket No. 5113, on the basis that Panhandle Telephone Cooperative, Inc. serves only 23 customers in Texas adjacent to the Texas-Oklahoma border, has no central office located in Texas, does not participate in the Texas Exchange Carriers Association (TECA) Pool, does not participate in any toll revenue pools in Texas and did not make a filing with TECA for ICAC revenues. Panhandle argued that since it did not participate (and was not entitled to participate) in any ICAC rate determined in this docket, it should not be required to prepare and file testimony, etc. No party opposed the motion; the general counsel supported the motion. Panhandle Telephone Cooperative, Inc. was dismissed as a party by written order signed January 21, 1985.

On August 30, 1984, Southwest Arkansas Telephone Cooperative, Inc. filed a second motion for reciprocity, which the general counsel opposed. Because Southwest Arkansas Telephone Cooperative, Inc. is a member of the ICAC pool and charges the interim ICAC rate to interexchange carriers, the examiner determined that Southwest Arkansas should present evidence regarding its access revenue requirement, and its motion for reciprocity was denied in a written order signed January 21, 1985.

The hearing on the merits for the companies in Group 6 of Phase II of Docket No. 5113 convened as scheduled at 10:00 a.m., on Monday, January 28, 1985, with Mary Ross McDonald presiding. Appearances were entered by Mr. Dale H. Johnson for TSTCI, on behalf of all the Group 6 companies except Southwest Arkansas Telephone Cooperative, Inc., for which company Mr. William G. Bullock appeared; Mr. Robert L. Lehr for AT&TC; Ms. Laura Fiene for MCI; Ms. Carolyn Shellman for U.S. Tel.; Mr. W. Scott McCollough for SP&GSC; and Ms. Debra Nikazy and Mr. Jesus Sifuentes for the Commission staff.

MCI's motion to dismiss the Group 6 hearing, incorporating the arguments made in its July 5, 1984, motion to dismiss, was denied for the same reasons stated for denial of the July 5, 1984, motion.

The following witnesses presented testimony in the Group 6 hearing: for XIT Rural Telephone Cooperative, Inc., Mr. Jimmy White, Mr. Terry K. Watson and Mr. Conley L. Cathey; for Peoples Telephone Cooperative, Inc., Mr. Max D. Newton, Mr. Watson and Mr. Cathey; for Santa Rosa Telephone Cooperative, Inc., Mr. Howard Thomas, Mr. Watson and Mr. Cathey; for South Plains Telephone Cooperative, Inc., Mr. L. J. Williams, Mr. Watson and Mr. Cathey; for Taylor Telephone Cooperative, Inc., Mr. Derrell Farmer, Mr. Watson and Mr. Cathey; for Valley Telephone Cooperative, Inc., Mr. Roscoe Harvey, Mr. Watson and Mr. Cathey; for Wes-Tex Telephone Cooperative, Inc., Mr. Charles Butler, Mr. Watson and Mr. Cathey; for Brazos Telephone Cooperative, Inc., Mr. Richard D. Adams, Mr. Watson and Mr. Cathey; for Central Texas Telephone Cooperative, Inc., Ms. Ollene Thornton, Mr. Watson and Mr. Cathey; for Coleman County Telephone Cooperative, Inc., Mr. Danny N. Kellar, Mr. Watson and Mr. Cathey; for Eastex Telephone Cooperative, Inc., Mr. Stanley Bennett, Mr. Watson and Mr. Cathey; for Etex Telephone Cooperative, Inc., Mr. Robert H. Hackett, Mr. Watson and Mr. Cathey; for Guadalupe Valley Telephone Cooperative, Inc., Mr. David Biermann, Mr. Watson and Mr. Cathey; for Hill Country Telephone Cooperative, Inc., Mr. Harvie Bird, Jr., Mr. Watson and Mr. Cathey; for Southwest Arkansas Telephone Cooperative, Inc., Mr. William Paul Hegmann, Mr. Watson and Mr. Cathey; for Poka-Lambro Rural Telephone Cooperative, Inc., Mr. Mickey L. Sims and Mr. Richard F. Ferguson; for Colorado Valley Telephone Cooperative, Inc., Mr. Jack A. Campbell and Mr. William J. Thomas; for Mid-Plains Telephone Cooperative, Inc., Mr. Danny Johnson (adopting the testimony of Mr. R. W. Shackelford) and Mr. Keith Barnes; for West Texas Rural Telephone Cooperative, Inc., Mr. Thomas A. Hyer and Mr. Barnes; for Dell Telephone Cooperative, Inc., Mr. Dan Clapp and Mr. Barnes; for Eastern New Mexico Rural Telephone Cooperative, Inc., Mr. Robert M. Harris and Mr. Barnes; for Five Area Telephone Cooperative, Inc., Mr. Hubert Kidd and Mr. Barnes; and for the Commission staff, Regulatory Accountants Ms. Pamela McClellan (for Brazos Telephone Cooperative, Inc., Central Texas Telephone Cooperative, Inc., Coleman County Telephone Cooperative, Inc., Eastex Telephone Cooperative, Inc., Etex Telephone Cooperative, Inc., Guadalupe Valley Telephone Cooperative, Inc., and Hill Country Telephone Cooperative, Inc.), Mr. Robert F. Welchlin (for XIT Telephone Cooperative, Inc., Peoples Telephone Cooperative, Inc., Santa Rosa Telephone Cooperative, Inc., South Plains Telephone Cooperative, Inc., Taylor Telephone Cooperative, Inc., Valley Telephone Cooperative, Inc., and Wes-Tex Telephone Cooperative, Inc.), Mr. Gary D. Esters (for Southwest Arkansas Telephone Cooperative, Inc., Poka-Lambro Rural Telephone Cooperative, Inc., Mid-Plains Telephone Cooperative, Inc., and West Texas Rural Telephone Cooperative, Inc.) and Ms. Judy Poole (for Colorado Valley Telephone Cooperative, Inc., Dell Telephone Cooperative, Inc., Five Area Telephone Cooperative, Inc., and Eastern New Mexico Rural Telephone Cooperative, Inc.) and Telephone Utility Specialist Mr. Joseph E. Kirk regarding all companies in Group 6.

The Group 6 hearing adjourned on January 29, 1985.

The cooperatives are discussed below in the sequence in which their cases were presented at the hearing.

2. XIT Rural Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Jimmy R. White gave an overview of company operations and supported financial information and documentation of XIT Rural Telephone Cooperative, Inc. which was furnished to the other XIT witnesses for the development of the intrastate toll revenue requirements. (XIT Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in XIT's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (XIT Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for XIT on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating XIT's ICAC requirement. (XIT Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (XIT Exhibit No. 3B.)

Staff Regulatory Accountant Mr. Robert F. Welchlin testified about his review of XIT's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for XIT identical to that shown in Mr. Cathey's supplemental testimony, XIT Exhibit No. 3B. (Staff Exhibit No. 27.) The staff and XIT originally calculated the $639,169 revenue requirement using the 12.04 percent rate of return; $633,381 for MTS/WATS and $5,788 for Private Line. (XIT Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed XIT's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of XIT's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed XIT's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony

(XIT Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $71,771; AT&TC ancillary revenues are $8,475. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with XIT's revenue producing loops of 896. (XIT Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for XIT should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of XIT's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding XIT's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by XIT in its supplemental filings, as agreed to by the staff and general counsel, and recalculated at the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for XIT.

d. ICAC requirement. XIT's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. XIT concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

3. Peoples Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Max D. Newton gave an overview of cooperative operations and supported financial information and documentation of Peoples Telephone Cooperative, Inc. which was furnished to the other Peoples witnesses for the development of the intrastate toll revenue requirements. (Peoples Exhibit No. 1.)

Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Peoples' Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Peoples Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Peoples on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Peoples's ICAC requirement. (Peoples Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Peoples Exhibit No. 3B.)

Staff Regulatory Accountant Robert F. Welchlin testified about his review of Peoples's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for Peoples identical to that shown in Mr. Cathey's supplemental testimony, Peoples Exhibit No. 3B at Schedule A. (Staff Exhibit No. 27 at 12.) The staff and Peoples originally calculated the $2,044,155 revenue requirement using the 12.04 percent rate of return; $2,001,973 for MTS/WATS and $42,182 for Private Line. (Peoples Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Peoples's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Peoples's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Peoples's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Peoples Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $632,095; AT&TC ancillary revenues are $99,822. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Peoples's revenue producing loops of 5,342. (Peoples Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Peoples should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Peoples's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Peoples's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Peoples in its supplemental filings, as agreed to by the staff and general counsel, and recalculated at the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Peoples.

d. ICAC requirement. Peoples's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Peoples concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

4. Santa Rosa Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Howard Thomas gave an overview of cooperative operations and supported financial information and documentation of Santa Rosa Telephone Cooperative, Inc. which was furnished to the other Santa Rosa witnesses for the development of the intrastate toll revenue requirements. (Santa Rosa Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Santa Rosa's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Santa Rosa Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Santa Rosa on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Santa Rosa's ICAC requirement. (Santa Rosa Exhibit No. 3A.)

Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Santa Rosa Exhibit No. 3B.)

Staff Regulatory Accountant Robert F. Welchlin testified about his review of Santa Rosa's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for Santa Rosa identical to that shown in Mr. Cathey's supplemental testimony, Santa Rosa Exhibit No. 3B. (Staff Exhibit No. 27.) The staff and Santa Rosa originally calculated the $585,328 revenue requirement using the 12.04 percent rate of return; $575,203 for MTS/WATS and $10,125 for Private Line. (Santa Rosa Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Santa Rosa's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Santa Rosa's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Santa Rosa's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Santa Rosa Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $144,244; AT&TC ancillary revenues are $20,085. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Santa Rosa's revenue producing loops of 1,517. (Santa Rosa Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Santa Rosa should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Santa Rosa's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Santa Rosa's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Santa Rosa in its supplemental filings, as agreed to by the staff and general counsel, and recalculated at 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Santa Rosa.

d. ICAC requirement. Santa Rosa's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Santa Rosa concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

5. South Plains Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. L. J. Williams gave an overview of cooperative operations and supported financial information and documentation of South Plains Telephone Cooperative, Inc. which was furnished to the other South Plains witnesses for the development of the intrastate toll revenue requirements. (South Plains Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in South Plains's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (South Plains Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for South Plains on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating South Plains's ICAC requirement. (South Plains Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (South Plains Exhibit No. 3B.)

Staff Regulatory Accountant Robert F. Welchlin testified about his review of South Plains's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for South Plains identical to that shown in Mr. Cathey's supplemental testimony, South Plains Exhibit No. 3B.

(Staff Exhibit No. 27.) The staff and South Plains originally calculated the $1,337,090 revenue requirement using the 12.04 percent rate of return; $1,292,320 for MTS/WATS and $44,770 for Private Line. (South Plains Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed South Plains' intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of South Plains's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed South Plains's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (South Plains Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $260,008; AT&TC special access revenues are $2,126; and AT&TC ancillary revenues are $39,646. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with South Plains's revenue producing loops of 3,406. (South Plains Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for South Plains should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of South Plains's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding South Plains's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by South Plains in its supplemental filings, as agreed to by the staff and general counsel, recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for South Plains.

d. ICAC requirement. South Plains's ICAC requirement should be calculated using the access revenue requirement recalculated at the

11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. South Plains concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

6. Taylor Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Derrell Farmer gave an overview of cooperative operations and supported financial information and documentation of Taylor Telephone Cooperative, Inc. which was furnished to the other Taylor witnesses for the development of the intrastate toll revenue requirements. (Taylor Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Taylor's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Taylor Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Taylor on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Taylor's ICAC requirement. (Taylor Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Taylor Exhibit No. 3B.)

Staff Regulatory Accountant Robert F. Welchlin testified about his review of Taylor's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for Taylor identical to that shown in Mr. Cathey's supplemental testimony, Taylor Exhibit No. 3B. (Staff Exhibit No. 27.) The staff and Taylor originally calculated the $1,485,154 revenue requirement using the 12.04 percent rate of return; $1,465,328 for MTS/WATS and $19,826 for Private Line. (Taylor Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Taylor's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Taylor's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Taylor's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Taylor Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $400,424; AT&TC special access revenues are $9,203, and AT&TC ancillary revenues are $64,031. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Taylor's revenue producing loops of 4,904. (Taylor Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Taylor should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Taylor's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Taylor's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Taylor in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Taylor.

d. ICAC requirement. Taylor's ICAC requirement should be calculated using the access revenue requirement calculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Taylor concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

7. Valley Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Roscoe Harvey gave an overview of cooperative operations and supported financial information and documentation of Valley Telephone Cooperative, Inc. which was furnished to the other Valley witnesses for the development of the intrastate toll revenue requirements. (Valley Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Valley's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Valley Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Valley on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Valley's ICAC requirement. (Valley Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Valley Exhibit No. 3B.)

Staff Regulatory Accountant Robert F. Welchlin testified about his review of Valley's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for Valley identical to that shown in Mr. Cathey's supplemental testimony, Valley Exhibit No. 3B. (Staff Exhibit No. 27.) The staff and Valley originally calculated the $3,569,959 revenue requirement using the 12.04 percent rate of return; $3,451,487 for MTS/WATS and $118,472 for Private Line. (Valley Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Valley's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Valley's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Valley's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Valley Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $535,130; AT&TC ancillary revenues are $88,775. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Valley's revenue producing loops of 3,547. (Valley Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS Private Line revenues for Valley should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Valley's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Valley's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Valley in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Valley.

d. ICAC requirement. Valley's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Valley concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

8. Wes-Tex Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Charles Butler gave an overview of cooperative operations and supported financial information and documentation of Wes-Tex Telephone Cooperative, Inc. which was furnished to the other Wes-Tex witnesses for the development of the intrastate toll revenue requirements. (Wes-Tex Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Wes-Tex's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Wes-Tex Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Wes-Tex on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Wes-Tex's ICAC requirement. (Wes-Tex Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Wes-Tex Exhibit No. 3B.)

Staff Regulatory Accountant Robert F. Welchlin testified about his review of Wes-Tex's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for Wes-Tex identical to that shown in Mr. Cathey's supplemental testimony, Wes-Tex Exhibit No. 3B. (Staff Exhibit No. 27.) The staff and Wes-Tex originally calculated the $1,224,377 revenue requirement using the 12.04 percent rate of return; $1,186,076 for MTS/WATS and $38,301 for Private Line. (Wes-Tex Exhibit No. 3B at Schedule C; Staff Exhibit No. 27 at 11-12.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Wes-Tex's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Wes-Tex's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Wes-Tex's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Wes-Tex Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $357,955; AT&TC special access revenues are $13,796 and AT&TC ancillary revenues are $58,091. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Wes-Tex's revenue producing loops of 3,036. (Wes-Tex Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Wes-Tex should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Wes-Tex's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Wes-Tex's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Wes-Tex in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Wes-Tex.

d. ICAC requirement. Wes-Tex's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Wes-Tex concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

9. Brazos Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Richard D. Adams gave an overview of cooperative operations and supported financial information and documentation of Brazos Telephone Cooperative, Inc. which was furnished to the other Brazos witnesses for the development of the intrastate toll revenue requirements. (Brazos Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Brazos's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Brazos Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Brazos on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Brazos's ICAC requirement. (Brazos Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Brazos Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Brazos's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Brazos as shown in Mr. Cathey's supplemental testimony, Brazos Exhibit No. 3B. (Staff Exhibit No. 29 at 3.) The staff and Brazos originally calculated the $716,094 revenue requirement using the 12.04 percent rate of return; $710,429 for MTS/WATS and $5,665 for Private Line. (Brazos Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Brazos's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28 at 4.) His review of Brazos's calculation of its FG-C access minutes resulted in his recommending their adoption. (Staff Exhibit No. 28 at 4.)

Mr. Kirk also reviewed Brazos's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Brazos Exhibit No. 3B), and recommended their adoption. (Staff Exhibit No. 28 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $147,791; AT&TC ancillary revenues are $31,682. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Brazos's revenue producing loops of 1,091. (Brazos Exhibit No. 3A at Schedule C; Staff Exhibit No. 28 at 4.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Brazos should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Brazos's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Brazos's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Brazos in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Brazos.

d. ICAC requirement. Brazos's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Brazos concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

10. Central Texas Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In her testimony, Ms. Ollene Thornton gave an overview of cooperative operations and supported financial information and documentation of Central Texas Telephone Cooperative, Inc. which was furnished to the other Central Texas witnesses for the development of the intrastate toll revenue requirements. (Central Texas Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Central Texas's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Central Texas Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Central Texas on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Central Texas's ICAC requirement. (Central Texas Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made corrections to his original testimony. (Central Texas Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Central Texas's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Central Texas as shown in Mr. Cathey's supplemental testimony, Central Texas Exhibit No. 3B. (Staff Exhibit No. 29 at 3.) The staff and Central Texas originally calculated the $2,015,582 revenue requirement using the 12.04 percent rate of return; $2,010,432 for MTS/WATS and $5,150 for Private Line. (Central Texas Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Central Texas's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28 at 4.) His review of Central Texas's calculation of its FG-C access minutes resulted in his recommending their adoption. (Staff Exhibit No. 28 at 4.)

Mr. Kirk also reviewed Central Texas's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Central Texas Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28 at 4.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $324,741; AT&TC ancillary revenues are $52,091. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Central Texas's revenue producing loops of 2,897. (Central Texas Exhibit No. 3A at Schedule C; Staff Exhibit No. 28 at 4.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Central Texas should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Central Texas's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Central Texas's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Central Texas in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Central Texas.

d. ICAC requirement. Central Texas's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Central Texas concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by

Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

11. Coleman County Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Danny N. Kellar gave an overview of cooperative operations and supported financial information and documentation of Coleman County Telephone Cooperative, Inc. which was furnished to the other Coleman County witnesses for the development of the intrastate toll revenue requirements. (Coleman County Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Coleman County's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Coleman County Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Coleman County on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Coleman County's ICAC requirement. (Coleman County Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments* in his supplemental testimony in which he made corrections to his original testimony. (Coleman County Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Coleman County's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Coleman County as shown in Mr. Cathey's supplemental testimony, Coleman County Exhibit No. 3B. (Staff Exhibit No. 29 at 3.) The staff and Coleman County originally calculated the $599,647 revenue requirement using the 12.04 percent rate of return; $598,710 for MTS/WATS and $937 for Private Line. (Coleman County Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WTS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Coleman County's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28 at 4.) His review of Coleman County's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28 at 4.)

Mr. Kirk also reviewed Coleman County's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony

(Coleman County Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28 at 4.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $141,399; AT&TC ancillary revenues are $27,240. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Coleman County's revenue producing loops of 1,729. (Coleman County Exhibit No. 3B at Schedule C; Staff Exhibit No. 28 at 4.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Coleman County should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Coleman County's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Coleman County's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Coleman County in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Coleman County.

d. ICAC requirement. Coleman County's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Coleman County concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

12. Eastex Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Stanley Bennett gave an overview of cooperative operations and supported financial information and documentation of Eastex Telephone Cooperative, Inc.

which was furnished to the other Eastex witnesses for the development of the intrastate toll revenue requirements. (Eastex Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Eastex's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Eastex Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Eastex on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Eastex's ICAC requirement. (Eastex Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Eastex Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Eastex's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Eastex as shown in Mr. Cathey's supplemental testimony, Eastex Exhibit No. 3B. (Staff Exhibit No. 29 at 3.) The staff and Eastex originally calculated the $4,949,612 revenue requirement using the 12.04 percent rate of return; $4,876,032 for MTS/WATS and $73,580 for Private Line. (Eastex Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Eastex's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Eastex's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Eastex's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Eastex Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $982,976; AT&TC special access revenues are $20,253 and AT&TC ancillary revenues are $191,614. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Eastex's revenue producing loops of 18,313. (Eastex Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Eastex should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Eastex's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Eastex's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Eastex in its supplemental filings, as agreed to by the staff and general counsel, recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Eastex.

d. ICAC requirement. Eastex's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Eastex concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

13. Etex Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Robert H. Hackett gave an overview of cooperative operations and supported financial information and documentation of Etex Telephone Cooperative, Inc. which was furnished to the other Etex witnesses for the development of the intrastate toll revenue requirements. (Etex Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Etex's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Etex Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Etex on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Etex's ICAC requirement. (Etex Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Etex Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Etex's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement of Etex as shown in Mr. Cathey's supplemental testimony, Etex Exhibit No. 3B. (Staff Exhibit No. 29 at 3.) The staff and Etex originally calculated the $2,137,228 revenue requirement using the 12.04 percent rate of return; $2,128,875 for MTS/WATS and $8,353 for Private Line. (Etex Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Etex's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Etex's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Etex's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Etex Exhibit No. 3B at Schedule C), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $574,309; AT&TC special access revenues are $1,066 and AT&TC ancillary revenues are $96,424. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Etex's revenue producing loops of 8,124. (Etex Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Etex should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Etex's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Etex's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Etex in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Etex.

d. ICAC requirement. Etex's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Etex concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

14. Guadalupe Valley Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. David Biermann gave an overview of cooperative operations and supported financial information and documentation of Guadalupe Valley Telephone Cooperative, Inc. which was furnished to the other Guadalupe Valley witnesses for the development of the intrastate toll revenue requirements. (Guadalupe Valley Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Guadalupe Valley's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Guadalupe Valley Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Guadalupe Valley on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Guadalupe Valley's ICAC requirement. (Guadalupe Valley Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Guadalupe Valley Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Guadalupe Valley's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement of Guadalupe Valley as shown in Mr. Cathey's supplemental testimony, Guadalupe Valley Exhibit No. 3B. (Staff

Exhibit No. 29 at 3.) The staff and Guadalupe Valley originally calculated the $4,268,927 revenue requirement using the 12.04 percent rate of return; $4,202,411 for MTS/WATS and $66,516 for Private Line. (Guadalupe Valley Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Guadalupe Valley's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Guadalupe Valley's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Guadalupe Valley's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Guadalupe Valley Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $809,326; AT&TC ancillary revenues are $138,695. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Guadalupe Valley's revenue producing loops of 10,623. (Guadalupe Valley Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Guadalupe Valley should be recalculated using the CCL rates adopted by the Commission.

c. Recommendation. The staff's review of Guadalupe Valley's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Guadalupe Valley's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Guadalupe Valley in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Guadalupe Valley.

d. ICAC requirement. Guadalupe Valley's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Guadalupe Valley concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

15. Hill Country Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Harvie Bird, Jr. gave an overview of cooperative operations and supported financial information and documentation of Hill Country Telephone Cooperative, Inc. which was furnished to the other Hill Country witnesses for the development of the intrastate toll revenue requirements. (Hill Country Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Hill Country's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Hill Country Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Hill Country on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Hill Country's ICAC requirement. (Hill Country Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Hill Country Exhibit No. 3B.)

Staff Regulatory Accountant Pamela McClellan testified about her review of Hill Country's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement of Hill Country as shown in Mr. Cathey's supplemental testimony, Hill Country Exhibit No. 3B. (Staff Exhibit No. 29 at 3.) The staff and Hill Country originally calculated the \$3,470,383 revenue requirement using the 12.04 percent rate of return; \$3,436,978 for MTS/WATS and \$33,405 for Private Line. (Hill Country Exhibit No. 3B at Schedule C; Staff Exhibit No. 29 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Hill Country's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Hill Country's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Hill Country's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Hill Country Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $674,823; AT&TC ancillary revenues are $97,210. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Hill Country's revenue producing loops of 7,045. (Hill Country Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Hill Country should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Hill Country's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the the standards the staff developed for that review. No other party presented testimony regarding Hill Country's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Hill Country in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 69-70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Hill Country.

d. ICAC requirement. Hill Country's ICAC requirement should be calculated using the access revenue requirement recalculated at the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Hill Country concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

16. Southwest Arkansas Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. William Paul Hegmann gave an overview of cooperative operations and supported financial information and documentation of Southwest Arkansas Telephone Cooperative, Inc. which was furnished to the other Southwest Arkansas witnesses for the development of the intrastate toll revenue requirements. (Southwest Arkansas Exhibit No. 1.) Mr. Terry K. Watson testified in support of the development of the traffic factors, used in Southwest Arkansas's Toll Cost Study and in deriving the percentage split between intrastate MTS/WATS and intrastate Private Line, and of the AT&TC interLATA access minutes. (Southwest Arkansas Exhibit No. 2.) Mr. Conley L. Cathey, in his original prefiled direct testimony, presented the financial information for Southwest Arkansas on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Southwest Arkansas's ICAC requirement. (Southwest Arkansas Exhibit No. 3A.) Pursuant to negotiations with some of the parties to this docket, Mr. Cathey amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Southwest Arkansas Exhibit No. 3B.)

Staff Regulatory Accountant Gary D. Esters testified about his review of Southwest Arkansas's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of the access revenue requirement of Southwest Arkansas as shown in Mr. Cathey's supplemental testimony, Southwest Arkansas Exhibit No. 3B. (Staff Exhibit No. 30 at 3.) The staff and Southwest Arkansas originally calculated the $30,267 revenue requirement using the 12.04 percent rate of return; $29,692 for MTS/WATS and $575 for Private Line. (Southwest Arkansas Exhibit No. 3B at Schedule C; Staff Exhibit No. 30 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Southwest Arkansas's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Southwest Arkansas's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Southwest Arkansas's calculations of its switched access and ancillary services revenues as stated in Mr. Cathey's supplemental testimony (Southwest Arkansas Exhibit No. 3B at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $11,386; AT&TC ancillary revenues are $2,416. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Southwest Arkansas's revenue producing loops of 350. (Southwest Arkansas Exhibit No. 3B at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Southwest Arkansas should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Southwest Arkansas's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Southwest Arkansas's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Southwest Arkansas in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Southwest Arkansas.

d. ICAC requirement. Southwest Arkansas's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Southwest Arkansas concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

17. Poka-Lambro Rural Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Mickey L. Sims gave an overview of cooperative operations and supported financial information and documentation of Poka-Lambro Rural Telephone Cooperative, Inc. which was furnished to the other Poka-Lambro witness for the development of the intrastate toll revenue requirements. (Poka-Lambro Exhibit No. 1.) Mr. Richard F. Ferguson testified in support of the development of the traffic factors of Poka-Lambro and of the AT&TC interLATA access minutes. Mr. Ferguson also presented the financial information for Poka-Lambro on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Poka-Lambro's ICAC requirement. (Poka-Lambro Exhibit No. 2.) Pursuant to negotiations with some of the parties to this docket, Mr. Ferguson amended his original recommendations and reflected those amendments in his supplemental testimony in which he made amendments for divestiture related items and made corrections to his original testimony. (Poka-Lambro Exhibit No. 3.)

Staff Regulatory Accountant Gary D. Esters testified about his review of Poka-Lambro's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement for Poka-Lambro as shown in Mr. Ferguson's supplemental testimony, Poka-Lambro Exhibit No. 3. (Staff Exhibit No. 30 at 3.) The staff and Poka-Lambro originally calculated the $2,191,915 revenue requirement using the 12.04 percent rate of return; $2,183,387 for MTS/WATS and $8,528 for Private Line. (Poka-Lambro Exhibit No. 3 at Schedule C; Staff Exhibit No. 30 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Poka-Lambro's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Poka-Lambro's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Poka-Lambro's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Ferguson's supplemental testimony (Poka-Lambro Exhibit No. 3 at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $326,415; AT&TC special access revenues are $8,528, and AT&TC ancillary revenues are $53,182. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Poka-Lambro's revenue producing loops of 3,151. (Poka-Lambro Exhibit No. 3 at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Poka-Lambro should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Poka-Lambro's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Poka-Lambro's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Poka-Lambro in its supplemental filings, as agreed to by the staff and general counsel, recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Poka-Lambro.

d. ICAC requirement. Poka-Lambro's ICAC requirement should be calculated using the access revenue requirement recalculated at the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Poka-Lambro concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

18. Mid-Plains Rural Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Danny Johnson, adopting the prefiled testimony of Mr. R. W. Shackelford, gave an overview of cooperative operations and supported financial information and documentation of Mid-Plains Rural Telephone Cooperative, Inc. which was furnished to the other Mid-Plains witness for the development of the intrastate toll revenue requirements. (Mid-Plains Exhibit Nos. 1 and 2.) Mr. Keith H. Barnes, in his original prefiled direct testimony, presented the financial information for Mid-Plains on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Mid-Plains's ICAC requirement. (Mid-Plains Exhibit No. 3A.)

Pursuant to negotiations with some of the parties to this docket, Mr. Barnes amended his original recommendations and reflected those amendments in his first supplemental testimony. (Mid-Plains Exhibit No. 3B.) His second supplemental testimony made additional amendments for divestiture related items and made corrections to his first supplemental testimony. (Mid-Plains Exhibit No. 3C.)

Staff Regulatory Accountant Gary D. Esters testified about his review of Mid-Plains's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement of Mid-Plains as shown in Mr. Barnes's supplemental testimony, Mid-Plains Exhibit No. 3C. (Staff Exhibit No. 30 at 3.) The staff and Mid-Plains originally calculated the $1,164,612 revenue requirement using the 12.04 percent rate of return; $1,140,839 for MTS/WATS and $23,773 for Private Line. (Mid-Plains Exhibit No. 3C at Schedule C; Staff Exhibit No. 30 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Mid-Plains's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Mid-Plains's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Mid-Plains's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Barnes's supplemental testimony (Mid-Plains Exhibit No. 3C at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $290,327; AT&TC special access revenues are $12,742, and AT&TC ancillary revenues are $50,939. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Mid-Plains's revenue producing loops of 2,017. (Mid-Plains Exhibit No. 3C at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Mid-Plains should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Mid-Plains's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Mid-Plains's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Mid-Plains in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Mid-Plains.

d. ICAC requirement. Mid-Plains's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Mid-Plains concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

19. West Texas Rural Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Thomas A. Hyer gave an overview of cooperative operations and supported financial information and documentation of West Texas Rural Telephone Cooperative, Inc. which was furnished to the other West Texas witness for the development of the intrastate toll revenue requirements. (West Texas Exhibit No. 1.) Mr. Keith H. Barnes, in his original prefiled direct testimony, presented the financial information for West Texas on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating West Texas's ICAC requirement. (West Texas Exhibit No. 2A.) Pursuant to negotiations with some of the parties to this docket, Mr. Barnes amended his original recommendations and reflected those amendments in his first supplemental testimony. (West Texas Exhibit No. 2B.) His second supplemental testimony made amendments for divestiture related items and made corrections to his first supplemental testimony. (West Texas Exhibit No. 2C.)

Staff Regulatory Accountant Gary D. Esters testified about his review of West Texas's filings and his recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. He recommended approval of an access revenue requirement of West Texas as shown in Mr. Barnes's supplemental testimony, West Texas Exhibit No. 2C. (Staff Exhibit No. 30.) The staff and West Texas originally calculated the $989,924 revenue requirement using the 12.04 percent rate of return; $984,049 for MTS/WATS and $5,875 for

Private Line. (West Texas Exhibit No. 2C at Schedule C; Staff Exhibit No. 30 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed West Texas's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of West Texas's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed West Texas's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Barnes's supplemental testimony (West Texas Exhibit No. 2C at Schedule A), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $250,039; AT&TC special access revenues are $7,751, and AT&TC ancillary revenues are $45,327. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with West Texas's revenue producing loops of 1,722. (West Texas Exhibit No. 2C at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for West Texas should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of West Texas's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding West Texas's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by West Texas in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for West Texas.

d. ICAC requirement. West Texas's ICAC requirement should be calculated using the access revenue requirement recalculated at the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. West Texas concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

20. Dell Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Dan Clapp gave an overview of cooperative operations and supported financial information and documentation of Dell Telephone Cooperative, Inc. which was furnished to the other Dell witness for the development of the intrastate toll revenue requirements. (Dell Exhibit No. 1.) Mr. Keith H. Barnes, in his original prefiled direct testimony, presented the financial information for Dell on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Dell's ICAC requirement. (Dell Exhibit No. 2A.) Pursuant to negotiations with some of the parties to this docket, Mr. Barnes amended his original recommendations and reflected those amendments in his first supplemental testimony. (Dell Exhibit No. 2B.) His second supplemental testimony made additional amendments for divestiture related items and made corrections to his first supplemental testimony. (Dell Exhibit No. 2C.)

Staff Regulatory Accountant Judy Poole testified about her review of Dell's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Dell as shown in Mr. Barnes's supplemental testimony, Dell Exhibit No. 2C at Schedule A. (Staff Exhibit No. 31 at 5-6.) The staff and Dell originally calculated the $406,929 revenue requirement using the 12.04 percent rate of return; $397,468 for MTS/WATS and $9,461 for Private Line. (Dell Exhibit No. 2C at Schedule C; Staff Exhibit No. 31 at Schedule for Dell.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Dell's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Dell's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Dell's calculations of its switched access and ancillary services revenues as stated in Mr. Barnes's supplemental testimony (Dell Exhibit No. 2C at), and recommended their adoption. (Staff Exhibit

No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $56,963; AT&TC ancillary revenues are $10,066. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Dell's revenue producing loops of 271. (Dell Exhibit No. 2C at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Dell should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Dell's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Dell's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Dell in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 71.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Dell.

d. ICAC requirement. Dell's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Dell concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

21. Eastern New Mexico Rural Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Robert M. Harris gave an overview of cooperative operations and supported financial information and documentation of Eastern New Mexico Rural Telephone Cooperative, Inc. (ENMR) which was furnished to the other ENMR witness for the development of the intrastate toll revenue requirements. (ENMR Exhibit No. 1.) Mr. Keith H. Barnes, in his original prefiled direct testimony, presented the financial information for ENMR on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating ENMR's ICAC requirement. (ENMR Exhibit No. 2A.) Mr. Barnes corrected his original recommendations and reflected those corrections in his first supplemental testimony. (ENMR Exhibit No 2B.) Pursuant to negotiations with some of the parties in this docket, Mr. Barnes filed his second supplemental testimony in which he made amendments for divestiture related items and made corrections to his first supplemental testimony. (ENMR Exhibit No. 2C.) Mr. Barnes filed his third supplemental testimony in order to make additional corrections and amendments. (ENMR Exhibit No. 2D.)

Staff Regulatory Accountant Judy Poole testified about her review of ENMR's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of ENMR as shown in Mr. Barnes's supplemental testimony, ENMR Exhibit No. 2D at Schedule A. (Staff Exhibit No. 31 at 5-6.) The staff and ENMR originally calculated the $130,677 revenue requirement using the 12.04 percent rate of return; $129,270 for MTS/WATS and $1,407 for Private Line. (ENMR Exhibit No. 2D at Schedule C; Staff Exhibit No. 31 at Schedule for ENMR.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed ENMR's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of ENMR's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed ENMR's calculations of its switched access and ancillary services revenues as stated in Mr. Barnes's supplemental testimony (ENMR Exhibit No. 2D), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $61,362; AT&TC ancillary revenues are $12,197. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with ENMR's revenue producing loops of 668. (ENMR Exhibit No. 2C at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for ENMR should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of ENMR's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding ENMR's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by ENMR in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70-71.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for ENMR.

d. ICAC requirement. ENMR's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. ENMR concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

22. Five Area Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Hubert Kidd gave an overview of cooperative operations and supported financial information and documentation of Five Area Telephone Cooperative, Inc. which was furnished to the other Five Area witness for the development of the intrastate toll revenue requirements. (Five Area Exhibit No. 1.) Mr. Keith H. Barnes, in his original prefiled direct testimony, presented the financial information for Five Area on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Five Area's ICAC requirement. (Five Area Exhibit No. 2A.) Pursuant to negotiations with some of the parties to this docket, Mr. Barnes amended his original recommendations and reflected those amendments in his first supplemental testimony. (Five Area Exhibit No. 2B.) His second supplemental testimony made additional amendments for divestiture related items and made corrections to his first supplemental testimony. (Five Area Exhibit No. 2C.)

Staff Regulatory Accountant Judy Poole testified about her review of Five Area's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Five Area as shown in Mr. Barnes's supplemental testimony, Five Area Exhibit No. 2C. (Staff Exhibit No. 31 at 5-6.) The staff and Five Area originally calculated the $1,026,366 revenue requirement using the 12.04 percent rate of return; $999,062 for MTS/WATS and $27,304 for Private Line. (Five Area Exhibit No. 2C at Schedule C; Staff Exhibit No. 31 at Schedule for Five Area.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Five Area's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Five Area's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28.)

Mr. Kirk also reviewed Five Area's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Barnes's supplemental testimony (Five Area Exhibit No. 2C), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $142,706; AT&TC special access revenues are $2,084, and AT&TC ancillary revenues are $24,411. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Five Area's revenue producing loops of 1,471. (Five Area Exhibit No. 2C at Schedule C; Staff Exhibit No. 28.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Five Area should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Five Area's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Five Area's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Five Area in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 70-71.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Five Area.

d. ICAC requirement. Five Area's ICAC requirement should be calculated using the access revenue requirement recalculated using the 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Five Area concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

23. Colorado Valley Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Jack A. Campbell gave an overview of cooperative operations and supported financial information and documentation of Colorado Valley Telephone Cooperative, Inc. which was furnished to the other Colorado Valley witness for the development of the intrastate toll revenue requirements. (Colorado Valley Exhibit No. 1.) Mr. William J. Thomas, in his original prefiled direct testimony, presented the financial information for Colorado Valley on a total company adjusted basis and on a separated basis for intrastate toll, using a test year ending December 31, 1983. He used this information to develop the intrastate toll revenue requirement and he supported the adjustments and revenue requirements developed for the purpose of calculating Colorado Valley's ICAC requirement. (Colorado Valley Exhibit No. 2A.) Mr. Thomas amended his original recommendations and reflected those amendments in his supplemental testimony (Colorado Valley Exhibit No. 2B.) When Mr. Thomas took the stand, he made corrections to his supplemental testimony. (Tr. at 4739-46.)

Staff Regulatory Accountant Judy Poole testified about her review of Colorado Valley's filings and her recommendations, which were consistent with staff's interpretation of the Commission's Phase I Orders. She recommended approval of an access revenue requirement for Colorado Valley as shown in Mr. Thomas's supplemental testimony, Colorado Valley Exhibit No. 2B, with one exception relating to Colorado Valley's allocation to MTS/WATS and Private Line of its operating rent expense and its omission of operating rent revenues. Ms. Poole made the proper adjustments and reflected these in her schedules. (Staff Exhibit No. 31 at Schedule I; Staff Exhibit No. 31 at 5-6.) Mr. Thomas agreed with Ms. Poole's adjustments for operating rent expense and operating rent revenues, and on the stand he made the appropriate corrections to his schedules. (Tr. at 4739-46; Colorado Valley Exhibit No. 2B at Schedule A.) The staff and Colorado Valley calculated the $1,888,848 revenue requirement using the 12.04 percent rate of return; $1,866,623 for MTS/WATS and $22,225 for Private Line. (Colorado Valley Exhibit No. 2B at Schedule C; Staff Exhibit No. 31 at Schedule I.) This should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Joseph E. Kirk, staff Telephone Utility Specialist, reviewed Colorado Valley's intraLATA split factor and found it appropriate; he recommended approval. (Staff Exhibit No. 28.) His review of Colorado Valley's calculation of its FG-C access minutes resulted in his finding the numbers reasonable and recommending their adoption. (Staff Exhibit No. 28 at 4.)

Mr. Kirk also reviewed Colorado Valley's calculations of its switched access, special access, and ancillary services revenues as stated in Mr. Thomas's testimony as supplemented (Colorado Valley Exhibit No. 2A and 2B), and recommended their adoption. (Staff Exhibit No. 28.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 results in FG-C (AT&TC) switched access revenues of $658,863; AT&TC special access revenues are $10,409, and AT&TC ancillary revenues are $17,931. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Finally, Mr. Kirk also agreed with Colorado Valley's revenue producing loops of 4,168. (Colorado Valley Exhibit No. 2B at Schedule A; Staff Exhibit No. 28 at 4.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Colorado Valley should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Colorado Valley's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation of approval is also consistent with the standards the staff developed for that review. No other party presented testimony regarding Colorado Valley's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Colorado Valley in its supplemental filings, as agreed to by the staff and general counsel, and recalculated using the 11.94 percent rate of return. (Brief of General Counsel at 71.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Colorado Valley.

d. ICAC requirement. Colorado Valley's ICAC requirement should be calculated using the access revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Colorado Valley concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

G. Group 7 - Continental Telephone Company of Texas

1. Procedural History

The hearing on the merits for Group 7 of Phase II in this docket--Continental Telephone Company of Texas (Continental)--convened as scheduled at 10:00 a.m. on Monday, February 18, 1985, with Mary Ross McDonald presiding. Appearances were entered by Mr. John Andrew Martin for Continental; Mr. Robert L. Lehr for AT&TC; Mr. Ray G. Besing and Ms. Laura Fiene for MCI; Messrs. Paul Herrmann and John M. Kyser for GTE Sprint; Ms. Carolyn Shellman for U.S. Tel.; and Ms. Debra Nikazy and Mr. Jesus Sifuentes for the Commission staff.

MCI's motion to dismiss the Group 7 hearing, incorporating the arguments made in its July 5, 1984, motion to dismiss, was denied for the same reasons stated for denial of the July 5, 1984, motion.

Continental presented the testimony of Mr. Jeffrey B. Cutherell, Mr. Raymond J. Stroup, Mr. Theodore W. Rabey, Jr., and Mr. David P. Allen. Mr. Travis D. McElyea testified for AT&TC; and Regulatory Accountant Ms. Judy Poole and Telephone Rate Analyst Mr. Donald G. Price testified for the Commission staff.

The Group 7 hearing adjourned on February 19, 1985.

2. Calculation of Access Revenue Requirement

Mr. Jeffrey B. Cutherell presented the financial information from the books and records of Continental for its operations utilizing a test year ending December 31, 1983, in his original prefiled direct testimony. He adjusted the actual test period book amounts for the appropriate accounts for the known and measurable changes prescribed by the Commission in its Phase I Orders. He provided this information to Mr. Rabey for use in calculating the intrastate toll revenue requirement and the ICAC requirement for Continental. (Continental Exhibit No. 1A.) Mr. Cutherell's supplemental direct testimony was prepared as a result of discussions and negotiations with various parties in the docket regarding his original testimony. In it, Mr. Cutherell made amendments to his original recommendations and revised certain known and measurable changes on the basis of more recently available information; he revised his schedules as well. This new information was also given to Mr. Rabey. (Continental Exhibit No. 1B.)

In his original prefiled direct testimony, Mr. Raymond J. Stroup supported the development of the intraLATA factors and access minutes used by Mr. Rabey in calculating access revenues. (Continental Exhibit No. 2A.) His supplemental direct testimony revised the 1983 year-end Private Line circuit inventory presented in his original testimony to exclude WATS lines, and the 1983 FG-A access minutes to reflect the going forward level of billable access minutes. (Continental Exhibit No. 2B.)

Mr. Theodore W. Rabey, Jr. sponsored the intrastate toll separations factors, the development of the intrastate toll revenue requirements, and the calculation of the ICAC requirement. (Continental Exhibit No. 3A.) Mr. Rabey's direct supplemental testimony reflected the changes Mr. Cutherell and Mr. Stroup outlined in their supplemental testimonies, and made corrections to some errors in his original testimony. (Continental Exhibit No. 3B.)

Finally, Mr. David P. Allen sponsored the intrastate access service tariffs of Continental. (Continental Exhibit No. 4.) Continental concurs in SWB's Access Service Tariff, with the exception of Section No. 8, "Billing and Collections," for which Continental filed its own tariff. This Billing and Collections tariff is a mirror of the March 15, 1984, filing of the National Exchange Carriers Association's Exchange Carrier Association ("ECA") Tariff F.C.C. No. 1, Section 8.

AT&TC witness Travis D. McElyea addressed two areas of disagreement with Continental's supplemental filing which incorporated many adjustments and corrections suggested by both AT&TC and the Commission staff. (AT&TC Exhibit No. 66.) Mr. McElyea disagreed with Continental's annualized payroll and FICA tax adjustments and its depreciation expense adjustment. With respect to the payroll and FICA tax adjustments proposed by Continental in its supplemental filings (and approved by the staff), Mr. McElyea objected to restating payroll expense as if the end-of-period wages had been in effect for all of 1983, when traditional toll settlements methodologies would reimburse Continental only for expenses actually incurred in 1983. Similarly, AT&TC urged rejection of Continental's proposed increase to its 1983 interLATA official toll expenses based on 1984 volumes. (Brief of AT&TC at 74.) Finally, Continental's proposed depreciation expense was too high in AT&TC's view because it was developed by applying its depreciation rate against its December 31, 1983, level of investment base, as if that plant had been in service the entirety of 1983. (Brief of AT&TC at 74.)

Staff Regulatory Accountant Judy Poole testified regarding her review of Continental's filings and her recommendations, which were consistent with the staff's interpretation of the Commission's Phase I Orders. She recommended approval of the access revenue requirement of Continental as shown in its supplemental filings, Continental Exhibit Nos. 1B, 2B, and 3B. (Staff Exhibit No. 33 at 13-14.) The staff and Continental originally calculated the $64,617,593 revenue requirement using the 12.04 percent rate of return;

$63,231,109 for MTS/WATS and $1,386,484 for Private Line. (Continental Exhibit No. 3B at Rabey Exhibit No. 2, page 1 of 4, Revised; Staff Exhibit No. 33 at the attached Schedule following p. 14.) This revenue requirement should be recalculated using the corrected 11.94 percent rate of return, and separated between MTS/WATS and Private Line.

3. Access and IntraLATA MTS/WATS and Private Line Revenues

Mr. Donald G. Price reviewed Mr. Stroup's development of Continental's minutes of use for switched access (Continental Exhibit No.2B at Stroup Exhibit No. 3 Revised) and recommended use of Continental's numbers as filed. (Staff Exhibit No. 32 at 13-14.) Mr. Price also reviewed Continental's calculations of revenues to be derived from switched access, special access and ancillary services, as shown in Mr. Rabey's supplemental testimony. (Continental Exhibit No. 3B at Rabey Exhibit No. 4, Page 2 of 2, Revised.) He recommended adoption of Continental's calculations for use in developing its ICAC requirement. (Staff Exhibit No. 32 at 14-15.) Recalculating the switched access revenues using the mirrored CCL rates of $0.0543 (premium) and $0.0244 (non-premium) results in FG-C (AT&TC) switched access revenues of $12,254,161 and FG-A (AT&TC) switched access revenues of $15,806; AT&TC special access revenues are $357,764; AT&TC ancillary revenues are $2,152,202, and AT&TC interexchange lease revenues are $2,216,000. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of the General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates. Mr. Price agreed with the 113,162 revenue producing loops filed by Continental in the TECA filing of July 3, 1984. (Staff Exhibit No. 32 at 15.)

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues should be recalculated using the TECA methodology.

4. Recommendation

The staff's review of Continental's access revenue requirement and access revenues was performed consistently with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption. (Staff Exhibit No. 33 at 3-13.) The staff's recommendation of approval is also consistent with the standards the staff developed for that review. (Staff Exhibit No. 33 at 3-4 and at 13-14.) AT&TC's disagreement with Continental's access revenue requirement stems from AT&TC's basic disagreement with the staff's interpretation of the Phase I Orders regarding the proper formula for calculating the access revenue requirements. This report has already discussed the various interpretations of those orders offered by the parties in this docket, and has concluded that the staff's approach correctly interprets and applies the Commission's Phase I Orders. For the reasons previously stated, this report recommends adoption of the staff's recommendation of approval of

Continental's supplemental filing with respect to access revenue requirement and access revenues. This report recommends adoption of the TECA methodology in identifying intraLATA MTS/WATS and Private Line revenue requirements and revenues.

5. ICAC Requirement

Continental's ICAC requirement should be calculated using the revenue requirement recalculated at 11.94 percent rate of return, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

6. Tariff Issues

Continental concurs in SWB's Access Service Tariff, with the exception of Section No. 8, Billing and Collections, for which Continental filed its own tariff, which is a mirror of the March 15, 1984, filing of the ECA Tariff F.C.C. No. 1, Section 8. (Continental Exhibit No. 4 at 3-4.) In the early stages of the development of its access tariff, SWB did not join the NECA voluntary pool for interstate billing and collection services. Instead, at the interstate level, SWB filed cost data to support its own tariff for those services. When this Commission required mirroring the various interstate tariffs, many local exchange carriers filed a mirror of the interstate NECA billing and collection tariff rather than concurring in that section of the SWB interstate access tariff. Continental filed the ECA Tariff F.C.C. No. 1, Section 8 (Billing and Collection Services) on behalf of itself and other Texas local exchange carriers. (Staff Exhibit No. 32 at 16.)

Mr. Price reviewed Continental's Billing and Collection Services tariff and recommended final approval. (Staff Exhibit No. 32 at 16.) This report agrees, and also recommends final approval of Continental's concurrence in the other sections of SWB's Access Services Tariff which had been given interim approval effective July 5, 1984.

H. <u>Group 8 - Alenco Communications, Inc., Blossom Telephone Company, Byers-Petrolia Telephone Company, Inc., Century Telephone of Texas, Inc., Community Telephone Company, Inc., Cumby Telephone Cooperative, Inc., Electra Telephone Company, Knippa Telephone Company, Lipan Telephone Company, Livingston Telephone Company, Mustang Telephone Company, San Marcos Telephone Company, Tatum Telephone Exchange, Tri-County Telephone Company, Inc. and Waterwood Communications, Inc.</u>

1. Procedural History

The hearing on the merits for the companies in Group 8 of Phase II of Docket No. 5113 convened as scheduled at 10:00 a.m., on Monday, March 18, 1985, with Mary Ross McDonald presiding. The following appearances were entered on the record: Mr. Dale H. Johnson, on behalf of Alenco Communications, Inc., Blossom Telephone Company and Livingston Telephone Company; Mr. John F. Bell, Jr., on behalf of Byers-Petrolia Telephone Company, Inc., Community Telephone Company, Inc., Electra Telephone Company, Knippa Telephone Company, Lipan Telephone Company, Tri-County Telephone Company, Inc., San Marcos Telephone Company, Cumby Telephone Cooperative, Inc. and Waterwood Communications, Inc.; Mr. Tom D. Stephens for Century Telephone Company and Mustang Telephone Company; Mr. James M. Caplinger, on behalf of Tatum Telephone Exchange; Ms. Laura Fiene and Mr. Ray G. Besing for MCI; Ms. Carolyn Shellman for U.S. Tel.; Mr. W. Scott McCollough for SP&GSC; and Ms. Debra Nikazy and Mr. Jesus Sifuentes, on behalf of the Commission staff.

MCI's motion to dismiss the Group 8 hearing, incorporating arguments made in its July 5, 1984, motion to dismiss, was denied for the reasons stated for denial of the July 5, 1984, motion.

Electra's motion to excuse its witness D. M. Robb was not opposed by any party except U.S. Tel. In resolution of the dispute, counsel for U.S. Tel. submitted questions to Mr. Robb in writing; Mr. Robb's prefiled testimony and U.S. Tel.'s written questions and Mr. Robb's responses thereto were admitted into the record, subject to objection from a party pursuant to a procedure and a timetable set forth in an order signed March 21, 1985. No objections were received.

The following witnesses testified in the Group 8 hearing: for Alenco Communications, Inc., Mr. Conley L. Cathey and Mr. Robby R. Allen; for Blossom Telephone Company, Mr. C. L. Dorries and Mr. Cathey; for Livingston Telephone Company, Mr. Troy M. Rippy and Mr. Cathey; for Byers-Petrolia Telephone Company, Inc., Mr. Gordon Holmes and Mr. Cathey; for Community Telephone Company, Inc., Mr. Floyd Humpert and Mr. Michael E. Lamb; for Cumby Telephone Cooperative, Inc., Mr. Douglas McCraw and Mr. Lamb; for Electra Telephone Company, Mr. D. M. Robb (who did not appear in person and whose testimony was admitted as described above) and Mr. Lamb; for Knippa Telephone Company, Mr. Andy Anderson and Mr. Lamb; for Lipan Telephone Company, Mr. H. D. Howard and Mr. Lamb; for Tri-County Telephone Company, Inc. and Waterwood Communications, Inc., Mr. Doyle Rogers and Mr. Lamb; for Century Telephone of Texas, Inc. and Mustang Telephone Company, Mr. David D. Cole; for San Marcos Telephone Company, Mr. John J. Stachowitz; for Tatum Telephone Exchange, Mr. Clint Frederick; and for the Commission staff, Regulatory Accountants Mr. Mark Young (regarding Alenco Communications, Inc., Blossom Telephone Company, Livingston Telephone Company, Byers-Petrolia Telephone Company, Century Telephone of Texas, Inc., Mustang Telephone Company, San Marcos Telephone Company and Tatum Telephone Exchange) and Mr. Robert F. Welchlin (concerning Community Telephone Company, Inc., Cumby Telephone Cooperative, Inc., Electra Telephone Company, Knippa Telephone Company, Lipan Telephone Company, Tri-County Telephone Company, Inc. and Waterwood Communications, Inc.) and Telephone Rate Analyst Mr. Donald G. Price, regarding all companies in Group 8.

The hearing in Group 8 adjourned on March 18, 1985.

The Companies are discussed below in the sequence in which they presented their cases in the Group 8 hearing.

2. Average Schedule Companies

Prior to 1952 there were various settlement procedures between the Associated Bell Companies and the Independent industry. As a result of negotiations with the Bell System, the United States Independent Telephone Association established procedures to develop costs of Bell-Independent toll service in selected exchanges throughout the country. These studies established new payment schedules known as the National Average-Cents per Message Schedules; subsequent studies were made on a nationwide basis and later came to be known as the Nationwide Average Schedules. A company's toll settlements under this method are based on the average schedule rate and the company's toll message volume. A company which has investments and operating costs similar to the average would receive the same settlements as it would on an individual cost basis. Some average schedule companies elect to change the basis on which they settle with their associated Bell company and settle on their individual costs; however, consideration must be given to the expense incurred in producing company-specific cost studies. A company must either increase the number of employees or retain the services of a consultant in order to do the cost studies required to settle on the basis of company-specific costs. For a small company, the expense of cost studies could easily exceed any benefit it might gain in settling on its individual costs. The fifteen companies in Group 8 have all elected to remain Average Cost companies, and the settlement statements upon which the companies rely are prepared by SWB.

In general, the 1983 intrastate revenue requirement for each of these companies was based on the 1983 intrastate average schedule settlements received, since company-specific toll costs are not available for these companies. These companies included an 8.5 percent increase in the nationwide average settlements rate in accordance with the December 1983 Joint Report issued by the United States Telephone Association and Bell System representatives. They also included in their revenue requirements amounts to recover expenses incurred as a result of divestiture. (Specific company filings are discussed separately below.)

The staff's review of the Average Schedule companies' filings were limited to test year (calendar 1983) settlement statements from SWB, 1984 operator service billings from AT&TC, and 1984 carrier access billings from SWB and Utility Data Processing (UDP), since there is no actual cost data for these companies.

Finally, in the Group 9 hearing it became known that because of an error by SWB in the settlement statements it provided to the Average Schedule companies, the Group 8 companies had not included in their filings the CPE phase out revenue requirement. Mr. Roger Hutton provided the 1983 CPE revenue requirement for each of the Average Schedule companies (SWB Exhibit No. 3), and the intraLATA factor applied to each company's CPE revenue requirement in order to calculate the 1983 CPE intraLATA revenues. Byers-Petrolia Exhibit No. 3, introduced during cross-examination of AT&TC witness Travis McElyea (Tr. at 6408), recalculated each company's access revenue requirement including the CPE phase out revenue requirement. Mr. McElyea acknowledged the correctness of including the CPE phase out revenue requirement in the intrastate toll access revenue requirement for these companies. (Tr. at 6405.) It is clear from the record that the companies' original failure to include the CPE phase out revenue requirement in their total revenue requirement was because of SWB's error--an error that these companies could not have discovered on their own. Because the CPE phase out revenue requirement has been included in the access revenue requirement for other companies in Phase II, and because the original omission of that expense was a bona fide error, this report recommends including the CPE phase out revenue requirement for the Average Schedule companies.

3. Alenco Communications, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Robby R. Allen sponsored the financial information and documentation of Alenco Communications, Inc. which was furnished to the other Alenco witness for the development of the intrastate toll revenue requirement. (Alenco Exhibit No. 2.) Mr. Conley L. Cathey presented the development of the access revenue requirement and the ICAC requirement for Alenco, along with the AT&TC interLATA access minutes, access revenues, and the intraLATA split factor. This information was provided to TECA for inclusion in its July 3, 1984, filing in this docket. (Alenco Exhibit No. 1.)

Staff Regulatory Accountant Mark Young testified regarding his review of Alenco's filing and his recommendations. He recommended approval of the access revenue requirement of Alenco as shown in Mr. Cathey's testimony, Alenco Exhibit No. 1. (Staff Exhibit No. 35 at 4.) As agreed, the access revenue requirement for Alenco is $68,096, which is all MTS/WATS. There is no revenue requirement for Private Line. (Alenco Exhibit No. 1 at Schedule C; Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company Alenco does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Alenco. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Alenco. He recommended approval of these items as filed and as shown in Mr. Cathey's testimony. (Alenco Exhibit No. 1; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 121 revenue producing loops as filed by Alenco. (Alenco Exhibit No. 1 at Schedule C; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Alenco results in FG-C (AT&TC) switched access revenues of $11,704; AT&TC ancillary revenues are $2,923. Alenco does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) The access revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS revenues for Alenco should be recalculated using the TECA methodology. Alenco has no Private Line revenues.

c. Recommendation. The staff's review of Alenco's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Alenco is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Alenco's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Alenco, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS revenue requirement for Alenco.

d. ICAC requirement. Alenco's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Alenco concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

4. Blossom Telephone Company, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. C. L. Dorries sponsored the financial information and documentation of Blossom Telephone Company, Inc. which was furnished to the other Blossom witness for the development of the intrastate toll revenue requirement. (Blossom

Exhibit No. 1.) Mr. Conley L. Cathey presented the development of the access revenue requirement and the ICAC requirement for Blossom, along with the AT&TC interLATA access minutes, access revenues, and the intraLATA split factor. This information was provided to TECA for inclusion in its July 3, 1984, filing in this docket. (Blossom Exhibit No. 2.)

Staff Regulatory Accountant Mark Young testified regarding his review of Blossom's filing and his recommendations. He recommended approval of the access revenue requirement of Blossom as shown in Mr. Cathey's testimony, Blossom Exhibit No. 2. (Staff Exhibit No. 35 at 4.) As agreed, the access revenue requirement for Blossom is $103,312, all of which is MTS/WATS. There is no revenue requirement for Private Line. (Blossom Exhibit No. 2 at Schedule C; Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company Blossom does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Blossom. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. <u>Access and intraLATA MTS/WATS revenues</u>. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Blossom. He recommended approval of these items as filed and as shown in Mr. Cathey's testimony. (Blossom Exhibit No. 2; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 799 revenue producing loops as filed by Blossom. (Blossom Exhibit No. 2 at Schedule C; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Blossom results in FG-C (AT&TC) switched access revenues of $36,597; AT&TC ancillary revenues are $7,135. Blossom does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS revenues for Blossom should be calculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Blossom's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Blossom is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Blossom's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Blossom in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS revenue requirements for Blossom.

d. ICAC requirement. Blossom's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Blossom concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

5. Livingston Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Troy M. Rippy sponsored the financial information and documentation of Livingston Telephone Company which was furnished to the other Livingston witness for the development of the intrastate toll revenue requirement. (Livingston Exhibit No. 1.) Mr. Conley L. Cathey presented the development of the access revenue requirement (separated between MTS/WATS and Private Line) and the ICAC requirement for Livingston, along with the AT&TC interLATA access minutes, access revenues, and the intraLATA split factor. This information was provided to TECA for inclusion in its July 3, 1984, filing in this docket. (Livingston Exhibit No. 2.) Mr. Cathey filed supplemental testimony reflecting changes to his original recommendations made as the result of negotiations with other parties to this docket. (Livingston Exhibit No. 2A.)

Staff Regulatory Accountant Mark Young testified regarding his review of Livingston's filing and his recommendations. He recommended approval of the access revenue requirement of Livingston as shown in Mr. Cathey's testimony, Livingston Exhibit Nos. 2 and 2A. (Staff Exhibit No. 35 at 4.) As agreed, the access revenue requirement for Livingston is $916,357, of which $908,400 is for MTS/WATS and $7,957 is for Private Line. (Livingston Exhibit No. 2A at Schedule A; Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company Livingston does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Livingston. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by Livingston. He recommended approval of these items as filed and as shown in Mr. Cathey's testimony. (Livingston Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 2,993 revenue producing loops as filed by Livingston. (Livingston Exhibit No. 2 at Schedule C; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Livingston results in FG-C (AT&TC) switched access revenues of $197,420; AT&TC special access revenues are $7,957 and AT&TC ancillary revenues are $33,218. Livingston does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Livingston should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Livingston's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Livingston is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Livingston's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Livingston in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Livingston.

d. ICAC requirement. Livingston's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Livingston concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

6. Byers-Petrolia Telephone Company, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Gordon Holmes sponsored the financial information and documentation of

Byers-Petrolia Telephone Company, Inc., which was furnished to the other Byers-Petrolia witness for the development of the intrastate toll revenue requirement. (Byers-Petrolia Exhibit No. 1.) Mr. Conley L. Cathey presented the development of the access revenue requirement (separated between MTS/WATS and Private Line) and the ICAC requirement for Byers-Petrolia, along with the AT&TC interLATA access minutes, access revenues, and the intraLATA split factor. This information was provided to TECA for inclusion in its July 3, 1984, filing in this docket. (Byers-Petrolia Exhibit No. 2.)

Staff Regulatory Accountant Mark Young testified regarding his review of Byers-Petrolia's filing and his recommendations. He recommended approval of the access revenue requirement of Byers-Petrolia as shown in Mr. Cathey's testimony, Byers-Petrolia Exhibit No. 2. (Staff Exhibit No. 35 at 4.) As agreed, the access revenue requirement for Byers-Petrolia is $96,330, of which $94,013 is for MTS/WATS and $2,317 is for Private Line. (Byers-Petrolia Exhibit No. 2 at Schedule A; Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company Byers-Petrolia does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Byers-Petrolia. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. <u>Access and intraLATA MTS/WATS and Private Line revenues</u>. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by Byers-Petrolia. He recommended approval of these items as filed and as shown in Mr. Cathey's testimony. (Byers-Petrolia Exhibit No. 2; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 754 revenue producing loops as filed by Byers-Petrolia. (Byers-Petrolia Exhibit No. 2 at Schedule C; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Byers-Petrolia results in FG-C (AT&TC) switched access revenues of $44,669; AT&TC special access revenues are $2,317 and AT&TC ancillary revenues are $8,245. Byers-Petrolia does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Byers-Petrolia should be recalculated using the TECA methodology.

c. <u>Recommendation</u>. The staff's review of Byers-Petrolia's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Byers-Petrolia is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Byers-Petrolia's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Byers-Petrolia in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Byers-Petrolia.

d. ICAC requirement. Byers-Petrolia's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Byers-Petrolia concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

7. Community Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Floyd Humpert sponsored the financial information and documentation of Community Telephone Company which was furnished to the other Community witness for the development of the intrastate toll revenue requirement. (Community Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Community. This information supported the calculations in the July 3, 1984, filing for Community. (Community Exhibit No. 2.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives and Sent Paid and Sent Collect messages shown in his original prefiled testimony. (Community Exhibit No. 2A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Community's filing and his recommendations. He recommended approval of the access revenue requirement of Community as shown in Mr. Lamb's testimony, Community Exhibit Nos. 2 and 2A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Community is $381,393, of which $377,213 is for MTS/WATS and $4,180 is for Private Line. (Community Exhibit No. 2A at Lamb Exhibit II Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Community does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Community. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and private line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by Community. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Community Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 1,345 revenue producing loops as filed by Community. (Community Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Community results in FG-C (AT&TC) switched access revenue of $68,066; AT&TC special access revenues are $2,944 and AT&TC ancillary revenues are $11,157. Community does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Community should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Community's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Community is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Community's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Community in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirements. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Community.

d. ICAC requirement. Community's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Community concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

8. Cumby Telephone Cooperative, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Douglas McCraw sponsored the financial information and documentation of Cumby Telephone Cooperative, Inc. which was furnished to the other Cumby witness for the development of the intrastate toll revenue requirement. (Cumby Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Cumby. This information supported the calculations in the July 3, 1984, TECA filing for Cumby. (Cumby Exhibit No. 2.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives and the Sent Paid and Sent Collect messages shown in his original prefiled testimony. (Cumby Exhibit No. 2A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Cumby's filing and his recommendations. He recommended approval of the access revenue requirement of Cumby as shown in Mr. Lamb's testimony, Cumby Exhibit Nos. 2 and 2A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Cumby is $149,954, which is all MTS/WATS. There is no revenue requirement for Private Line. (Cumby Exhibit No. 2A at Lamb Exhibit No. 2 Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Cumby does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Cumby. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Cumby. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Cumby Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 521 revenue producing loops as filed by Cumby. (Cumby Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Cumby results in FG-C (AT&TC) switched access revenue of $17,052; AT&TC ancillary revenues are $2,521. Cumby does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS revenues for Cumby should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Cumby's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Cumby is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Cumby's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Cumby in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS revenue requirement for Cumby.

d. ICAC requirement. Cumby's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Cumby concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

9. Electra Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. D. M. Robb sponsored the financial information and documentation of Electra Telephone Company which was furnished to the other Electra witness for the development of the intrastate toll revenue requirement. (Electra Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Electra. This information supported the calculations in the July 3, 1984, TECA filing for Electra. (Electra Exhibit No. 3.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives, the Sent Paid and Sent Collect messages, and the interLATA factor shown in his original prefiled testimony. (Electra Exhibit No. 3A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Electra's filing and his recommendations. He recommended approval of the access revenue requirement of Electra as shown in Mr. Lamb's testimony, Electra Exhibit Nos. 3 and 3A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Electra is $393,940, of which $392,060 is for MTS/WATS and $1,880 is for Private Line. (Electra Exhibit No. 3A at Lamb

Exhibit No. 2 Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Electra does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Electra. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by Electra. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Electra Exhibit Nos. 3 and 3A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 1,796 revenue producing loops as filed by Electra. (Electra Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Electra results in FG-C (AT&TC) switched access revenue of $126,527; AT&TC special access revenues are $336 and AT&TC ancillary revenues are $15,410. Electra does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Electra should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Electra's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Electra is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Electra's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Electra in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Electra.

d. ICAC requirement. Electra's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. <u>Tariff issues</u>. Electra concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

10. Knippa Telephone Company

a. <u>Calculation of access revenue requirement</u>. In his testimony, Mr. Andy Anderson sponsored the financial information and documentation of Knippa Telephone Company which was furnished to the other Knippa witness for the development of the intrastate toll revenue requirement. (Knippa Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Knippa. This information supported the calculations in the July 3, 1984, TECA filing for Knippa. (Knippa Exhibit No. 2.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives, the Sent Paid and Sent Collect messages and the interLATA factor shown in his original prefiled testimony. (Knippa Exhibit No. 2A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Knippa's filing and his recommendations. He recommended approval of the access revenue requirement of Knippa as shown in Mr. Lamb's testimony, Knippa Exhibit Nos. 2 and 2A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Knippa is $73,346, which is all MTS/WATS. There is no revenue requirement for Private Line. (Knippa Exhibit No. 2A at Lamb Exhibit No. 2 Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Knippa does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Knippa. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. <u>Access and intraLATA MTS/WATS revenues</u>. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Knippa. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Knippa Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 107 revenue producing loops as filed by Knippa. (Knippa Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Knippa results in FG-C (AT&TC) switched access revenue of $14,647; AT&TC ancillary revenues are $1,831. Knippa does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS revenues for Knippa should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Knippa's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Knippa is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Knippa's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Knippa in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS revenue requirement for Knippa.

d. ICAC requirement. Knippa's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Knippa concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

11. Lipan Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. H. D. Howard sponsored the financial information and documentation of Lipan Telephone Company which was furnished to the other Lipan witness for the development of the intrastate toll revenue requirement. (Lipan Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Lipan. This information supported the calculations in the July 3, 1984, TECA filing for Lipan. (Lipan Exhibit No. 2.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives and the Sent Paid and Sent Collect messages shown in his original prefiled testimony. (Lipan Exhibit No. 2A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Lipan's filing and his recommendations. He recommended approval of the access revenue requirement of Lipan as shown in Mr. Lamb's testimony, Lipan Exhibit Nos. 2 and 2A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Lipan is $195,917, of which $193,204 is for MTS/WATS and $2,713 is for Private Line. (Lipan Exhibit No. 2A at Lamb Exhibit No. 2 Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Lipan does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Lipan. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Lipan. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Lipan Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 667 revenue producing loops as filed by Lipan. (Lipan Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Lipan results in FG-C (AT&TC) switched access revenue of $28,957; AT&TC ancillary revenues are $4,524. Lipan does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Lipan should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Lipan's access revenue requirement and access revenues and ICAC requirement was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Lipan is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Lipan's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Lipan in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Lipan.

d. ICAC requirement. Lipan's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Lipan concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

12. Tri-County Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Doyle Rogers sponsored the financial information and documentation of Tri-County Telephone Company which was furnished to the other Tri-County witness for the development of the intrastate toll revenue requirement. (Tri-County Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Tri-County. This information supported the calculations in the July 3, 1984, TECA filing for Tri-County. (Tri-County Exhibit No. 2.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives, the Sent Paid and Sent Collect messages and local transport revenues shown in his original prefiled testimony. (Tri-County Exhibit No. 2A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Tri-County's filing and his recommendations. He recommended approval of the access revenue requirement of Tri-County as shown in Mr. Lamb's testimony, Tri-County Exhibit Nos. 2 and 2A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Tri-County is $199,638, of which $198,702 is for MTS/WATS and $936 is for Private Line. (Tri-County Exhibit No. 2A; Lamb Exhibit No. 2 Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Tri-County does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Tri-County. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Tri-County. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Tri-County Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 382 revenue producing loops as filed by TriCounty. (Tri-County Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Tri-County results in FG-C (AT&TC) switched access revenue of $39,623; AT&TC ancillary revenues are $6,785. Tri-County does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at

Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Tri-County should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Tri-County's access revenue requirement and revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Tri-County is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Tri-County's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Tri-County in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirements. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Tri-County.

d. ICAC requirement. Tri-County's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Tri-County concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

13. Waterwood Communications, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. Doyle Rogers sponsored the financial information and documentation of Waterwood Communications, Inc. which was furnished to the other Waterwood witness for the development of the intrastate toll revenue requirement. (Waterwood Exhibit No. 1.) Mr. Michael E. Lamb presented the development of the intrastate revenue requirement, the intraLATA split factor, the access minutes of use, the access and ancillary revenues and the ICAC requirement for Waterwood. This information supported the calculations in the July 3, 1984, TECA filing for Waterwood. (Waterwood Exhibit No. 2.) In supplemental testimony, Mr. Lamb made corrections to the Nonconversation Time Additives, the Sent Paid and Sent Collect messages and the operator services intraLATA revenue requirement shown in his original prefiled testimony. (Waterwood Exhibit No. 2A.)

Staff Regulatory Accountant Robert F. Welchlin testified regarding his review of Waterwood's filing and his recommendations. He recommended approval of the access revenue requirement of Waterwood as shown in Mr. Lamb's testimony, Waterwood Exhibit Nos. 2 and 2A. (Staff Exhibit No. 36 at 3-4.) As agreed, the access revenue requirement for Waterwood is $95,931, of which $95,739 is for MTS/WATS and $192 is for Private Line. (Waterwood Exhibit No. 2A at Lamb Exhibit No. 2 Revised; Staff Exhibit No. 36 at Schedule I.) Because as an Average Schedule company Waterwood does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Waterwood. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Waterwood. He recommended approval of these items as filed and as shown in Mr. Lamb's testimony. (Waterwood Exhibit Nos. 2 and 2A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 284 revenue producing loops as filed by Waterwood. (Waterwood Exhibit No. 1 at 2; Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Waterwood results in FG-C (AT&TC) switched access revenue of $13,224; AT&TC ancillary revenues are $1,444. Waterwood does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Waterwood should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Waterwood's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Waterwood is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Waterwood's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Waterwood in its filing, as agreed to by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Waterwood.

d. ICAC requirement. Waterwood's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Waterwood concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

14. Century Telephone of Texas, Inc.

a. Calculation of access revenue requirement. In his testimony, Mr. David D. Cole sponsored the development of the intrastate toll revenue requirement of Century Telephone of Texas, Inc. He also presented the divestiture related expenses of Century, along with the AT&TC interLATA access minutes, access revenues, in the intraLATA split factor and the ICAC requirement. This information was provided to TECA for inclusion in its July 3, 1984, filing in this docket. (Century Exhibit No. 1.) Pursuant to negotiations with some parties, Mr. Cole filed supplemental testimony, in which he incorporated the changes into and made corrections to his original recommendations. (Century Exhibit No. 1A.)

Staff Regulatory Accountant Mark Young testified regarding his review of Century's filing and his recommendations. Mr. Young proposed two adjustments to Century's filing. The first adjustment corrects for an $1,971 understatement of the August through December 1983 retroactive adjustments to the 1983 intrastate A-1 settlements. In calculating the MTS/WATS revenue requirement, Century applied an intrastate factor to A-1 retroactive settlement adjustment amounts which were already stated on an intrastate basis, thus understating the 1983 intrastate A-1 settlements received from Southwestern Bell. The second adjustment concerned divestiture related expenses. Century included the total amount of 1984 operator service billings from AT&TC as divestiture related costs in the determination of the ICAC requirement. Only the toll portion of the 1984 operator service billings should be recovered through the ICAC requirement. Additionally, Century included in the ICAC requirement $31,090 of operator service costs billed to Century in error. These operator service costs are properly billable to Central Telephone Company. Accordingly, the staff recalculated an operator service expense amount to exclude the local portion of the 1984 operator service billings and the amounts improperly billed to Century. The staff recommended operator service expense is $31,660 and results in a $71,030 decrease to Century's requested divestiture related expenses. (Staff Exhibit No. 35 at 5.) On the witness stand, Mr. Cole agreed with the staff's adjustments. (Tr. at 5260.) As agreed, the access revenue requirement for Century was $532,771, of which $530,061 was for MTS/WATS and $2,710 was for

Private Line. (Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company Century does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Century. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by Century. He recommended approval of these items as filed and as shown in Mr. Cole's testimony. (Century Exhibit Nos. 1 and 1A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 3,304 revenue producing loops as filed by Century. (Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Century results in FG-C (AT&TC) switched access revenues of $181,245; AT&TC special access revenues are $9,680 and AT&TC ancillary revenues are $21,584. Century does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit No. 1; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Century should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Century's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Century is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Century's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Century in its supplemental filing, as amended by the staff, as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Century.

d. ICAC requirement. Century's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Century concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

15. Mustang Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. David D. Cole sponsored the development of the intrastate toll revenue requirement of Mustang Telephone Company. He also presented the divestiture related expenses of Mustang, along with the AT&TC interLATA access minutes, access revenues, the intraLATA split factor and the ICAC requirement. This information was provided to TECA for inclusion in its July 3, 1984, filing in this docket. (Mustang Exhibit No. 1.) Pursuant to negotiations with some parties, Mr. Cole filed supplemental testimony in which he incorporated the agreed changes into and made additional corrections to his original recommendations. (Mustang Exhibit No. 1A.)

Staff Regulatory Accountant Mark Young testified regarding his review of Mustang's filing and his recommendations. Mr. Young proposed to increase Mustang's requested MTS/WATS revenue requirement by $4,978 to correct for Mustang's understatement of the August through December 1983 retroactive adjustments to the 1983 intrastate A-1 settlements, as discussed in Section III.H.14 above for Century Telephone of Texas, Inc. (Staff Exhibit No. 35 at 6.) On the witness stand, Mr. Cole agreed with staff's adjustment. (Tr. at 5273.) As agreed, the access revenue requirement for Mustang is $625,454, of which $619,045 is for MTS/WATS and $6,409 is for Private Line. (Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company Mustang does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for Mustang. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by Mustang. He recommended approval of these items as filed and as shown in Mr. Cole's testimony. (Mustang Exhibit Nos. 1 and 1A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 2,016 revenue producing loops as filed by Mustang in the July 3, 1984, TECA filing. (Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Mustang results in FG-C (AT&TC) switched access revenue of $240,210; AT&TC special access revenues are $13,879 and AT&TC ancillary revenues are $26,047. Mustang does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit I; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues for Mustang should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Mustang's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Mustang is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Mustang's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by Mustang in its filing, as amended by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Mustang.

d. ICAC requirement. Mustang's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Mustang concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

16. San Marcos Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. John J. Stachowitz sponsored the development of the access revenue requirement (separated between MTS/WATS and Private Line) and the ICAC requirement for San Marcos Telephone Company, along with the AT&TC interLATA access minutes, access revenues and the intraLATA split factor. (San Marcos Exhibit No. 1.)

Staff Regulatory Accountant Mark Young testified regarding his review of San Marcos' filing and his recommendations. Mr. Young proposed an adjustment to San Marcos' Private Line revenue requirement. San Marcos had calculated the

Private Line revenue requirement based on 1984 special access rates applicable to intrastate Private Line circuits. Mr. Young's interpretation of the orders in Phase I of this docket was that access revenue requirements should be developed using as the test period calendar year 1983. Accordingly, Mr. Young calculated a Private Line revenue requirement for San Marcos based on the number of intrastate Private Line circuits at test year end and the applicable 1983 Private Line settlement rate from information provided by San Marcos. This resulted in a staff recommended Private Line revenue requirement of $23,232, which is a $12,052 decrease to San Marcos's requested Private Line revenue requirement. (Staff Exhibit No. 35 at 6-7 and at Schedule I.) Mr. Young also recommended exclusion of the $22,557 in legal and consulting fees for Docket No. 5113 which San Marcos had included in its ICAC requirement. Mr. Young based his recommendation on the action of the Commission in denying a motion for recovery of regulatory expenses by local exchange companies in its Phase I Orders. (Staff Exhibit No. 35 at 7.)

On the witness stand, Mr. Stachowitz agreed with the staff's recalculation of the Private Line revenue requirement and acquiesced in the removal of the regulatory expense from the ICAC to avoid causing problems. (Tr. at 5291.) As agreed, the access revenue requirement for San Marcos is $5,398,011, of which $5,914,779 is for MTS/WATS and $23,232 is for Private Line. (San Marcos Exhibit No. 1 at Exhibit JJS-5; Staff Exhibit No. 35 at Schedule I.) Because as an Average Schedule company San Marcos does not settle on a rate-of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; however, the CPE phase out revenue requirement should be included in the total access revenue requirement for San Marcos. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access, special access and ancillary revenues filed by San Marcos. He recommended approval of these items as filed and as shown in Mr. Stachowitz's testimony. (San Marcos Exhibit No. 1; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 15,372 revenue producing loops as filed by San Marcos in the July 3, 1984, TECA filing. (Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for San Marcos results in FG-C (AT&TC) switched access revenue of $2,845,847; AT&TC special access revenues are $28,325, AT&TC ancillary revenues are $504,667, and AT&TC interexchange lease revenues are $717,356. (Joint Appendix to Briefs of Exchange Carriers at Exhibit I; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS and Private Line revenues should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of San Marcos' access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for San Marcos is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding San Marcos' access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by San Marcos in its filing, as amended by the staff and as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 75.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for San Marcos.

d. ICAC requirement. San Marcos' ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates the Commission adopts.

e. Tariff issues. San Marcos concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

17. Tatum Telephone Company

a. Calculation of access revenue requirement. In his testimony, Mr. Clint Frederick sponsored the development of the access revenue requirement (separated between MTS/WATS and Private Line) and the ICAC requirement for Tatum Telephone Company, along with the AT&TC interLATA access minutes and the intraLATA split factor, based on the year ended December 31, 1984. (Tatum Exhibit No. 1.) In supplemental testimony prepared at the request of the Commission staff, Mr. Frederick presented the data for Tatum based on a year ending December 31, 1983; he also corrected some of the 1984 data in his original prefiled testimony. (Tatum Exhibit No. 1A.)

Staff Regulatory Accountant Mark Young testified regarding his review of Tatum's filing and his recommendations. He recommended several adjustments the access revenue requirement and the ICAC requirement of Tatum. Mr. Young's initial disagreement with Tatum's requested access revenue requirement was the fact that it was based on the 1984 operations of Tatum, contrary to the directives of the Commission's Phase I Orders which specify a test period of calendar year 1983. Mr. Young also proposed adjustments to the 1983 data presented by Tatum. (Staff Exhibit No. 35 at 8-10.)

Mr. Young's first adjustment was a $9,977 decrease to the stated $27,064, July 1983 A-1 intrastate settlements of Tatum. Mr. Young determined that the July 1983 intrastate A-1 settlements were $17,868, including the appropriate retroactive adjustments based on the July 1983 settlement statement provided by Tatum in response to general counsel's Request for Information. The difference in the July 1983 settlement results in a $9,196 decrease in the MTS/WATS revenue requirement; when the effect of the 8.5 percent average schedule increase is included, the decrease should be $9,977. (Staff Exhibit No. 35 at 8-9.)

Based on the July 1983 settlement statement and appropriate retroactive adjustments provided through respones to general counsel's Requests for Information, the staff recalculated the intrastate portion of the July 1983 B-5 settlement and decreased by $417 Tatum's requested amount. (Staff Exhibit No. 35 at 9.) The staff also proposed to decrease Tatum's requested operator service expense by $12,995. A portion of Tatum's requested operator service expense relates to local operator service. Mr. Young's position was that local operator service amounts should not be included in the determination of the intrastate toll revenue requirements; he therefore recalculated toll operator service expense to be $25,358 based on the actual 1984 operator service billings from AT&TC to Tatum. This is a decrease of $12,995 to Tatum's requested operator service expense. (Staff Exhibit No. 35 at 9.) Mr. Young also decreased Tatum's carrier access billing (CABS) expense to zero from its requested $720 because of a lack of invoice support from Utility Data Processing (UDP) for this expense. (Staff Exhibit No. 35 at 9-10.)

Finally, Mr. Young excluded Tatum's requested $15,000 outside service expense because this amount was for the regulatory expense of Tatum for participating in this docket and was not allowable pursuant to the Commission's Phase I Orders and its not granting (and thus implicitly overruling) all requests for regulatory expenses in the Final Order Meeting of June 28, 1984. (June 28, 1984 FOM Tr. at 12-14.) (Staff Exhibit No. 35 at 10.)

It proved to be extremely difficult to elicit clear and helpful information from Mr. Frederick on cross-examination. His explanations of his exhibits were confusing and contradictory. What did emerge clearly was that Mr. Frederick was uncooperative and often refused to answer the questions directed to him, instead offering unsolicited statements regarding his understanding of the Commission's Phase I Orders and Tatum's need for someone other than its shareholders or ratepayers to make up its revenue shortfall. (Tr. at 5349-64.) In its brief, Tatum continues to defend its requested access revenue requirement based on 1984 operations, primarily on the basis of language from the Examiners' Report in Phase I of this docket. Unfortunately this reliance is misplaced: Tatum should have reviewed the Commission's Phase I Orders to discern what was required in its testimony in terms of the formula for calculating its access revenue requirement. Further, Tatum's continued insistence that it be reimbursed for its expenses in participating in this docket is contrary to the position taken by every other local exchange company in this case. While the cost of regulation can be burdensome for small utilities, it is not unreasonable to expect that Tatum's shareholders share the burden of the regulatory expense, particularly in light of the benefits Tatum will receive as a result of this docket. In addition, this Commission has never specifically ruled that local rates should not increase as a result of divestiture; Tatum is not precluded from asking for a local rate increase to mitigate the burden of regulatory expense. Finally, Tatum's notion that neither its shareholders nor its ratepayers should pay the expense of participating in this docket overlooks the fact that by including this expense in its access revenue requirement, everyone in this state who uses a telephone will pay those costs. Consequently, the question is not whether Tatum has properly incurred the expense or not but who should pay it. On the basis of the Commission's prior denial of the local exchange companies' requests for rate case expenses, the staff's exclusion of this amount should be adopted. In addition, only the staff has correctly applied the Commission's directives to Tatum's 1983 information to derive an access revenue requirement properly based on 1983 data. This report therefore recommends adoption of the staff's access revenue requirement for Tatum, which is $229,517, of which $228,539 is for MTS/WATS and $978 is for Private Line. Because as an Average Schedule company Tatum does not settle on a rate of return basis, this revenue requirement is unaffected by the correction of the industry earned rate of return from 12.04 percent to 11.94 percent; the CPE phase out revenue requirement should be included in the total access revenue requirement for Tatum. (Byers-Petrolia Exhibit Nos. 3 and 4.)

b. Access and intraLATA MTS/WATS and Private Line revenues. Mr. Donald G. Price, staff Telephone Rate Analyst, reviewed the intraLATA split factor, switched access minutes of use and switched access and ancillary revenues filed by Tatum. He recommended approval of these items as filed and as shown in Mr. Frederick's testimony. (Tatum Exhibit Nos. 1 and 1A; Staff Exhibit No. 34 at 3.) Mr. Price further recommended approval of the 480 revenue producing loops as filed by Tatum in the July 3, 1984, TECA filing. (Staff Exhibit No. 34 at 3.) Recalculating the switched access revenues using the mirrored premium CCL rate of $0.0543 for Tatum results in FG-C (AT&TC) switched access revenue of $59,267 and AT&TC ancillary revenues of $4,897. Tatum does not have interexchange lease revenues. (Joint Appendix to Briefs of Exchange Carriers at Exhibit I; Brief of General Counsel at Appendix 1.) These revenues will change if the Commission adopts different CCL rates.

Because this report does not adopt the staff's recommendation regarding the shortfall adjustment, and instead recommends adoption of the TECA methodology in making the per-loop adjustment, the intraLATA MTS/WATS revenues and Private Line revenues for Tatum should be recalculated using the TECA methodology.

c. Recommendation. The staff's review of Tatum's access revenue requirement and access revenues was performed consistently with that of the other Average Schedule companies and with the staff's interpretation of the

Commission's Phase I Orders described above and recommended for adoption; the staff's recommendation for Tatum is also consistent with the standards the staff developed for the review of the Average Schedule companies. No other party presented testimony regarding Tatum's access revenue requirement or access revenues. This report therefore recommends adoption of the numbers proposed by the staff as recommended by the general counsel, and the CPE phase out revenue requirement. (Brief of General Counsel at 77-78.) This report also endorses use of the TECA methodology in making the per-loop adjustment in calculating the intraLATA MTS/WATS and Private Line revenue requirements for Tatum.

d. ICAC requirement. Tatum's ICAC requirement should be calculated using the staff's access revenue requirement including the CPE phase out, the TECA per-loop adjustment, and access revenues calculated using the CCL rates adopted by the Commission.

e. Tariff issues. Tatum concurs in SWB's Access Service Tariff, except for Section No. 8 (Billing and Collection Services), for which it concurs in the ECA Billing and Collection Services Tariff Section No. 8, filed by Continental Telephone Company of Texas. This concurrence was given interim approval effective July 5, 1984, and this report recommends that the concurrence be given final approval.

MEMORANDUM DECISIONS

ELECTRIC

Lower Colorado River Authority, Docket No. 7025. Examiner's Report adopted June 26, 1987. Application to transfer certain facilities and service area to City of San Saba approved.

Texas Utilities Electric Company, Consolidated Docket Nos. 7159 and 7182. Examiner's Report adopted December 2, 1986. Application to refund an overrecovery of fuel cost revenues approved.

Texas Utilities Electric Company, Docket No. 7209. Examiner's Report adopted January 28, 1987. Application to reduce interim fixed fuel factor approved.

Southwestern Electric Power Company, Docket No. 7274. Examiner's Report adopted July 30, 1987. Application for approval of a proposed new off-peak service rider granted.

Central Power and Light Company, Docket No. 7596. Examiner's Report adopted September 25, 1987. Application for Large Industrial Power Experimental Rider 16 Tariff granted.

TELEPHONE

Kerrville Telephone Company, Docket No. 6683. Examiner's Report adopted December 2, 1986. Application for approval of amortization method and depreciation rate change approved.

Southwestern Bell Telephone Company, Docket No. 6935. Examiner's Report adopted with modifications December 5, 1986. Application to introduce MicroLink II--Packet Switching Digital Service approved.

Kerrville Telephone Company, Docket No. 7145. Examiner's Report accepted but not adopted April 16, 1987. Application to detariff paging and mobile customer premises equipment granted; application to detariff paging and mobile service denied.

Riviera Telephone Company, Inc., Docket No. 7483. Examiner's Report adopted August 13, 1987. Application to change depreciation rates approved.

Kerrville Telephone Company, Docket No. 7650. Complaint of Texas on Line, Inc. withdrawn; order of dismissal October 7, 1987.

Dell Telephone Cooperative, Inc., Docket No. 7030. Examiner's Report adopted January 8, 1987. Application for non-optional upgrade in service with no change in existing rates granted.

San Marcos Telephone Company, Inc., Docket No. 7180. Examiner's Report adopted July 31, 1987. Application for private pay telephone service granted.

Tri-County Telephone Company, Docket No. 7598. Examiner's Report adopted on February 17, 1988. Commission approved Company's omnibus application to implement a mandatory service upgrade of all customers to one-party service; unbundle service connection charges; detariff CPE and inside wiring; implement charges for custom calling services, returned checks, and unlisted numbers; eliminate various tariff offerings; and implement a revised tariff format.