

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: January 4, 1994	:	2. BUREAU AGENDA NO. JAN-94-OSA-7*
3. BUREAU: Office of Special Assistants	:	
4. SECTION(S):	:	5. PUBLIC MEETING DATE January 6, 1994
6. APPROVED BY: Director: C.W. Davis 7-1827 Supervisor: CWD by AA	:	
7. PERSON IN CHARGE: A. Arnold 7-8032	:	
8. DOCKET NO.: I-00920020	:	

RLS

9. (a) **CAPTION** (abbreviate if more than 4 lines)
 (b) **Short summary of history & facts, documents & briefs**
 (c) **Recommendation**
 (a) Pennsylvania Public Utility Commission, et al. v. Commonwealth Telephone Company

(b) On December 13, 1993, Commonwealth Telephone Company, the Office of Trial Staff, and the Office of Consumer Advocate, (collectively "Petitioners") jointly filed a Petition for Commission Review and Answer to a Material Question ("Petition"), pursuant to 52. Pa. Code §5.302. The question for which interlocutory review is sought is stated as follows: "Whether the Settlement reached by the parties is in the public interest and should be approved by this Commission". The Petition avers that the presiding Administrative Law Judge, by Interim Order dated November 18, 1993, denied a Joint Petition For Settlement of Investigation ("Settlement Petition"). Petitioners are signatories to the Settlement Petition. AT&T is a non-settling party and would go forward with a separate Complaint.

(c) The Office of Special Assistants recommends that the Commission adopt the attached draft Opinion and Order which waives the 30 day period for Commission action on the Petition under 52 Pa. Code §5.303, without prejudice to the merits.

10. MOTION BY: Commissioner Chm. Rolka Commissioner Quain - Recusing
SECONDED: Commissioner Rhodes Commissioner Crutchfield-Yes
 Commissioner Hanger - Yes

CONTENT OF MOTION: The Joint Petition for Commission Review and answer to Material Question should be answered in the affirmative; and the Office of Special Assistants should prepare an appropriate Order consistent with this Motion.

Commissioner Lisa Crutchfield's Statement attached

DOCUMENT
FOUNDER

DOCKETED
MAR 24 1994

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.
v.
COMMONWEALTH TELEPHONE COMPANY

PUBLIC MEETING-JANUARY 6, 1994
JAN-94-OSA-7*
DOCKET NO. I-00920020

STATEMENT OF COMMISSIONER LISA CRUTCHFIELD

I strongly support Chairman Rolka's Motion which affirmatively answers the Material Question submitted by the Office of Trial Staff, the Office Consumer Advocate and the Commonwealth Telephone Company. I believe that the Settlement, which provides for an immediate rate decrease of approximately \$2.6 million and ongoing network modernization, is in the public interest. Commonwealth's average one-party residential monthly service rate is currently \$5.80, and the Settlement reduces this rate by eliminating the charge for residential touch tone service. Approximately 76% of Commonwealth's residential subscribers, who currently pay for touch tone service, will receive an immediate 14.7% reduction in their basic/touch tone rates, while the remaining 24% of Commonwealth's residential subscribers can exercise the option of adding the service free of charge. Additionally, the Settlement accelerates extended area service to a number of routes served by the Company.

I also commend the parties for actively using the settlement process which is consistent with our commitment to resolving certain matters without protracted litigation.

1/6/94
DATED


LISA CRUTCHFIELD, COMMISSIONER



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

February 23, 1994

IN REPLY PLEASE
REFER TO OUR FILE

I-00920020

TO ALL PARTIES


Pennsylvania Public Utility Commission
v.
Commonwealth Telephone Company

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on January 6, 1994 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,


John G. Alford, Secretary

MAR 16 1994

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encls.
cert.mail

DO NOT
FOLDER

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17105-3265

Public Meeting held January 6, 1994

Commissioners present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice-Chairman
John M. Quain, Recusing
Lisa Crutchfield, Statement attached
John Hanger

DOUGLAS
FOLLER

Pennsylvania Public Utility
Commission

Docket No.
I-00920020

v.

Commonwealth Telephone Company

RECEIVED
MAR 16 1994

OPINION AND ORDER

BY THE COMMISSION:

Before the Commission for consideration is the December 13, 1993 request, pursuant to 52 Pa. Code §5.302, for Commission review and answer to a material question jointly filed by Commonwealth Telephone Company ("Commonwealth" or "Company"), the Commission's Office of Trial Staff ("OTS") and the Office of Consumer Advocate ("OCA") (collectively, the "Petitioners"). The Petitioners request Commission review and answer to the following material question:

Whether the Settlement reached by the parties is in the public interest and should be approved by this Commission.

The Petitioners suggest that we answer the above cited question in the affirmative. In support of their request, Petitioners aver, in pertinent part, the following:

On October 18, 1993, the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), and Commonwealth Telephone Company ("CTCO" or "Company") (hereinafter collectively referred to as "Joint Petitioners"), filed a Joint Petition for Settlement of Investigation. By Order dated November 18, 1993, the presiding

Administrative Law Judge entered an Interim Order Denying Approval of Joint Petition For Settlement Of Investigation.

* * *

The Settlement provides, inter alia, for an immediate rate decrease for the benefit of customers of approximately \$2.6 million. The Company's operations, including its relationships with affiliates, has received intense scrutiny through extensive discovery and litigation. The Settlement represents a fair and equitable resolution of all issues among the settling parties, except those related to affiliated accounting methods, and serves the public interest. Moreover, it explicitly identifies the specific affiliated issues raised and provides a separate mechanism for resolution of the questions presented. The approval of the settlement also permits the non-settling party, AT&T, to go forward with its separate Complaint.

Joint Petitioners submit that interlocutory review will expedite the conduct of the Commission's investigation. Moreover, the presiding Administrative Law Judge appears to have denied approval of the Settlement, most significantly, for the reason that the Settlement proposed a separate vehicle for final resolution of affiliated issues, rather than resolution in the instant docket, as potentially contemplated by this Commission. Therefore, interlocutory review is further necessary to obtain Commission guidance.

Discussion

On April 2, 1992, we initiated an investigation at the above-captioned docket into the current earnings of Commonwealth. Further, on July 9, 1992, we entered a second Order which expanded the said investigation to include whether Commonwealth's State Tax Adjustment Surcharge (STAS) resulted in unjust and unreasonable rates, and the appropriateness of Commonwealth's affiliated transactions, in particular, the reasonableness of the fees

provided for in the Parent Corporation Management Service Fees. See 66 Pa. C.S. §2106.

In addition to appearances entered on behalf of the OCA, and the OTS, AT&T filed a Formal Complaint against Commonwealth contesting, inter alia, its intrastate carrier access charges.

On July 23, 1992, the matter was assigned to Administrative Law Judge George M. Kashi for hearing and the issuance of an Initial Decision.

On review of the settlement agreement and the ALJ Interim Order which disapproved the agreement, we determine that the Petition should be granted. We shall, therefore, answer the material question submitted for our consideration in the affirmative.

The settlement would accomplish a revenue reduction of \$2.6 million through elimination of the monthly residential touch tone charge of \$1.00 (\$1.6 million revenue reduction); acceleration of extended area service (\$699,00 revenue reduction) and a rate reduction of \$335,000, the specifics of which have not yet been determined. However, the revenue reduction would, according to Commonwealth, result in a total Company return on equity of 9.0%.

Notwithstanding our answer of the material question in the affirmative, we commend the presiding ALJ for his concern that the settlement does not resolve the affiliated interest issues that were one of the primary purposes for instituting the investigation. The settlement does make an important step in resolving the reasonableness of affiliated transactions by establishing a procedure to address those issues. Within three months of the entry date of the Order approving the settlement agreement, Commonwealth will file a request for modification of the current C-Tec/CTCO Affiliated Agreement (Docket No. G-890183) and the TEC-Air/CTCO

Affiliated Interest Agreement (Docket No. G-900214) and will include certain provisions within those filings that were negotiated by the signatories to the settlement. The parties also attached to the settlement a Stipulation of Facts relative to the affiliated interest issue that should facilitate Commission review of those anticipated filings. Thus, the separate affiliated interest filings will provide the forum for a final resolution of Commonwealth's affiliate interest issues.

Finally, the settlement provides an acceptable procedure for dealing with AT&T's objections by severing the AT&T Complaint from the investigation docket, which would enable AT&T to proceed with its access charge issues; **THEREFORE,**

IT IS ORDERED:

1. That the Joint Petition for Commission Review and Answer to Material Question is granted.

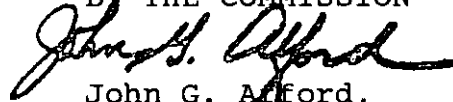
2. That the following material question: "Whether the Settlement reached by the parties is in the public interest and should be approved by this Commission", be and is, hereby, answered in the affirmative.

3. That the Joint Petition for Settlement of Investigation be, and is, hereby, approved.

4. That the Complaint of AT&T shall be severed from the above-captioned docket, and redocketed.

5. That the investigation at Docket No. I-00920020 is marked closed.

BY THE COMMISSION


John G. Afford,
Secretary

(SEAL)

ORDER ADOPTED: January 6, 1994

ORDER ENTERED: FEB 23 1994

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.
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COMMONWEALTH TELEPHONE COMPANY

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1/6/94
DATED


LISA CRUTCHFIELD, COMMISSIONER