

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
) CC Docket No. 97-149
1997 Annual Access)
Tariff Filings)
)
Roseville Telephone Company) Transmittal Nos. 52, 53

ORDER

Adopted: July 7, 1997

Released: July 7, 1997

By the Chief, Competitive Pricing Division, Common Carrier Bureau:

1. On June 23, 1997, Roseville Telephone Company (Roseville) filed Transmittal No. 52, its 1997 Annual Access Tariff, which is scheduled to become effective on July 8, 1997.¹ Roseville filed its annual access tariff seven days late. Under section 69.3 of the Commission's rules, Roseville was required to file its Annual Access Tariff on June 16, 1997 so that it would take effect on July 1, 1997 on 15 days' notice.² In Special Permission No. 97-198, the Competitive Pricing Division of the Common Carrier Bureau permitted Roseville to make its annual access tariff filing on June 23, 1997 with an effective date of July 8, 1997. AT&T Corp. (AT&T) filed a petition to reject, or suspend and investigate Roseville's annual access tariff.³ Roseville filed a reply on July 1, 1997.⁴

2. AT&T raises concerns regarding Roseville's cash working capital (CWC). CWC is the amount of investor-supplied funds used to pay operating expenses incurred in providing common carrier services prior to the receipt of revenues for such services. Generally, these funds are computed by determining the revenue lag and the expense lag and multiplying the difference by the carrier's average daily expenses. Revenue lag is the average number of days between the date a service is provided and the date associated revenues are collected. Expense lag is the average number of days between the date a service is provided

¹ Roseville filed revisions to Transmittal No. 52 when it filed Transmittal No. 53 on June 30, 1997.

² 47 C.F.R. § 69.3.

³ 1997 Annual Access Tariff Charge Filing, Roseville Telephone Company, Petition of AT&T Corp., filed June 27, 1997 (AT&T Petition).

⁴ 1997 Annual Access Tariff Filings, Reply of Roseville Telephone Company to AT&T Petition for Rejection, or Suspension and Investigation, filed July 1, 1997 (Roseville Reply).

and the date the expenses associated with the service are paid. Net lag is the difference between revenue lag and expense lag.

3. AT&T argues that Roseville overstates its CWC by a total of \$1.5 million.⁵ According to AT&T, this results in an aggregate overstatement of its interstate revenue requirements by approximately \$251,000.⁶ In deriving Roseville's CWC requirement, AT&T explains that it divided the company's total cash expense less depreciation by 365 days to determine the average cash needed daily.⁷ AT&T states that this figure was divided into the Roseville's projected CWC requirement to derive its net lag, and the result was compared to a 15-day CWC lag standard established by the Commission in the *1993-96 Annual Access Order*.⁸ AT&T contends that the net lag for Roseville's 1997 access filing is 62.3 days. AT&T states that the Commission should direct Roseville to recalculate its revenue requirements using a 15-day standard.⁹

4. In its Reply, Roseville argues that AT&T's calculations are flawed.¹⁰ Roseville asserts that AT&T used expenses and taxes after the addition of the CWC to the net return and that this resulted in calculating the tax effect on the net return of the CWC twice.¹¹ Roseville also argues that AT&T improperly excluded billing and collection and interexchange services from the total interstate figures from Column B in Roseville's filing,¹² and that in calculating Roseville's revenue requirement, AT&T improperly included CWC associated with common line services.¹³

5. According to Roseville, proper CWC calculations show a net lag of 49 days.¹⁴ Roseville states that nothing in the Commission's rules prohibits a net lag greater than 15

⁵ AT&T Petition at 1.

⁶ *Id.*

⁷ *Id.* at 2.

⁸ *Id.*

⁹ *Id.* at 3.

¹⁰ Roseville Reply at 1.

¹¹ *Id.* at 2-3.

¹² *Id.* at 3.

¹³ *Id.*

¹⁴ *Id.* at 4.

days.¹⁵ Roseville states that its lead-lag study is permissible and that it provides a more accurate calculation of the company's actual revenue and expense lags.¹⁶ Roseville argues that its actual lead lag study more accurately reflects its CWC than those derived from a formula or an artificially derived standard.¹⁷

6. On June 27, 1997, the Bureau suspended and initiated an investigation of the annual access tariff of a number of Class B carriers with net lags that appeared to exceed 15 days.¹⁸ The Bureau observed that the Commission had previously recognized a 15-day lag period as an acceptable standard for calculating CWC for Class B carriers.¹⁹ We find that Roseville's tariff filing raises the same issues with regard to CWC as those tariff provisions suspended by the Bureau and set for investigation. We therefore find that Roseville's proposed CWC raises significant questions of lawfulness. Accordingly, we suspend Roseville's annual access tariff filing for one day and initiate an investigation into the lawfulness of its proposed CWC requirements. This investigation will be consolidated with our investigation of other LECs' 1997 annual access filings.

7. ACCORDINGLY, IT IS ORDERED that, pursuant to Section 204(a) of the Communications Act of 1934, as amended 47 U.S.C. § 204(a) and Section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, the tariff revisions filed by Roseville Telephone Company that include rate elements associated with cash working capital ARE SUSPENDED for one day and an investigation is instituted.

8. IT IS FURTHER ORDERED that, pursuant to Section 204(a) of the Communications Act of 1934, 47 U.S.C. §§ 154(i), 204(a) and Sections 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, Roseville Telephone Company SHALL KEEP ACCURATE ACCOUNT of all amounts received that are associated with the rates that are subject to this investigation.

9. IT IS FURTHER ORDERED that Roseville Telephone Company SHALL FILE a supplement advancing the currently scheduled effective date to July 7, 1997, and at the same time, file a supplement reflecting the one day suspension pursuant to this Order. For this purpose, we waive Sections 61.58 and 61.59 of the Commission's Rules, 47 C.F.R. §§

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 5.

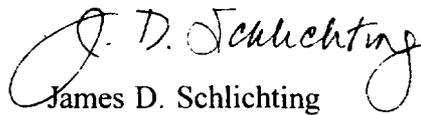
¹⁸ See 1997 Annual Access Tariff Filings, CC Docket No. 97-149, Memorandum Opinion and Order, DA 97-1350 (Com. Car. Bur. June 27, 1997).

¹⁹ Amendment of Part 65 of the Commission's Rules to Prescribe Components of the Rate Base and Net Income of Dominant Carriers, CC Docket No. 86-497, Order on Reconsideration, 4 FCC Rcd 1697 (1989).

61.58, 61.59. The Roseville Telephone Company should cite the instant Order as the authority for this filing.

10. IT IS FURTHER ORDERED that the petition to suspend and investigate or to reject the Annual 1997 Access Tariff Filings filed by AT&T IS GRANTED to the extent indicated herein and otherwise IS DENIED.

FEDERAL COMMUNICATIONS COMMISSION



James D. Schlichting
Chief, Competitive Pricing Division
Common Carrier Bureau