

Resolution Concerning Mixed Settlement Companies

WHEREAS, *The purpose of settlements, interstate and intrastate access/toll plus local, is to reimburse a Local Exchange Company (LEC) completely and fairly for its costs in providing interstate and intrastate telephone services; and*

WHEREAS, *Average schedule settlements were developed for the specific purpose of determining jurisdictional allocation while recognizing that some small companies should not incur the burden of performing cost studies, and do not reflect an individual LEC's actual costs; and*

WHEREAS, *If a LEC is an average schedule company for interstate settlement purposes and a cost company for intrastate settlement purposes, or vice versa, the LEC may be recovering more than its total costs from access/toll plus local services; and*

WHEREAS, *The Executive Committee of the NARUC passed a resolution first acknowledging this issue at its 1988 Summer Committee Meeting in San Diego, California; and*

WHEREAS, *The Executive Committee of the NARUC passed a second resolution commending the FCC for their forbearance in this issue at its 1989 Winter Meeting in Washington, D.C.; and*

WHEREAS, *The LECs have once again asked the FCC to address this issue in the Mid-Plains Petition; and*

WHEREAS, *This problem does not occur if a LEC uses either average schedule for settlements in both jurisdictions or uses cost for settlements in both jurisdictions and only occurs when a LEC uses average schedule for settlements in one jurisdiction and cost for settlements in the other jurisdiction; and*

WHEREAS, *Any LEC that is on cost settlements for either jurisdiction, by definition, has both its interstate and intrastate separations costs which could be used for cost settlements in both jurisdictions; and*

WHEREAS, *There is still a need for the average schedule settlement process for those LECs that are not able to do a cost study and/or are so small that the expense of doing ongoing cost studies for settlements would be prohibitive; and*

WHEREAS, *If the FCC grants the Mid-Plains Petition it could cause significant overearnings by the LEC to the detriment of all ratepayers, including the local ratepayer; now, therefore, be it*

RESOLVED, *That the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), assembled at its 1990 Summer Committee Meeting in Los Angeles, California, directs the NARUC to continue to work with the FCC*

to insure that no LEC recovers more than its total costs in providing interstate and intrastate access/toll plus local telephone service; and be it further

RESOLVED, *That the NARUC urges each State commission with a LEC using a mixed settlement arrangement for interstate and intrastate access/toll settlements, to take whatever steps are necessary to require each affected LEC to use only one form of settlements for any given study area, average schedule or cost, in both jurisdictions; and be it further*

RESOLVED, *That the NARUC General Counsel petition the FCC to take necessary action to resolve this problem by requiring that for any given study area, a LEC that settles on average schedule in the State jurisdiction must also settle on average schedule in the interstate jurisdiction and that a LEC that settles on cost in the State jurisdiction must also settle on cost in the interstate jurisdiction.*

*Sponsored by the Committee on Communications
Adopted July 25, 1990*