



INTERIM OPINION

I. Summary of Opinion

We have reviewed a settlement between Pacific Bell (Pacific), the Division of Ratepayer Advocates (DRA), and the Information Providers Association (IPA). The settlement, which we will refer to as "the 900 Settlement," would permit Pacific to establish a new intraLATA billing and transportation service for pre-recorded messages and group-bridging services, utilizing the 900 area code. The settlement is opposed by Public Advocates, Telesphere International (Telesphere), and Phone Programs of California, Inc. (PPI).

We find that the general structure and many of the major provisions of the 900 service, as proposed in the 900 Settlement, to be reasonable. However, several factors prevent us from adopting the settlement exactly as written. We propose revisions to the settlement in three general categories. First, we revise the provisions relating to programs containing "harmful matter," to conform the 900 service to the terms of recently enacted legislation. Second, we propose changes concerning the cost and terms of service, particularly the price of programs, to ensure that the 900 service will operate in the public interest. Third, minor changes are proposed for clarity, consistency, and ease of implementing the settlement.

With these changes, we find that the 900 Settlement would be reasonable in light of the whole record, consistent with law, and in the public interest. Pursuant to Rule 51.7, we ask the parties to the settlement to indicate whether the alternative terms to the settlement, as set forth herein, are acceptable to them. Such parties shall file by March 13, a statement of position on the alternative settlement. Upon consideration of these responses, we plan to issue a further decision at our March 22, 1989 meeting. ✓

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INTERIM OPINIONI. Summary of Opinion

We have reviewed a settlement between Pacific Bell (Pacific), the Division of Ratepayer Advocates (DRA), and the Information Providers Association (IPA). The settlement, which we will refer to as "the 900 Settlement," would permit Pacific to establish a new intraLATA billing and transportation service for pre-recorded messages and group-bridging services, utilizing the 900 area code. The settlement is opposed by Public Advocates, Telesphere International (Telesphere), and Phone Programs of California, Inc. (PPI).

We find that the general structure and many of the major provisions of the 900 service, as proposed in the 900 Settlement, to be reasonable. However, several factors prevent us from adopting the settlement exactly as written. We propose revisions to the settlement in three general categories. First, we revise the provisions relating to programs containing "harmful matter," to conform the 900 service to the terms of recently enacted legislation. Second, we propose changes concerning the cost and terms of service, particularly the price of programs, to ensure that the 900 service will operate in the public interest. Third, minor changes are proposed for clarity, consistency, and ease of implementing the settlement.

With these changes, we find that the 900 Settlement would be reasonable in light of the whole record, consistent with law, and in the public interest. Pursuant to Rule 51.7, we ask the parties to the settlement to indicate whether the alternative terms to the settlement, as set forth herein, are acceptable to them. Such parties shall file by March 13, a statement of position on the alternative settlement. Upon consideration of these responses, we plan to issue a further decision at our March 8, 1989 meeting.

We also order all local exchange carriers offering 976 and 900 service to offer business customers the option of blocking 976 and 900 services, in accordance with terms established in this decision.

Next, we review a settlement (the 976 Settlement) between Pacific, GTE California Incorporated (GTE), and IPA regarding procedures for allocation of the costs of residential blocking 976 and 900 services. The parties to the 976 Settlement condition implementation of the proposal for allocation of blocking costs on approval of the revised adjustment policy set forth in the 900 Settlement. However, we do not find the proposed revisions to the adjustment policy to be just or reasonable. Therefore, pursuant to Rule 51.7, we ask these parties to indicate whether the allocation scheme is acceptable without the changes to the adjustment policy to which the 976 Settlement was linked. Such comments should be filed by March 13.

Finally, we deny IPA's petition for modification of the 976 adjustment policy which we adopted in Decision (D.) 88-04-077.

## II. Background

### A. Procedural History of 976 Services

#### 1. Prior Proceedings Involving 976 Services

In 1983, Pacific proposed an innovative new service: Information Access Service (IAS) or 976 service. This proposed service expanded Pacific's traditional role of transporting calls, to permit Pacific to provide a billing and collection service to information providers (IPs) who desired to sell information, entertainment, and services to consumers over the telephone. The 976 tariff went into effect in September 1983, without hearing and without opposition, after the filing of Advice Letter No. 14603.

During the first 18 months after 976 service was introduced, the service was plagued with numerous serious problems. In Order Instituting Investigation (I.) 85-04-047, we instituted a proceeding to investigate whether 976 service is a proper type of business for the phone company to pursue. We recognized that the public was not accustomed to paying service charges for the content of calls in addition to ordinary tolls for the transportation of calls. We also found that there were problems involving the advertising of calls, the content of calls, the collection of delinquent charges, interactive services, difficulties in identifying IPs, and other issues.

In D.85-11-028, after 25 days of hearings, we approved a joint motion by Pacific, GTE, the Public Staff Division, and the IPs requesting an immediate order approving interim policies and tariff revisions. The tariff revisions (1) added advertising disclosure standards, (2) instituted a policy for making a one time adjustment to a customer's bill<sup>1</sup>, (3) authorized customer access to the name, address, and phone number of IPs, and (4) reduced the minimum line size for 976 IPs from 24 to 6, except in Los Angeles.

In D.87-01-042, we addressed the 976 service in further detail. We concluded that 976 service, properly regulated, is in the public interest and should be continued as a tariffed service of the telephone utilities. We found that the changes in the tariff ordered in D.85-11-028 resulted in a significant decline in consumer complaints, while the call volume increased. In addition, in response to AB 2550 (Ch. 1561; Stats. 1985.), we ordered the utilities to provide all residential customers the option of central office blocking of 976 calls, with the specific type of

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1 D.88-04-077 and D.88-05-073 address the procedures whereby the telephone company may charge back to the Information Provider (IP) the costs of adjusting customer bills under the adjustment policy adopted in D.87-01-042.

blocking to be determined after subsequent hearings. In D.87-12-038 and D.88-03-042, we implemented and refined the requirements for central office blocking of 976 calls for residential customers.

2. Blocking of 976 Services  
by Business Customers

In D.87-12-038, we ordered all local exchange carriers who offer 976 IAS to offer central office blocking of 976 IAS to all customers served by stored program control central offices capable of providing blocking. Applications for rehearing were filed by Omniphone, Inc. (Omniphone), GTE, PPI, and IPA. The applications of Omniphone and GTE requested rehearing of that portion of D.87-12-038 which ordered the interexchange carriers to provide the option of blocking 976 IAS to business customers.

We granted a partial stay of the business blocking option in D.88-01-022, and in D.88-01-048, we granted rehearing limited to the issue of whether the interexchange carriers offering 976 IAS should be required to provide a blocking option for such services to business customers. This rehearing was consolidated with the hearings on allocation of the costs of residential blocking which were scheduled to commence in early 1988. However, in D.88-03-042, we suspended the hearings on allocation of 976 blocking costs pending further order of the Commission.

A Prehearing Conference regarding the issues of business blocking and the allocation of blocking costs was held on July 15, 1988. At the Prehearing Conference, these issues were consolidated with Application (A.) 88-04-004 (relating to Pacific's request to establish 900 Information Calling Services) and a schedule for settlement discussions was established. On August 12, Pacific and GTE each filed proposals for implementing the blocking option for business customers. Thereafter, on September 1, Pacific, filed a Motion for Adoption of a Settlement Agreement (the "976 Settlement"), on behalf of itself, GTE, and IPA. On September 22,



1988, parties filed comments and objections on the proposed settlement.

Hearings were held between October 24 and November 4 on all consolidated issues including the question of business blocking. This matter was submitted upon the receipt of briefs on November 14.

### 3. Allocation of Blocking Costs

When we ordered telephone companies to offer residential customers the option of blocking 976 calls, we stated that the total costs to provide blocking are unknown and that further hearings to determine the amount and allocation of costs will be necessary. (D.87-12-038, p. 33.) We directed both Pacific and GTE to set up appropriate accounts to record the revenues, investment, and expenses to facilitate the final determination of cost allocation. We ordered that further hearings be held to determine the proper allocation of costs for blocking of 976 IAS. In D.88-03-042, we suspended these hearings pending further order of the Commission. Thereafter, we set this issue for a Prehearing Conference on July 15, 1988. At the Prehearing Conference, the issue of the allocation of 976 blocking costs was consolidated with Pacific's 900 service application (A.88-04-004).

On September 1, Pacific, GTE, and IPA filed the 976 Settlement relating to the allocation of blocking costs. Parties filed responses to the settlement on September 15, and hearings were held between October 24 and November 4, on all consolidated issues, including the question of allocation of the costs of blocking. This issue was submitted upon receipt of briefs on November 30.

### 4. The 976 Adjustment Policy

In D.88-04-077, we adopted an "adjustment policy" in conjunction with Pacific's 976 IAS. This adjustment policy allows callers to obtain forgiveness of charges for certain 976 calls. IPA filed a Petition for Modification of D.88-04-077 and a

Supplement to its Petition, in which IPA requests review and revision of the adjustment policy as it applies to Pacific's 976 IAS. On May 20, 1988, Administrative Law Judge (ALJ) Wheatland issued a ruling recognizing that the adjustment policy stated in Pacific's 900 Information Calling Services (ICS) application will be at issue in this proceeding and further recognizing that this policy is closely related to the adjustment policy which applies to the 976 IAS. Therefore, in the interest of administrative efficiency and with the hope of reaching an expeditious resolution of this issue as it applies to both the 976 IAS and 900 ICS services, the Commission consolidated its review of the adjustment policy in A.87-05-049 with its review of the adjustment policy proposed for Pacific's 900 service.

**B. Procedural History of Pacific's 900 Application**

Pacific filed Advice Letter No. 15338 on January 28, 1988 and Supplement Advice Letters 15338 A and B on February 11 and March 3, respectively. These Advice Letters proposed a two year provisional tariff for a new service called ICS or 900 service. Six protests, four supporting letters, and Pacific's responses to the protests were received on a timely basis. The protests related to monitoring, advertising, message content, blocking, bill adjustments, and disconnection for tariff violations. Pacific withdrew the Advice Letters.

On April 1, 1988, Pacific filed A.88-04-004, requesting authorization to offer 900 service. 900 service is a new intraLATA transport and billing service for IPs of recorded broadcasts, interactive messages, videotext, and live group conversations, utilizing the 900 area code. On June 2, Pacific filed an amendment to the application, proposing a system of selective blocking for residential customers.

Pacific and other parties expressed an interest in developing a proposed settlement among the parties for resolution

of differences regarding the proposed service. Therefore, at the Prehearing Conference on June 15, 1988, we established a schedule which permitted the parties to conduct settlement discussions. The parties were directed to file any settlements by August 3. However, the parties were unable to complete settlement discussions by August 3. DRA requested and received an extension of time, to September 1, in which to file a settlement.

On September 1, DRA filed a Motion for Adoption of a Settlement Agreement, on behalf of itself, Pacific, and the IPA (the "900 Settlement"). Preston D. Janes joins in the settlement except for the provisions relating to the migration of IPs from 976 to 900, call count discrepancies, and Pacific's efforts to restrict calls from particular sources. GTE joins in the stipulation only as to the provisions which modify the policy for 976 adjustments.

On September 15, 1988, parties filed comments and objections on the proposed settlements, and on September 22, 1988, replies to the comments and objections were filed by the parties.

Ten days of hearings were held between October 24 and November 4. This matter was submitted upon the receipt of reply briefs on November 30.

The proposed decision of ALJ Wheatland was mailed December 30, 1988. Comments on the proposed decision were filed by Pacific, DRA, IPA, PPI, Telesphere, GTE, and Janes. Several parties, including Public Advocates, filed replies to the comments on the proposed decision.

### III. The Proposed 900 Service

#### A. Positions of the Parties

This section of the decision summarizes Pacific's original application for 900 service and explains how the application is modified by the 900 Settlement. This section also

briefly summarizes the positions of the active parties and public witnesses on the 900 Settlement. The positions of the parties are described in further detail in § III.B.

1. The Application for 900 Service

Pacific's proposed 900 service significantly expands the 976 information services it currently offers in several ways:

- Length of call - The 976 service is limited to a maximum call of 3 minutes. The 900 service allows for calls of unlimited duration. The only limitation on the length of the message or call is a provision for automatic disconnection from interactive calls after one minute of inactivity on audiotext or five minutes of inactivity on videotext.
- Cost of call - The 976 service is limited to a maximum cost of \$2.00 for a 3 minute call. Under the 900 service, there is no maximum cost per call. The maximum charge per minute is \$10.00 for the first minute and \$5.00 for each minute thereafter for resource network, and up to \$1.00 per additional minute on Open Forum.
- More prefixes - Services would be categorized among three prefixes: general, adult, and live.
- More consumer safeguards, including additional consumer education, disclosure messages, and advance charge notification.

The higher maximum information charges and unlimited connect times provide IPs with a significant potential for increased revenues. These benefits, according to Pacific, will attract a wide range of new applications. New applications may include:

- Improved information and services - This might include data bases for current information on professional material, news, sports, finance, entertainment, weather, or consumer information.