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Decision 91-10-044 October 23, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
GTE California Incorporated )  
(U 1002 C), a corporation, for )  
authority to provide QuickConnect<sup>SM</sup> )  
Service. )

**ORIGINAL**  
Application 91-02-100  
(Filed February 22, 1991)

INTERIM OPINION

By this application GTE California Incorporated (GTEC) requests authority to provide QuickConnect Service, with Category II pricing classification.

DESCRIPTION OF SERVICE

QuickConnect Service will allow for the communication and transmission of data between customer-provided data devices, including a remote Voice Data Multiplexer. The service will support key applications such as Local and Wide-Area Networking, Point-of-Sale Networking, and Work-at-Home Networking. The service will supersede the Data-Over-Voice currently available to customers within the Santa Barbara Exchange.

QuickConnect Service, as an intraLATA data-connecting service, is provided through an adjunct DataKit Virtual Circuit Switch in the Central Office (CO), and is extended to other COs using shared high-speed trunk lines. The service is provided as a derived data channel to a customer's existing residential line, single-business line, PBX trunk, or CentraNet line. The DataKit switch and/or Synchronous Asynchronous Multiplexer (SAM) which will be located in the customer's serving CO, will operate independently from the CO switch, and is compatible with most commercially available communication software packages.

GTEC intends to offer the following service elements as part of QuickConnect Service:

1. Asynchronous Terminal/Host Access  
(Residential and Business).

The Asynchronous Terminal/Host Access Service consists of interface equipment and network common equipment. The service allows for the transmission of asynchronous protocol to communications via exchange-type facilities between the QuickConnect Data Switch and SAM at the GTEC CO and the customer's peripheral equipment (e.g., data terminal, personal computers, printers, and host computers) at speeds of up to 19.2 kilowatt beats per second (Kbps).

2. Synchronous Terminal/Host Access.

The Synchronous Terminal/Host Access consists of interface equipment and network common equipment. This service also is for the transmission of synchronous protocol data communications via exchange-type facilities between the QuickConnect Data Switch and SAM at GTEC's CO and the customer's peripheral equipment (e.g., data terminals, personal computers, printers, and host computers) at speeds of up to 9.6 Kbps.

3. X.25 Terminal Host/Access.

This is the interface and network common equipment. It permits the transmission of X.25 protocol data communications via exchange-type facilities between the QuickConnect Data Switch on GTEC's premises and customer-provided data equipment designated as peripheral equipment (e.g., packet assembler/disassembler data terminals, personal computers, and host computers) at speeds of up to 9.6 Kbps.

ADDITIONAL FEATURES

With Commission approval, GTEC also intends to offer the following features as enhancements to the above-listed service elements:

1. Call Activity.

Call Activity Service (CAS) is an optional feature available to subscribers of QuickConnect System Control. CAS allows the customer to access detail records generated from the QuickConnect Data Switch equipment. Access to the QuickConnect System Control database is accomplished by entering specified commands. Reports containing a summary of the customer's call activity are then generated for the customer.

2. Central Office Voice Data Multiplexer.

Central Office Voice Data Multiplexer (C-VDM) allows for the simultaneous transmission of both voice and data over an analog access line. C-VDM is a part of the QuickConnect network that resides in GTEC's COs. All customers of QuickConnect, asynchronous, synchronous, and X.25 access one C-VDM per Terminal/Host Port.

3. Data Base Change.

Under this option, a customer may request redesign of the QuickConnect network management system software data base to suit the customer's needs. System software changes that would require a redesign of the data base may include, among others, changes to any of the following: Names, Group Names, Network-Access Passwords, Security Patterns, Service Names, Receiving Groups, Originating Groups, Two-way Groups, and Hardware Modules. Data Base Changes are applied on a line-item basis.

4. Modem Pooling.

A modem pool consists of modems arranged in a group for the customer's use for either

incoming or outgoing QuickConnect data transmission via analog access lines. Outbound modem pooling provides the capability for the user to exit from the QuickConnect network to the public-switched network. Inbound modem pooling provides the capability for a user outside of the QuickConnect network to access the QuickConnect network. Standard modem-pooling services provide transmission speeds up to 2.4 Kbps. Higher speeds up to 9.6 Kbps are available on an individual customer basis.

5. Port Rearrangement.

A Port Rearrangement may consist of a simple customer request for changes in various port options, such as: Flow Control, Speeds, Parity Options, Destination, Hold, and Attention Character or, it may involve complex changes such as a customer request that a port connection be moved from one exchange access line to another. Port Rearrangement charges apply on a per port basis.

6. Shared Internodal Trunks.

Shared Internodal Trunks facilitate data communication between users and peripheral equipment that are connected to non-collocated QuickConnect network Data Exchanges (Nodes). This enhancement supports Digital Service and High-Capacity Digital Service connections between Data Exchanges (Nodes), on a shared, non-dedicated basis.

7. QuickConnect System Control.

QuickConnect System Control is an optional feature available to QuickConnect customers. This feature allows the customer to access equipment within the QuickConnect system in order to perform QuickConnect network management and control. Through this feature, certain system Data Base Changes can be made, information about resources displayed, and

Port Rearrangements verified. Customer provided equipment (terminals, printers, etc.) located on customer premises is used to interact with QuickConnect System Control.

The System Control feature also allows the customer to monitor certain aspects of the customer's QuickConnect network, such as removal, restoration and/or rearrangement of terminals, personal computers, printers or other resources that interface with the QuickConnect network. The customer can carry out these activities by accessing the QuickConnect System Control data base and by entering specified commands. The commands are then sent to the QuickConnect Data Switch equipment for execution.

**CLASSIFICATION OF QUICKCONNECT  
SERVICE UNDER DECISION 89-10-031**

In Decision (D.) 89-10-031 the Commission adopted a regulatory framework which places discretionary or partially competitive services in Category II. Category II services are regarded as those which face some competition or are discretionary in nature. As such, Category II services are to be included in the basic sharing mechanism because the Commission has concluded that inclusion of these services creates minimal risk to ratepayers. GTEC is requesting Category II classification for the proposed QuickConnect Service, with pricing flexibility, including floor and ceiling rates.

GTEC asserts that there already exist several competitive alternatives to QuickConnect Service, including: Data PBXs, Voice PBXs with data capabilities, LAN-based Terminal Servers, personal computers connected directly to LANs, Dial-up Modems, Private Networks, and Private Packet Networks.

GTEC also asserts that the application complies with the principles of unbundling and nondiscriminatory network access, since the proposed services can be purchased separately. Such

services, GTEC maintains, will be available on a nondiscriminatory, unbundled basis to both GTEC and competitors. It is GTEC's position that QuickConnect services are not monopoly building blocks, and that an imputation test is not required. (In D.89-10-031 we stated that, in order to prevent anticompetitive price squeezes, local exchange carriers (LECs) should be required to impute the tariffed rate of any function deemed to be a monopoly building block in the rates for any bundled tariffed service which includes that monopoly function.) The applicant suggests that any party desiring to pursue this concept further include such considerations in their Implementation Rate Design (IRD) proposals in Phase III of I.87-11-033.

#### FINANCIAL ASPECTS OF THE PROPOSED SERVICE

The applicant's QuickConnect rates were developed using a direct-embedded costing methodology, including contribution. The cost study supporting QuickConnect was provided to the Commission under the protection of General Order 66-C, with a motion to accept the data under seal. The information is cost support data, or work papers, submitted to enable Division of Ratepayer Advocates (DRA) and the Commission's Advisory and Compliance Division to determine whether the rates proposed in the application comply with the directives contained in D.89-10-031. The data are not an integral part of the application, and may be returned to the applicant or disposed of. It would be administratively burdensome, and is unnecessary to retain this information in the Commission's formal files. In the circumstances the motion to receive the data under seal is moot. GTEC should recover all copies of its cost support data within 30 days of the effective date of this order.

QuickConnect has 12 basic rate elements which provide services and features that can be custom-ordered to meet a customer's requirements. These rate elements are: Asynchronous Terminal/Host Access, Call Activity, Central Office Voice Data Multiplexer, Data Base Change, Modem Pooling (inbound or outbound),

Port Rearrangement, Shared Internodal Trunks, Shared Intranodal Trunks, Synchronous Terminal/Host Access, System Control, and X.25 Terminal/Host Access.

All CO and outside plant technology used to provide QuickConnect are currently in use for basic exchange service. Commission prescribed annual charge factors, by plant account, have been used in the development of capital-related annual charges.

GTEC is requesting authority to provide QuickConnect Service under the tariff schedules submitted with the application, and approval of the rates proposed for the services, with pricing flexibility authorized for Category II services set forth in D.89-10-031.

The application was initially protested by Digital Radio Network L.P. (DRN) and by DRA. DRA had been concerned that GTEC's rates for QuickConnect did not include relevant costs. DRA urges that any decision issued herein be on an interim basis, pending review in the above mentioned IRD phase of I.87-11-033. DRN also raised concerns over the question whether rates proposed for QuickConnect services adequately cover relevant costs. However, after further discovery and analysis, both DRN and DRA have withdrawn their protests. The matter is ready for decision.

#### Discussion

Based upon the fact that QuickConnect services are competitive with those which may be provided by other parties, such as Data PBXs, Voice PBXs with data capabilities, LAN-based Terminal Servers, personal computers connected directly to LANs, Dial-up Modems, Private Networks, and Private Packet Networks, we conclude that the proposed services may be included in Category II and are eligible for pricing flexibility. Further, the application complies with the principles of unbundling and nondiscriminatory Network access, whereby service elements can be purchased separately so as to allow for use of the proposed services by competitors. Those services will be available on a

nondiscriminatory, unbundled basis to both GTEC and competitors. We agree with GTEC that QuickConnect services are not monopoly building blocks; therefore an imputation test is not required.

The costing and pricing methodologies appear to be appropriate for purposes of this proceeding. QuickConnect rates were developed using a direct-embedded costing methodology, including contribution. The CO and outside plant technology used to provide QuickConnect are currently in use for basic exchange service. Commission prescribed annual charge factors, by plant account, were used in the development of capital-related annual charges. In the circumstances, the application should be granted on an interim basis, since the rates adopted here will be reviewed in the Phase III portion of I.87-11-033.

Findings of Fact

1. GTEC's application requests authority to offer QuickConnect Service, allowing for the communication and transmission of data between customer-provided data devices, including a remote Voice Data Multiplexer.

2. The proposed service will support key applications such as Local and Wide-Area Networking, Point-of-Sale Networking, and Work-at-Home Networking, and will supersede the Data-Over-Voice currently available to customers within the Santa Barbara Exchange.

3. There are several competitive alternatives to QuickConnect Service, including Data PBXs, Voice PBXs with data capabilities, LAN-based Terminal Servers, personal computers connected directly to LANs, Dial-up Modems, Private Networks, and Private Packet Networks.

4. Category II pricing, with pricing flexibility, as prescribed in D.89-10-031 in I.87-11-033, is the appropriate classification for QuickConnect Service, based upon its competitiveness with the alternatives stated above.

5. The application complies with the principles of unbundling and nondiscriminatory Network access, whereby service



elements can be purchased separately so as to allow for the use of the proposed services by competitors. The services will be available on a nondiscriminatory, unbundled basis to both GTEC and competitors.

6. D.89-10-031 requires that LECs impute tariffed rates of any function deemed to be a monopoly building block in the rates for any bundled tariff service which includes that monopoly function. QuickConnect services are not monopoly building blocks; therefore, an imputation test is not required.

7. QuickConnect Service rates have been developed using a direct-embedded costing methodology, including contribution. All CO and outside plant technology used to provide QuickConnect are currently in use for basic exchange service. Commission prescribed annual charge factors, by plant account, have been used in the development of capital-related annual charges.

8. The rates adopted herein will be appropriate until reviewed in Phase III of I.87-11-031.

9. A public hearing is not necessary.

Conclusion of Law

The application should be granted on an interim basis, pending review of the rates in the IRD (Phase III) portion of I.87-11-031.

MEMORANDUM FOR THE COMMISSION  
DATE: 10/10/91  
INTERIM ORDER

IT IS ORDERED that:

1. GTE California Incorporated (GTEC) is authorized to provide QuickConnect Service, as described in the application, and at the rates set forth in Attachment A thereto, on five days' notice to the Commission and the public. Rates authorized are subject to the pricing flexibility conditions applicable in connection with Category II services, as specified in D.89-10-031.

2. The services and rates authorized here are granted on an interim basis. They will be reviewed in Phase III of D-87-10-031, and based upon that review may be modified as deemed appropriate by the Commission.

3. GTEC shall recover all copies of its sealed cost support data within 30 days of the effective date of this order. If the sealed data is not retrieved within this time period it shall be discarded in the Commission's recycled paper bin.

4. The application is granted, subject to the conditions set forth above.

This order becomes effective 30 days from today.

Dated October 23, 1991, at San Francisco, California.

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY

NEAL J. SHULMAN, Executive Director