

SEP 16 1992

Decision 92-09-077 September 16, 1992

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 Controllink[®]
Customer Network Control (CNC).

ORIGINAL
Application 92-06-041
(Filed June 30, 1992)

A-92-06-041

INTERIM OPINION

By this application, GTE California Incorporated (GTEC) requests authority to provide Controllink Customer Network Control (CNC), with Category II pricing classification.

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

The application received no protests.

Description of Service

CNC is a vertical service which will enhance network flexibility and the responsiveness of its customers. Customers will access the network controller via a dedicated or dial-up data line. This product gives CNC customers the capability of remotely accessing and managing their leased special services, as if they were private networks. CNC uses a digital Cross-connect System and a centrally located network controller.

CNC can be configured to access a variety of transport services, including DS1, Controllink Digital Channel Service, analog channels, and Digital Data services/DDS-type services.

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

1. Automatic Reconfiguration

The Network Controller may be programmed to automatically transfer critical circuits to an alternative facility should the primary route experience a network outage.

2. Loopback Capability

The customer may perform a full duplex loopback of any circuit terminating via the Digital Cross-connect System. This is of value for fault isolation and expediting network restoration.

3. Network Performance Reports

The Network Controller generates reports such as network alarms, outages, overall facility performance, and customer activity.

4. Reconfiguration on Demand

Circuit connections may be forced into, or out-of-service, as required by the customer.

5. Security

The Network Controller offers multilevel security for access and network management activity.

6. Time of Day Reconfiguration

Network reconfiguration may be scheduled to go into effect at a predetermined time. Reconfiguration may be singular or periodic.

Additional Rate Elements

CNC has eleven (11) rate elements which provide the system intelligence, customer connectivity and security, and

network terminations, as well as service establishment and technical support:

1. Network Controller
2. Network Access Port - Dedicated
3. Network Access Port - Dial-up, with Security Key
4. Additional Security Key
5. Graphic Interface
6. Digital Cross-connect System Channel Terminations
7. Digital Cross-connect System DSI Terminations
8. Service Establishment Charge
9. Database Modification - Single Activity
10. Database Modification - Multiple Activities
11. Telco Reconfiguration

Classification of CNC Services 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 CNC Service, with pricing flexibility, including floor and ceiling rates.

GTEC asserts that there already exist several companies which offer competitive alternatives to CNC Service, including:

Pacific Bell, MCI, AT&T, CPE, and Alternative Local Transport companies (ALTS).

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 CNC 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 process 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 and bundled tariffed service which includes that monopoly function.)

Financial Aspects of the Proposed Service

The applicant's CNC rates were developed using a direct-embedded costing methodology, including contribution. The cost study supporting CNC was provided to the Commission under the protection of General Order 66-C.

Discussion

Based upon the fact that the CNC service has competitive alternatives, such as Pacific Bell, MCI, AT&T, CPE, and Alternative Local Transport companies, 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 CNC 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. CNC rates were developed using a direct-embedded costing methodology, including contribution. The 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 CNC Service, a vertical service which will enhance network flexibility and the responsiveness of its customers.
2. Customers will access the network controller via a dedicated or dial-up data line.
3. There already exist several companies which offer competitive alternatives to CNC such as Pacific Bell, MCI, AT&T, CPE, and Alternative Local Transport companies.
4. Category II pricing, with pricing flexibility, as prescribed in D.89-10-031 in I.87-11-033, is the appropriate classification for CNC 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 unbundled tariff service which includes that monopoly function. CNC services are not monopoly building blocks; therefore, an imputation test is not required.

7. CNC service rates have been developed using a direct-embedded costing methodology, including contribution.

8. Commission prescribed annual charge factors, by plant account, have been used in the development of capital-related annual charges.

9. The rates adopted herein are appropriate.

10. No protests to this application were filed.

11. A public hearing is not necessary.

Conclusion of Law

The application meets all requirements as established by D.89-10-031 and should be granted.

INTERIM ORDER

IT IS ORDERED that:

1. GTE California Incorporated (GTEC) is authorized to provide CNC Service, as described in the application, and at the rates set forth in Attachment 1 thereto, by submitting an Advice Letter on 5 days' notice to the Commission and the public. Rates authorized are subject to pricing flexibility conditions applicable in connection with Category II services, as specified in D.89-10-031.

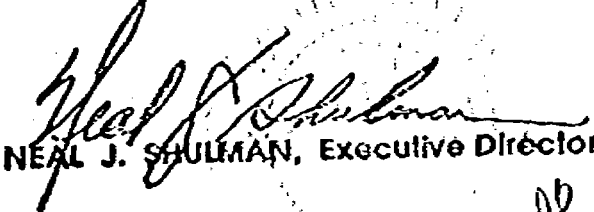
2. The services and rates authorized here are granted.

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

This order is effective today.

Dated September 16, 1992, at San Francisco, California.

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


NEAL J. SHULMAN, Executive Director

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