

Decision 82 11 004 NOV 3 - 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
THE PACIFIC TELEPHONE AND TELEGRAPH  
COMPANY, a corporation, for author-  
ity to increase certain intrastate  
rates and charges applicable to  
telephone services furnished within  
the State of California.

Application 59849  
(Filed August 1, 1980;  
amended August 28, 1980  
and October 14, 1980)

In the Matter of the Application of  
THE PACIFIC TELEPHONE AND TELEGRAPH  
COMPANY, a corporation, for author-  
ity to increase certain intrastate  
rates and charges applicable to  
telephone services furnished within  
the State of California.

Application 59269  
(Filed November 13, 1979;  
amended November 15, 1979)

Re Advice Letter (PT&T) No. 13640  
to reprice certain telephone  
terminal equipment and Resolution  
No. T-10292 granting approval of  
said changes.

Application 59858  
(Filed August 1, 1980)

In the Matter of Advice Letter  
Filing No. 13641 of THE PACIFIC  
TELEPHONE AND TELEGRAPH COMPANY  
for authority to increase certain  
rates for key telephone service by  
\$30.1 million.

Application 59888  
(Filed August 19, 1980)

Investigation on the Commission's  
own motion into the rates, tolls,  
rules, charges, operations, costs,  
separations, inter-company settle-  
ments, contracts, service, and  
facilities of THE PACIFIC TELEPHONE  
AND TELEGRAPH COMPANY, a California  
corporation; and of all the tele-  
phone corporations listed in  
Appendix A, attached hereto.

OII 63  
(Filed December 18, 1979)

Investigation on the Commission's  
own motion into the rates, tolls,  
rules, charges, operations, costs,  
separations, inter-company settle-  
ments, contracts, service, and  
facilities of THE PACIFIC TELEPHONE  
AND TELEGRAPH COMPANY, a California  
corporation; and of all the tele-  
phone corporations listed in  
Appendix A, attached hereto.

OII 81  
(Filed August 19, 1980)

Investigation on the Commission's  
own motion into the Matter of  
Revision of the Accounting for  
Station Connections and related  
Ratemaking Effects and the Economic  
Consequences of Customer-owned  
Premise Wiring.

OII 84  
(Filed December 2, 1980)

(See Decisions 93367, 93728, and 82-08-01  
for appearances.)

OPINION ON THE PROPOSAL OF LOS ANGELES COUNTY  
CONCERNING TELEPHONE ENTRANCE CHANNELS

## The Issue

This decision concerns what are known in the communication business as entrance channels. As defined in the tariff at issue an entrance channel is a voice-grade communications circuit provided by a telephone utility that connects to a customer-provided circuit to extend the customer's communication circuit to another service point of the customer's system or into the utility's general system. For example, in the sketch shown, the phone company entrance channel effectively extends the customer's network from A-B and C-D to A-D without additional customer-provided facilities.



The customer-provided circuit or system might be a phone system in a hospital, a microwave system within the customer's total system, or any other communication system which can be connected to telephone lines. Usually the phone company entrance channel will consist of a private telephone line and appropriate devices to connect the private line to the customer's equipment or lines.

The Pacific Telephone and Telegraph Company (Pacific) maintains that each entrance channel furnished has its own unique characteristics and must be engineered to provide adequate connections to a customer's private system so that reliable service can be provided and the utility's system adequately protected. Item 52 entered in this record by Pacific to illustrate its point is a copy of part of Pacific's Tariff 135-T as it was effective March 12, 1981.<sup>1</sup> It contains the description and charges for eight different systems comprising 69 different channels. The first entry, for example, is an entrance channel to extend a customer-provided

<sup>1</sup> SCHEDULE CAL. P.U.C. NO. 135-T, Section VIII. ENTRANCE CHANNELS.

voice-grade transmission channel from one location to another in the Los Angeles area in connection with the remote operation and control of the customer's private mobile radio system.

On February 2 and 3, 1981, in the rate increase phase of these proceedings, James M. Nelson III testified for the County of Los Angeles, Department of Communications, (LA County). He claims entrance channels presently are priced in an arbitrary and capricious manner and the procedure for establishing them is excessively lengthy and time-consuming. Nelson requested that the Commission order Pacific to make entrance channels available at the same price and on the same basis as any other private-line service of the same grade and class. Nelson offered Exhibit 202 which contains proposed revisions to Pacific's tariff which Nelson claimed would solve the problems he believes exist.

#### Procedural History

Following Nelson's appearance in February 1981, some informal discussions were held among the assigned administrative law judge (ALJ), Nelson, and Pacific with a view toward solving the problem without further hearings or an order by the Commission. This effort was still proceeding when the Commission issued Decision (D.) 93367 on August 4, 1981 in the general rate increase phase of these proceedings. In that decision we stated we would expect Pacific and LA County to work out the problem and if the solution was not satisfactory to LA County, it could bring the matter up again at further hearings which were to be scheduled in these proceedings.

Shortly after August 4, 1981 further discussions were held among the parties and the ALJ. This resulted in a letter to Pacific from Nelson containing a new proposal for resolving the dispute. Pacific replied to Nelson by letter dated October 1, 1981 stating that it had made an analysis of the methods and practices used to provide entrance channels and the approach to pricing the channels. Pacific stated that the analysis confirmed that the type of entrance

channel at issue does have a number of unique requirements which must be identified and considered for each individual channel as part of the ordering process and that process is a standard practice throughout the Bell System. This results in extended intervals of time to establish the service requested. Pacific claimed that the market size, at that time 8 customers with about 70 channels, makes it difficult to develop engineering, service, and pricing standards required for a general offering. Pacific conceded that the extended periods of time to establish service concerned it very much and said it would review its procedures and try to improve its response times.

Nelson replied to Pacific's October 1st letter on October 14th by letter asserting that he still did not agree with Pacific's position. Nelson maintained that LA County had adequately demonstrated both on and off the record that there are no valid reasons for special tariff handling of entrance channels. Nelson noted that a meeting had been arranged with Pacific and American Telephone & Telegraph Company (AT&T) which he hoped would resolve the problem. Apparently discussions continued over the fall and winter but to no conclusion because on March 26, 1982 Nelson again wrote the ALJ to say discussions had "reached an impasse." He said LA County had had 18 entrance channels on order for over a year with none in service as yet and iterated his problems of cost and nonuniqueness of entrance channels. Pacific replied to that letter on April 9th at the request of the ALJ stating that it expected to complete LA County's installations on time and that AT&T with Pacific's help was developing an illustrative tariff.

Because it appeared no real solution was in sight for the short term, the matter was heard on May 18 and June 17, 1982 with optional concurrent briefs due June 29. Pacific filed a brief; LA County did not.

#### LA County's Showing

Nelson, again testifying for LA County at the May 18 and June 17 hearings, recommended the revisions to Tariff 135-T that he

had recommended in February 1981 or an alternative contained in his letters of August 28, 1981 and March 26, 1982 noted above. Nelson does not believe a separate tariff covering entrance channels is necessary. He cited statements made to him by Pacific personnel that a survey of all Bell System operating companies had revealed no entrance channel requirement out of a potential of several thousand that was different from standard private line offerings. After considerable research of Bell System technical references and Pacific tariffs, Nelson was unable to find other than minor differences in the specifications between entrance channels and other voice-grade private line services. He believes none of the minor differences would cause any technical or engineering difficulties. Nelson stated he was authorized to represent the Counties of San Diego, Riverside, San Bernardino, Ventura, and Santa Barbara on this issue and all those counties support his position.

Pacific's Showing

Pacific called Francis C. Horn, a staff manager at Pacific who is in charge of a staff of engineers responsible for setting the transmission standards and some equipment standards for voice frequency type of equipment. Horn testified that the entrance channels at issue are each individually designed to customer specifications and do not meet standard specifications. He stated that each channel is uniquely designed for its particular application and does not look like any other service Pacific provides.

Douglas E. Mackintosh, a staff manager responsible for many voice-grade private-line and entrance channel services, also testified for Pacific. Mackintosh stated that an entrance channel is intended for an entirely different type of application than those for private-line channels. He said that because an entrance channel always involves some kind of customer-provided facility, a number of unique requirements must be identified and considered in the design of each channel. The principal requirements are signaling power source, circuit design, and protection to ensure no harm to Pacific's facilities, channels, and personnel.

Mackintosh believes a standardized general offering for entrance channels is desirable. Although Pacific currently has only 8 customers with 69 channels in service, he believes there will be a large demand for these services in the next few years. However, because Pacific is not aware of all the interface standards required to satisfy private communications systems, it would prefer to have AT&T work with the industry at a national level which AT&T is now doing with the help of Pacific engineers. In the interim, if the Commission believes a tariff would be desirable, Pacific is ready to offer a tariff similar to one offered by Pacific Northwest Bell (Northwest). Mackintosh included such a tariff in an exhibit which revised the current Northwest tariff to apply to Pacific's requirements and costs reflected in studies put into evidence in the rate phase of these proceedings. Mackintosh conceded those cost studies are an issue yet to be resolved and the subject of further hearings in these proceedings.

#### Discussion

The cross-examination by Pacific of Nelson, which brought out the many complexities of interfacing private communication systems with a public utility telephone system, and the largely unchallenged testimony of Pacific's two witnesses is convincing that entrance channels as defined in this case are not the usual private-line service offered by phone companies. Pacific has indicated that it is close to offering a generalized tariff for entrance channels which is being developed by AT&T with Pacific's cooperation. It would be a waste of time to order Pacific to file an interim tariff with rates based on costs that are still at issue in this proceeding. The record indicates Pacific is close to completing the

current installations LA County has on order.<sup>2</sup> We believe a reasonable solution is to order Pacific to file within 90 days from the effective date of this order<sup>3</sup> either the interim tariff proposed by Mackintosh at the rates then in effect for comparable types of service<sup>4</sup> or the tariff it claims is being developed by AT&T.

Findings of Fact

1. Entrance channels, as defined in this decision, each have their own unique characteristics and must be engineered to provide adequate connections to a customer's private communication system so that reliable service can be provided and the serving telephone utility's system and personnel adequately protected.

2. The procedure for establishing entrance channels under Pacific's Tariff 135-T is excessively lengthy and time-consuming.

3. Contrary to the Commission's expectations when it issued D.93367, LA County and Pacific were not able to work out their problems with the provision of entrance channels.

4. Public hearings on the issue of entrance channels were held at which all interested parties had an opportunity to appear and be heard.

---

<sup>2</sup> We note however that it has taken an inordinate amount of time to accomplish this and admonish Pacific that its performance on such requests should improve in the future.

<sup>3</sup> Effectively that will give Pacific 120 days from the date this order is signed.

<sup>4</sup> We recognize the difficulty Pacific may have in determining such rates because this would be in many respects a new type of service. However, we would expect Pacific to use cost factors representative of the work to be done and base rates on whatever is currently in effect for those types of services.



5. A standardized general tariff offering for entrance channels is desirable and is being developed by AT&T with the assistance of Pacific and should be completed shortly.

6. Pacific is willing to file an interim tariff covering entrance channels pending completion of the tariff noted in Finding 5.

Conclusion of Law

Pacific should be ordered to file either an interim or permanent tariff covering entrance channels within 90 days from the effective date of this decision.

O R D E R

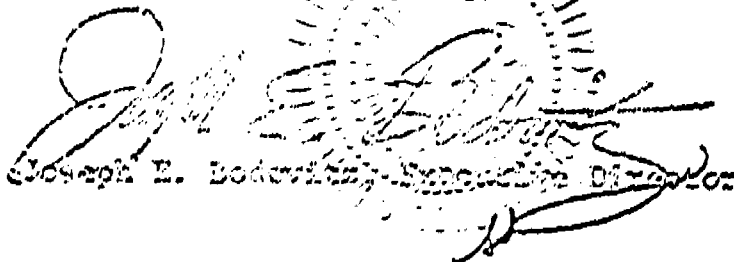
IT IS ORDERED that The Pacific Telephone and Telegraph Company shall file with the Commission within 90 days from the effective date of this decision either (1) an interim tariff covering entrance channels as described in this decision or (2) a version of the permanent tariff being developed by AT&T for entrance channels.

This order becomes effective 30 days from today.

Dated NOV 3 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. CRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

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

  
Joseph E. Lodovick, Executive Director