

ORIGINAL

Decision **83 12 057** DEC 20 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, for authority to restructure its offering of intrastate TELPAK services.

Application 82-11-03 (Filed November 1, 1982; amended August 18, 1983)

O P I N I O N

By its amended application, The Pacific Telephone and Telegraph Company (Pacific) seeks authorization to restructure its offering of intrastate Telpak (Telpak) channels and services.

History

Intrastate Telpak service was originally filed as a companion offering to interstate Telpak service. Both offerings were designed to recognize certain cost savings and operational efficiencies inherent with the provision, to one customer at one time, of a large number of private line services with common originating and terminating points. Because such savings and efficiencies do not now exist and Telpak services use essentially the same facilities and equipment which are used to provide regular private line services, the interstate Telpak service, under Federal Communication Commission (FCC) jurisdiction, was withdrawn in May 1981. Pacific avers that its costs associated with intrastate Telpak, continue to be nearly identical to its costs associated with the provision of regular private line service.

By Resolution (Res.) T-10339 of December 30, 1980, we authorized Pacific to limit its intrastate Telpak services to customers in service as of December 31, 1980, but allowed such customers to use their intrastate Telpak sections up to the maximum

capacities of such sections. Interstate Telpak, under FCC jurisdiction, was withdrawn in May 1981. The Res. further required Pacific to prepare, file with the Commission and mail to protestants a study showing the earnings of its private line services with and without Telpak, a study of its earnings on the Telpak service alone, and a study showing the effects on Telpak customers of the elimination of Telpak services and conversion to regular private line service. Such studies were filed with the Commission and mailed to protestants on June 12, 1981. A summary of the results of such studies was filed as Exhibit D in Application (A.) 82-11-03 on November 1, 1982.

On October 6, 1982, Pacific filed Advice Letter 14365 to limit its Telpak services to existing customers at existing service configurations as of the effective date of the approval of such Advice Letter. On November 3, 1982, we authorized the limitations by Res. T-10638.

Rates

Both intra and interlata circuit routings may be found within the same base capacities. Pacific avers that without approval of this application, it would be unable to disaggregate these two types of circuits and lack of disaggregation would ultimately result in billing confusion and customer dissatisfaction.

The proposed universal mileage rate contained in Exhibit B to the amended application was calculated by dividing the total base capacity and Telpak extension (Leg-out) billing for all existing Telpak customers by the total V & H mileage of all individual Telpak circuits for all Telpak customers. Pacific proposes to compare each Telpak customer's individual Telpak circuit rates to its comparable individual private line channel rates and bill the lesser of the two amounts.

Notice

Pacific mailed a notice of its application and amended application to all of its Telpak subscribers, to cities and counties in its service area, and to others. The application and amended application were noticed in the Commission's Daily Calendar of November 4, 1982 and August 24, 1983. Only the California Trucking Association (CTA) communicated with us by its protest filed November 24, 1982 and its letter of August 30, 1983.

Pacific by letter of November 22, 1983 submitted a revised Exhibit B in its amended application received here as Exhibit 1. Exhibit B in its amended application proposed Telpak rates that are "subject to adjustment pending completion of analysis of billing data in effect September 7, 1983". Pacific mailed its November 22, 1983 letter to all parties notified of its amended application.

Positions

In the joint protest by CTA and seven highway common carriers, CTA states that, under the application, "motor carriers will be forced to pay PT&E at least fifty percent (50%) more for bulk communications services between July 7, 1983 and the date services are instituted under the Truckers Electronic Tandem Network (TETN)." CTA states that the proposal is for the elimination of Telpak by rate increases with a future billing cap of the then current private line rate. This analysis is correct. Further, CTA states that the increase to motor carriers is not justified.

In its letter, in response to the amended application, CTA states that it has been informed about it but has not yet received a copy. CTA states that it has a continuing interest in the application and it is likely that CTA will wish to present evidence.

Pacific eliminated the 50% increase every six months until the differential is eliminated feature in its amended filings. Our Communications Division staff (Staff) informs us that the amended

application was sent to CTA and that it met jointly with Pacific and CTA on the effects of the application. Our Staff has not heard from CTA since. Our staff recommends approval of the amended application, because of the effects of divestiture upon the present rates.

Data Request

Pacific responded to our Staff's Telpak data requests of October 24, 1983 on November 15, and December 6, 1983. The responses are received here as Exhibit 2.

Pacific states in its response that after divestiture Interlata services will go to AT&T Communications and Intralata services will stay with Pacific. Where a Telpak Base Capacity presently could contain both Interlata and Intralata services, after January 1, 1984, each Base Capacity can contain only Intralata or Interlata services, but not both. Allocating the Telpak Base Capacities to either Pacific or AT&T Communications would result in a significant increase in communications cost for all Telpak customers due to the change in pricing of all services not qualifying for Telpak rates to the current individual private line rates.

All other Telpak pricing elements, such as service terminals, connecting arrangements, and other associated facilities, would remain unchanged. The administrative requirements and costs for Pacific and AT&T Communications to continue to bill existing Telpak rates beyond the end of 1983 would be substantial.

Pacific states that there are 328 Telpak Base Capacities currently being provided. Pacific avers that it is not feasible to indicate how many Telpak users would receive rate increases if its proposed restructuring is authorized. However, it states all Telpak users with Telpak circuits approximately 34 airline miles or less would have a rate decrease because their services would be restructured to the lesser individual private line rates. This would be done without an offsetting increase in rates for the remaining Telpak services. It further states that the remaining Telpak services would be repriced with the modified rate per mile which

should keep Telpak total monthly billing approximately the same. Some Telpak services would receive increases in monthly rates. Other Telpak services would receive decreases. Some, by coincidence, may come out the same.

Pacific. then states that it is not feasible to provide the range of rate increases and decreases prior to actual conversion to our proposed mileage restructure. Of the 4,245 Telpak Services, 3,229 are physically between different LATAs and will become the business of AT&T Communications. In addition, 785 Telpak services are physically within the same LATA and will remain the business of Pacific. The remaining 321 Telpak services are shared Telpak Base Capacities and, depending on the ratio of Intralata to Interlata fill for each base capacity, could become either the business of Pacific or AT&T Communications.

There should be a cap on bills resulting from the changes in rates. Any customer increase should be limited to the lower of the current private line rates or the new rates.

Findings of Fact

1. A public hearing is not necessary.
2. Interstate Telpak service, under FCC jurisdiction, was withdrawn in May 1981.
3. Intrastate Telpak service was closed to new customers on December 31, 1980, and customers were limited to in-place service configurations. on November 3, 1982.
4. After divestiture interlata services will go to AT&T Communications and intralata services to Pacific. ✓
5. Intralata and Interlata Telpak services cannot be billed in the same base capacity after January 1, 1984.
6. After divestiture, January 1, 1984, each base capacity can contain only interlata or intralata, but not both.
7. Allocating Telpak base capacities to either Pacific or AT&T Communications would result in a significant increase in rates to some customers because services not qualifying for Telpak rates would be charged at private line rates.

8. The administrative requirements and cost, and customer dissatisfaction resulting from continuing to bill the existing Telpak rate after divestiture could be substantial.

9. There are 785 Telpak intralata services, 3,229 interlata, and 321 shared services, to be assigned on the basis of major use.

10. All circuits, 34 miles or less, would have a rate decrease under restructuring.

11. The total remaining circuits under restructuring would have about the same total billing. Some would receive an increase, some a decrease, and some would be the same.

12. The increases and decreases in rates authorized in Appendix A are just and reasonable, and present rates insofar as they differ from those prescribed, are for the future unjust and unreasonable.

13. It is reasonable to limit any customer increase in bills resulting from the rates authorized to the lower of the rates authorized, or the current private line rates.

14. The administrative requirements and costs which would result from maintaining the present Telpak rate structure after divestiture warrant changing that structure prior to the conclusion of Pacific's general rate case, A.83-01-22.

Conclusions of Law

1. It is proper to change and to increase or decrease Telpak rates, for customers in order to mitigate the adverse effects of divestiture on some customers, based solely on the record in this proceeding.

2. There should be limitations on Telpak increases.

3. Pacific's amended application to restructure its offering of Telpak services should be authorized as provided by the following order.

4. At the time the Telpak's universal mileage rate is authorized, Pacific should compare each customer's Telpak circuit rates to its comparable individual private line channel rates, and bill the lesser of the two amounts.

The effective date of this order should be the date of signature because of divestiture as of January 1, 1984.

O R D E R

IT IS ORDERED that:

1. On and after the effective date of this order, The Pacific Telephone and Telegraph Company (Pacific) is authorized to file, the revised intrastate Telpak rate structure to establish a universal intrastate Telpak mileage charge attached to this order as Appendix A and to concurrently withdraw and cancel its present structure. Such filing shall comply with General Order Series 96.

2. Upon one day's notice to the Commission the revised rate structure shall become effective on January 1, 1984 and shall apply only to service rendered on and after its effective date.

3. Pacific is authorized to bill the lesser of the amount of each customer circuit when compared between the universal intrastate Telpak mileage charge, and its comparable individual channel rates.

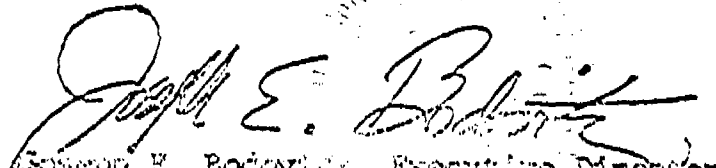
This order is effective today.

Dated DEC 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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


Joseph E. Bodovick, Executive Director

SCHEDULE Cat. P.U.C. No. 122-T
PRIVATE LINE SERVICES AND CHANNELS
TELPAK CHANNELS AND SERVICES

PRESENT RATES

A. Series 5000 (TELPAK) Base Capacity:

The following mileage rates apply for each interexchange and indistrict area channel per airline mile, or fraction thereof, per month.

	<u>USOC</u>	<u>M.R.</u>
Type 5700 (TELPAK C)	1LKC4	\$ 40.00
Type 5800 (TELPAK D)	1LKD4	\$100.00

PROPOSED RATES

A. Series 5000 (TELPAK) Modified Channels:

The following voice equivalent mileage rates apply for each interexchange and interdistrict area individual channel per airline mile, or fraction thereof, per month. Airline mileage is figured on a rate center basis, exactly as presently done for individual channels. The mileage rate shown is determined by dividing the total present base capacity billing by the total actual circuit miles of all customers.

	<u>Voice Equivalent</u>	<u>USOC</u>	<u>Monthly Rate 12/7/83</u>
1. Sub-voice Channels			
a. Type 5101 thru 5105	.7667	1LKK4	\$.19*
b. Type 5106	.3334	1LKK4	.38*
2. Voice Channels			
a. Type 5201 thru 5302	7.0	1LKK4	7.13*
3. Wideband Channels			
a. Type 5701	12.0	1LKK4	13.56*
b. Type 5751	60.2	1LKK4	67.80*

At the time the Intrastate Telpak modified rates are established, the rates between each Intrastate Telpak customer's individual Intrastate Telpak circuit will be compared with its individual private line channel counterpart and the lesser of the two amounts will be billed.

* These rates are the result of an analysis of TELPAK billing data in effect November 7, 1983.

(END OF APPENDIX A)

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