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Decision 96-01-023 January 24, 1996

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 establish a tariff)
schedule for Integrated Services)
Digital Network.)

ORIGINAL

Application 95-07-042
(Filed July 19, 1995)

OPINION AUTHORIZING CHANGE IN
SERVICE CATEGORIZATION

Summary of Decision

This decision authorizes GTE California Incorporated (GTEC) to change the service categorization of certain Integrated Services Digital Network (ISDN) services from Category I to Category II.

Brief Background for Context

Service Categories. It was in 1989 that the Commission first established specific categories for services within which local exchange carriers (LECs) were granted levels of pricing flexibility, and thereby the ability to better respond to market conditions. Category II services were defined to "include discretionary or partially competitive services for which the LEC retains significant (though perhaps declining) market power." (D.89-10-031, 33 CPUC 2d 43, at 125.) The Commission defined "discretionary" to refer to the "characteristic of the telecommunications function rather than to whether other similar local exchange carrier services exist."

(Id.) The LECs were granted downward pricing flexibility for these services. Category I services are "basic monopoly services" for which no pricing flexibility is allowed.

Existing Authority. In 1991, GTEC made its initial request to provide ISDN services. At that time, GTEC requested ISDN be categorized as a Category II service. In D.92-06-062, the Commission authorized GTEC to establish a tariff for ISDN, without pricing flexibility, as a Category I service. This authorization was intended to be interim, pending review and final determination of appropriate rates and categorization in the Alternative Regulatory Framework Implementation Rate Design (IRD) proceeding (I.87-11-033, Phase III). However, the record in the IRD proceeding did not specifically address ISDN rates and categorization, so the resulting Commission decision did not address ISDN recategorization.

What Is ISDN? ISDN is a worldwide standard for transmitting digital voice and data services over regular copper wiring. ISDN is a technology that "digitizes" the wire that connects a home or business to the local phone company Central Office (the "local loop"). With the addition of customer premise equipment capable of reading the ISDN signal from the Central Office, high capacity digital transmission is made possible without replacing existing copper wire. Practically speaking, ISDN lines are used, for example, for voice communications, data transmission, digital information transmission, and image transmission -- separately or simultaneously over a single line. ISDN applications include video conferencing, remote health care, and remote teaching.

GTEC's Application

GTEC requests authority to recategorize the following services from Category I to Category II: ISDN Basic Rate Interface (BRI), ISDN Single Line, and ISDN Primary Rate Interface (PRI).

Specifically, GTEC seeks to recategorize 19 ISDN-Single Line Services rate elements, 23 ISDN-BRI Services rate elements, and 4 ISDN-PRI Services rate elements (see Appendix A for a list of each rate element). GTEC notes that future rate elements are not intended to be excluded. GTEC is requesting the Basic Exchange Access Line for ISDN-Single Line Services remain in Category I.

In support of its request, GTEC asserts that ISDN Services are discretionary and partially competitive. Alternative, but not identical services are delineated. GTEC states that the primary advantage of ISDN over alternative services is that ISDN relies upon telephone numbers as addresses to send voice, image and data. Alternative services are dependent on what is typically a more limited set of pre-defined addresses. ISDN, GTEC concludes, therefore has greater networking potential enabling communication with an unlimited number of users. GTEC expects its ISDN customers to continue to come from small- to medium-sized businesses.

GTEC supports its request that the Basic Exchange Access Line for ISDN-Single Line Services remain in Category I by stating that ISDN-Single Line Service for a residential customer is purchased in addition to the "plain old telephone service" residential line; that there is no cost-effective ISDN customer-

premises equipment for multiple extensions normally needed in a home environment.

GTEC proposes no change in the rate structure for ISDN in its application. If granted, however, GTEC will exercise pricing flexibility for ISDN.

With its application, GTEC filed a cost study accompanied by a Motion to Accept Under Seal. This motion was granted August 28, 1995, by the Law and Motion Administrative Law Judge.

Protest

AT&T Communications of California, Inc. (AT&T) filed a limited protest to GTEC's application. AT&T expresses concern with GTEC's assessment of competitive alternatives or substitutes to ISDN. AT&T suggests the Commission approve GTEC's request on the basis that ISDN services are discretionary. If the Commission intends to move ISDN from Category I to Category II on the basis of GTEC's competitive alternatives assessment, AT&T asks that the validity of GTEC's assessment be examined in evidentiary hearings.

AT&T asserts that most Category II services can only be accurately described as emergently competitive, at most, and that still others are only discretionary with no competitive alternatives.

Discussion

We agree that, at this time, ISDN services are enhancements to basic telephone service. They are discretionary services, not basic monopoly services GTEC provides its customers. We agree with AT&T that Category II is to be applied

to discretionary or partially competitive services. Since we have found ISDN services discretionary, we need not address GTEC's competitive alternatives assessment.

However, we agree with GTEC that the basic exchange access lines to ISDN services should remain in Category I. This decision should not be read as prejudging our determination of the definition of universal service or monopoly building blocks. Rather, retaining ISDN Single-Line Service Basic Exchange Access in Category I continues without change our existing practice.

Findings of Fact

1. GTEC requests authority to change the service categorization for its ISDN Basic Rate Interface, ISDN Single Line, and ISDN Primary Rate Interface from Category I to Category II.

2. At this time, ISDN services are enhancements to basic telephone service. They are discretionary services.

Conclusion of Law

Category II services were defined to include discretionary or partially competitive services. GTEC should be authorized to change the service categorization for ISDN Basic Rate Interface, ISDN Single Line, and ISDN Primary Rate Interface from Category I to Category II. ISDN Single Line Basic Exchange Access should remain in Category I.

O R D E R

IT IS ORDERED that:

1. GTE California Incorporated (GTEC) is authorized to change the service categorization for Integrated Services Digital Network (ISDN) Basic Rate Interface, ISDN Single Line, and ISDN Primary Rate Interface from Category I to Category II, as described in the application, on five days' notice to the Commission and the public. ISDN Single Line Basic Exchange Access shall remain in Category I.

2. The Law and Motion Administrative Law Judge's Ruling granting the motion for a limited protective order keeping GTEC's cost study confidential is affirmed.

3. GTEC shall recover all copies of its sealed cost study 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.

This order is effective today.

Dated January 24, 1996, at San Francisco, California.

P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

Commissioner Daniel Wm. Fessler
is necessarily absent on official
business.

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On ISDN-Single Line Services, the following rate elements, which are the features, are recategorized to Category II.

1. ISDN Access: provides exchange access and line termination at the serving central office.
2. ISDN Multipoint Access: allows up to eight terminals belonging to the same customer to share a single BRI line.
3. B-Voice: assigns voice traffic to one of the two B channels.
4. B-Circuit Switched Data (CSD): assigns circuit switched data traffic to one of the two B channels.
5. B-Voice/CSD: assigns either voice or CSD on an on-demand basis to one of the two B channels.
6. B-Packet: dedicates one B channel to packet switched data.
7. D-Packet: allows the customer to use the D channel for packet switched data.
8. Additional telephone numbers.
9. ISDN Basic Station Service: allows voice features to be assigned to line.
10. ISDN Deluxe Station Service: allows additional voice features to be assigned to a line.
11. Data 1000: allows circuit switched data features to be assigned to a line.
12. Data 2000: allows additional circuit switched data features to be assigned to a line.
13. X.25 Basic: allows X.25 features to be assigned to a channel.

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14. X.25 Deluxe: allows additional X.25 features to be assigned to a line.
15. Data Direct Connect: allows a single stored number dialing on a Circuit Switched Data channel.
16. Data Closed User Group: allows circuit switched data channels to only call each other within a business group.
17. Data Base Change: one time charge for specific data base rearrangements.
18. Individual Line Loop Extension: provides a longer loop capability on an ISDN line
19. Exception Provisioning: provides ISDN service in non-capable central office.

For ISDN-BRI Services, the following rate elements are recategorized to Category II.

1. ISDN Access: provides exchange access and line termination at the service central office.
2. ISDN Multipoint Access: allows up to eight terminals belonging to the same customer to share a single BRI line.
3. B-Voice: assigns voice traffic to one of the two B channels.
4. B-Circuit Switched Data (CSD): assigns circuit switched data traffic to one of the two B channels.
5. B-Voice/CSD: assigns either voice or CSD on an on-demand basis to one of the two B channels.
6. B-Packet: dedicates one B channel to packet switched data.
7. D-Packet: allows the customer to use the D channel for packet switched data.

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8. Additional telephone numbers.
9. ISDN Basic Station Service: allows voice features to be assigned to line.
10. ISDN Deluxe Station Service: allows additional voice features to be assigned to a line.
11. Data 1000: allows circuit switched data features to be assigned to a line.
12. Data 2000: allows additional circuit switched data features to be assigned to a line.
13. X.25 Basic: allows X.25 features to be assigned to a channel.
14. X.25 Deluxe: allows additional X.25 features to be assigned to a line.
15. Data Direct Connect: allows a single stored number dialing on a Circuit Switched Data channel.
16. Data Closed User Group: allows circuit switched data channels to only call each other within a business group.
17. Data Base Change: one time charge for specific data base rearrangements.
18. Basic Exchange Access Line for ISDN-BRI: provides local loop access to network for a CentraNet® business group configuration.
19. CentraNet® 1000, 2000, 3000 for ISDN-BRI only: provides CentraNet® voice features to an ISDN line.
20. CO Attendant Service for ISDN-BRI only: provides attendant service to an ISDN line.
21. Individual Line Loop Extension: provides a longer loop capability on an ISDN line.

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22. Automatic Call Distribution/Management Information System (ACD/MIS): provides basic and optional ACD and ACD/MIS features.
23. Exception Provisioning: provides ISDN service in non-capable central office.

For ISDN-PRI Services, the following rate elements are recategorized to Category II.

1. ISDN-PRI Access "A" Interface: provides central office termination per line terminating at the central office.
2. ISDN-PRI Access "B" Interface: provides central office termination to an Intermediary Customer or central office to central office.
3. PRI Access Facilities: already Category II.
4. "B" Channel Configurations - Dedicated Trunks: provides Circuit Switched Data, DID/DOD Service, Intermediary Customer Services, 800 Services, and OutWATS Service.
5. Optional Features: provides Special Access Line and Call-by-Call Trunk.

(END OF APPENDIX A)