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to Executive Director

RESOLUTION NO. T-11049

EVALUATION AND COMPLIANCE  
DIVISION

DATE: June 25, 1986

RESOLUTION Director Numerical File Alphabetical File Accounting Officer

SUBJECT: Pacific Bell. Order authorizing a 5 year Specialized Service Arrangement with AT&T Communications of California to deviate from the rates and charges set forth in Access Service Tariff Cal. P.U.C. 175-T, Section 8 for the provision of intrastate billing and collection services and to establish a Local Exchange Company Usage Billing Service system for certain low usage customers of AT&T Communications of California. Resolution No. T-11049.

WHEREAS: PACIFIC BELL, by Advice Letter No. 15091 filed, May 20, 1986, and by Supplement filed June 6, 1986, requests authority under Section 454 of the Public Utilities Code to provide the following:

A Specialized Service Arrangement (SSA) with AT&T Communications of California (AT&T-C) to provide intrastate billing and collection services consisting of the following components:

- Recording Service
- Billing Service
- Billing Analysis Service
- Billing Information Service
- Conversion Service
- Local Exchange Company Usage Billing Service
- Continued Billing and Collection Service

Since January 1984 Pacific has provided nearly full billing and collection services to AT&T-C under Cal.P.U.C. 175-T Section 8. In February 1986, AT&T-C took back its interstate WATS/800 traffic billing and has stated its intention to take back most all of its remaining traffic billing. This tariff will allow Pacific to assist AT&T-C in converting many accounts to AT&T-C's own billing system. It will set rates for the existing billing and collection services at reduced levels over the 5 year life of the contract such that Pacific will continue to receive a maximum sustainable revenue contribution from billing and collections consistent with market realities and AT&T-C's stated preference to perform much of its own billing. It will also set up procedures for a Local Exchange Company Usage Billing Service (LUB) which will enable Pacific to continue to bill some of AT&T-C's low volume casual users and facilitate the transfer of the customer's billing between Pacific and AT&T-C when the customer's usage changes.

Pacific states in this Advice Letter that upon the Commission's approval of these SSA rates it will file tariff revisions to its present Section 8 billing and collection rates to revise the rates for common elements (e.g. recording services) to be similar with the rates authorized by this resolution. It is anticipated that additional billing and collection revenues from other Interexchange Carriers (IECs) could be realized as a result of such revisions.

The effect of this filing is to maximize billing and collection revenues to Pacific Bell over the 5 year period, however for the year 1986 the SSA yield fewer revenues than otherwise, approximately \$15 million. Conversely AT&T-C will see an expense decrease of approximately \$15 million for the last half of 1986. There has not been an opportunity to recognize this expense saving in AT&T-C's rate request application, A.85-11-029 which utilizes a 1986 test year. Therefore, it will be necessary for the record in A.85-11-029 to contain the test year effect of this 5 year contract on AT&T-C and we shall so order.

The Commission finds that the proposed Specialized Service Arrangements rates for Billing and Collection Services are just and reasonable; therefore good cause appearing,

IT IS ORDERED that:

(1) Authority is granted to make the above revisions effective on June 30, 1986.

(2) Pacific shall file within 30 days after the effective date of this Resolution a tariff proposal complete with supporting workpapers, to revise Schedule CAL. P.U.C. No. 175-T Sections 8.1, 8.2, 8.3 and 8.4 pricing the common services at the rates authorized by this resolution in order to stimulate demand from other IECs.

(3) AT&T-C shall file an original and 12 copies with the Commission's Docket Office with copies to the Evaluation and Compliance Division and all parties in A.85-11-029 stating the 1986 test year effect of the billing and collection agreement within 30 days of the effective date of this resolution.

(4) Our Public Staff Division and/or other interested parties in A.85-11-029 may file "responses/requests for hearing" no later than 15 days from receipt of AT&T's filing.

(5) All tariff sheets filed under Advice Letter No. 15091 shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission of the State of California No. T-11049.

The effective date of this Resolution is today.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular meeting of the Public Utilities Commission of the State of California, held on June 25, 1986, the following Commissioners voting favorably thereon:

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners

*John Wilson*  
Executive Director

5) A comparison of the projected revenues over the 5 year life of the contract shows that implementing this SSA is preferable over not implementing it.

Est Revenues:	TOTAL COMPANY (\$ million)					TOTAL
	1986	1987	1988	1989	1990	
With SSA	182.2	176.7	153.8	57.5	52.9	= 623.1
No SSA *	197.5	157.5	7.0	7.0	7.0	= 376.0

\* Assumes the following: AT&T-C will begin billing its long distance and Intrastate WATS customers between 9/87 and 12/87. Pacific will retain only Recording Service for Feature Group C offices immediately after AT&T-C completes conversion of its customers to their billing system. No other billing services will be provided to AT&T-C.

6) The financial impact from a present worth standpoint shows the SSA; the Specialized Serving Arrangement, will be a significant contributor to the earnings of Pacific and works towards keeping rates for local service low.

	TOTAL COMPANY (\$ million)					TOTAL
	1986	1987	1988	1989	1990	
Revenues	182.2	176.7	153.8	57.5	52.8	= 623.0
Expenses	22.8	27.1	43.8	39.1	35.1	= 167.9
Net before inc. tax	159.4	149.6	110.0	18.4	17.7	= 455.1

PRESENT VALUES at 13.7% discount rate

Revenue: 463.76

Expense: 112.93

Net before income tax: 350.83

Impact on the AT&T-C Rate Case

The approximate half year effect on AT&T-C for 1986 is an expense reduction of approximately \$15 million. Resolution T-11049 directs AT&T-C to file within 30 days of the effective date of T-11049 the 1986 test year effect in A.85-11-029.