

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

C-1

Copy for:

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to Executive Director

RESOLUTION NO. T-11083

EVALUATION AND COMPLIANCE
DIVISION

DATE: December 3, 1986

R E S O L U T I O N

____ Director
____ Numerical File
____ Alphabetical File
____ Accounting Officer

SUBJECT: Pacific Bell. Order authorizing a deviation from General Order 96-A when conducting technological tests for new services involving end user participants. Resolution No. T-11083.

WHEREAS: Pacific Bell, by Letter dated October 31, 1986, requests authority under Sections 491 and 532 of the Public Utilities Code to deviate from General Order 96-A, by filing a Test Description Package when conducting technological tests involving end user participants. End user participants are residential and/or business customers, company employees in their homes, local exchange and interexchange carriers, and enhanced service providers.

General Order 96-A states that Commission authorization must first be obtained before any utility may furnish service at rates or under conditions other than those that are contained in effective tariff schedules including new untariffed services. Request may be made by formal application or if of minor importance or temporary in nature, by an advice letter filing.

The divestiture of Pacific Bell from AT&T on January 1, 1984, and the resultant loss of Bell Laboratories and Western Electric facilities created the need for Pacific Bell to continually evaluate new and existing technologies to ensure efficient use of the network, to discover new sources of revenue, and to maintain competitiveness. It is essential that these new technologies be tested on a small scale in a controlled environment, in a proprietary manner, and in an expeditious manner prior to marketing. Testing of new services prior to implementation is prudent as it reduces financial risk to the ratepayer and shareholder and ensures safe, quality products and services which are beneficial to the customer.

A technology test, as defined by Pacific, is the testing of hardware, software, systems or other facilities by individuals or groups for whom the potential service offering is intended.

By this Letter, Pacific Bell requests permission to deviate from the advice letter process by implementing a Test Description Package submittal. For each technological test involving end user participants, a Test Description Package is submitted to the Evaluation and Compliance Division (E&C) for review and approval. The Test Description Package will include a Test Description Letter, the Test Participant Notification, and Inquiry Response Information.

The Test Description Letter will outline the parameters of the test which include project/service name, description of service, test objectives, timeframes, number of participants, location, cost, and success criteria. A Test Participant Notification will describe the test and indicate the rates or charges or clearly state that the tested service is being provided at no charge. The Inquiry Response Information will provide generalized test information available for public disclosure.

The Test Description Letter will be reviewed and approved in writing by E & C Division Staff. Information contained in the Letter and Participation Notification will be protected from public disclosure under the provisions of General Order 66-C.

For any test lasting six months or more, interim tracking results will be provided the staff of the E & C Division. Pacific will also track all costs on a project specific basis and will provide such information to E & C Division upon request.

Guidelines for conducting technological tests are attached as Appendix A to this resolution.

If the technology test is satisfactory and Pacific decides to offer the service on a limited basis (a market trial), the existing advice letter process of G.O. 96-A will be followed and at that time, any intervention or protest may be filed.

E & C Division's written approval to conduct a technological test does not infer that the incurred costs are reasonable and prudent. Such an issue is normally determined in general rate proceedings.

The Commission finds as facts that:

1. Pacific Bell needs to continually test new technologies utilizing end user participants.
2. The existing testing notification process under G0-96A does not protect proprietary information from Pacific's competitors nor does it allow for expeditious processing of the request.

3. Guidelines set forth in Appendix A of this Resolution clearly define technology tests and the requirements to be followed when end user participants are involved in any technological test.

4. An accelerated process which facilitates the approval process and monitoring of technology tests by Evaluation and Compliance Division staff and still maintains the proprietary status of such tests has been developed.

IT IS THEREFORE ORDERED that:

- (1) Authority is granted to make the aforesaid deviation effective today by Resolution of the Public Utilities Commission of the State of California No. T-11083.
- (2) Pacific Bell will submit a Test Description Package to the Evaluation and Compliance Division for review and approval whenever a technology test involving end user participants is being considered.

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 December 3, 1986, the following Commissioners voting favorable thereon:

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



Executive Director

GUIDELINES

FOR

CONDUCTING

TECHNOLOGY TESTS

AND

MARKET TRIALS

PACIFIC BELL
October 29, 1986

GUIDELINES FOR CONDUCTING
TECHNOLOGY TESTS AND MARKET TRIALS

STRUCTURING TESTS AND TRIALS

- Pacific will determine up front whether it is conducting a Technology Test or a Market Trial. The number of participants in the Test or Trial, then, will be limited to the sample size required to achieve the technical objectives (if it is a Technology Test) or the market objectives (if it is a Marketing Trial).
- Test/Trial objectives, success criteria, cost objectives and outside time parameters will be established prior to the start-up of any Test or Trial. These parameters can be adjusted as results become available with E & C approval.
- A Test or Trial will be terminated under any of the following conditions
 - the success criteria and other objectives are met -- regardless of the outside time parameter.
 - Pacific concludes that the Test or Trial is not successful
 - the Commission issues a formal order
- On Tests or Trials lasting six months or more, Pacific will provide interim tracking results to the E & C Staff
- Internal participants (company employees at their homes) may be included in Technology Tests when appropriate. Other End User Participants may be included in Technology Tests when they add value beyond that of company employee participants. Examples of their added value include situations when
 - a significant amount of traffic is necessary to test the capacity
 - company employee participants' biases and tolerance levels could skew test results
 - company employee participants do not fit the test criteria
- When Testing enhancements to "basic service", Pacific, when feasible, will recruit participants who currently subscribe to the basic service.
- Pacific will track all costs on a project specific basis and provide such information to the E & C upon request
- The E & C Telecommunications Branch Chief will be informed in writing of Pacific's intentions to conduct a Test or Trial at least 3 working days prior to a Company initiated press release.

GUIDELINES FOR CONDUCTING
TECHNOLOGY TESTS AND MARKET TRIALS

STRUCTURING TESTS AND TRIALS (cont.)

- Brief Executive Summaries highlighting the results and indicating Pacific's future plans (if any) will be provided to the E & C Staff at the conclusion of Tests and Trials. This information is proprietary and will be so considered by the CPUC.
- Pacific's Director of Regulatory Relations is responsible for reviewing all Test and Trial submittals to the E & C Staff.
 - Completeness of information requirements
 - Clear Test/Trial objectives and success criteria
 - Reasonableness of sample size to meet the technology objectives or the marketing objectives
 - Reasonableness of timeframe

NOTIFICATION/AUTHORIZATION REQUIREMENTS (Refer to Chart 1)

- Routine, on-premise equipment testing to upgrade the network and Research and Development activities require no E & C notification when end users are not knowingly and actively participating. However, when the test represents a significant technological breakthrough and poses the potential for significant customer impact, Pacific will provide the E & C Staff with an advisory FYI letter.
- Pacific will submit a Test Description Package for E & C Staff review and approval when End User Participants are involved in a Technology Test. The E & C Staff will review the Test Description Packages for
 - Completeness of information requirements
 - Clear Test/Trial objectives and success criteria
 - Reasonableness of sample size to meet the stated objectives
 - Reasonableness of timeframe

During the review process Pacific may be requested to clarify information stated in the Package. Those requests will be channeled through Pacific's Director of Regulatory Relations. The E & C Staff will respond to the Test Description Package within ten working days of receipt.

GUIDELINES FOR CONDUCTING
TECHNOLOGY TESTS AND MARKET TRIALS

(Refer to Chart 1)

NOTIFICATION/AUTHORIZATION REQUIREMENTS (continued)

- In written notification to End User Participants describing the Test, Pacific will make participants aware that the Test can be withdrawn at any time during the Test period and will be withdrawn at the end of the Test period. Such notification will also indicate the rates and charges applicable to the services provided under the Test. If no rates or charges apply the notice will clearly state that the service being tested is provided at no charge.
- Pacific will request Commission authorization to conduct all Market Trials via the existing Proposal/Advice Letter process.
- Pacific and the Commission will review the effectiveness of this process six months after implementation and make adjustments if necessary to ensure that the process continues to meet our collective needs in this arena.

TECHNOLOGY TESTS AND MARKET TRIALS

DEFINITION OF TERMS

- Technology Test - The testing of hardware, software, systems and other facilities in a controlled environment to determine one or more of the following
 - Functionality
 - Technical quality (i.e. reliability)
 - Compatibility with network
 - Provisioning, installation and maintenance processes
 - Cost
 - Efficiencies of various configurations

NOTE: Marketing information may be a byproduct of technology tests. Examples include:

- Usage patterns
 - Desirability of features and applications
 - Compatibility with customers' other services
 - User friendliness
- Market Trials - The trialing of a service that provides potential customer benefit in a limited marketplace to determine
 - End user willingness to pay
 - Actual demand vs. expected demand

Other market information may also be gathered during the trial. Examples include

- Distribution Channels
- Usage patterns
- Compatibility with customers' other services
- User friendliness

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TECHNOLOGY TESTS AND MARKET TRIALSDEFINITION OF TERMS (Cont'd)

- Manufacturers - Owners, providers and developers of hardware, software or systems.

- End User Participants - The individuals or groups for whom a potential service offering is intended. This category includes Residence customers, businesses, Company employees at their homes, Local Exchange Carriers, Interexchange Carriers and Enhanced Service Providers who knowingly and actively participate in a Technology Test or Market Trial or who experience an obvious change in service as a result of the Test/Trial (e.g., a Trial of a new directory assistance recording asking the customer to consult his directory first).

- Blanket Deviation - A one-time Resolution to be passed by the Commission providing Pacific authorization to conduct Technology Tests under the guidelines set forth in a Blanket Authorization. The Resolution will require specific information "via a Test Description Package" to be submitted for Evaluation and Compliance Staff (E & C) review and approval when a Test is conducted using End User participants.

- FYI Letter - When routine, on-premise equipment testing to upgrade the network or Research and Development activities represent a significant technological breakthrough and pose the potential for significant customer impact, Pacific will provide the E & C Staff with an advisory FYI letter. This FYI letter will briefly detail the nature of the testing and will be protected from public disclosure under General Order 66-C.

TECHNOLOGY TESTS AND MARKET TRIALSDEFINITION OF TERMS (Cont'd)

- Test Description Package - A brief package submitted to the E & C Staff to include the following documents:
 1. Test Description Letter outlining the parameters of the Test (1-2 pages)
 - Name of project or service
 - Brief description of service
 - Test objectives
 - Timeframe
 - Number of participants
 - Location of Test
 - Statement of cost if "significant"
 - Success criteria
 2. Copy of Test Participant Notification (approximately 1 page) to include
 - Test description and Test period dates
 - Acknowledgment that the service may be withdrawn at any time during the Test period and will be withdrawn at the conclusion of the test
 - Clear acknowledgement of any services provided at no charge
 - Itemization of any applicable rates and charges
 3. Inquiry Response Information to include
 - Any generic information that may be disclosed by the Staff in the event of inquiries from the Public
 - The following statement "If the Test is successful and Pacific elects to make a product or service offering, as an interested party you may obtain a copy of the Advice Letter, when it is filed, by writing to the Executive Director State Regulatory (Tariffs) 140 New Montgomery Street, San Francisco, Ca. 94105. Should you wish to intervene in the process, you may do so in accordance with General Order 96-A Section III.H."

The Letter requires E & C review and approval before Pacific can move forward. The Staff will respond within ten working days of receipt. The Letter and Test Participant Notification are protected from public disclosure under General Order 66-C.

TECHNOLOGY TESTS AND MARKET TRIALSPROPOSED NOTIFICATION/AUTHORIZATION REQUIREMENTS:

TECHNOLOGY TESTS

MARKET TRIALS

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- Upgrading the network
 - Research and Development
 - No end user participants
- REQUIREMENT:
NO NOTIFICATION TO E & C
- PROCESS:
INTERNAL DOCUMENTATION
AVAILABLE TO E & C UPON
REQUEST

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- REQUIREMENT:
- COMMISSION AUTHORIZATION
via Blanket Deviation
 - COMMISSION NOTIFICATION

PROCESS:
TEST DESCRIPTION PACKAGE

- Limited number of participants
- Limited geography
- Limited timeframe

REQUIREMENT:
COMMISSION AUTHORIZATION

PROCESS:
PROVISIONAL TARIFF