

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Telecommunications BranchRESOLUTION NO. T-12046
September 10, 1987R E S O L U T I O N

CONTINENTAL TELEPHONE COMPANY OF CALIFORNIA.
AUTHORIZATION IS GRANTED TO REVISE SCHEDULE NO. A-1,
NETWORK ACCESS LINE SERVICE TO INCREASE RATES TO REFLECT
INCREASED COSTS OF PROVIDING DIRECT INWARD DIALING TRUNKS AND
BLOCKS OF TELEPHONE NUMBERS.

SUMMARY

This resolution authorizes Continental Telephone Company of California (Contel) to increase the rates for Direct Inward Dialing (DID) services to reflect increased costs of provisioning trunks and blocks of telephone numbers for DID. DID is a feature that permits incoming calls to stations (telephone instruments) served by a Private Automatic Branch Exchange, a centrex system, or a telephone answering service to be dialed directly. The call does not go through an attendant. The existing single rate element of \$56.00 per trunk will be replaced with 1) a reduced monthly trunk charge of \$13.00, 2) a monthly charge of \$65.00 for each block of 100 telephone numbers, 3) a minimum block of 100 telephone numbers requirement, and 4) non-recurring charges for installation and provisioning. The existing rates are under cost and considerably lower than DID rates charged by other utilities. DID is viewed as a highly desirable and marketable service. As a result the existing losses to Contel will increase as the number of customers increase. The estimated increase in annual revenues is approximately \$51,000.

Current customers were notified of the proposed rate increase by mail. Three protests have been received.

BACKGROUND

Continental Telephone Company of California by Advice Letter No. 789 filed July 10, 1987 and Supplement A filed July 24, 1987 requests authority under Section 454 of the Public Utilities Code to make effective the following tariff changes:

- o Revise the offering of Direct-Inward-Dialing by creating a rate element for provision of blocks of 100 directory numbers (lines) to be used with DID in addition to a rate element for provisioning a trunk for DID.
- o Revise wording and move text as needed to clarify tariffs.
- o Increase the recurring rate and institute non-recurring rates to recover costs for providing DID.

When Contel first offered DID service in 1984, rates were set based on estimated cost of service. Since then Contel has completed a detailed cost study for DID which demonstrated that the original cost estimates for DID were too low. This Advice Letter revises the present rate for DID to reflect its costs, which is consistent with Commission policy of cost-based pricing. General Telephone Company of California, Pacific Bell (Pacific) and Evans Telephone Company offer DID service. Contel's present rate for DID is considerably lower than the rates of those telephone companies. The rates authorized by this resolution result in charges more in line with Pacific Bell's charges. Shown below is a comparison of the present rates and charges of Contel and Pacific and Contel's proposed rates.

Monthly Rates for DID

Contel @ Present Rates	Contel @ Proposed Rates	Pacific Bell @ Present Rates
\$50.00 /trunk	\$13.00 /trunk	First 200 numbers
	\$65.00 /100 numbers	\$200.00 /100 numbers
		Over 200 numbers
		\$35.00 /each additional 100 numbers

Example of Monthly Charges for DID †

\$300.00	\$468.00	\$505.00
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† Based on Contel's average customer: 6 trunks, 77 lines/trunk

Presently there are 23 customers subscribing to 10,600 lines and 140 trunks provisioned for the DID feature. The proposed tariff rates will result in an average monthly charge increase of 54%, yielding an estimated annual revenue of approximately \$51,000. Customers were notified by mail of the proposed rates on July 10, 1987. Three protests have been received.

This rate increase and revision of tariff is granted outside a rate case since any increasing demand for this highly marketable service would result in additional losses for Contel.

A review of Contel's intrastate earnings for the 12 months ending April 30, 1987 indicates an intrastate rate of return of 11.9%. Contel's last authorized rate of return was 12.72% on March 20, 1985. An increase in revenues of \$51,000 will be de minimus (less than .01%) effect .

PROTESTS

On July 16, 1987, Cal-Com Radio Telephone Service (Cal-Com) filed a protest against this Advice Letter. On July 20, ICS Communications (ICS) filed its protest. Both Cal-Com and ICS protested on grounds that they had not received a copy of the advice letter as provided for in G.O. 96-A.

Contel responded by sending copies of the advice filing to the two companies on July 24, 1987. Contel also filed a supplement to extend the effective date of the Advice Letter by 30 days.

Since both Cal-Com and ICS were Contel customers as well as certificated utilities, Contel calculated the effects on Cal-Com's and ICS's monthly bills. Cal-Com would have a \$47 increase. ICS in Barstow would have an \$18 decrease while ICS in Victorville would have a \$56 increase.

On August 24, 1987 Allied Radiotelephone Utilities of California (Allied), a trade association, joined the protest of ICS which is owned by Metromedia Telecommunications. This late-filed protest is based on two points: 1) some Radio Telephone Utilities (RTU) [Only Cal Autofone was specifically named] were not served with copies of the advice letter filing as provided in G.O. 96-A, and 2) the customer notification sent by Continental did not specify the amount of the increase that would be imposed, which in fact would be a substantial increase. Allied further contends that there is no apparent reason to warrant the rate restructure and increase.

Contel, in response to the protest, pointed out that the customer notification mailed on July 10, 1987 gave the new rate elements and rates:

"Contel is restructuring its rates for Direct Inward Dialing and the telephone numbers associated with it.

As of August 26, 1987, the cost for a DID trunk will be \$13.00 plus the cost of the associated PBX trunks. The cost for DID telephone numbers will be \$65.00 per 100 numbers or increments thereof. To establish a new DID service there will be a \$700.00 nonrecurring set up charge. To add to DID there will be a nonrecurring charge of \$300.00."

Also, Contel pointed out that it submitted a cost study to the Commission in support of its proposed rate restructure and rates. Review of the protesting customers' monthly bills showed both rate increases and a decrease under the proposed tariff change.

Contel indicated it supplied copies of its Advice Letter filing to all those on its service list, including Cal Autofone which was cited by Allied as an RTU not receiving filings from Contel.

DISCUSSION

By delaying the effective date of its Advice Letter, Contel provided additional time for review and protest. Contel provided ICS and Cal-Com the filings they requested. No further protest was received from either party.

The protest by Allied was late. Customers were provided with the proposed rate changes in the notification sent out on July 10, 1987. The proposed changes will result in both increases and decreases in monthly DID customers' bills. Contel provided a cost study in support of its proposed tariff change. All who requested the Advice Letter filing received it and were given time to respond. Therefore, Allied's protest is without merit and should be denied.

However, Allied's late-filed protest highlights a staff concern: it may not be reasonable to expect local exchange companies to keep up with the telecommunications providers, which readily move in and out of the marketplace, make numerous inter-corporate changes which affect business names, addresses and ownership. Based on information provided to staff, the 32 companies represented by Allied are now inter-affiliated into 15 companies. The Commission currently has record of 90 RTUs and updates its lists every two months to keep up with the changes. In addition to the clerical difficulties, the expense of sending copies of advice letters to all RTUs and others such as resellers and interested parties is prohibitive and often wasteful. Some other procedure than that described in G.O.96-A may be needed, and we address that issue in the near-future in an order instituting rule-making.

FINDINGS

1. Contel's present rates for DID service are below cost. The revised rates will recover cost and are reasonable.
2. Contel's rate of return will not be exceeded by this increase.
3. A growing market for DID service will increase the rate of Contel's losses.
4. Cal-Com Radio Telephone Service and ICS Communications have been provided with a copy of this advice letter and supplement on July 24, 1987. They made no additional protests.
5. Allied's protest is late, has no merit and should be denied.

IT IS ORDERED that:

(1) Authority is granted to make the above revisions effective on September 19, 1987.

- (2) Schedule Cal. P.U.C. No. A-1,
60th Revised Sheet No. 1
9th Revised Sheet No. 14
15th Revised Sheet No. 15
8th Revised Sheet No. 16
8th Revised Sheet No. 17
4th Revised Sheet No. 23
7th Revised Sheet No. 32
2nd Revised Sheet No. 32A

and Schedule Cal. P.U.C. No. AC, 41st Revised Sheet No. 1 and 4th Revised Sheet No. 8 shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission of the State of California No. T-12046.