

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Telecommunications Branch

RESOLUTION NO. 13029  
January 27, 1989

R E S O L U T I O N

Pacific Bell. Order authorizing revision of tariffs Schedule Cal. P.U.C. No. B2 General Regulations, 2.2.4 Provision of Service and Schedule Cal. P.U.C. No. B3 Channels to clarify Pacific Bell's policy on administering Frozen/Grandfathered Services.

Advice Letter No. 15464, filed October 17, 1988 and supplemented on October 24, 1988 and November 23, 1988.

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SUMMARY

Pacific Bell (Pacific) requests authority to add definitions, clarifications and corrections concerning the administration of frozen or "grandfathered" services as they apply to its Private Line tariffs. Without these changes customers might believe that certain rates were frozen when, in fact and in practice, it is the services which have been frozen.

On November 18, 1988, API Alarm Systems (API) protested the advice letter. This Resolution denies the protest.

BACKGROUND

When a service becomes obsolete or inefficient or is otherwise replaced, it is often the practice of utilities to "grandfather"<sup>1/</sup> or freeze the service. This prevents new

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1 The Telecommunications Glossary, published in 1983 by AT&T defines to "grandfather" a tariff as

"a means of administering a tariff for an obsolete service so as to halt the growth of services, ultimately discontinue the service altogether, or change existing tariff regulations without discontinuing certain rights, privileges, or conditions of service to existing customers."

customers from subscribing to the old inefficient or obsolete service, but allows existing subscribers to continue the service without penalty. As long as the service remains in place without being affected by other service changes, the utility will leave the service in place. However, as customers disconnect or change features of the service, the utility removes the frozen or grandfathered status. Thus over time the frozen/grandfathered service is eliminated.

On October 17, 1988, Pacific filed Advice Letter No. 15464, supplemented on October 25, 1988, requesting authority to add definitions, clarifications and corrections to its private line tariffs to eliminate confusion and mis-interpretation concerning Pacific's administration of frozen/grandfathered services. Definitions of frozen and grandfathered services will be added to the definition section of B2 Private Line Services, General Regulations. Also, Pacific will add clarification of its policies (which are similar to those described in the paragraph above) in the description of its service offering. Reference to these additions will be inserted where appropriate in B3 Channels tariff sheets. Finally footnote references will be corrected to read "Frozen service" rather than "Frozen rate" because the rates of frozen/grandfathered services can be and are adjusted as necessary.

There is no financial impact since the proposed changes bring the wording of the tariff into line with Pacific's practices.

#### PROTEST

On November 18, 1988 API filed a protest for this advice letter on the grounds it went beyond Pacific's objective to clarify its tariff. API stated that the tariff provisions would allow Pacific to completely disconnect an entire multipoint service if any addition, disconnection, move or change is made to any part of the service. It further protested that many grandfathered services cannot be replaced by other services in the same series type. Thus Pacific's offer to install a like series circuit at no charge is not applicable and new installation charges will be imposed. This filing and Pacific's inability to replace grandfathered services within the same series type and/or the same design parameters will improperly accelerate the attrition of these services. The forced migration from grandfathered services will affect virtually every user of private line services throughout the state since many services are co-provisioned with Pacific. API alleges that unnecessary disconnection of frozen/grandfathered service will be caused by non-service changes such as supercedure for billing purposes. Finally API protests that the filing is far beyond the scope of clarification and will result in increased revenues to Pacific from termination charges, and installation of new services to replace grandfathered services of a different series. API fears that this advice letter will allow Pacific to expand the intent of frozen/grandfathered services.

In its response, filed November 18, 1988, Pacific states that "API largely perceives the clarifications proposed in Pacific's Advice Letter accurately. It simply disagrees whether Pacific is properly carrying out prior Commission decisions and whether those prior decisions were appropriate." Pacific suggests that API seeks to modify Commission decisions and as such it is actually requesting an application for rehearing of Resolution No. T-10868 (September 19, 1984 in which the Commission authorized the grandfathering of Private Line services.) Pacific states that such an application would be untimely and not in compliance with Commission's Rules of Practice and Procedure numbers 85 and 86.1.

Pacific responds that there was no intention that the frozen/grandfathered services would remain in place indefinitely; all frozen/grandfathered services ultimately are discontinued. By allowing these services to remain in place, Pacific is prolonging the attrition. These services are currently being provided below cost. Until these services are removed, other services are subsidizing businesses that can well afford to pay for the services that are available.

Pacific states that API's assertion that grandfathered services cannot be replaced by other services of the same series type is false. This filing does not change the series of service used; it would only change the provisioning of the local loop arrangement and the price applied to that element.

To the other elements of API's protest Pacific indicates its willingness to work with customers and carriers to insure that quality service is provided and all needs are met. However, it is not willing to subsidize this effort by maintaining services that are no longer offered. Pacific also points out that supercedure is in fact a request for new service since it is a change in billing responsibility. Frozen/grandfathered services, such as those affected by Resolution No. T-10868, September 1984, are limited to the same customer. Finally Pacific emphasized that it is not expanding or altering frozen/grandfathered services. It is only putting into the tariffs what current company practice. It hoped to eliminate ambiguity that existed in its tariffs over the last four years. There are no revenues associated with this filing.

#### DISCUSSION

Grandfathering or freezing services is a practice designed to protect the customer from immediate forced change in his service, while allowing the utility to proceed with updating and modernizing its services. Until a change is requested or until a specified date has passed, the customer may maintain the previous service. This provides a transition period for the changeover. It is important to note that services have been grandfathered, not the rates.

The grandfathered services that are referred to in this Advice Letter are private line services. Those private line services involving connections between two terminations on the same premises and channels between first terminations in different premises on the same continuous property were grandfathered in 1984 by Res. T-1086. Others are affected by Pacific's most recent Rate Case Decision 88-08-022. In both instances, the establishment of frozen/grandfathered services has been found reasonable by the Commission. It is important that Pacific's tariffs reflect its practice and the Commission intent with regard to frozen and grandfathered services. We will deny API's protest.

#### FINDINGS

1. Services are frozen or "grandfathered" to discontinue an obsolete service without penalty to existing customers.
2. Requests for changes to frozen or grandfathered services result in the customer becoming ineligible for the grandfathered or frozen service.
3. Rates for frozen or grandfathered services may and do change.
4. API's protest should be denied because the services offered in the tariffs affected by this advice letter were frozen/grandfathered by previous Commission action. (Resolution No. T-10868 and D.88-08-022)

#### IT IS ORDERED that:

1. Pacific is authorized to add definitions, clarifications and corrections regarding its administration of frozen/grandfathered services in the B2 and B3 tariffs.
2. API's protest is denied.
3. The following tariff sheets in Schedule Cal. P.U.C. No. B2 General Regulations and Schedule Cal. P.U.C. No. B3 Channels will be marked to show that such sheets were authorized by Resolution No. T-13029:

#### In B2 General Regulations

7th Revised Check Sheet A  
 2nd Revised Table of Contents Sheet A  
 2nd Revised Sheet 6  
 2nd Revised Sheet 7  
 3rd Revised Sheet 18  
 Original Sheet 18.1

#### In B3 Channels

125th Revised Check Sheet A	2nd Revised Sheet 37
9th Revised Check Sheet B	4th Revised Sheet 38
3rd Revised Sheet 23	2nd Revised Sheet 39

3rd Revised Sheet 25	4th Revised Sheet 45
1st Revised Sheet 25.3	5th Revised Sheet 46
4th Revised Sheet 32	4th Revised Sheet 47
4th Revised Sheet 33	4th Revised Sheet 53
6th Revised Sheet 35	3rd Revised Sheet 61
4th Revised Sheet 36	2nd Revised Sheet 62
5th Revised Sheet 68	
3rd Revised Sheet 70	
3rd Revised Sheet 71	
2nd Revised Sheet 73	
4th Revised Sheet 74	
4th Revised Sheet 80	
4th Revised Sheet 86.3	
1st Revised Sheet 86.4	
Original Sheet 86.5	
6th Revised Sheet 89	
3rd Revised Sheet 90	
3rd Revised Sheet 91	
4th Revised Sheet 96	

4. The effective date of this Advice Letter is February 9, 1989.

5. The effective date of this Resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 27, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
 President  
 FREDERICK R. DUDA  
 STANLEY W. HULETT  
 JOHN B. CHARLAN  
 Commissioners




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Executive Director