

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14006  
Telecommunications Branch November 3, 1989

## R E S O L U T I O N

PACIFIC BELL. ORDER REGARDING PACIFIC BELL'S REQUEST TO REDUCE THE RATE FOR INTRASTATE INTERLATA DIRECTORY ASSISTANCE SERVICE TO INTEREXCHANGE CARRIERS IN THE SOUTHERN CALIFORNIA AREA (NPAs 805, 818, 213, 619, 714).

BY ADVICE LETTER NO. 15603, FILED ON SEPTEMBER 15, 1989.

SUMMARY

This order rejects Pacific Bell's (Pacific's) request, in Advice Letter No. 15603, to reduce the rate for intrastate interLATA directory assistance service to interexchange carriers (IECs) by 27% in the Southern California area only (NPAs 805, 818, 213, 619, 714). The requested rate reduction does not comply with Public Utilities Code Section 453 (c), which prohibits "unreasonable" differences in rates between localities. Further, Pacific has failed to demonstrate that the revenues generated by the reduced rates will cover the costs of the associated services.

BACKGROUND

In Advice Letter No. 15603, filed September 15, 1989, Pacific proposes to reduce the rate for its intrastate interLATA Directory Assistance Service to IECs in Southern California only by 27%. This reduction is in direct response to Commission authorization in D.89-03-051 (stay lifted in D.89-07-032) for GTEC to offer the same service in Southern California at a rate of \$.245 per call versus Pacific's \$.33 plus transport per call. Pacific seeks to reduce its rate in Southern California to \$.24 plus transport per call, and leave Northern California at \$.33 plus transport per call. Pacific projects loss of all Southern California intrastate interLATA IEC Directory Assistance traffic without a rate reduction to match GTEC's competitive offer. Intrastate interLATA IEC Directory Assistance represents 5.6% of Pacific's total Directory Assistance volume, and the contended Southern California volumes represent approximately 1.46%. The projected revenue loss is about \$2.5 million.

PROTESTS

GTE California Incorporated (GTEC) filed a timely protest with the CACD on September 26, 1989. Pacific Bell responded to GTEC's protest on October 3, 1989, as required by G.O. 96-A,

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Section III.H. AT&T Communications of California, Inc. (AT&T) filed timely comments on October 5, 1989.

**GTEC's Protest:** GTEC cites what it characterizes to be a "major policy issue" in establishing a "deaveraged" rate in Southern California, as well as concerns about whether the requested rate will support fully allocated costs as ordered by D.89-03-051, and the pendency of the rehearing ordered in D.89-07-032 to consider the appropriate compensation for competitive uses of merged data bases. GTEC requests that the Commission reject Pacific's Advice Letter No. 15603, or suspend it in order to hold public hearings on the "significant policy and economic issues" it raises.

**Pacific's Response to GTEC:** Pacific dismisses GTEC's contention that the proposed rate reduction represents a geographically "deaveraged" rate, citing local exchange service as an example of how rates often vary by location for the same service. Pacific assures GTEC that it may review the cost support for AL 15603 by signing a nondisclosure agreement, and further invokes the ability of the Commission's staff to "ensure no improper cross-subsidization occurs." Pacific rebuffs GTEC's suggestion that the pending rehearing on compensation for competitive uses of the merged Directory Assistance data base warrants delay in implementing AL 15603, alleging that only GTEC's rate will be affected by its outcome.

**AT&T's Comments:** AT&T does not oppose Pacific's Advice Letter No. 15603, but identifies the "deaveraging" of rates as the harbinger of potentially anticompetitive Local Exchange Carrier (LEC) pricing practices. AT&T is concerned that LECs could subsidize competitive services with revenues from monopoly services priced above costs. As does GTEC, AT&T suggests that geographically-sensitive rates should be supported by geographically-sensitive cost studies. AT&T further contends that, based on the current earnings cited in the proposed Phase II decision, Pacific should be able to reduce the rate for intrastate intraLATA IEC Directory Assistance statewide.

DISCUSSION

Public Utilities Code Section 453 (c) states:

"No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service."

While Pacific is correct in observing that differences in rates do exist among localities for the same service, such as local exchange service, the operative word is "unreasonable." Differences among localities currently tariffed are ostensibly based on reasonable differences in the cost of delivering the service in different locales. Pacific's cost support for Advice Letter No. 15603 is presented in an aggregate form. CACD staff requested cost data to be analyzed for Northern and Southern California separately, but were told this segregation could not reasonably be made. Therefore, it could not be determined that

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there are reasonable differences in the cost of delivering intrastate interLATA Directory Assistance (DA) services to IECs in Northern and Southern California. In the absence of such a showing of reasonable differences, the mandate of P.U. Code Sect. 435 (c) must be observed.

FINDINGS

1. In its Advice Letter No. 15603, Pacific seeks to reduce the rate for intrastate interLATA Directory Assistance Service to IECs in Southern California by 27%.
2. This reduction is in direct response to Commission authorization in D.89-03-051 (stay lifted in D.89-07-032) for GTEC to offer the same service in Southern California at a rate of \$.245 per call versus Pacific's \$.33 plus transport per call.
3. Intrastate interLATA IEC Directory Assistance represents 5.6% of Pacific's total Directory Assistance volume, and the contended Southern California volumes represent approximately 1.46%. The projected revenue loss is about \$2.5 million.
4. Public Utilities Code Section 453 (c) states:  

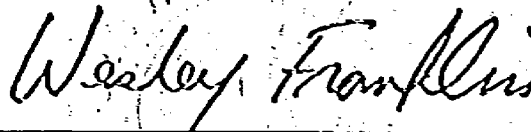
"No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service."
5. Pacific failed to provide data demonstrating reasonable differences in the cost of providing IEC DA service in Northern California and Southern California.
6. Therefore, it could not be determined that there are reasonable differences in the cost of delivering intrastate interLATA Directory Assistance (DA) services to IECs in Northern and Southern California.
7. In the absence of such reasonable differences, the mandate of P.U. Code Sect. 435 (c) must be observed.

THEREFORE, IT IS ORDERED that:

Pacific Bell's Advice Letter No. 15603, filed on September 15, 1989, is rejected.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 3, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

  
WESLEY FRANKLIN  
Acting Executive Director