

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14034
TELECOMMUNICATIONS BRANCH December 18, 1989

R E S O L U T I O N

) RESOLUTION T-14034. REQUEST BY AT&T COMMUNICATIONS OF CALIFORNIA TO REDUCE THE RATES FOR SOFTWARE DEFINED NETWORK AND INTRODUCE SCHEDULE D - LATA PAIR PRICING.

BY ADVICE LETTER NO. 153, FILED ON NOVEMBER 1, 1989.

SUMMARY

This resolution authorizes the request of AT&T Communications of California (AT&T-C) to reduce the rates for Software Defined Network (SDN) service and to introduce SDN Schedule D - LATA Pair Pricing. In accordance with Resolution T-13098, the rates filed under Advice Letter No. 153 on November 1, 1989, are provisional and subject to adjustment to reflect the costing methodology ultimately adopted in A.89-03-046.

AT&T-C shall track monthly billings, message volumes and call durations associated with its SDN services (by Schedule A-D), and report them to the CACD Telecommunications Branch Chief within 60 days of each month's end.

BACKGROUND

In filing Advice Letter No. 153 on November 1, 1989, AT&T-C characterized this SDN rate reduction and new LATA Pair Pricing schedule as necessary to keep the price of SDN service competitive, and consistent with AT&T's interstate SDN rates and pricing options. In its filing, AT&T-C certified that the rates filed for SDN service are above long-run incremental costs, and in compliance with Resolution T-13098, accepted that the revised rates are provisional and subject to adjustment to reflect the costing methodology ultimately adopted in A.89-03-046 (Readyline proceeding). AT&T-C puts the annual revenue impact of these rate changes at \$(868,000).

PROTESTS

On November 21, 1989, MCI Telecommunications Corporation (MCI) filed a timely protest with the Commission Advisory and Compliance Division (CACD). MCI asks the Commission to reject AT&T-C's Advice Letter No. 153, and require AT&T-C to apply for authorization to revise SDN rates and provide cost support which shows the effect of the proposed revision on AT&T-C's rates.

MCI bases its request for rejection of Advice Letter No. 153 on two issues:

1. Permitting AT&T-C to adjust its interim rates beyond the maximum level of flexibility afforded in D.88-12-096 (sic) is inappropriate.
2. AT&T-C cannot simply ignore costing support requirements.

DISCUSSION

This Commission's D.88-12-091 authorized limited pricing flexibility through rate bands for certain specified AT&T-C services: Message Toll Services, WATS and 800 Service. Rate bands were not, and have not been, authorized for SDN. The restrictions imposed upon AT&T-C's pricing flexibility in D.88-12-091, including the 15% barrier on rate band width, are applicable only to the services for which pricing flexibility has been authorized. Additionally, although MCI characterizes SDN rates as "interim," D.86-05-073 granted final authority for SDN.

In Resolution T-13098, this Commission found that D.88-12-091 did not suspend the existing regulatory mechanisms for AT&T-C (e.g., G.O. 96-A), but augmented them. MCI and CALTEL filed applications for rehearing of Resolution T-13098 which were denied by this Commission on December 6, 1989.

In its Advice Letter No. 153, AT&T-C does not seek to, nor could it, change rate bands (which do not exist for SDN) or effect pricing flexibility (i.e., enable additional changes on five days' notice). In Advice Letter No. 153, AT&T-C seeks to revise its SDN tariffs on regular 40-day notice under the Commission's General Order 96-A.

Regarding cost support for Advice Letter No. 153, AT&T-C has provided cost support documentation to the CACD.

The CACD recommends that AT&T-C track monthly billings, message volumes and call durations associated with its SDN services (by Schedule A-D), and report them to the CACD Telecommunications Branch Chief within 60 days of each month's end.

FINDINGS

1. AT&T-C has certified that the rates filed for SDN service are above long-run incremental costs. In compliance with Resolution T-13098, AT&T-C has accepted that the revised rates are provisional and subject to adjustment to reflect the costing methodology ultimately adopted in A.89-03-046 (Readyline proceeding).

2. Rate bands were not, and have not been, authorized for SDN. The restrictions imposed upon AT&T-C's pricing flexibility in D.88-12-091, including the 15% barrier on rate band width, are

applicable only to the services for which pricing flexibility has been authorized.

3. D.86-05-073 granted final authority for SDN.
4. In Resolution T-13098, this Commission found that D.88-12-091 did not suspend the existing regulatory mechanisms for AT&T-C (e.g., G.O. 96-A), but augmented them. MCI and CALTEL filed applications for rehearing of Resolution T-13098 which were denied by this Commission on December 6, 1989.
5. In Advice Letter No. 153, AT&T-C seeks to revise its SDN tariffs on regular 40-day notice under the Commission's General Order 96-A.
6. AT&T-C has provided cost support documentation to the CACD.
7. The CACD recommends that AT&T-C track monthly billings, message volumes and call durations associated with its SDN services (by Schedule A-D), and report them to the CACD Telecommunications Branch Chief within 60 days of each month's end.

THEREFORE, IT IS ORDERED that:

1. AT&T-C is authorized on a provisional basis to revise its Software Defined Network tariffs, as requested in Advice Letter No. 153, subject to adjustment to reflect the costing methodology ultimately adopted in A.89-03-046.
2. Advice Letter No. 153 and the accompanying tariff sheets shall be marked to show that they were approved by Commission Resolution T-14034.
3. AT&T-C shall track monthly billings, message volumes and call durations associated with its Software Defined Network services, and report them to the CACD Telecommunications Branch Chief within 60 days of each month's end.
4. The effective date of of this Resolution is today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1989. The following Commissioners approved it:

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

Wesley Franklin

 WESLEY FRANKLIN
 Acting Executive Director