

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
COMMISSION ADVISORY AND COMPLIANCE DIVISION      RESOLUTION T-14063  
Telecommunications Branch                                      April 11, 1990

R E S O L U T I O N

RESOLUTION T-14063. PACIFIC BELL. ORDER AUTHORIZING PACIFIC BELL TO IMPLEMENT A 30 MONTH PROVISIONAL TARIFF OFFERING LOWERING THE MINIMUM LINE REQUIREMENT FROM 20 LINES TO 2 LINES FOR CENTREX AND AIRPORT INTERCOMMUNICATING SERVICES.

SUMMARY

Pacific Bell (Pacific), by Advice Letter No. 15684 and Supplement 15684A filed February 14, 1990 and March 2, 1990 respectively, requests authority to revise Schedule Cal. P.U.C. No. A9. Central Office Services, 9.1.1 Centrex, 9.1.2 Centrex Payment Plans, A9.1.6 Airport Intercommunicating Service and 9.1.8 Electronic Tandem Switching, to lower the minimum line requirement from 20 lines to 2 lines, introduce a Service Establishment Charge for 2 through 19 lines and maintain a 20 line minimum requirement for Electronic Tandem Switching.

Pacific also proposed to revise Schedule Cal. P.U.C. No. A5.14 Number Retention Service, to reflect the changes to this Schedule as a result of the new minimum line requirement. CENTEX Telemangement, Inc. (CENTEX) filed a protest to the Number Retention Service revisions of the Advice Letter on March 13, 1990.

Pacific filed Supplement B to Advice Letter No. 15684 on March 23, 1990 to withdraw the revisions to Schedule Cal. P.U.C. No. A5.14 Number Retention Service from this filing, thus rendering CENTEX's protest to this Advice Letter moot.

This Resolution authorizes the revisions to the A9 Tariff which Pacific estimates will result in an increase in annual revenue of \$799,000. A 30 month Provisional offering is proposed.

BACKGROUND

Centrex is a central office based communications system equipped with primary stations lines capable of receiving direct in-dialed calls and capable of direct out-dialing of calls with optional features. Airport Intercommunicating Service (AIS Centrex Service) is Centrex service furnished to customers located at a designated airport whose business is directly related to or part of the designated airport (e.g., Los Angeles

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International and San Francisco International). This service is not furnished to the general public.

Pacific in Advice Letter No. 14881 filed January 18, 1985 was authorized by the Commission to revise its Centrex service tariff to reduce the Centrex-CO minimum line requirement from 40 to 20 lines.

In that filing Pacific states that "it is believed that by making Centrex available to more customers, the Utility will be able to make use of excess capacity, produce important revenues, help attract investors to the Company and provide a valuable service to our existing and potential Centrex customers."

Pacific says that in the 5 years since the 20 line minimum was established, customer sophistication and demand for improved features in the below 20 line market has increased significantly. In addition, more competitors have entered the market with an ever increasing set of feature-rich KTS (Key Telephone System) and small PBX (Private Branch Exchange) systems and are able to offer a full array of features in the small business market that previously had been limited to the greater than 100 line size market.

To meet its customer requirements and to remain competitive in the small business market, Pacific believes it must be able to offer a feature-rich, high quality business Centrex system product in the under 20 line market.

Pacific indicates that the Commission authorization of this Resolution will result in an estimated increase in annual revenue of \$799,000.

#### PROTESTS

CENTEX filed a protest to Pacific's Advice Letter No. 15684 on March 6, 1990 concerning Pacific's request to revise the Number Retention Service Tariff.

Pacific filed Supplement B to Advice Letter No. 15684 on March 23, 1990 withdrawing its request to revise the Number Retention Service Tariff. Accordingly, there is no need to address the protest of CENTEX.

#### DISCUSSION

Although the 2-19 lines minimum is a new Centrex offering, it will employ technology that exists, utilize existing central offices and existing workforce, and can be supported by existing internal systems, thereby keeping additional capital investment and other expenses (i.e., labor) directly related to this new offering to a minimum.

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Pacific says a 30 month Provisional Tariff offering allows it the flexibility to enter the small business market with Centrex and to fully assess customer requirements. This assessment will be used to gauge feature enhancements and/or pricing adjustments that may be incorporated in Pacific's permanent filing for 2-19 lines Centrex.

In its Advice Letter filing, Pacific indicated that in-service and inward movement of Centrex volumes and associated recurring and nonrecurring billing will be tracked on a monthly basis. Based on a review of the workpapers and supporting documentation submitted with this Advice Letter it appears that lowering the minimum line requirement from 20 lines to 2 lines for Centrex service is cost effective. However Pacific's cost estimate for this filing is based on adjusted 1986 NOI cost data which may not reflect current cost. Therefore, recurring and nonrecurring costs must be tracked so that a more realistic evaluation of the revenue to cost relationship can be determined prior to establishing a permanent tariff. In addition, Pacific's tracking data on volumes, billings and costs should be identified for 2 to 19 lines Centrex. Furthermore, the use of a particular methodology or cost data to derive and support recurring and nonrecurring cost data in this filing should not be construed to be a finding that the data or methodology is appropriate for other filings.

Customers will be notified of this new offering through direct customer contact and during appropriate customer calls. No blanket customer mailings or media advertising will be utilized to promote this new service. New Centrex customers ordering 2 through 19 lines will be required to sign a "Letter of Intent" which will state that the tariff is provisional.

#### FINDINGS

We find that:

1. On February 14, 1990 Pacific filed Advice Letter No. 15684 requesting Commission authority to revise Schedule Cal. P.U.C. A9.1.1, Centrex to implement a 30 month Provisional Tariff offering of Centrex service and Airport Intercommunicating Service for 2 to 19 lines and to modify Schedule Cal. P.U.C. A5.14 Number Retention Service to reflect the changes in the minimum line requirement. The Advice letter was supplemented on March 23, 1990 withdrawing the Number Retention Service revisions from the filing.
2. Although Pacific's estimate shows that the cost of providing 2 to 19 Lines Centrex service will be recovered by the rates and charges in the tariff, a re-evaluation based on more current cost data is needed before authorizing a permanent tariff.

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3. The use of a particular methodology or cost data to derive and support recurring and nonrecurring cost data in this filing should not be construed to be a finding that the data or methodology is appropriate for other filings.
4. There is a need to track revenues and costs related to 2 to 19 Lines Centrex.
5. Authorization of this Resolution will result in an estimated increase in Pacific's annual revenue of \$799,000.
6. The rates, charges, terms and conditions authorized in this resolution are just and reasonable; therefore,

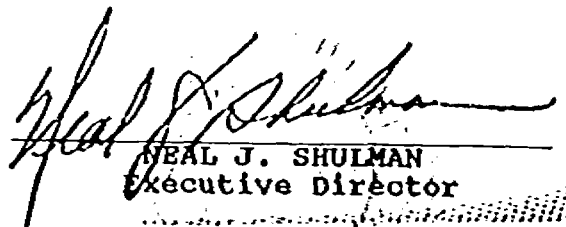
IT IS ORDERED that:

- (1) Authority is granted to make the above Advice Letter and associated Provisional Tariff effective on April 12, 1990.
- (2) This Provisional Tariff expires October 12, 1992.
- (3) Pacific shall track recurring and nonrecurring costs, in-service and inward movement volumes, and recurring and nonrecurring billings for 2-19 lines Centrex service.
- (4) CENTEX's protest to Advice Letter No. 15684 is rejected since Pacific withdrew the Number Retention Service (protested) portion of this filing.
- (5) The Advice Letter and tariff schedule authorized herein shall be marked to show that they were authorized under Resolution of the Public Utilities Commission of the State of California No. T-14063.

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 April 11, 1990. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director