

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14070
Telecommunications Branch May 22, 1990

R E S O L U T I O N

RESOLUTION T-14070. PACIFIC BELL. ORDER AUTHORIZING
PACIFIC BELL TO OPEN A NEW PREFIX (CODE) FOR THE
EXCLUSIVE USE OF THE UNITED STATES AIR FORCE UNDER A
CUSTOMER SPECIFIC CONTRACT.

SUMMARY

Pacific Bell (Pacific), by Advice Letter No. 15729 filed April 23, 1990 and Supplement 15729-A filed April 26, 1990 requests authority to revise Schedule Cal. P.U.C. No. K2 Customer Specific Contracts to cut-over a new prefix for the exclusive use of the United States Air Force (Air Force) at its Los Angeles Air Force Base facility located in El Segundo, CA.

Under the contract, Pacific will provide the Air Force 6000 consecutive DID (Direct Inward Dialing) numbers and reserve for the Air Force the additional numbers in the code (prefix) for growth. Pacific can reclaim the unused numbers in the code after three years or at any time Pacific determines that the unused numbers are required. This Resolution authorizes the revisions to the K2 Tariff which Pacific estimates will result in an increase in annual revenue of \$140,000 for 1990.

The Division of Ratepayer Advocates (DRA) filed a protest to Advice Letter No. 15729 on May 9, 1990. Based on a careful review of the allegations cited in the protest and Pacific's response to those allegations, we determined that the protest is without merit and is denied.

BACKGROUND

An essential element of dialing is a numbering system wherein each station has a unique number. With this numbering system, callers may use the unique number to reach the desired station (telephone), wherever the location may be. This is called "destination code" routing.

The routing codes for dialing consist of two basic parts; a 3-digit NPA (Numbering Plan Area) code (e.g., 415) used for long distance calls and a 7-digit telephone number used for long

distance calls and local calls. The 7-digit number is made up of a 3-digit central office code plus a 4-digit station number.

The 3-digit central office code (prefix) designates the assigned serving office or end office that provides dial tone to the subscriber. Up to 10,000 stations (numbers) per code may be available for use, depending on requirements for administrative spare terminals, codes reserved for special functions and other restrictions (e.g., block of numbers reserved for future growth).

When a certain level of numbers are used in a code, it becomes necessary to open another code. This can also be true when certain customers have large number requirements in the same prefix. The Air Force is now served from two prefixes. To simplify the numbering plan for their new Private Branch Exchange (PBX) system, all Air Force calls would be served from one prefix. There is no existing prefix that has the capacity (numbers available) to meet the present needs or future growth of the Air Force. Therefore, the Air Force has requested that Pacific open a new prefix to meet their needs under a customer specific contract.

Appendix A of D.88-09-059 sets forth a process and requirements for the filling of advice letters requesting authorization of customer specific contracts. Such requirements include:

- The contracts do not become effective until authorized by Commission Resolution.
- LEC's may request confidential treatment of workpapers and supporting cost documentation. Parties to the Settlement, other than the Division of Ratepayers Advocates (DRA) must enter into protective agreements to obtain such workpapers and /or documentation.
- Each contract shall cover the costs of the services provided under each such contract.
- Tracking procedures will be set up to validate costs.
- Contracts must contain "appropriate" services.
- Contracts are to be used only in unusual or exceptional circumstances.

Under the terms of the contract, Pacific agrees to cut-over a new prefix for the exclusive use of the Air Force at its Los Angeles Air Force facility located in El Segundo, California. Pacific indicates that the Commission authorization of this Resolution will result in an increase in revenue of \$140,000 in 1990.

PROTESTS

DRA filed a protest to Pacific's Advice Letter No. 15729 on May 9, 1990. DRA's protest can be summarized as follows:

1. The filing will add to the problem of the shortage of number resources without providing adequate assurances that Pacific can use excess numbers in the proposed prefix if there is a number shortage.
2. The costs associated with opening the new prefix exceed the Pacific charge to the customer for opening this code.
3. The contract may set a precedent for future contracts for the same service.

In its protest, "DRA recommends that the Commission authorize the contract, filed with Advice Letter No. 15729 subject to revision of the contract to provide that Pacific may utilize any unassigned telephone numbers in the new code at any time. DRA further recommends that the Commission clearly indicate that authorization of this contract does not establish a precedent for future contracts for the same service".

Pacific filed its response to the protest on May 15, 1990. Pacific's response to the protest is summarized as follows:

1. Although there was not sufficient number capacity to meet the unique needs of the Air Force, there is sufficient excess number capacity in the Hawthorne-Douglass central office to meet Pacific's need for forecasted growth in that office during the next three years and beyond. Pacific is not aware of any demographic changes that would invalidate this forecast.

Pacific also included in its contract a clause which precludes any claim by the Air Force that they have proprietary rights to this prefix, and, which allows Pacific to utilize any unassigned numbers in the prefix at any time Pacific determined they are required. The Air Force concurs with this understanding of the clause and so stated in a letter from its Contracting Officer to Pacific dated May 14, 1990.

2. Pacific states that this contract, like all other contracts Pacific prepares, must conform to the pricing requirements of Appendix A of Decision 88-09-059. Pacific also states this contract price was developed from embedded costs and the contract price fully recovers these costs.

Pacific says that DRA is not referring to these direct costs, but costs they are conjecturing could occur. Pacific contends that DRA's cited expenses to users of reprogramming auto dialers, call routing programs, new business cards and stationery are

speculative and unquantifiable and should not be included in its determination of how to price this contract.

3. DRA has stated a concern that this contract may set a precedent for future contracts for the same service. Pacific agrees that this contract should not set a precedent for similar contracts in the future, and has so stated in its Advice Letter No. 15729 filing.

The commission has reviewed the protest of DRA and concludes that DRA's recommendation that Pacific revise the Air Force contract to provide that Pacific may utilize any unassigned telephone numbers in the new code at any time is not needed since this provision is included in the existing contract. DRA's recommendation that the Commission indicates that authorization of this contract does not establish a precedent for future contracts for the same service is so noted.

DRA has also expressed its concern that "the cost and disruption caused by the establishment of a new NPA to the telecommunications service providers and the customers far exceed the cost which Pacific estimated to establish a new NPA". Pacific cuts over an average of 210-250 prefixes statewide yearly. It establishes a new NPA about once every eight years in Southern California area. Pacific's direct nonrecurring costs to provide these cut-overs are well documented. DRA in its protest does not dispute the level of the nonrecurring charge set forth in the contract. DRA protests that cost and disruption caused by the establishment of a new NPA to the telecommunications service providers and customers are not included in Pacific's costs. However, the Commission did not authorize Pacific to include those costs in its decision (D.88-09-059) governing pricing of contracts. DRA may petition the Commission to change D.88-09-059 to include these costs.

DISCUSSION

The Air Force contract, in accordance with the requirements of Appendix A of D.88-09-059, contains the necessary language which conditions its approval upon Commission authorization. Pacific, in its Advice Letter has requested confidential treatment of workpapers and supporting cost documentation, and a review of the Air Force contract indicates that it does contain a service listed as appropriate under the provisions of Appendix A of D.88-09-059.

The provisions of Appendix A of D.88-09-059 also requires that customer specific contracts are to be used only in usual or

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exceptional circumstances. In the Advice letter, Pacific states,

"A special contract is required in this exceptional circumstance given the fact that this customer asked Pacific for a new prefix (code) to be opened for the use of the Air Force. Pacific could not meet the customer's expectations under the current tariffs and therefore offered a customer specific contract."

"The terms and conditions of this contract are specific and unique and should not be considered precedential. The statements in the Advice letter are unique to this contract and should also not be considered precedential."

The assertion by Pacific that the customer requires a new prefix that could not be provided under the current tariffs appears to form a reasonable basis on which to determine that an exceptional circumstance exists which warrants providing the requested cut-over of a new prefix under contract. We also agree with Pacific that such a determination for the Air Force should not be considered by this Commission as establishing a precedent for subsequent contracts with other customers for telecommunications services.

Pacific routinely provides new prefixes to accommodate growth in its communications network. New prefixes are usually established to supply additional telephone numbers needed to accommodate the growth of all customers in a particular area, rather than one large customer. Nevertheless, the costs for opening a new code are similar, since these costs are labor intensive and no capital investment is required. Some costs are directly related to the number of central offices involved in a code opening and their technology (e.g., step-by-step, crossbar, digital and analog electronics). However, because of the routine nature of cutting over new prefixes and the number of prefixes Pacific has cut-over, the costs to cut-over are well documented. The charges as set forth in this contract exceed the cost of providing the service.

FINDINGS

We find that:

1. On April 23, 1990 Pacific filed Advice Letter No. 15729 requesting Commission authorization to cut-over a new prefix for the Air Force under a customer specific contract.
2. Appendix A. of D.88-09-059 and G.O. 96-A set forth certain requirements for the filing of advice letters requesting authorization of customer specific contracts.

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3. Advice Letter No. 15729 conforms to the requirements of Appendix A of D.88-09-059 and G.O. 96-A.
4. The Air Force ordered 6000 consecutive telephone numbers and reserved the additional numbers in the new code for growth.
5. Under the terms of the contract, Pacific may reclaim unused numbers in the code after three years or at any time Pacific determines that they are required.
6. Authorization of this Resolution will result in an estimated one time increase in Pacific's annual revenue of \$140,000 for 1990.
7. This ruling for contract filing should not be construed to set asprecednt for future contracts for similar filings.
8. DRA's concerns cited in its protest are addressed in the Air Force contract, the Advice Letter filing or have not merit.
9. The rates, charges, terms and conditions authorized in this resolution are just and reasonable; therefore,

IT IS ORDERED that:

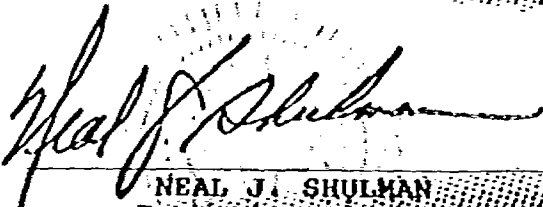
- (1) Authority is granted to make the above Advice Letter and contract effective on May 23, 1990.
- (2) Pacific shall track the nonrecurring costs to cut-over the prefix and will provide a summary of the costs in the same format as in its data request response of April 3, 1990.
- (3) The Advice Letter and contract 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-14070
- (4) DRA's protest to Advice Letter 15729 is denied.

The effective date of this Resolution is today.

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I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 1990. The following Commissioners approved it:

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



NEAL J. SHULMAN
Executive Director

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.