

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
TELECOMMUNICATIONS BRANCHRESOLUTION T-14074
JULY 6, 1990R E S O L U T I O N

RESOLUTION T-14074. PACIFIC BELL. ORDER AUTHORIZING THE PROVISION OF ONE-WAY LOCAL CALLING FROM THE ESPARTO EXCHANGE TO THE WOODLAND EXCHANGE.

BY ADVICE LETTER NO. 15741, FILED ON MAY 11, 1990
AND SUPPLEMENTAL ADVICE LETTER NO. 15741-A, FILED ON
JUNE 27, 1990.

SUMMARY

This resolution authorizes the provision of one-way Extended Area Service (EAS) from Pacific Bell's (Pacific) Esparto Exchange to its Woodland Exchange, both situated in Yolo County, Local Access and Transport Area (LATA) 3 in California.

There exists a strong community of interest of Esparto Exchange subscribers in Woodland. Esparto relies on Woodland for essential police, fire and medical services. Their government representatives are located in Woodland. Esparto and Woodland are adjacent and telephone calls between them are rated as 14-mile intraLATA toll calls. Pacific received a petition signed by 829 people requesting local calling to Woodland. Approximately 80% of residence customers and 72% of business customers in the Esparto Exchange make at least one call per month to Woodland. The average number of calls to Woodland is 22 for residence and 20 for business.

By Advice Letter No. 15741, filed May 11, 1990, and Supplemental Advice Letter No. 15741-A filed June 27, 1990 Pacific requests authority to provide one-way EAS from Esparto to Woodland. The proposed EAS will provide local calling from Esparto to Woodland. Telephone calls from Woodland to Esparto will remain toll calls. All Esparto customers will pay an additional monthly rate increment of \$1.35 for residence and \$4.00 for business as a result of this extended service.

EAS implementation in the Esparto Exchange requires upgrading of the switching equipment (e.g., design engineering, ordering, installation). Hence, Pacific requests implementation of the Esparto Exchange EAS concurrent with their "Dial-for-Dial Replacement" program scheduled in March 1991 (i.e., replacement of the old electro-mechanical "step-by-step" central office with a digital switch). To upgrade sooner would require a duplication of

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the upgrade when the existing "step-by-step" equipment is replaced by the digital switch, increasing the cost of conversion by \$76,000. The EAS conversion under the "step-by-step" environment will require equipment addition (selectors, hardware, and other central office equipment) to the central office at Esparto estimated at \$31,000. The labor cost to Pacific is estimated at \$4,000 and the installation cost by a vendor is estimated at \$25,000. Engineering cost is \$16,000.

A protest was filed by the Division of Ratepayer Advocates (DRA) on May 31, 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 as a whole, is without merit and is denied.

BACKGROUND

Pacific's Esparto Exchange is situated in Yolo County, Northern California, and forms part of LATA 3. It is contiguous to and lies west of the Woodland Exchange (also in Yolo County and LATA 3). Presently the Esparto Exchange has a total of 777 customers, consisting of 682 residential subscribers and 95 business subscribers.

Esparto is an agricultural community with a majority of its residents being low income farm workers. The population, including surrounding areas, is 1,900. Within the community of Esparto is a public library, post office, one bank, a few supermarkets, and public elementary, middle and high schools. This community has no local government and relies on Woodland for police, fire and medical services. Their local government representatives are also located in Woodland.

Currently, all telephone calls outside Esparto are toll calls. Calls to Woodland, the major community of interest, are toll calls or intraLATA Message Telecommunications Service (MTS).

Pacific received a petition signed by 829 people requesting EAS service to Woodland. Based on a survey conducted during the last quarter of 1989 (252 residential respondents or 63% of sample and 31 business respondents or 35% of sample), 84% of the residential customers and 100% of the business customers are agreeable to the provisioning of EAS service to the Woodland Exchange, and are willing to pay the EAS increment (see Exhibit A). The high rates of calling (80.% of residence customers and 72% of business customers make at least one call per month) indicate Woodland as a strong community of interest.

The estimated number of calls per month to Woodland is 22 or \$9.02 for residential accounts and 20 or \$5.89 for business accounts. The average call duration is four minutes for residential accounts and three minutes for business accounts. The message rate mileage between Esparto Exchange and Woodland exchange is 14 rate miles (based on Pacific's Schedule CAL P.U.C. No. A6, Message Telecommunications Service, Toll Rate Guide for the State of

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California). Expanded Local Calling Area which will be implemented in Phase III of our Alternative Regulatory Framework proceedings will only expand the local calling area to twelve (12) miles.

The conversion to EAS under a "step-by-step" environment requires the addition of central office equipment. In contrast, under a digital system, the EAS implementation will be done primarily through translation changes (i.e., translation to the intelligence of the software) which will establish EAS without the need for additional hardware and the lengthy timeframe to perform the upgrade.

Pacific requests authority to implement the Esparto one-way EAS concurrent with the implementation of its "Dial-for Dial Replacement Program" in March 1991 to avoid construction costs estimated at \$76,000. The estimated annual revenue effect to Pacific Bell is a reduction of \$66,079 in revenues.

Concurrent with the filing of Advice Letter No. 15741, Pacific has notified all customers by mail of the proposed EAS and the additional monthly rate increment pertaining to the one-way EAS to Woodland.

PROTESTS

DRA filed a protest to Pacific's Advice Letter No. 15741 on May 31, 1990. The protest states the following:

1. Advice Letter No. 15741 does not have the corresponding tariff sheets.

DRA cited that Section 489 of the Public Utilities Code as administered under the provisions of General Order No. 96-A (GO 96-A) require each utility to file rates to be collected from the customers of the utility in the tariffs of the utility. Section III.A. of GO 96-A requires tariff sheets to be transmitted by an advice letter.

2. The customer notice to existing Esparto customers is deficient.

Pacific's customer notification shows the following information:

	<u>Existing Rate</u>	<u>EAS Rate Increment</u>	<u>Total Monthly Rate</u>
Business Flat	\$17.55	\$4.00	\$21.55
Residence Flat	\$ 8.35	\$1.35	\$ 9.70
Flat Universal Lifeline	\$ 4.17	\$0.68	\$ 4.85
Two-Party Residence	\$ 4.70	\$1.35	\$ 6.05

Two-Party Universal Lifeline	\$ 2.35	\$0.68	\$ 3.03
Four-Party Residence	\$ 4.90	\$1.35	\$ 6.25
Four-Party Universal Lifeline	\$ 2.45	\$0.68	\$ 3.13

DRA pointed out that any increase in the basic exchange rate prior to the EAS implementation will affect the total monthly rate and may result in customer confusion.

3. Pacific should be required to provide a detailed written notice of the EAS rates to be implemented in March 1991, to all new Esparto Exchange customers subscribing to any service.

Pacific filed its response to the protest on June 11, 1990 citing the following:

1. The Advice Letter filing without any corresponding tariff sheets was patterned after the provision of one-way EAS from Pacific's Edwards Exchange to GTE California's (GTE) Lancaster Exchange which was approved by Resolution T-14015 dated November 22, 1989. In their Advice Letter, Pacific requested authority to provide EAS service within one year. Ordering Paragraph No. 4 of Resolution T-14015 granted Pacific authority to file tariffs to implement one-way EAS from Edwards to Lancaster with the Commission within one year of the receipt of federal approval (due to cross-LATA boundary).

2. Any changes in basic exchange rates will be presented in the second customer notification which will be undertaken by Pacific simultaneous to the filing of the tariff sheets accompanied by an Advice Letter sometime in February 1991. The initial customer notification presenting the EAS increment was informative and sufficient.

3. New customers will be included in the second customer notification. Business customers will be notified ninety days prior to implementation.

On June 27, 1990 Pacific filed Supplemental Advice Letter No. 15741-A incorporating the tariff sheets pertinent to the Esparto one-way EAS provision.

DISCUSSION

EAS is a rate plan whereby a customer in one exchange can make calls on a local calling basis to his own exchange plus one or more additional exchanges, which encompass a "community of interest" as far as work, shopping, and other basic needs are concerned.

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In order to compensate for the loss of toll revenue and the increased cost of providing expanded local calling, it has been the practice to increase the basic service rates of all customers in the areas affected in converting to EAS.

In D.74917 (November 1968), the Commission determined that EAS may be provided to areas outside of the major metropolitan areas and the 8-mile local calling area up to a distance of 21 rate miles, by using an EAS rate schedule which takes into account the costs, including loss in toll revenue, savings in toll expense and the cost of plant to carry the additional traffic. Rates for EAS were last increased by D.93728 (November 1981).

In response to the Esparto Exchange customers' request, Pacific proposes a one-way EAS offering from the Esparto Exchange to the Woodland Exchange. This will provide local calling from Esparto to Woodland (one-way only, not Woodland to Esparto). To offset extra costs and revenue loss, Pacific proposes that each subscriber in the Esparto Exchange pay an additional monthly increment of \$1.35 for residence and \$4.00 for business. This includes customers with farmer line service, flat rate service, PBX trunk line service, semi-public telephone service and customer-owned pay telephones.

Pacific derived the EAS incremental increase from the "Salinas Formula" per D. 78851 and the rates per D.93728. By using the Extended Area Service Rate Increments Table pertaining to the Salinas formula, the monthly increment of \$1.35 for residence and \$4.00 for business were established. The proposed one-way EAS will decrease Pacific's annual revenue by \$66,079 (toll revenue less EAS revenue), due to loss in toll revenue from Esparto to Woodland.

Below are Pacific's proposed rates (inclusive of the EAS increments):

<u>Business Rates</u>	<u>Present</u>	<u>Extended Area Service Charge</u>	<u>Proposed</u>
One-Party	\$17.55	\$4.00	\$21.55
Trunks	\$34.25	\$6.00	\$40.25
Semi-Public	\$29.00	\$2.00	\$31.00
COPT	\$38.70	\$2.00	\$40.70
Two-Party	\$11.90	\$4.00	\$15.90
Four-Party	\$12.15	\$4.00	\$16.15
Farmer Line	\$ 4.95	\$4.00	\$ 8.95
<u>Residence Rates</u>			
One-Party	\$ 8.35	\$1.35	\$ 9.70
Two-Party	\$ 4.70	\$1.35	\$ 6.05

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Four-Party	\$ 4.90	\$1.35	\$ 6.25
Farmer Line	\$ 2.65	\$1.35	\$ 4.00

Note: Universal Lifeline rate is 50%.
 Universal Lifeline is not available to Farmer Line.

The present technology in the Esparto central switching office is the older electro-mechanical step-by-step equipment. The step-by-step system has proven to be a popular system in the past because it is economical for basic functions and can be readily expanded as the need develops. However, the progressive control nature of the system precludes the addition of new functions, such as Touch-Tone calling and alternate routing, without adding costly equipment to the office. In addition, the customer's telephone number is determined by the physical termination of the line or connector on the system. Lines cannot be moved to other terminations without changing the telephone number. Finally, the maintenance cost of electromechanical, large-motion switches is high. Because of these reasons, step-by-step equipments are being replaced by flexible electronic switching systems.

Pacific requests authority to implement the Esparto one-way EAS concurrent with the implementation of its "Dial-for-Dial Replacement Program" (and installation of a digital switch in March 1991) for the following reasons:

1. The upgrading of the existing switching equipment (e.g., design engineering, ordering, installation) to effect one-way EAS from Esparto to Woodland is estimated at a cost of \$76,000, and will take nine (9) months to complete. If EAS were implemented in conjunction with the Dial-for-Dial conversion (March 1991), Pacific would save the \$76,000 in central office equipment addition and construction costs.
2. To implement EAS sooner than March 1991 would make any upgraded facilities attributable to EAS obsolete when the step-by-step equipment is replaced by the digital switch.
3. The "Dial-for-Dial" replacement schedule coincides with the date where Pacific has agreed with Inter-Exchange Carriers for the provisioning of equal access in Esparto. Re-negotiation for a new schedule will be avoided.
4. The scheduled conversion of other exchanges will not be jeopardized, and other projects, resources, and manpower scheduling will not be altered.

The Commission has reviewed the protest of DRA and Pacific's response and concludes the following:

1. The customer notification, of which the proposed EAS is the main topic, depicts the EAS charge and how this would affect the total monthly charge (basic rate plus EAS increment) in a clear and straightforward manner.

Pacific's Supplemental Advice Letter No. 15741-A filed in June 27, 1990 addressed DRA's concern on tariff sheets. However, without prejudice to Pacific's supplemental advice letter filing, and without any admonition to DRA's concern, the following are presented as a matter of fact:

For Pacific's Edwards one-way EAS, this Commission authorized by resolution the Advice Letter and the filing of the tariffs within one year of the receipt of the federal approval. In other instances, such as in D.87-10-088, the Commission's own motion into the method of the implementation of the Moore Universal Telephone Service Account, annual filing requirements have been ordered to be made as an advice letter filing without any tariff sheets.

Section 490 of the Public Utilities Code provides that "The Commission may from time to time determine and prescribe by order such changes in the form of the schedules referred to in this article as it finds expedient, and may modify the requirements of any of its orders or rules in respect to any matter referred to in this article".

FINDINGS

1. There exists a strong community of interest of the Esparto Exchange telephone subscribers in Woodland. Essential public safety, fire, medical and other services are located in Woodland. The monthly average number of calls to Woodland for both residence and business and the percentages of residence and business accounts making "at least one call per month" are significantly high to justify implementing EAS from Esparto to Woodland.
2. Telephone calls from the Esparto Exchange to the Woodland Exchange are currently intraLATA toll calls.
3. A survey indicates that 85% of Esparto residential subscribers and 100% of business subscribers are in favor of EAS, and are willing to pay an additional incremental charge for it.
4. The annual revenue effect to Pacific is a reduction of \$66,079.
5. The Expanded Local Calling Area ordered in D.89-10-031 will not address this need.
6. The timeframe to upgrade the existing switching equipment to effect EAS is not significantly different from Pacific's implementation of its "Dial-for-Dial Replacement Program" and installation of a digital switch, scheduled in March 1991. To implement EAS sooner would require duplicative costs to re-install EAS when the existing step-by-step equipment is replaced by a digital switch.
7. Pacific's recommended implementation in March 1991 will not disrupt any planned conversion of other exchanges, conversion for equal access, and allocation of resources.

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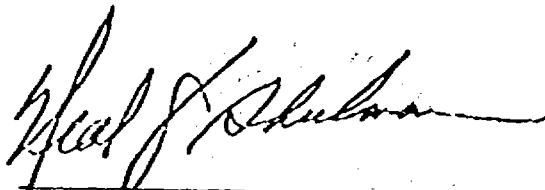
8. DRA's concerns cited in its protest are properly addressed in Pacific's Advice Letter and Supplemental Advice Letter.
9. There is no present need for a more detailed customer notice since any future increase in basic rate or charge will be filed and noticed separately as it occurs.
10. Pacific's proposed second customer notification (90 days for business and 30 days for residence) prior to the EAS implementation (which will include existing and new customers) is reasonable and proper.
11. The rates, charges, terms and conditions proposed in Advice Letter No. 15741 and Supplemental Advice Letter No. 15741 are just and reasonable; therefore

IT IS ORDERED that:

1. One-way Extended Area Service (EAS) is authorized from the Esparto Exchange to the Woodland Exchange, as requested in Advice Letter No. 15741 and Supplemental Advice Letter No. 15741-A.
2. Pacific shall file an Advice Letter and tariff sheets not later than February 18, 1991, to formally implement one-way EAS from the Esparto Exchange to the Woodland Exchange to become effective 40 days after filing.
3. Simultaneous to No. 2 above, Pacific shall give notice to all affected customers of the compliance filing and the expected effective date, restating therein the additional monthly increment for the extended service.
4. DRA's protest to Advice Letter No. 15741 is denied.
3. 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 July 6, 1990. The following Commissioners approved it:

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


NEAL J. SHULMAN
Executive Director

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EXHIBIT A

ESPARTO EXCHANGE
EAS SURVEY SUMMARY RESULTS

<u>No. of Subscribers</u>	<u>Sample Size</u>	<u>No. of Respondents</u>	<u>Yes</u>	<u>No</u>
Residential 682	394 (57%)	252 (63%)	213 (84%)	39 (15%)
Business 95	31 (32%)	11 (35%)	11 (100%)	- -

(End of Exhibit A)