

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14077  
Telecommunications Branch May 22, 1990

R E S O L U T I O N

RESOLUTION T-14077. PACIFIC BELL. ORDER AUTHORIZING AN ADDENDUM TO A CONTRACT PROVIDING CENTREX SERVICE TO AT&T, INC.

BY ADVICE LETTER NOS. 15732 AND 15732-A, FILED APRIL 24, 1990 and APRIL 26, 1990, RESPECTIVELY.

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SUMMARY

Pacific Bell (Pacific), by Advice Letter 15732, filed April 24, 1990, and Advice Letter Supplement 15732-A, filed April 26, 1990, requesting authority under the provisions of General Order No. 96-A (G.O. 96-A) and Decision No. 88-09-059 to deviate from filed tariff schedules in order to provide AT&T, Inc. with Centrex service under a customer specific contract. The utility requested authorization to be effective on May 25, 1990, which is less than regular notice. This Resolution authorizes the contract, which Pacific estimates will result in a increase in annual revenue of \$214,611 over current billings for the first year of the contract. No protests to this Advice Letter were filed.

BACKGROUND

In D.88-09-059 the Commission adopted a modified Phase I Settlement (Settlement). Under the provisions of the Settlement, the Local Exchange Companies (LECs) are allowed to provide certain services, such as Centrex service, under the terms of contracts between LECs and customers. The Settlement provides that such contracts become effective upon authorization by the Commission. Appendix A of D.88-09-059 sets forth a process and requirements for the filing of advice letters requesting authorization of customer specific contracts.

Pacific filed its first contract with AT&T, Inc. (formerly AT&T Technologies) under Advice Letter No. 15649. It provides Centrex Service equipped with Integrated Services Digital Network capability (Centrex IS) to AT&T, Inc. (AT&T) at its Sunnyvale location. This advice letter proposes an addendum to supply a similar service to AT&T at its new facility in San Ramon.

Centrex IS is a local exchange telecommunications service which provides the customer an integrated voice/data communications capability for the simultaneous transmission of circuit switched digitized voice, circuit switched data and packet switched data

on an incoming and outgoing basis. The offering consists of a group of line and system wide features that can be provided in addition to Pacific's existing Centrex service.

Under the terms of the AT&T contract addendum, Pacific agrees to provide AT&T Centrex IS Service to AT&T in San Ramon through 365 lines which includes 22 tie line terminations for a period of five years at a fixed rate of \$21,407 per month. Pacific indicates that Commission authorization of this contract will result in an estimated increase in annual revenue of approximately \$214,600 over current billings for the first year of the contract.

#### PROTESTS

No protests were filed on Pacific's Advice Letter 15732.

#### DISCUSSION

In accordance with the requirements of Appendix A of D.88-09-059, the AT&T contract addendum conditions its approval upon Commission authorization. Pacific has requested confidential treatment of workpapers and supporting cost documentation. The AT&T contract addendum does not contain a service listed as inappropriate in Appendix A of D.88-09-059. Pacific agrees to provide tracking as directed by D. 88-09-059. It will track recurring billings, nonrecurring billings (where identifiable), in-service volumes, inward movement volumes, recurring costs, and nonrecurring costs, and will provide an initial six-month report and subsequent annual reports to the Commission documenting the tracked data.

Based on a review of the workpapers and supporting documentation provided with the AT&T contract, it appears that the monthly contract rate of \$21,407 recovers the specific costs of providing Centrex IS service to AT&T based on a direct embedded cost basis. Further, the monthly rate per line (excluding non-recurring charge revenues) is greater than the single line business rate plus the multi-line End User Common Line rate (1MB+EUCL).

The provisions of Appendix A of D. 88-09-059 also require that customer specific contracts are to be used "only in unusual or exceptional circumstances" (Appendix A page 14). 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 fixed rate as well as certain capabilities over the contractual period with a set term and customer specific pricing. The customer also required capability that is not available in the current tariffs. 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 assertions by Pacific that the customer requires a customer specific contract in order to provide a fixed rate and certain capabilities appears to form a reasonable basis on which to determine that an exceptional circumstance exists which warrants the provision of Centrex IS service to AT&T under contract. We agree with Pacific that such a determination for AT&T should not be considered precedential and will not be considered by this Commission as establishing a precedent for similar determinations for subsequent contracts with other customers for telecommunications services.

In Resolution No. T-13069 (Great Western Centrex contract) based on the premise that a contract rate which is subject to change may not meet the needs of customers, we adopted an alternative means of providing a level playing field. This alternative required Pacific to offer to provide the customer deaveraged PBX trunk rates under contract with rates determined by the same cost methodology used to determine the contract Centrex line rates. Per Resolution No. T-13069, this requirement to offer to provide deaveraged PBX trunk rates applies to all Centrex contracts which were signed on or after May 26, 1989 which provide for a fixed Centrex contract rate.

#### FINDINGS

1. On April 24, 1990, Pacific Bell filed Advice Letter No. 15732 (Supplemental Advice Letter No. 15732-A was filed April 26, 1990) requesting Commission authorization to provide Centrex IS service to AT&T, Inc. under a customer specific contract addendum to be effective on less than regular notice on May 25, 1990.
2. Appendix A of D.88-09-059, G.O. 96-A, and Resolution T-13069 set forth certain requirements for the filing of advice letters requesting authorization of customer specific contracts.
3. Advice Letter Nos. 15732 and 15732-A (Advice Letter) conform to the requirements of Appendix A of D.88-09-059, G.O. 96-A, and Resolution T-13069.
4. Authorization of the AT&T, Inc. contract addendum will result in an estimated increase in Pacific's annual revenues of \$214,600 over current billings for the first year of the contract.
5. Commission authorization of the Advice Letter and the AT&T, Inc. contract addendum do not establish precedents for the contents of these filings or for Commission approval of similar requests. The Commission approval of the AT&T, Inc. contract is based on the specifics of the AT&T, Inc. contract addendum.

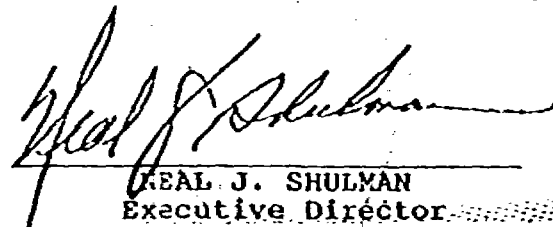
6. The rates, charges, terms and conditions of the contracted service authorized in this resolution are just and reasonable; therefore,

IT IS ORDERED that:

- (1) Authority is granted to make the above Advice Letters and contract addendum effective on May 25, 1990.
- (2) The Advice Letters 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-14077.
- (3) The effective date of this Resolution is today.

I hereby 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

  
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KEAL J. SHULMAN  
Executive Director

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