

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Branch
Commission Advisory & Compliance Division

RESOLUTION T-14084
Date June 6, 1990

R E S O L U T I O N

RESOLUTION T-14084. LOS ANGELES SMSA LIMITED PARTNERSHIP (U-3003-C). RESOLUTION AUTHORIZING AN ADJUSTMENT TO THE MINIMUM USAGE REQUIREMENTS FOR ITS WHOLESALE BASIC RATE PLAN AND WHOLESALE OFF-PEAK RATE PLAN;

BY ADVICE LETTER No. 60, FILED ON March 13, 1990.

SUMMARY

This resolutions authorizes Los Angeles SMSA Limited Partnership (LASMSA) to make changes to its wholesale tariff rates to reflect a reduction to the minimum usage requirement in its Basic Rate Plan; and an adjustment to the allocation of minimum usage in its Off-peak Plan. One protest has been received from the Cellular Resellers Association, Inc. The utility responded to the protest. The protest has been dismissed.

BACKGROUND

LASMSA is the wireline cellular telecommunications carrier which provides wholesale and retail service in the Los Angeles Metropolitan Statistical Area (MSA). The utility filed Advice Letter No. 60 to make changes to its tariff sheets to clarify the minimum usage to be used in calculating monthly bills in the Wholesale Basic Rate Plan; to redistribute the minimum usage requirements in the Wholesale Off-peak Plan by reducing the minimum off-peak usage and increasing the minimum peak usage; and to specify the distribution of minimum usage for advance billing under the Wholesale Basic Plan.

Peak usage consists of all calls made between the hours of 7 AM to 7 PM, Monday through Friday. Off-peak usage consists of calls made at other times and on holidays.

The present and proposed minimum usage requirements to the Wholesale Basic Plan are:

Present Requirements

Peak period:

For usage up to and including 20,000 minutes per month (minimum of 1000 minutes per 10-number block per month is required)

Off-peak period:

For usage up to and including 2,000 minutes per month (minimum of 100 minutes per 10-number block per month is required)

Proposed Requirements

Peak period:

For usage up to and including 20,000 minutes per month (minimum of 800 minutes per 10-number block per month is required)

Off-peak period:

For usage up to and including 2,000 minutes per month (minimum of 200 minutes per 10-number block per month is required)

The present and proposed usage requirements requirements to the Wholesale Off-peak Plan are:

Present Requirements

Peak period per minute (minimum of 140 minutes per 10-number block per month is required)

Off-peak period per minute (minimum of 560 minutes per 10-number block per month is required)

Proposed Requirements

Peak period per minute (minimum of 350 minutes per 10-number block per month is required)

Off-peak period per minute (minimum of 350 minutes per 10-number block per month is required)

These adjustments have resulted in a decrease of 100 minutes to the minimum requirements of the Basic Plan; from 1100 minutes to 1000 minutes. There is no change to the minimum requirements of the Off-peak Plan; just a redistribution of the 700 minutes.

PROTESTS

A protest was filed with the Commission by Cellular Resellers Association, Inc. (CRA) on March 30, 1990. CRA's primary allegation is that the overall effect of LASMSA's proposed tariff changes will have an adverse financial and service impact on resellers, and the entry of new resellers in the Los Angeles

area. They further allege that the significant increase in the amount of estimated usage charge on the Off-peak Plan will directly affect the ability of resellers to purchase and provide this service to their customers.

CRA feels that the Off-peak Plans were established so that customers would have a cellular phone available for necessary or emergency usage. This increase deprives resellers from competing for those occasional users who want this off-peak pricing.

DISCUSSION

LASMSA filed a response to the protest on April 13, 1990. In its response, LASMSA stated that the proposed redistribution of minutes in the Basic and Off-peak Plans reflect the actual usage patterns of numbers in service. They contend that the overall effect of these adjustments show no increase in rates for a typical reseller of their service. Any increase associated with the Off-peak Plan is practically offset by the reduction resulting from the Basic Plan. The utility attached a worksheet to its response letter detailing the changes in revenues associated with these adjustments for a typical reseller of their service. A copy of these estimates is shown in Appendix A.

The proposed reduction on the minimum usage for a block of ten numbers on the Basic Plan is 100 minutes. This results in a reduction of \$52.00 per 10# block. The redistribution of the minimum usage for the Off-peak Plan for a ten number block results in an increase of \$117.60. The difference between reduction versus increase is deceiving because it does not reflect the buying pattern of a typical reseller of the utility's service. LASMSA contends that its typical reseller purchases 91% Basic Plan and 9% Off-peak Plan. Applying these factors into the equation results in an actual revenue increase of \$36.74 ($\$117.60 \times 0.09 + \52.00×0.91). However, most resellers don't buy just ten numbers of either service. A more realistic representation would be the purchase of 100 numbers or more of each plan. For example, the purchase of 100 and 1000 numbers result in a net decrease of \$367.36 and \$3,673.60 respectively.

In response to the allegation that these adjustments will reseller ability to purchase and provide this service to their customers, We concur with the utility's response which states that the effect of this Advice Letter on typical resellers is insignificant. The results of the computations support this claim.

FINDINGS

1. The changes to the Basic Rate Plan's minimum usage results in a reduction of 100 minutes and a reduction in charge of \$52.00.

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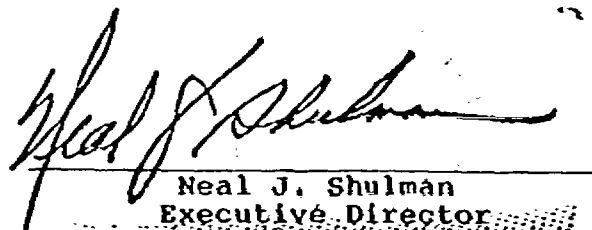
2. The redistribution of minutes in the utility's Off-peak plan results in an increase in revenues for the utility.
3. The net effect of these changes to a typical LASMSA reseller, whose purchase of numbers is divided to roughly 9% Off-peak numbers and 91% Basic Plan numbers, is actually a decrease in revenues.
4. We find the rates and terms of Los Angeles SMSA Limited Partnership's Advice Letter No. 60 to be reasonable.
5. The protest of the Cellular Resellers Association, Inc. is dismissed.

THEREFORE, IT IS ORDERED that:

Advice Letter No. 60 of Los Angeles SMSA Limited Partnership be made effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 6, 1990. The following Commissioners approved it:

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


Neal J. Shulman
Executive Director

APPENDIX A

Comparison of Minimum Usage Requirements

	<u>Existing (minutes, \$)</u>	<u>Proposed (minutes, \$)</u>	<u>Difference (\$)</u>
<u>Off-peak Plan</u>			
<u>\$/minute</u>			
Peak use .72	140 mins = \$100.80	350 mins = \$252.00	
Off-peak use .16	560 mins = \$ 89.60	350 mins = \$ 56.00	
Total per 10# block:	700mins. = \$190.40	700 mins. = \$308.00	\$117.60
Total per 50# block	\$952.00	\$1,540.00	\$588.00
Total per 100# block	\$1,904.00	\$3,080.00	\$1,176.00

Basic Plan

<u>\$/minute</u>			
Peak use .37	1,000 mins = \$370.00	800 mins. = \$296.00	
Off-peak use .22	100 mins. = \$ 22.00	200 mins. = \$ 44.00	
Total per 10# block:	1,100 mins. = \$392.00	1,000 mins. = \$340.00	\$52.00
Total per 50# block:	\$1,960.00	\$1,700.00	(\$260.00)
Total per 100# block:	\$3,920.00	\$3,400.00	(\$520.00)

Impact of Minimum Usage Changes on Typical Reseller

	<u>100 Numbers</u>	<u>1,000 Numbers</u>
Reseller with:		
Decrease in Basic Plan (91% of Numbers)	(\$ 473.20)	(\$4,732.00)
Increase in Off-peak Plan (9% of numbers)	\$105.84	\$1,058.40
Net Adjustment (per month)	(\$367.36)	(\$3,673.60)