

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14173
Telecommunications Branch October 24, 1990

R E S O L U T I O N

RESOLUTION T-14173. PACIFIC BELL. ORDER AUTHORIZING PACIFIC BELL TO MODIFY THE DESCRIPTION OF THE ELECTRONIC TANDEM SWITCHING FEATURE, AUTOMATIC ROUTE SELECTION-DELUXE.

BY ADVICE LETTER NO. 15797, FILED AUGUST 20, 1990.

SUMMARY

Pacific Bell (Pacific) by Advice Letter No. 15797, filed August 20, 1990, and Supplement 15797A filed September 27, 1990 requests authority to revise Schedule Cal. P.U.C. No. A9. Central Office Services, 9.1.8 Central Office Electronic Tandem Switching, to modify the description of the Electronic Tandem Switching (ETS) feature, Automatic Route Selection-Deluxe (ARS-D), to provide more efficient dialing capability in the local area code for customers served by IAESS central offices.

This Resolution authorizes Pacific to offer 7-digit dialing in the home Numbering Plan Area (NPA) as an added feature to its ARS-D service at no additional cost. It is expected to reduce the company's revenue by \$2,300 in 1990.

API Alarm Systems (API) filed a protest to Advice Letter No. 15797 on September 7, 1990. Pacific received the protest on September 11, 1990 and filed its response on September 18, 1990. API's protest is denied.

BACKGROUND

Automatic Route Selection - Deluxe (ARS-D) provides routing of outgoing calls over alternative customer facilities based on the call destination. The station user or attendant dials a facilities access code, followed by a 10-digit network number.

Today ARS-D customers must dial 10 digits to complete calls in their home Numbering Plan Area (i.e., area codes) unless they also subscribe to Flexible Route Selection in addition to ARS-D. This proposal will offer the dialing capability (7 digits dialing in the home NPA) at no additional charge to new and existing ARS-D customers served by IAESS switches.

Pacific says that although ARS-D demand estimates for 1990 have been surpassed, ARS-D is becoming less attractive with increasing competition from PBX suppliers due to the 10 digit dialing requirement. According to Pacific, several Centrex sales to potential customers served from 1AESS switches have been lost to competitors and more will be lost without the modification.

PROTESTS

API filed a protest to Advice Letter No. 15797 on September 7, 1990. In its protest API states that this Advice Letter:

"would set a dangerous precedent by allowing Pacific to upgrade Centrex Services at the expense of Pacific's other ratepayers who will be deprived of earnings subject to sharing. In addition, API objects to Pacific's demand that API sign a non-disclosure agreement in order to receive information on a non-competitive Category 1 service."

API cites the new Alternative Regulator Framework ordered in Decision 89-10-031 in support of its protest.

Pacific received a copy of API's protest to Advice Letter No. 15797 on September 11, 1990 and filed its response with the Commission on September 18, 1990. In its response, Pacific says that:

"The new regulatory framework does not require that Pacific guarantee that its business decisions will always result in increased revenue. Rather, it places more responsibility for Pacific's actions on Pacific itself, gives Pacific the opportunity to operate more effectively in a competitive environment, and provide incentives for Pacific to operate as efficiently as possible."

Pacific also said that that protecting its cost information through the use of a non-disclosure agreement is a typical and reasonable procedure in the advice letter process, and API fails to explain why its protest should be an exception.

Pacific concludes that API's protest is based on an erroneous interpretation of the new regulatory framework and the protest should be rejected.

DISCUSSION

In reviewing Advice Letter No. 15797 and the supporting workpapers we note the following:

- a. Pacific proposes to modify central office Electronic Tandem Switching to enable ARS-D users served by 1AESS switches to complete calls in their home Numbering Plan Area by dialing 7 digits (local calls require dialing 10 digits today).

- b. This proposal recommends offering 7-digit dialing capability at no additional charge to new and existing ARS-D customers served by IAESS switches. To obtain this capability today, ARS-D users have to subscribe to Flexible Route Selection in addition to ARS-D.
- c. This change to ARS-D is a software modification. The total cost to Pacific to offer the modification is \$291,000 if all 19 eligible customers want 7-digit dialing capability.
- d. Pacific states that if it is to compete with PBX based call accounting and Interexchange Companies (IECs) products on the basis of price, it must offer a competitive product. The marketing strategy is simply to improve the quality of the ARS-D product by offering 7-digit dialing at no additional charge so that it will be a more competitive product offering in today's market.
- e. Pacific believes that more ARS-D sales could be made if 7-digit dialing was included in the package.
- f. The revenue to cost ratio for the ARS-D product is expected to decrease slightly if the software expense is included in the ARS-D product in 1990. However, the Product is still profitable with a revenue to cost ratio greater than one.
- g. The non-disclosure agreement is a standard agreement used by Pacific to protect cost information on a product.
- h. The new regulatory framework does not prohibit a utility from reducing rates on a service or from combining products in the same service as long as the service is profitable.

With these findings, we conclude that Pacific's offering of 7-digit dialing capability to ARS-D users at no additional cost, covers cost, since the revenue to cost ratio of the ARS-D package including the software modification is greater than one. We also conclude that non-disclosure agreement is a method authorized by the Commission in the past and is used by Pacific and other LECs to protect cost information. Therefore, we approve Advice Letter 15797 and deny API's protest.

FINDINGS

1. Pacific filed Advice Letter No. 15797 on August 20, 1990 requesting Commission authorization to modify its tariff to offer 7-digit dialing capability to ARS-D users served by IAESS switches at no additional cost.
2. Offering the 7-digit capability at no additional charge to ARS-D users will decrease the revenue to cost ratio of the ARS-D package. Nevertheless, the product is still profitable.

3. The total cost to Pacific to offer this 7-digit dialing capability to all existing customers is \$291,000.
4. The new regulatory framework does not prohibit a utility from reducing rates on a service or from combining products in the same service as long as the service is profitable.
5. Pacific's requirement that cost support information may be provided to requesting parties pursuant to signing a non-disclosure agreement is an acceptable method of protecting the company's cost information.
6. API's protest to Advice Letter No. 15797 is without merit.

THEREFORE, IT IS ORDERED that:

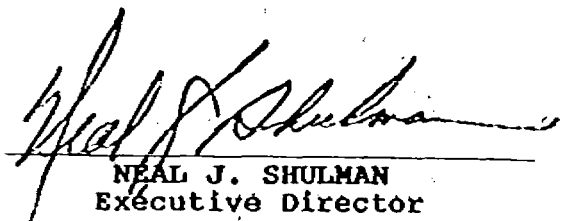
- (1) Authority is granted to make the above Advice Letter effective on October 25, 1990.
- (2) The Advice Letter authorized herein shall be marked to show that it was authorized under Resolution of the Public Utilities Commission of the State of California No. T-14173.
- (3) API's protest to Advice letter No. 15797 is denied.
- (4) All tariff sheets filed under Advice Letter No. 15797 shall be marked to show that such sheets were authorized by Resolution of the public Utilities Commission of the State of California No. T-14173.

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 October 24, 1990. The following Commissioners approved it:

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

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.


NEAL J. SHULMAN
Executive Director