

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION      RESOLUTION T-14188  
Telecommunications Branch                              November 21, 1990

**R E S O L U T I O N**

RESOLUTION T-14188. PACIFIC BELL. ORDER  
AUTHORIZING PACIFIC BELL TO INTRODUCE A TWO YEAR  
PROVISIONAL TARIFF FOR PRIMARY IS.

BY ADVICE LETTER NO. 15820, FILED SEPTEMBER 28, 1990.

**SUMMARY**

Pacific Bell (Pacific), by Advice Letter No. 15820 filed September 28, 1990 and Supplement A filed October 1, 1990 requests authority under provisions of General Order No. 96-A (G.O. 96-A) to introduce a two year provisional tariff offering for Primary Rate IS (Integrated Services) as a Category II flexibly priced service, at less than regular notice. Primary Rate IS is a network interface that provides a connection of high capacity systems to the public switched network.

Pacific filed Supplement B to Advice Letter No. 15280 on November 5, 1990 withdrawing its request to flexibly price Primary Rate IS. Pacific also filed Supplement C to Advice Letter No. 15280 on November 6, 1990 withdrawing its request for Category II status for Primary Rate IS.

The Division of Ratepayer Advocates (DRA) filed a protest to Advice Letter No. 15820 on October 18, 1990. Pacific filed its response to DRA's protest on October 23, 1990. DRA's protest is granted, to the extent it agrees with Finding No. 8 of this Resolution.

This Resolution authorizes Pacific to provide Primary Rate IS service as a Category I Service offering on a 24-month provisional basis beginning November 22, 1990 and ending on November 21, 1992. Pacific estimates the revenue impact of this filing is \$105,000 for the first year.

**BACKGROUND**

The offering of Primary Rate IS is made available by adding to Pacific's existing central office switching equipment software and hardware that are based on an international set of standards known as Integrated Services Digital Network (ISDN).

In general, ISDN is a telecommunications concept or architecture having the following attributes:

- o End-to-end digital connectivity using separate signaling channels.
- o Simultaneous and integrated voice, circuit switched data and packet switched data.
- o A limited set of well-defined customer to network interfaces.

- o The use of existing customer cabling and terminal equipment.

ISDN supporting software has been designed to allow a high level of compatibility between the central office switch and a wide variety of business machines and terminals. This compatibility is intended to allow for interconnection of virtually all types of equipment.

The transition to a fully deployed ISDN environment, however, may take one or more decades, according to a 1984 report by the International Telegraph and Telephone Consultative Committee (CCITT). Standards still require further development, vendors need to develop, build, test and market hardware and software to support ISDN, and potential users need to learn about the technology and its applications.

Primary Rate IS is the second group of features to be offered by Pacific that utilizes ISDN technology. Centrex IS was the first, and its provisional tariff was authorized by Commission Resolution T-14017 on November 22, 1989.

#### PROTESTS

DRA filed a protest to Advice Letter No. 15820 on October 18, 1990. DRA's protest is summarized as follows:

- o DRA believes the Commission should consider the issue in depth in a more generic proceeding.
- o DRA objects to Pacific's request to offer Primary Rate IS as a provisional tariff instead of a permanent tariff service.
- o DRA believes that A. 89-12-010 (Pacific's Open Network Architecture (ONA) Proceeding) is the proper forum to introduce Primary Rate IS rather than an Advice Letter filing.
- o Primary Rate IS should be classified as a Category I service, not a Category II service as requested by Pacific.

Pacific's response to DRA's protest is summarized as follows:

- o Primary Rate IS is based on a new and developing technology in which changes are quite likely. Filing a provisional tariff will allow everyone to evaluate this product, including customer demand and costs over a two year period and make the necessary adjustments at the end of the period. Therefore filing as a provisional tariff was appropriate.
- o Not all of the ISDN based services will necessarily satisfy enhanced service providers (ESP) requests within the ONA process. Primary Rate IS is not one of the

services requested by ESP. ISDN technology is broader than just those services requested in the ONA process. Thus, it would be inappropriate to include the introduction of ISDN based services in the ONA application.

- o Primary Rate IS is an interface to the network which provides an alternative means of accessing other network services. Any service which can be accessed through Primary Rate IS can be accessed through an existing tariffed service as well. In addition, there are other providers of Primary Rate IS Services. This is a competitive optional service. Therefore it should be classified as a Category II Service.

## DISCUSSION

### SERVICE DESCRIPTION

Primary Rate IS is a network interface that provides a connection of High Capacity Systems to the public switched network. Primary Rate IS provides the customer with up to 1.536 Mbps of information and signaling channelized into twenty-three (23) 64 Kbps B-channels and one (1) 64 Kbps signaling D-channel. Primary Rate IS will be offered in two packages:

**Package A: Primary Rate Interface (23B+D)**

Provides 23 individual 64 kbps B-channels and one 64 kbps D-channel with a connection to the public circuit switched network. This interface must be ordered in conjunction with High Capacity Service as set forth in Pacific's tariff Schedules Cal.P.U.C. B9. or 175T.

**Package B: Primary Rate Interface (24B)**

Provides 24 individual 64 kbps B-channels with a connection to the public circuit switched network. This interface must be ordered in conjunction with High Capacity Service as set forth in Pacific's tariff Schedules Cal.P.U.C. B9. or 175T. This interface requires that the customer have in place one Package A Primary Rate Interface with a "D" channel to be utilized for signaling.

Primary Rate IS includes standard and optional features. The standard features are included as part of the Package A and Package B product offering. The optional features are offered for an additional price on an as-available basis. Some of these features are available only on specific types and switch generics.

### CUSTOMERS BENEFITS

Pacific states that Primary Rate IS will meet the needs of those customers who need more flexible and integrated solutions to their telecommunications needs such as:

- o Dynamic Reconfiguration of Services
- o Digital Entrance Facilities

- o End to End Digital Connectivity
- o Pooled Network Resources
- o Wide Area Connectivity
- o Switched high-speed data rates

#### LIMITATIONS

This Primary Rate IS provisional offering contains a number of limitations. Some of these are listed below:

- o When a Hi-Cap service associated with a Primary Rate IS interface terminates outside the exchange boundaries of the Primary Rate IS serving switch, Primary Rate IS network access service, business line or PBX trunk service is not available. The customer must purchase applicable foreign exchange service to gain access to the public switched network.
- o Residence service may not be provisioned over Primary Rate IS.
- o Commstar and Centrex features are not available with Primary Rate IS.
- o Primary Rate IS customers residing outside of the LATA boundaries of the Primary Rate IS serving central office will be allowed connectivity only if the customer has another Primary Rate IS line terminating within the LATA where the Primary Rate IS central office resides.
- o Intra-service Caller Identification is provided only among the customer's stations. Number identification from stations outside the customer's system is not permitted under current California law.

#### PROFITABILITY

Pacific has taken a conservative approach in its implementation of Primary Rate IS. First, there is limited deployment of the service. Initially, only two central offices, one in San Francisco and one in Los Angeles are scheduled for this service. Primary Rate IS will only be implemented in central offices that offer Centrex IS to minimize start-up cost.

Results from Pacific's cost study indicates that Primary Rate IS is priced above estimated costs. The estimated annual revenue effect is \$105,000 for the first year. However, because Primary Rate IS is a new service whose demand information and historical cost data are limited, Pacific may not have accurately predicted the cost, revenue and consequently, the profitability of this new offering. A 24-month provisional offering would allow Pacific to test the rate structure and to establish the cost, revenue and profitability of this service.

#### TRACKING PLAN

To obtain information necessary for the above determination, Pacific has formulated the following tracking plan.

The following items will be tracked monthly and reported semiannually:

- o Inservice volumes
- o Inward movements volumes
- o Recurring billings
- o Nonrecurring billings
- o Customer service/provisioning status

Costs will be reported annually. This will include:

- o Actual new and embedded investments
- o Actual expenses

#### ISSUES

DRA believes that the Commission should consider Pacific's request in depth in a more generic proceeding where the resulting tariff would be permanent and the withdrawal of service if requested would require explicit Commission authority. A proceeding does not always result in a permanent tariff. In D. 88-12-027, we authorized GTEC to provide CentraNet service provisionally so that information could be gathered to determine whether the proposed rates and charges cover the actual costs of providing the service. Because Primary Rate IS is a new service employing an emerging technology there are many uncertainties regarding applications, demands, pricing and costs. It is very likely that even after a hearing we can only authorize a provisional tariff. We consider Pacific's request for a provisional tariff by an Advice Letter filing a reasonable approach.

DRA believes that A. 89-12-010 (Pacific's ONA proceeding) is the proper forum to introduce Primary Rate IS. Apparently this belief is based on a misunderstanding of Pacific's intention as expressed in its ONA application. Not all of the ISDN based services will necessarily satisfy ESP requests within the ONA process. Primary Rate IS is not one of the services requested by an ESP. Therefore it is inappropriate to include Primary Rate IS in the ONA application.

DRA also believes that Primary Rate IS should be classified as Category I and not Category II as requested by Pacific in Advice Letter 15280. Pacific, first defended its Category II classification of this service in its response to DRA's protest, but subsequently submitted Supplement C withdrawing its request for Category II status in Advice Letter 15280. Actually this leaves Primary rate IS uncategorized, contrary to D. 89-12-031. We will place Primary Rate IS in Category I for now. Pacific may request recategorization for this service in the future through the application process.

FINDINGS

1. Primary Rate IS will be Pacific's second tariff offering of ISDN capabilities.
2. Primary Rate IS is a network interface that provides a connection of High Capacity Systems to the public switched network.
3. There exist customer benefits and provisioning limitations in Primary Rate IS.
4. The 24-month provisional offering will allow Pacific to test the viability of Primary Rate IS.
5. The proposed Primary Rate IS rates and charges are forecasted to cover the estimated costs.
6. Pacific will file tracking reports to the Commission as specified within this Resolution.
7. An Advice Letter filing is an appropriate method to request Commission authorization to provide Primary Rate IS.
8. Primary Rate IS is classified as a Category I Service.
9. The rates, charges and terms and conditions authorized in this Resolution are just and reasonable.

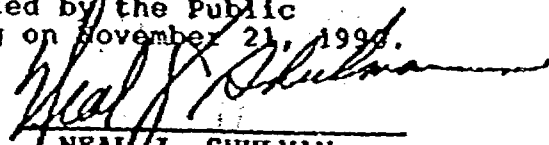
THEREFORE, IT IS ORDERED that:

- (1) Authority is granted to make Advice Letter No. 15820 and Supplements A,B and C effective on November 22, 1990 subject to conditions set forth in Finding of Fact No. 8.
- (2) This provisional tariff is scheduled to expire on November 21, 1992. Prior to this expiration date, Pacific shall petition the Commission to permanently implement, change, extend or withdraw Primary Rate IS.
- (3) 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-14188.
- (4) Tariff sheets filed under Advice Letter No. 15820 and Supplements A,B and C shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission of the State of California No. T-14188.

The effective date of the Resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 21, 1990. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
EXECUTIVE DIRECTOR

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