

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
COMMISSION ADVISORY AND COMPLIANCE DIVISION      RESOLUTION T-14218  
Telecommunications Branch                              December 19, 1990

R E S O L U T I O N

RESOLUTION T-14218. PACIFIC BELL. ORDER REJECTING  
PACIFIC'S REQUEST TO ESTABLISH PERMANENT RATES FOR THE  
PROVISION OF BILLING AND COLLECTION SERVICES.

BY ADVICE LETTER NO. 15830, FILED OCTOBER 22, 1990.

SUMMARY

Pacific Bell (Pacific), by Advice Letter No. 15830, filed October 21, 1990 and Supplement A filed October 30, 1990 requests authority under provisions of General Order No. 96-A (G.O. 96-A) to revise Schedule Cal. P.U.C. No. 175-T, Section 8, Billing and Collections Services, to establish permanent tariff rates. Current provisional rates are due to expire by the end of 1990. Pacific requested authority to implement the following:

1. Establish parity between common rate elements in Sections 8 (Billing and Collections Services) and 12 (Specialized Service or Arrangement) of Schedule 175-T effective January 1, 1990.
2. Eliminate the 1-year, 3-year, and 5-year pricing structure in Section 8 as authorized in Resolution No. T-13073.
3. Delete the Additional Message Processing Service Charge.
4. Delete the Project Development Charge.
5. Increase the Inquiry Service rate to cover increased costs, and
6. Revise the application of Bill Processing from a per message to per print line of information basis.

Existing customers were notified of the above proposed changes.

The San Francisco Research Group (SFRG) filed a protest to Advice Letter No. 15830 on November 9, 1990 and MCI Telecommunications Corporation (MCI) and US Sprint Communications Company (Sprint) filed protests to the Advice Letter on November 13, 1990. Pacific filed its response to SFRG's protest on November 19, 1990 and to that of MCI and Sprint on November 21, 1990. The protests are granted, to the extent they agree with Finding No. 3 of this Resolution.

Pacific filed Supplement B to Advice Letter No. 15830 on December 11, 1990 withdrawing its request to increase the Inquiry Service Rate, item 5 above.

The 1991 revenue effect of this proposal is an estimated increase in revenue of \$692,000.

#### BACKGROUND

Billing and Collections Services are services associated with Pacific's billing for an IEC's (Interexchange Carrier) service charges on an end user statement from Pacific. These services include Recording Service, Billing Service, Billing Analysis Service and Billing Information Service.

In Resolution T-11049 dated June 25, 1986, the Commission ordered Pacific to revise Section 8 rates to allow for parity of common services with the five (5) year rates approved in the Intrastate Billing and Collections Specialized Service Arrangement (SSA) for AT&T (Section 12-SSA 86-1). SSA 86-1 was approved and made effective from June 30, 1986 through December 31, 1990.

On May 15, 1989, Pacific filed Advice Letter 15551 to revise Section 12 to implement a new Billing and Collections Specialized Service Arrangement (SSA 89-1) with AT&T and cancel SSA 86-1. SSA 89-1 was approved by Resolution T-13073, dated June 21, 1989 and effective June 22, 1989 through December 31, 1995.

This filing will bring rates for common services in Section 8 in parity with rates authorized for SSA 89-1 of Section 12. This filing will also delete charges which are no longer applicable, provide rate restructuring and establish a rate increase for services which are no longer cost effective.

Existing customers of Pacific's Billing services were sent a copy of the Advice letter containing the proposed rates on October 22, 1990.

The estimated 1991 annual revenue impact of this proposal is an increase of \$692,000.

#### PROTESTS

SFRG filed a protest to Advice Letter No. 15830 on November 13, 1990. SFRG's protest is summarized as follows:

- o Excessive increases in rates for certain services.
- o Increases in Billing Inquiry Service rates would increase discontent among end users.
- o Cost support data contains cost and other information which is inaccurate and incomplete.
- o Some of Pacific's proposed unbundled rates are not compensatory.
- o Pacific did not give proper notice in its filing.

- o Advice Letter 15830 does not comply with Section 454, para. A of the PUC Code.

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

- o Competitive billing and collection service must be priced at rates that will recover costs and will generate the maximum sustainable contribution. The current inquiry rate does not recover cost nor generate a contribution.
- o Assertions regarding cost support data lack merit.
- o SPRG's allegation that the proposed rate for unbundled recording service fails to recover costs is incorrect. Each billing service, including bundled and unbundled recording service offered under this filing is priced to recover its cost.
- o The Advice Letter was serviced properly. SPRG received a copy of Advice Letter 15830 less than 24 hours after it was filed and filed its protest four days before the deadline for filing protests to the advice Letter.
- o The Advice Letter procedure is consistent with Section 454 of the CPU Code. SPRG's criticism of the Advice letter as applied to Advice Letter 15830 is simply misplaced.

MCI and Sprint on November 13, 1990 filed protests to Advice Letter 15830. Their protests are summarized as follows:

- o The propose rates constitute a significant rate increase.
- o Rate parity between Sections 8 and 12 is not mandated or required.
- o Cost support data does not adequately justify the proposed increase.
- o Proposed rates are based on exorbitant margins resulting in unjustifiable, supranormal profits.

Pacific's response to the protests of MCI and Sprint is summarized as follows.

- o Rate parity between Sections 8 and 12 is consistent with the Commission's prior rulings and is the only equitable alternative.
- o The proposed rate for Inquiry is reasonable and is supported by the cost data. The proposed rates to achieve rate parity between Sections 8 and 12 for common or similar billing services were found to be reasonable by the Commission in Resolution T-13073.

#### DISCUSSION

This filing addresses three issues. It revises the current rates so that they recover the cost of Billing and Collection Services. It extends the current rates which would otherwise expire on December 31, 1990. It also establishes a rate parity for common services in Section 8 and Section 12 of Schedule Cal. P.U.C. No. 175-T.

CACD examined the Advice Letter and the supporting documentation and determined that the forecasted revenues based on the existing tariff rates for Billing and Collection Services for the period 1991 to 1995 are less than Pacific's cost to provide the services. Pacific's proposed rates will cover its cost of providing the services.

Two sets of rates for Recording, Message Processing and Data Transmission are established. Option 1 rates, which are higher rates, are applicable when the services are purchased without Bill Processing and Bill Rendering. Option 2 rates, which are identical to the rates in SSA 89-1, are applicable when these services are purchased with Bill Processing and Bill Rendering.

The application of the rate for Bill Processing will be on per line basis instead of per message basis in order to ensure cost recovery for processing multi-line messages.

The fixed term (1 year, 3 year, 5 year) pricing structure for billing and collection is eliminated as authorized in Resolution No. T-13073. In addition, the Project Development Charge is eliminated because the cost is now included in the Programming Rate Element. The Additional Message Processing Service Charge is eliminated because it is no longer applicable as Bill Processing is now on a per line basis.

With the exception of the items discussed above the proposed rates are in parity with the rates for the same service elements as shown in Section 12, SSA 89-1.

The protesters believe that other IECs should not be subject to the increased rates negotiated between AT&T and Pacific (which are now proposed for rate parity) without a full opportunity to review the reasonableness of the proposed rates.

They also believe that the proposed rate increases are substantial and that a Advice Letter filing is not the proper forum for rate increases of this magnitude. The protesters believe that the Commission should consider Pacific's request to increase rates for it billing and collection service only in a formal application.

The proposed tariff rates are forecasted to increase the current revenue \$692,000 in 1991, an overall increase in rates of 23%. However, individual rate elements may range from a decrease in rates to an increase up to 200%. The proposed changes not only affect rates, but establish new conditions and revise current pricing methods which may adversely affect the IECs.

Because of the comprehensiveness of the proposed changes and the substantial increase in rates, Advice Letter No. 15830 is rejected. Current provisional rates will be extended until new rates are established. Pacific will file an application to establish permanent rates within 45 days.

FINDINGS

1. The rates in Section 8, Schedule 175-T will expire December 31, 1990.
2. The existing rates for common services in Section 8 and Section 12 of Schedule 175-T are not the same.
3. An Advice Letter filing is not the appropriate vehicle to request the large rate increases requested in Pacific's Advice Letter No. 15830.
4. The rates, charges, terms and conditions authorized in this Resolution are just and reasonable;

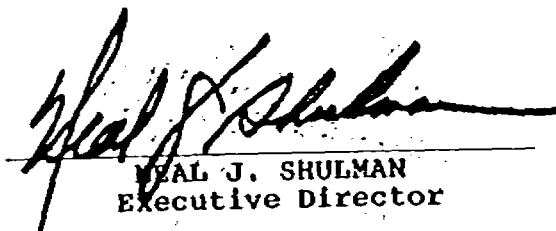
THEREFORE, IT IS ORDERED that:

- (1) Advice Letter No. 15830 is rejected without prejudice.
- (2) The protests are granted to the extent they agree with Finding No. 3.
- (3) Pacific will file an application to establish permanent Section 8 rates for the provision of Billing and Collection Services by February 2, 1991.
- (4) Schedule Cal. P.U.C. No. 175-T, Access Service Section 8 Billing and Collection Services rates and charges due to expire on December 31, 1990 are extended until permanent rates are established.

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 December 19, 1990. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director