

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Telecommunications BranchRESOLUTION T-14329
March 22, 1991R E S O L U T I O NRESOLUTION T-14329. PACIFIC BELL. ORDER
AUTHORIZING PACIFIC BELL TO GRANDFATHER,
RESTRUCTURE AND REPRICE FLEXIBLE ROUTE SELECTION.BY ADVICE LETTER NO. 15884, FILED FEBRUARY 4, 1991.SUMMARY

Pacific Bell (Pacific), by Advice Letter No. 15884 filed February 4, 1991 requests authority under provisions of General Order No. 96-A (G.O. 96-A) to revise Schedule Cal. P.U.C. No. A9, Central Office Services and A10, Miscellaneous Service Offerings. These revisions will grandfather, restructure and reprice Flexible Route Selection Service (a Centrex optional feature), introduce Expensive Route Warning Tone Service and delete obsolete tariff limitations. Customers will be notified of the changes and the option to change to the new rate structure at no charge for a period of 90 days after the effective date of the tariff changes.

San Francisco Research Group (SFRG) filed a protest to Advice Letter No. 15884 on February 22, 1991. Pacific filed its response to the protest of SFRG on March 1, 1991. SFRG's protest is denied.

This Resolution authorizes Pacific to revise Tariff Schedule Nos. A9 and A10 as requested. Pacific estimates the annual revenue [requirement] impact of this filing is a decrease of \$1,046,200 for 1991.

BACKGROUND

Flexible Route Selection (FRS) uses central office equipment to allow the customer to select patterns and routes in its calling network that are most efficient and/or lowest in cost. Expensive Route Warning Tone is a new feature to FRS which provides a warning tone to indicate the selection of an expensive route.

This proposal is triggered by repeated complaints of Pacific's customers that the charges for FRS are too high and that PBX vendors include least cost routing in their basic system at no additional charges and that Centrex should do the same. Customers cite the high cost of this feature as a deterrent to purchasing FRS, resulting in lost sales to Pacific.

Pacific's original intent was to reprice the existing FRS to maintain competitiveness in today's market. However, the existing FRS tariff charges were based on technology which, with few exceptions, has disappeared in today's Centrex environment. In addition, feature availability and packaging changes resulting from new technology are not reflected in the tariff. Therefore, Pacific has chosen to restructure the FRS product and to update

the product to reflect the existing technology used to provide FRS.

The restructuring of FRS has created the need to grandfather the existing FRS product. Although it is possible that a particular customer may see a rate increase, Pacific believes all customers will see a reduction in monthly charges and that all existing customers will elect to convert to the restructured FRS. Pacific states that the existing product is being grandfathered so that all existing customers may choose for themselves the FRS product (restructured or existing) they desire.

Existing customers will be notified by letter of the approved changes within 30 days of the tariff effective date and the option to change to the new rate structure at no charge for a period 90 days from the effective date. After 90 days applicable installation charges will apply.

NOTICE

Pacific is mailing a copy of the Advice Letter and related tariff sheets to competing and adjacent Utilities and/or other Utilities, and interested parties as requested. Pacific is also mailing copies to parties on the Service List for I.87-11-033.

PROTESTS

SFRG filed a protest to Advice Letter No. 15884 on February 22, 1991. SFRG's reasons for requesting the Commission to reject the Advice Letter and order Pacific to file an application instead are as follows:

- o Centrex FRS is a monopoly service and doesn't qualify as a Category II service offering.
- o There will be significant increases in rates to establish, add or change FRS patterns.
- o There is little or no demand for the Expensive Route Warning Tone feature.

Pacific in its response stated:

- o Decision No. 89-10-031 states that Centrex features are Category II services. FRS is a Centrex feature and is therefore a Category II service.
- o Under certain circumstances for specific elements a customer's charges under the new structure may be higher. However, Pacific believes that in all instances, a customer's total FRS charges will be less. Because some customers may in some circumstances experience an increase in charges, Pacific proposes to grandfather the existing FRS service structure and rates. This will allow existing customers to continue to pay the current rates.

- o Pacific wishes to offer Expensive Route Warning Tone because it believes that the feature will be beneficial to some customers. It is priced to recover its costs.

DISCUSSION

Pacific states that customers have asked for a more cost effective FRS capability. The proposed offering, a restructured and repriced FRS, will meet this need and also help Centrex to remain competitive. FRS is a Category II offering and the revenue covers Pacific's costs to provide the service.

Current FRS charges do not reflect the decrease in costs to provide this service due to technology changes. These decreased costs are reflected in the proposed rates for the restructured tariff.

SFRG cites an instance under the restructured tariff where a new customer would pay a higher nonrecurring charge. However, the substantial decrease in monthly rate will more than offset this increase. Pacific estimates that the annual revenue impact of this filing is a decrease of \$1,046,200 in 1991. SFRG's three areas of concern, increases in FRS rates, inappropriateness of Category II for FRS and of offering the Expensive Route Warning Tone feature, were not substantiated.

FRS is being grandfathered to assure that there are no changes in the current rates for existing customers who choose to continue subscribing to the existing FRS structure and rates. Customers who elect to convert to the restructured FRS may see an increase in rates for a particular month. However Pacific forecasts an overall decrease in rates for all its customers.

We conclude that the proposed changes to FRS are beneficial to Pacific's customers and are needed if this product is to maintain its competitiveness as a viable option in today's market. Therefore we will authorize Pacific to make the the requested changes.

FINDINGS

1. The existing FRS product is not competitive.
2. Restructuring of FRS will help Pacific to maintain Centrex as a competitively viable product in the business system market.
3. Pacific's customers will receive benefits from the restructuring of FRS.
4. The rates, charges and terms and conditions authorized in this Resolution are just and reasonable.
5. FRS is a Category II service.
6. SFRG's protest to Advice Letter No. 15884 is without merit.

March 22, 1991

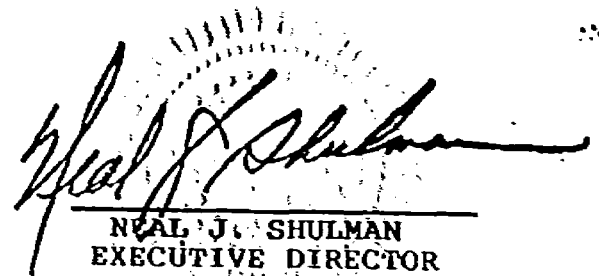
THEREFORE, IT IS ORDERED that:

1. Authority is granted to make Advice Letter No. 15884 effective on March 23, 1991.
2. The Advice Letter tariff sheets authorized herein shall be marked to show that such sheets were authorized by Resolution of the Public Utilities Commission of the State of California No. T-14329.
3. SFRG's protest to Advice Letter No. 15884 is denied.

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 March 22, 1991. The following Commissioners approved it:

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. CHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners



NEAL J. SHULMAN
EXECUTIVE DIRECTOR