

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14757
Telecommunications Branch March 31, 1992

R E S O L U T I O N

RESOLUTION T-14757. CITIZENS UTILITIES COMPANY OF CALIFORNIA. REQUEST FOR PROVISIONAL AUTHORITY TO FILE ADVICE LETTERS TO WAIVE OR DISCOUNT SPECIFIC TARIFFED CHARGES DURING A PROMOTIONAL PERIOD.

BY ADVICE LETTER NO. 506, FILED ON OCTOBER 11, 1991.

SUMMARY

This Resolution authorizes Citizens Utilities Company of California (Citizens) to file advice letters with this Commission to specify optional services that will be offered during a promotional period with waived or discounted tariffed nonrecurring charges. The services promoted will be those offered to all customers or those optional services which are newly available, either throughout the utility's intrastate service territory or due to the upgrade of the utility's serving facilities. Any promotion must be offered to all classes of customers to whom the promoted service is available. A promotion cannot be provided in tandem with market trials or technology tests. The duration of each promotional period shall not exceed 120 days.

Authorization is provisional and will expire 24 months after the effective date of this Resolution, unless cancelled, changed, or extended by Commission order.

BACKGROUND

Currently, when Citizens offers a new optional service, subscribers are charged the full tariffed rates and charges and are not allowed to subscribe to the service on a reduced-cost trial basis. Section X of General Order 96-A requires utilities to "first obtain the authorization of the Commission to carry out the terms of...any contract or deviation for the furnishing of public utility service at rates or under conditions other than the rates and conditions contained in its tariff schedules on file and in effect at the time."

In Advice Letter No. 506, filed on October 11, 1991, Citizens requests authorization to introduce a provisional tariff

allowing it to offer selected network and exchange optional services at waived or reduced nonrecurring tariff charges. Citizens requests its provisional tariff to be in effect for two years from the effective date of this Resolution.

Citizens proposes the following Special Conditions:

1. All services approved by advice letter filings and listed in Special Condition 11 following may be offered during a promotional period.
2. Promotional campaigns listed in Special Condition 11 following are subject to all rules and regulations in the Utility's Schedules.
3. The Utility may promote select services which result from new or upgraded central office capability and for offerings of new or existing optional services.
4. Promotional campaigns in Special Condition 11 following shall be offered at rates listed above.
5. The promotional campaign duration shall not exceed 120 days per offering. All promotional campaigns will be approved by Advice Letter filings which shall include but not be limited to:
 - service selection
 - nonrecurring charges
 - promotional area
 - duration
 - customer notification plan
6. The promotional pricing of services shall be subject to and offered only where facilities and operating conditions permit.
7. The promotional campaign shall be limited to serving central offices designated by the Utility.
8. The method of customer notification of the promotional campaign is at the option of the Utility.
9. During the promotional period, the customer will be fully informed of all the terms and conditions of the promotional offering, and the Utility will contact the customer regarding the retention or discontinuance of the service prior to the end of the promotional period. This contact will inform the subscriber that if they wish to retain the promoted service, they need do nothing; and if they wish to discontinue it, they need to call their Business Office to do so. Minimum billing as set forth in Rule No. 10 is applicable to a promotional offering.

10. Promotional Campaigns is a provisional tariff offering which will terminate 2 years after the effective date of this tariff unless cancelled, changed, or extended.
11. Promotional campaigns include the following: (listed).

Citizens proposes to submit a post-implementation analysis to the Commission Advisory and Compliance Division (CACD) within 60 days of the ending date of each promotional program, and receive approval before the next promotion commences. The analysis will include customer response to the promotion, the impact of the promotion scheme on the profitability of the promoted service as a whole, actual revenues and expenses, and all customer complaints or concerns.

PROTESTS

Notice of this Advice Letter was published in the Commission Calendar on October 18, 1991. The CACD has received no protests to Citizens' Advice Letter No. 506.

DISCUSSION

A. The Terms of Commission Authorization

Citizens' Advice Letter No. 506 proposes to establish a Commission authorized platform (as required by G.O. 96-A, Section X) from which specific promotional offerings may be offered. Once the Commission authorizes and adopts a promotional program by resolution (i.e., via this Advice Letter), no further Commission resolutions should be required for promotional offerings which meet the terms and conditions of that authorization. Such subsequent filings can be made as advice letters which will go into effect on regular notice and without a Commission resolution.

Similar authority has been granted to Pacific Bell in Resolution T-14174 (October 12, 1990), Contel Service Corporation in Resolution T-14231 (February 21, 1991), CP National Corporation and Tuolumne Telephone Company (April 24, 1991) in Resolution T-14361, Evans Telephone Company (May 22, 1991) in Resolution T-14394, and General Telephone Company of California, Incorporated (December 18, 1991) in Resolution T-14689.

B. Definition of Legitimate Services/Offerings

Public Utilities (P.U.) Code Section 453(c) prohibits public utilities from establishing or maintaining "any unreasonable difference as to rates, charges, services, facilities, or in any other respect, either as between localities or as between classes of service." In order to satisfy this statute, promotional offerings should be available to all similarly situated customers. Therefore, promotional offerings (reduced or waived nonrecurring charges) are appropriate when offered to

all customers or when an optional service is newly available, either throughout the utility's intrastate service territory or due to the upgrade of the utility's serving facilities.

Market trials and technology tests should continue to require separate evaluation and authorization as currently required, since by definition they are conducted prior to services being made available throughout the utility's service territory and already constitute a "deviation" from the utility's tariff.

In considering whether a "service" is appropriate for promotion, we should consider the definition of "new service" which we adopted in D.87-07-017, D.88-12-091, and D.90-11-029. Therein, we have agreed with AT&T's definition of new service as "an offering which customers perceive as a new service and which has a combination of technology, access, features or functions that distinguishes it from any existing services" (D.88-12-091 at p. 53). We adopted this definition with the qualifier that "repricing or repackaging of an existing service would not be considered a new service" and observed that "the definition does not classify an optional calling plan which discounts existing service as a new service" (Id. at pp. 53-54).

C. Conclusion

Authorizing the promotional pricing of optional services will allow customers the benefit of making an informed decision based on personal use of such optional services. There may be an added benefit of stimulation in the usage of optional services after the promotional period ends.

Each promotion-specific advice letter must include the following elements, in order to avoid discriminatory treatment and mitigate any negative impact on subscribers or the general ratepayers:

- a. The overall criteria for waiving or discounting the nonrecurring charge during the promotional program.
- b. The financial impact of the promotion on the entire service to reflect the revenue required to recover the cost of the promotion.
- c. The start and end dates of the promotion(s).
- d. The program for customer notification/participation.
- e. Samples of the notification materials.
- f. Any limitations or safeguards (e.g., customer selection, rate structure, and program monitoring).
- g. The tracking (post-implementation analysis) plan.

Within sixty (60) days of the end date of each promotional offering and prior to commencement of any subsequent promotional

offering, a post-implementation analysis report should be submitted to CACD and include the following:

- nonrecurring revenue loss from the promotion;
- nonrecurring costs of the promotion;
- recurring revenue gain from new customers;
- recurring expenses;
- number of subscribing customers;
- record of any complaints;
- record of how long customers retain the service during the promotional period.

The financial impact report from the last promotional offering should be approved by CACD before the utility makes another promotional offering.

FINDINGS

1. Section X of General Order 96-A requires utilities to obtain authorization of the Commission to carry out any deviation from the rates and conditions contained in their tariff schedules.
2. Citizens' Advice Letter No. 506 is generic and designed to provide the foundation for promotional offerings of optional services when offered to all customers or when an optional service is newly available, either throughout the utility's intrastate service territory or due to the upgrade of the utility's serving facilities.
3. Once the Commission authorizes and adopts a promotional program tariff by resolution (i.e., via this advice letter), no further Commission resolutions should be required for promotional offerings which meet the terms and conditions of that authorization. Such subsequent filings can be made as advice letters which will go into effect on regular notice without a Commission resolution.
4. The authorizing resolution's effective date is the standard "trigger" for the duration of provisional tariffs, as well as for most compliance requirements.
5. In order to satisfy P.U. Code Section 453(c), promotional offerings should be available to all customers using equivalent services and facilities, regardless of class or locale.
6. Promotional offerings (reduced or waived nonrecurring charges) are appropriate when offered to all customers or when a service is newly available, either throughout the utility's intrastate service territory or due to the upgrade of the utility's serving facilities.
7. Market trials and technology tests should continue to require separate evaluation and authorization as currently required, and should not be included in the promotional program.

8. In considering whether a "service" is appropriate for promotion, we should consider the definition of "new service" we adopted in D.87-07-017, D.88-12-091, and D.90-11-029.

9. We adopted this definition with the qualifier that "repricing or repackaging of an existing service would not be considered a 'new service'" and observed that "the definition does not classify an optional calling plan which discounts existing service as a 'new service'" (D. 88-12-091).

10. Authorizing the promotional pricing of optional services will allow customers the benefit of making an informed decision based on personal use of the service.

11. Each promotion-specific advice letter should include the following elements:

- a. The overall criteria for waiving or discounting the nonrecurring charge during the promotional program.
- b. The financial impact of the promotion on the entire service to reflect the revenue required to recover the cost of the promotion.
- c. The start and end dates of the promotion(s).
- d. The program for customer notification/participation.
- e. Samples of the notification materials.
- f. Any limitations or safeguards (e.g., customer selection, rate structure, and program monitoring).
- g. The tracking (post-implementation analysis) plan.

12. Advice letters which comply with the conditions enumerated in the Findings should become effective on regular notice.

13. Within sixty (60) days of the end date of each promotional offering and prior to commencement of any subsequent promotional offering, a post-implementation analysis report should be submitted to CACD and include the following:

- nonrecurring revenue loss from the promotion;
- nonrecurring costs of the promotion;
- recurring revenue gain from new customers;
- recurring expenses;
- number of subscribing customers;
- record of any complaints;
- record of how long customers retain the service during the promotional period.

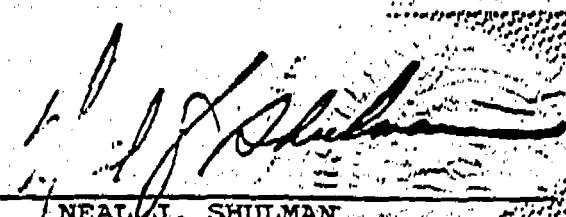
14. The post-implementation analysis report from the last promotional offering should be approved by CACD before the utility initiates another promotional offering.

March 25, 1992

THEREFORE, IT IS ORDERED that:

1. Citizens Utilities Company of California's request in Advice Letter No. 506 for provisional authority to offer optional services having promotional periods with waived or discounted, tariffed, nonrecurring charges is granted. This authority will expire two years from the effective date of this Resolution unless cancelled, changed or extended by Commission order.
2. Citizens Utilities Company of California is authorized to promote only specific optional services which result from upgraded serving facilities, or territory-wide offerings of new or existing optional services.
3. Citizens Utilities Company of California shall file advice letters for specific optional services to be included in Schedule Cal. P.U.C. A-42 to become eligible for promotional pricing. Such advice letters shall include the elements specified in Finding 11, and shall be made in accordance with Finding 14.
4. After each promotional offering, Citizens Utilities Company of California shall submit to the Commission Advisory and Compliance Division a post-implementation analysis report containing the details specified in Finding 13.
5. Advice Letter No. 506 and tariff sheets shall be marked to show that they were authorized under Resolution of the Public Utilities Commission of the State of California No. T-14757.
6. 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 31, 1992. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. O'BANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners