

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY & COMPLIANCE DIVISION RESOLUTION T-14972
Telecommunications Branch July 1, 1992

R E S O L U T I O N

RESOLUTION T-14972. PACIFIC BELL. REQUEST TO
GRANDFATHER IDENTIFIED OUTWARD DIALING SERVICE.

BY ADVICE LETTER NO. 16238, FILED MAY 8, 1992.

SUMMARY

Pacific Bell (Pacific), by Advice Letter No. 16238 and Supplement A filed June 15, 1992 requests authority under provisions of General Order No. 96-A (G.O. 96-A) to revise Schedule Cal. P.U.C. No. A5.3.5, Identified Outward Dialing (IOD) from PBX Systems.

The City of Salinas filed a protest to Advice Letter No. 16238 on June 5, 1992. Pacific filed its response to the City of Salinas protest on June 9, 1992 and revised Advice Letter No. 16238 on June 15, 1992. As a result of the revised filing, the City of Salinas withdrew its protest.

This Resolution authorizes Pacific to revise Tariff Schedule No. A5.3.5 to discontinue the offering of IOD service to new or additional customers. Pacific estimates the revenue impact of this filing for 1992 to be negligible.

BACKGROUND

IOD service allows a PBX customer to receive telephone bills segregated among PBX station numbers rather than directly to the pilot or main number associated with the PBX group. IOD allows the customer the means of allocating telephone cost (charged calls) to individual station users or department users to better control costs.

Pacific proposes to grandfather IOD service because of a declining demand for the service, a decline that Pacific says is the result of two factors: (1) technological advances that render the service obsolete and (2) billing errors that result from customers incorrectly assigning station numbers to their PBX extensions.

Pacific indicates that technologically comparable features to IOD are now available on Customer Premises Equipment (CPE) and are provided by some PBX vendors as an enhancement to their PBX systems.

Pacific compiled information on several commercially available alternatives to its IOD service and found the alternatives to be competitive with IOD. Pacific cites two examples of a price comparison between IOD and two alternative commercial services providing the same features. In each case the commercial alternative was able to provide more feature capabilities than IOD service, at a lower price.

Pacific also says that, with divestiture, it lost control of maintaining and managing the station numbers assigned in the customer-owned PBXs thereby increasing the potential for billing errors. Since divestiture Pacific assigns a customer a block of numbers to be used for station extensions in the PBX. The billing error occurs when the PBX customers assign station extension numbers outside of the number range assigned them. When the station extension makes a toll call, the call is billed to the station assigned the number by Pacific, not the incorrectly assigned station number. If the station number is an unassigned or incorrectly assigned station number, the results may be a loss of toll revenue to Pacific and/or increased labor expenses to investigate the incorrectly billed or unidentified messages.

In addition, increased competitiveness in this market has caused approximately 18% average annual decline of in-service volumes over the last three years. Pacific forecasts a continuation of the 18% annual decline of volumes for IOD service. Because of the continued loss of revenue from a decreasing number of IOD accounts, the billing error problems and their fiscal impact, Pacific proposes to discontinue offering new or additional IOD service. The following limitations and conditions would apply to IOD service:

- o No new orders from new customers will be accepted.
- o Additions, partial removals, and changes to the existing service will be permitted.

NOTICE

Pacific has mailed a copy of the Advice Letter and related tariff sheets to competing and adjacent utilities and/or other utilities, and interested parties.

Advice Letter No. 16238 was listed in the Commission's Daily Calendar of May 12, 1992. In addition, IOD customers were notified of the proposed changes in a direct mailing on May 8, 1992.

PROTESTS

The City of Salinas filed a protest to Advice Letter No. 16238 on June 5, 1992. The City of Salinas recommended that the Commission reject Advice Letter No. 16238. The reasons given for this recommendation were:

- o No new orders for IOD service will be accepted.
- o Changes can be made to existing services but only at the same premises.

The City of Salinas states that this approach, of not providing IOD service for new or additional telephones, does not meet its need for full and accurate call information.

Pacific's initial response is summarized as follows:

- o Pacific has not requested to discontinue IOD service; but only to provide it at the present level to existing customers.
- o Pacific has only received one order for IOD service since January 1991, and none from the City of Salinas since November, 1990.
- o There are many commercially available alternative products.

Pacific supplemented Advice Letter No. 16238 removing the proposed IOD service restrictions which were objectionable to the City of Salinas.

As a result of Supplement A, the City of Salinas withdrew its protest to Advice Letter No. 16238.

DISCUSSION

Pacific states that the IOD product is nearing the end of its life cycle. There are several alternatives to Pacific's IOD service available in the market place that offer more feature capabilities and at a lower price. Pacific's customer base for this service has been declining in recent years due to technological advances provided by CPE. The customer decline is expected to continue.

In addition, Pacific states its loss of control of CPE has created an environment for potential billing errors associated with the IOD product. Unidentified toll message investigation for billing errors, although very labor intensive, still doesn't ensure that messages will be correctly billed. When the billing error investigation does not disclose the correct billing

account, the revenues are written off and Pacific absorbs the loss.

Pacific studied several potential solutions to the billing problem and concluded:

- o No workable administrative solution exists.
- o The technical solution identified was deemed too costly.

Pacific's customers have competitively priced alternatives to Pacific's tariffed IOD service that provide the customer more capabilities at a lower price. Assuming this is true, existing customers would be expected to migrate to the less expensive alternatives over time and there would be a greatly reduced need to continue the service.

Pacific proposes grandfathering the IOD product and indicates it may request authorization to withdraw the service at the end of two years, depending on the number of customers, if any, still subscribing to IOD.

The City of Salinas filed a protest to Advice letter No. 16238 on June 5, 1992. The protest, although not filed within the protest period, was accepted by the Commission Advisory and Compliance Division Staff (CACD) on its merits.

During negotiation between Pacific and the City of Salinas in which representatives of the Telecom Branch of CACD acted as a mediator, Pacific voiced its concern that if existing customers were allowed to place new orders or to change their present service, effectively expanding its IOD service, the billing problem will continue to increase. However, Pacific agreed that these concessions should have little impact, since only one order for new IOD service had been received since January, 1991 and none from the City since November, 1990. Pacific therefore agreed to take new orders for IOD service from existing customers and to allow existing customers to make changes to their existing IOD service.

We agree with these changes proposed in Supplement A of Advice Letter No. 16238 and with Pacific's assertion that IOD is in the declining stage of its product life due to the availability of PBX systems with increasing sophistication and capabilities. As further indication of the declining demand for IOD services, no new IOD services have been installed since January, 1991. Therefore, we will authorize Pacific to limit providing IOD service to existing customers as it requests.

July 1, 1992

FINDINGS

1. Pacific's existing IOD service is less competitive than existing commercial alternatives.
2. There are less expensive alternatives to IOD service available to customers.
3. Pacific's average in-service volumes for IOD service have declined 18% annually over the past three years.
4. Pacific has received only one order for new IOD service since January, 1991.
5. The rates, charges, terms and conditions authorized in this Resolution are just and reasonable.

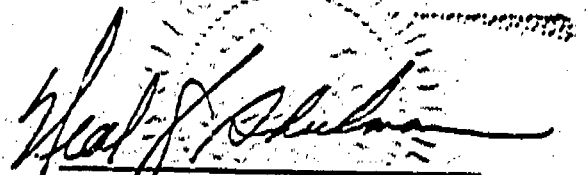
THEREFORE, IT IS ORDERED that:

1. Authority is granted to make Advice Letter No. 16238, Supplement A and the associated tariff sheets effective on July 2, 1992.
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-14972.

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 July 1, 1992. The following Commissioners approved it:

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners


NEAL J. SHULMAN
Executive Director