PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and Compliance Division
Telecommunications Branch

RESOLUTION T-14990*
November 6, 1992

R E S O L U T I O N

RESOLUTION T-14990. LOS ANGELES SMSA LIMITED PARTNERSHIP AND PACTEL CELLULAR-SAN DIEGO. REQUEST TO REVISE ROAMER RATES WITHIN CALIFORNIA.

BY ADVICE LETTER NOS. 131 AND 92 FILED ON APRIL 20, 1992; BY SUPPLEMENTAL ADVICE LETTER NOS. 131-A AND 92-A FILED ON APRIL 24, 1992; BY SUPPLEMENTAL ADVICE LETTER NOS. 131-B AND 92-B FILED ON MAY 18, 1992; AND BY SUPPLEMENTAL ADVICE LETTERS 131-C AND 92-C FILED ON SEPTEMBER 8, 1992.

SUMMARY

This Resolution grants, on a provisional basis, the requests to revise and simplify roamer rates by two of PacTel's cellular telecommunications carrier affiliates (PacTel affiliates): Los Angeles SMSA Limited Partnership and PacTel Cellular-San Diego.

The PacTel affiliates' proposal includes: (1) a revision of roamer rates for other carriers' customers who travel into the two PacTel affiliates' service areas, and (2) setting roamer rates for their own customers who travel to other parts of California. PacTel affiliates request that these roamer changes be implemented as a provisional tariff for a period of 12 months.

The proposed roamer rate changes will benefit a majority of PacTel affiliates' customers and other carriers' customers. PacTel affiliates' proposed roamer changes will be effective until November 6, 1993. Requests for extension or permanence of these roamer rates shall be filed through an application.

Several customers and US West Cellular of California, Inc. protested PacTel's proposed roamer changes.

BACKGROUND

On April 20, 1992, the following PacTel Cellular affiliated California cellular telecommunications carriers filed advice letters to simplify and standardize their roamer rates: Los Angeles SMSA Limited Partnership (LASLP), PacTel Cellular-San

Diego (PTC), Sacramento-Valley Limited Partnership (SVLP), and Modoc RSA Limited Partnership (MRLP). Each of these carriers is wholly controlled by PacTel Cellular (PacTel).

Each advice letter included the following requests: (1) to revise the roamer rates it charges to other carriers' customers who roam into its service area, and (2) to set the roamer rates for its own customers who roam into the service areas of other carriers. The carriers requested that these roamer changes be implemented for a period of 12 months. The Commission staff, however, expressed concerns on the issue of revenue distribution between cellular markets, which was pointed out in the protest received. As a result, PacTel withdrew the requests of SVLP and MRLP and further supplemented the advice letters of LASLP and PTC to show revenue neutrality on a market-by-market basis. LASLP and PTC will be referred to as PacTel affiliates in this Resolution.

A roamer rate is a rate charged by a carrier to another carrier's cellular customer who travels into its service area (an area outside the service territory of the designated carrier of the customer). The carrier who provides roaming cellular service to the visiting customer normally sets those rates and bills the customer's carrier, who in turn bills the customer the rate it was charged. In their advice letters, PacTel affiliates propose not to pass through the other carrier's roaming rate for their customers who roam outside their service areas. Instead, PacTel affiliates propose to establish rates which may be higher or lower than the rates customers are billed by the other carrier.

The following table shows PacTel affiliates' present and proposed roamer rates for other carriers' customers <u>who roam into PacTel's Los Angeles and San Diego areas</u>:

<u>LASLP/PTC IN-ROAMER RATES</u>

	Current Rates Access	Current Rates Usage/Min.	Proposed Rates Access	Proposed Rates Usage/Min.		Percentage Change
<u>LASLP-Los Angeles</u>						
From other CA markets	none	:$.70 peak : .27 off-peak	none	:$ .60 peak : .60 off peak	(D)* (I)**	(14) 122
From out-of-state markets	none	: .70 peak : .27 off-peak	none none	: 1.05 peak : 1.05 off-peak	(I) (I)	50 289
<u>PTC-San Diego</u>						
From other CA markets	none	: .60 peak : .24 off peak	none	: .55 peak : .55 off-peak	(D) (I)	(8) 129

* (D) indicates a decrease in rates
** (I) indicates an increase in rates

The above table indicates that both PacTel affiliates propose higher rates for off-peak roamer customers from other parts of California and lower rates for peak roamer customers from other parts of California, but only LASLP proposes higher rates for all out-of-state roamer customers. PTC proposes to charge the same rates for both California and out-of-state roamer customers.

In their supporting data, both PacTel affiliates indicate that a majority of other carriers' customers who roam into their service areas are peak customers. Based on the data submitted, it appears that a majority of other carriers' customers will benefit from PacTel affiliates' rate restructuring.

The following table shows other carriers' current rates and PacTel affiliates' proposed rates. These are the rates that PacTel affiliates propose to set for their own customers who roam outside their service areas:

LASLP/PTC OUT-ROAMER RATES

	Current Rates Access	: Usage/Min.	Proposed Rates Access	: Usage/Min.		Percentage Change
LASLP						
To San Diego	none	:$.60 peak : .24 off-peak	none	:$ .45 peak : .27 off peak	(D) (I)	(25) 13
To Sta. Barbara & S Luis Obispo#	$2.00	: .50 peak : .50 off-peak	none	: .45 peak : .27 off-peak	(D) (D)	(10) (46)
To other CA markets	##	##	none	: .60 peak : .60 off-peak		##
Subscribers to LASLP's Employee Serv. Prog.	##	##	none	: .60 peak : .60 off-peak		##
PTC						
To other CA markets	##	##	none	: .60 peak : .60 off-peak		##
Subscribers to LASLP's Employee Serv. Prog.	##	##	none	: .60 peak : .60 off-peak		##

#For a 10-minute call, the applicable charges are the following:
other carrier's current rate - $7.00
LASLP's proposed rate - 4.50 (all peak)

##On the average, most carriers charge $2.00 access fee and higher per minute usage rate.

The above table indicates that PacTel affiliates' proposed roamer rates for their own customers are lower than the other carriers' current rates on the average.

NOTICE/PROTESTS

Public notice that PacTel affiliates filed the above listed advice letters appeared in the Commission's Daily Calendar on April 22, 1992, April 29, 1992, May 20, 1992, and September 14, 1992. Also, pursuant to General Order No. 96-A, Section III, Paragraph 6, PacTel affiliates mailed copies of their advice letters to other utilities and to all interested parties requesting notification. PacTel affiliates' customers were notified of the proposed rates through bill inserts.

Customer Protests/Support

Ten customers (mostly from Los Angeles area and from other areas that cannot be identified) protested that the $.60/minute roaming rate is excessive and unfair. PacTel affiliates responded to only five of the customer protests because the others were late-filed protests. In its response, PacTel explained, among other things, that a majority of their Los Angeles customers will benefit from the proposed rate when roaming in the Bay area and the Fresno/Visalia/Bakersfield area. Current customers who roam into the Bay area are charged the following: Access charge - $2.00/day, Usage Rate - $0.50/minute; while those in the Fresno/Visalia/Bakersfield area are charged the following: Access charge - $2.00/day, Usage rate - $.65/minute. Therefore, PacTel's proposed changes will lower most customers' roaming rates when traveling into those areas, although those changes could raise bills for customers whose usage per day is more than thirteen minutes.

In addition to the protests discussed, thirty nine customers (mostly from Los Angeles and other neighboring areas) sent letters in support of the proposed roamer rates.

U.S. West Cellular of California, Inc. (US West) Protest

On May 14, 1992, US West filed a protest to Advice Letters 92 and 92-A of PTC only. US West is PTC's competitor in the San Diego area. US West based its protest on the following grounds:

1. Failure to identify the proposed rate increase,
2. Provision of roamer service at below "tariffed" costs,
3. Cross-subsidy by PTC of its San Diego market with revenues obtained in other cellular markets that it controls.

US West protests that PTC hid the fact that it is increasing its off-peak usage rate from $.24 to $.60 by proposing a flat usage rate of $.60 for both peak and off-peak.

US West also states that PTC's proposal to set the rate for its own customers who travel outside its service area will result in providing roamer service at below "tariffed" cost. Thus, PTC will charge its customer only $.60/minute for roaming in another carrier's service area, but PTC has to pay the carrier carrying the traffic at a range of $.79/minute to $.99/minute. Therefore, PTC will charge its customers less than what it has to pay.

US West also states that revenue neutrality should be considered on a market-by-market basis, not aggregated on a corporate basis across PacTel's entire market. US West claims that PTC and other PacTel affiliates' total company measurement is cross-subsidizing one market with revenue from another market. Since PTC is operated by PacTel and PacTel is able to control large parts of the cellular market in California, it can cross-subsidize below "tariffed" costs it offers its own customers with the above "tariffed" rates it charges customers who travel into its service area. US West claims competitive disadvantage because it does not have any California affiliate and does not have the ability to cross-subsidize rates between cellular markets.

PTC's Reply to US West's Protest

PTC replies that it has not attempted to hide any rate increases. In its roamer tariff schedule, PTC used the symbol (C) which designates a change which could result in either an increase or a decrease depending on the roamer's usage characteristics.

PTC explains that it is setting rates for its own customers which, in most cases, will result in a decreased roaming charge. The carrier providing the cellular service to the roaming customer will be reimbursed by PacTel at the carrier's tariff rate.

PTC also explains that the effect of its proposal would not result in any cross-subsidization of its San Diego market by other PacTel affiliate companies. PTC's market will receive no payments from other PacTel affiliate utilities, and PTC will absorb the increased cost of "buying down" roamer charges for its customers who roam in other California markets.

After the Commission expressed concerns about revenue distribution among PacTel's affiliates in Los Angeles, San Diego, Sacramento, and Modoc areas, PacTel withdrew requests for Sacramento and Modoc areas and further supplemented filings for Los Angeles and San Diego areas to show revenue neutrality on a market-by-market basis. There were no protests to these supplemental filings.

DISCUSSION

PacTel originally proposed roamer rate restructuring in four areas: Los Angeles, San Diego, Sacramento, and Modoc. PacTel claimed that its proposed rate restructuring was revenue neutral when viewed on a consolidated basis. However, the Commission Advisory and Compliance Division (CACD) agreed with U.S. West's protest that revenue neutrality should be considered on a market-by-market basis. If viewed otherwise, distribution of revenues between cellular market occurs. This situation obviously disadvantages other competitors who do not have affiliates in other markets. After CACD expressed its concerns, PacTel withdrew the filings for Sacramento and Modoc and revised filings for the Los Angeles and San Diego areas to show revenue neutrality on a market-by-market basis.

Based on the data supplied by PacTel affiliates, it appears that a majority of customers will benefit by the roamer rate restructuring. Also, PacTel affiliates indicate that the rate restructuring is revenue neutral. In order to insure that it is indeed the case, we will require monitoring reports.

In Resolution T-14621, the Commission expressed concerns over McCaw carriers setting roamer rates for their own customers when they travel into another carrier's service area and roamer service is provided by another carrier. Since the carrier providing the roamer service normally sets the roamer rates, the Commission was only willing to accept the McCaw roamer tariffs on a provisional basis and subject to submission of monitoring data to establish that the roamer rates were indeed revenue neutral. Resolution T-14621 also required that any request to make the provisional tariffs permanent needed to be filed as a formal application.

In Resolution T-14621, that Commission determined that when McCaw files an application to make the roamer rates set for their own customers permanent, we will have the opportunity to evaluate the reasonableness of setting roamer rates outside a carrier's service territory. Until that time, we will follow the process established in Resolution T-14621. Any request for authority to set rates outside a carrier's service area should result either in revenue neutrality for that particular carrier or a decrease in the rate of the roamer customer.

Since PacTel affiliates indicate that their requests will result in revenue neutrality, we will approve their requests to set roamer rates outside their service areas on a provisional basis. Further, we will require PacTel affiliates to provide periodic monitoring data to establish that the proposed rate restructuring is indeed revenue neutral. All monitoring data submitted by PacTel affiliates will be reviewed as part of the application process if PacTel seeks permanent tariff authority for these roamer rates.

For the above reasons, it is reasonable to grant PacTel affiliates' requests in their Advice Letters 131 - 131-C and 92 - 92-C on a provisional basis pending filing of an application for a permanent tariff. We believe that a formal process is a more adequate tool for the Commission to determine whether PacTel affiliates interim plan is indeed revenue neutral and whether its is appropriate for a utility to set rates outside its service area.

FINDINGS

1. PacTel seeks to revise the roamer rates for cellular customers who travel into its Los Angeles and San Diego service areas. PacTel requests that this authority be granted for a period of 12 months.

2. PacTel seeks to set the roamer rates for its Los Angeles and San Diego customers who travel into the service areas of other carriers. PacTel requests that this authority be granted for a period of 12 months.

3. A majority of PacTel's Los Angeles and San Diego customers and other carriers' customers will benefit from the roamer rate restructuring.

4. PacTel indicates that its proposed rate restructuring is revenue neutral in the Los Angeles and San Diego metropolitan service areas.

5. Monitoring reports are required to determine if the rate restructuring is indeed revenue neutral.

6. The issue of a utility's setting rates outside its service area should be determined in a formal proceeding as determined in Resolution T-14621.

THEREFORE, IT IS ORDERED that:

1. Los Angeles SMSA Limited Partnership's request in its Advice Letter Nos. 131, 131-A, 131-B, and 131-C is granted on a provisional basis until November 6, 1993.

2 PacTel Cellular-San Diego's request in its Advice Letter Nos. 92, 92-A, 92-B, and 92-C is granted on a provisional basis until November 6, 1993.

3. Any requests to extend the authority granted in Ordering Paragraph Nos. 1 and 2 shall be filed through an application. Request for further extension of said authority shall be filed with sufficient time to allow the Commission to issue a decision prior to the expiration of the authority.

4. Any requests to make the authority granted in Ordering Paragraph Nos. 1 and 2 permanent shall be filed through an application.

5. PacTel Cellular shall file a monthly report summarizing data on incollect roamer revenues for Los Angeles SMSA Limited Partnership and PacTel Cellular-San Diego. The monthly reports shall include the following data: total calls, total minutes, and total air charges.

6. PacTel Cellular shall file a monthly report summarizing data on outcollect roamer revenues for Los Angeles SMSA Limited Partnership and PacTel Cellular-San Diego. The monthly reports shall include the following data: total calls, total minutes, and total air charges.

7. Every three months following implementation, PacTel Cellular shall provide a statistical comparison of roamer data under the old and new plans. A statistically valid sample of customer bills is to be rerated using the previous roamer rates. The utility is to sample roamer usage for one month during the quarter. The sample must reflect the proportionate population of customers for Los Angeles SMSA Limited Partnership and PacTel Cellular-San Diego. The workpapers must include the sample selection methodology. The report must show: total calls, total minutes, total air charges, total daily access charges, and total charges.

8. All monitoring reports shall be directed to the Chief, Telecommunications Branch, Commission Advisory and Compliance Division and are due 30 days following the time period being reported.

9. Copies of all monitoring reports shall be filed with any application the utility may decide to filed to make the tariffs permanent.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 6, 1992. The following Commissioners approved it:

NEAL J. SHULMAN
Executive Director

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