

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and Compliance Division RESOLUTION T-15155
Telecommunications Branch November 23, 1992

R E S O L U T I O N

RESOLUTION T-15155. US WEST CELLULAR OF CALIFORNIA.
RESOLUTION REGARDING THE INTRODUCTION OF A PROVISIONAL
TARIFF FOR A TWO YEAR TEMPORARY CONTRACT PLAN WITH A
REDUCED ACCESS CHARGE.

BY ADVICE LETTER No. 90, FILED ON OCTOBER 7, 1992;

SUMMARY

US WEST Cellular of California, Inc. ("USWC"), by Advice Letter No. 90 filed on October 7, 1992 requests authority under provisions of General Order 96-A (G.O. 96-A) to introduce a two-year contract plan as a provisional tariff for a two month period to determine the marketability and demand for this plan.

This Resolution grants USWC authority to introduce the proposed two-year contract plan with reduced access charge on condition that USWC files a Supplement to Advice Letter No. 90 removing the 3,000 customer cap which is in violation of Section 453 of CPUC Code on discriminatory service.

BACKGROUND

USWC offers the two year plan in order to test the marketability and demand for a contract based service that discounts access charge by 48%. The company is offering this plan to customers in exchange for a two-year service commitment.

The plan is offered to new as well as existing retail customers of USWC. The company's wholesale customers are offered a similar pricing plan under a provisional wholesale tariff.

By offering this plan, USWC hopes to reduce the rapid turn over of customers ("churn") in the San Diego market. However, having had no experience with this type of pricing in the San Diego market, USWC proposes to offer the service contract as a provisional tariff for only two months or until 3,000 or fewer subscribers sign up for the plan. The company places the cap on the number of subscribers because it fears potential revenue erosion due to a migration of customers from US WEST's other

tariffed services to this plan, in case the proposed plan becomes too popular.

NOTICE/PROTESTS

Advice Letter No. 90 was filed on October 7, 1992. Public notice of the filing of Advice Letter No. 90 appeared in the California Public Utilities Commission's Daily Calendar on October 9, 1992. In addition, copies of the advice letter were served on competing and adjacent utilities on the date of filing. No protests were received regarding this filing.

DISCUSSION

The purpose of the two-year contract plan is to allow US WEST to perform a market trial on this pricing strategy to determine the viability of such a plan on a permanent basis.

The plan proposed by USWC offers customers a substantial reduction in access charges which we find desirable; however, the cap on the number of customers that will be activated under this plan causes concern about discriminatory service.

The proposed plan has two conditions: (1) each customer signing the two-year contract commits to a two year service period; and (2) the pricing plan is offered for a period of two months or until up to 3,000 customers are activated under this contract.

Section 453 of California Public Utilities Code (P.U.C.) states the following:

"No public utility shall, as to rates, charges, services, facilities, or in any other respect make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage."

Allowing only the first 3,000 customers the benefit of a reduced access charge simply because they happen to respond to the offer early, and barring the remainder of customers from obtaining the plan is preferential service for the first 3,000 customers. Putting a limit on how many customers will subscribe to this substantially reduced plan disadvantages all but those 3,000 customers no matter how they are selected.

The 3,000 customer limit is also an over-kill in protecting US WEST from risks it might face due to a potential high migration of subscribers from its other schedules to this plan. The two-months sign-up period and the company's level of advertisement of the program are adequate in limiting the number of subscribers to this plan. If, however, USWC is still concerned about a potential revenue loss due to a high demand for the proposed pricing plan, the company may reduce the duration of the contract to less than two years. USWC may also reduce the duration of the sign-up period to less than two months providing the company notifies all its retail customers and resellers

thirty days in advance of the effective date of the discount charges.

US WEST's proposed pricing plan offers a substantial reduction in access charges. For this reason USWC should be authorized to introduce the market trial plan conditioned upon USWC's removal of the 3,000 customers cap.

We will therefore grant authority to USWC to implement the tariff requested in Advice Letter No. 90, conditioned upon the filing of a Supplement to Advice Letter No. 90 removing the 3,000 limitation on the maximum number of customers that can apply for service under this plan and -- if the company wishes -- to reduce the duration of the contract to less than two years or to reduce the sign up period to less than two months providing USWC notifies its customers and resellers about the plan at least thirty days before the supplement to Advice Letter No. 90 becomes effective.

FINDINGS

1. A two-year service contract plan will be USWC's first such tariff for the San Diego market.
2. The two-year service contract plan would require a customer to agree to a two year service contract in return for a reduced monthly access charge during the same period.
3. USWC's two year contract plan offers a substantial reduction on monthly access charges.
4. The two-month provisional tariff for two-year contract plan allows USWC to gather data to test the marketability of this type of plan in the San Diego market area.
5. The limitation placed on the number of customers that can be activated under a service plan is discriminatory and in violation of Section 453 of C.P.U. Code.
6. Approval of Advice Letter No. 90 should be conditioned upon USWC's filing of a Supplement removing the 3,000 customer limitation on the plan.
7. USWC should be authorized to reduce the duration of the two-year contract period of the proposed plan to less than two years and/or to reduce the sign up period for the plan to less than two months providing USWC notifies its customers and resellers about the plan and the dates the plan will be in effect at least thirty days before the sign up period begins.

Resolution T-15155.
November 23, 1992. FTF

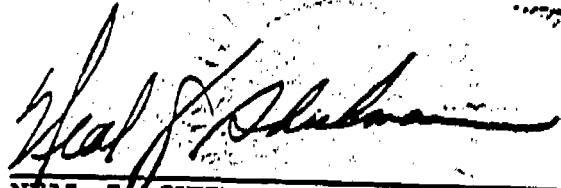
THEREFORE, IT IS ORDERED that:

1. Authority is granted to US WEST Cellular of California (USWC) to introduce a two year contract price plan, on a provisional basis, subject to conditions set forth in Ordering Paragraph (2) and effective five (5) days from the date of the filing of the Supplement to Advice Letter No. 90.

2. If USWC chooses to offer service, it shall file a Supplement to Advice Letter No. 90 removing the 3,000 customer limitation and, at its option, reducing the duration of the sign up period to less than two months, providing USWC notifies its customers and resellers about the plan 30 days before the plan begins, or reducing the contract period to less than two years.

The effective date of this Resolution is today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 23, 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