

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-15681
Telecommunications Branch February 8, 1995

R E S O L U T I O N

RESOLUTION T-15681. PACIFIC BELL. REQUEST TO PROVIDE GROUPVIDEO SERVICE AS A FLEXIBLY PRICED CATEGORY II OFFERING.

BY ADVICE LETTER NO. 17082 FILED ON SEPTEMBER 9, 1994.

SUMMARY

Pacific Bell (Pacific) requests authority under provisions of General Order No. 96-A (G.O. 96-A) to revise Schedule Cal. P.U.C. No. A18, Integrated Services, 18.6 to provide GroupVideo service as a flexibly priced Category II offering.

MCI Telecommunications Corporation (MCI) and Conference Club filed protests to Advice letter No. 17082 (AL 17082) on September 29 and October 24, 1994, respectively. Pacific filed its responses to the protests on October 10 and November 10, 1994. Based on a review of the concerns of the protesters and Pacific's response, the protests are granted to the extent they agree with Finding 3 of this Resolution.

This Resolution authorizes Pacific's GroupVideo service as a Category II service with flexible pricing.

BACKGROUND

GroupVideo service allows up to 28 locations to participate in a single video conference. Customers make reservations, request a specific date, time and duration, the number of conference ports and the data rate, and conference control options required for the conference. An attendant provides the customer with directory numbers that participants will dial to access the Multipoint Control Unit (MCU), which serves as the conference bridge.

NOTICE

Pacific states that a copy of the Advice Letter and related tariff sheets was mailed to competing and adjacent utilities and/or other utilities, and interested parties. The Advice Letter was listed in the Commission's Daily Calendar of September 14, 1994.

Customers will be notified through direct customer contact. Also, direct mailings and advertising in the telecommunications industry press and trade journals will be utilized.

PROTESTS

MCI filed a protest to AL 17082 on September 29, 1994. MCI indicates that it does not oppose the approval of Pacific's GroupVideo service. MCI recommends that the Commission direct Pacific to:

- o Correctly identify the monopoly building blocks contained in the new service.
- o Resubmit its imputation test with the appropriate imputation of switched access local transport.
- o Make it clear in its intrastate tariff that GroupVideo service and the corresponding rate are only available to California customers.

The Conference Club in its protest opposes the pricing structure, stating that although an exact financial argument cannot be made, taking into account the cost of employees, equipment, advertising and marketing, building space and all other normal costs of doing business, GroupVideo would not recover its cost. Conference Club says it encourages competition, but feels that Pacific will eliminate mid-size company competitors if allowed to enter the market with the proposed pricing structure.

Pacific, in its response to MCI's limited protest, asserts that no building blocks are used in providing GroupVideo service. According to D.94-09-065, a building block exists if a competing provider is unable to provide its service without the building block. Pacific states that AT&T, Sprint and other video conferencing services do not use Pacific Bell facilities in providing this service.

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Pacifico indicates that MCI seeks to unbundle the HICAP facility link Pacifico uses to connect the MCU and its end office, so a competing HICAP provider can supply Pacifico's GroupVideo customers with this HICAP link.

Pacifico, in response to MCI's argument that GroupVideo should be tariffed federally because video confererees from out-of-state can join the conferences, says that under similar circumstances the FCC has not required interstate tariffs.

As to Conference Club's protest that Pacifico's rates do not cover cost and that the rates will deter competition, Pacifico replies that the proposed rates cover cost. Pacifico feels that GroupVideo will foster competition, not stifle it, making the service available to consumers at more affordable prices.

DISCUSSION

Video conferencing (connecting two locations only) is currently available using existing tariffed services. GroupVideo is used to conference more than two locations. The proposed service will be available initially via a single 5ESS end office location in the Los Angeles area. The GroupVideo connections from the customers' premises to Pacifico's 5ESS end office are established over existing public data services offered in existing tariffs. The 5ESS switch is connected to the MCU via a T-1 provisioned with a PRI (Primary Rate Interface). The proposed GroupVideo rate includes the T-1, PRI and the MCU. A GroupVideo conferencing customer would pay the GroupVideo rate in addition to applicable charges from the customers' premises to the 5ESS end office.

Since the charges from the customers' premises to the 5ESS end office are at tariff rates, the issues of monopoly building blocks and imputation cited in the protest pertain to the T-1 and PRI link to the MCU. The PRI and the T-1 link are monopoly building blocks. The tariff rate for T-1 and PRI, the monopoly building blocks at issue, are imputed in the price floor for this flexibly priced service. The proposed minimum tariff rate for GroupVideo is priced to cover the applicable tariff rates for T-1 and PRI, and the embedded costs of the MCU.

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Conference Club, a prospective competitor of Pacific protested that the proposed rate for GroupVideo does not cover cost and it is Pacific's intention to eliminate competition or to financially obstruct competitors from entering the market by under cutting all existing prices. Although Pacific's rates are less than its competitors', the cost support data indicate that the revenue covers cost for the proposed GroupVideo service and the rate is above the price floor of providing the service.

We see no need to require Pacific to tariff the service federally or to make it clear in the tariff that this service and the corresponding rates are available to California customers only. Pacific offers other services (e.g., 800 service) that may go out of state and may include interstate and/or international customers which are not required to be federally tarified. Furthermore, a clarifying statement that those services are only available to California customers has not been required. We see no need to make an exception for GroupVideo service.

FINDINGS

1. Pacific Bell filed Advice Letter No.17082 and Supplement A requesting Commission authorization to introduce GroupVideo service as a flexibly priced Category II offering.
2. The protests of MCI and Conference Club have merit to the extent they agree with Finding 3 below.
3. T-1 and PRI, the connecting link to the MCU are monopoly building blocks for GroupVideo service.
4. GroupVideo is a Category II service.

THEREFORE, IT IS ORDERED that:

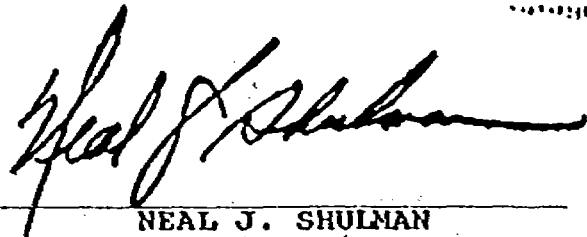
1. Authority is granted to make Pacific Advice Letter 17082 as Supplemented, and the corresponding tariff sheets effective on February 9, 1995.

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2. The Advice Letter and accompanying tariff sheets shall be marked to show that they were authorized by Resolution T-15705.

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 February 8, 1995. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL WM. FESSLER
President
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
Commissioners