

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-15713
Telecommunications Branch April 5, 1995

R E S O L U T I O N

RESOLUTION T-15713. GTE CALIFORNIA INCORPORATED.
REQUEST TO PROVIDE CENTRANET SERVICE FOR ROCKWELL
INTERNATIONAL CORPORATION SPACE SYSTEMS DIVISION
UNDER A CUSTOMER-SPECIFIC CONTRACT.

BY ADVICE LETTER NO. 5731 FILED JANUARY 4, 1995.

SUMMARY

GTE California Incorporated (GTEC) requests authority under provisions of General Order No. 96-A (G.O. 96-A) and Decision Nos. (D.) 88-09-059, and 94-09-065 to provide CentraNet service for Rockwell International Corporation Space Systems Division (Rockwell) under a customer-specific contract.

This Resolution authorizes GTEC's request with modifications stated herein. GTEC estimates the annual revenue impact of this filing to be a \$223,344 revenue reduction.

Protests to GTEC's Advice Letter No. (AL) 5731 were filed by AT&T Communications (AT&T) and the Division of Ratepayer Advocates (DRA).

BACKGROUND

In D.88-09-059 the Commission adopted a modified Phase I Settlement. Under the provisions of the Settlement, the Local Exchange Companies (LECs) are allowed to provide CentraNet service under the terms of contracts between LECs and customers. The Settlement provides that such contracts become effective upon authorization by the Commission.

The process and requirements for filing of advice letters to request authorization of customer-specific contracts are set forth in Appendix A of D.88-09-059. Additional specifications for advice letter filings requesting authorization to provide service under contract are provided in Resolution Nos. T-13091 and T-13069.

D.90-04-031 further requires that special contracts comply with the principles of imputation, unbundling and nondiscriminatory access adopted in D.89-10-031 and that prices for monopoly utility services be based on their underlying costs. The Commission in D.94-09-065 clarified these principles and adopted other changes to the contracting requirements. The proposed contract complies with the contracting requirements.

CentraNet is a central office based communications system equipped with primary station lines capable of receiving direct in-dialed calls and capable of direct out-dialing of calls, with optional features.

Under the terms of the three year contract with a two year service extension period, GTEC agrees to provide CentraNet service for a minimum of 3,761 station lines and features and 2,000 lines with voice mail at cutover per the contract monthly rate. The agreement shall automatically renew for an additional two years at the effective rates and charges. The parties may extend the contract an additional year at rates and charges to be agreed upon in writing by the parties and authorized by the Commission. Recurring and nonrecurring charges for lines in excess of those at cutover are per contract.

GTEC estimates the annual revenue impact of this filing to be a decrease of \$223,344.

NOTICE

GTEC has mailed a copy of Advice Letter No. 5731 and the related tariff sheets to competing and adjacent utilities and/or other utilities and to the customer named in the contract. The Advice Letter was listed in the Commission's Daily Calendar of January 6, 1995.

PROTESTS

Protests to AL 5731 were filed by AT&T and DRA. AT&T filed its protest to AL 5731 on January 24, 1995 and DRA filed its protest to AL 5731 on January 26, 1995.

GTE filed its response to AT&T's protest on February 14, 1995 and its response to DRA's protest on February 3, 1995.

AT&T's and DRA's protests stated the following issues:

- o DRA and AT&T argue that GTEC does not have authority to establish customer specific price floors because it has not established per unit LRICs pursuant to D.94-09-065.
- o AT&T maintains that GTEC's AL 5731 lacks the detail necessary to validate GTEC's customer specific price floor.
- o The protestants disagree with GTEC's customer specific station to trunk ratio.

DISCUSSION

Unit Cost Pricing

Both DRA and AT&T maintain that GTEC should not be allowed to establish a customer specific price floor until it has established uniform unit costs based on GTEC's servicewide cost profile. DRA cites D.94-09-064 which states:

Customer specific LRICs must be calculated on an appropriate uniform per unit basis (e.g., per-foot, per-line). The LEC must establish per-unit LRICs in a compliance filing setting forth the calculation and cost basis for the unit price.

Absent uniform unit costs, the protestants maintain that GTEC should be required to set its customer specific rate at no lower than the servicewide LRIC. In addition, the parties maintain that GTEC should be required to establish per unit costs before it can offer a customer specific contract.

GTEC disagrees, arguing that the IRD decision does not preclude the LECs from establishing customer specific LRICs based on customer specific cost elements.

We disagree with GTEC. The parties' protest is reasonable and should be granted. D.94-09-065 requires that uniform unit costs on a servicewide basis should be developed before individual customer specific LRICs can be determined. We acknowledge the fact that this criteria may be different from how LECs have historically developed customer specific costs. However, we do not believe this requirement precludes potential customers from benefitting from the individual characteristics of their service profile. GTEC should be required to supplement its workpapers supporting AL 5731 to illustrate that its customer specific price floor incorporates unit costing on a servicewide basis.

Necessary Level of Detail

We are sympathetic to AT&T's need for additional information and hope that GTEC's workpaper augmentation will alleviate AT&T's concern. However, workpaper sufficiency is a compliance issue in general and should not be the sole basis for rejecting GTEC's AL 5731.

GTEC's Customer Specific Station to Trunk Ratio

Both AT&T and DRA believe that GTEC's DID station to trunk ratio is unsupportable. AT&T argues that GTEC should be required to use a station to trunk ratio that is consistent with GTEC's compliance filing or AL 5757 (servicewide CentraNet price floor filing) and AL 5838 (revised LRICs for PBX, DID and Line Hunt). DRA argues that GTEC's AL 5731 is unreasonable but maintains that a station utilization adjustment should be applied due to the customer specific nature of the contract.

GTEC believes that its station to trunk ratio is appropriate and merely reflects the station to trunk ratio of the specific customer.

We disagree with AT&T that GTEC should be required to use a station to trunk ratio that conforms to GTEC's compliance filing or AL 5757 and AL 5838. Although we do believe the computational methodology should be consistent between AL 5757, AL 5838 and AL 5731.

We find DRA's proposal to be reasonable because it balances the customer specific nature of AL 5731 with the need to acknowledge the fact that 100% of the customer's DID stations are not in use at a given time.

Therefore, we believe it is reasonable to require GTEC to apply a station utilization adjustment to AL 5731 as proposed by DRA.

We conclude that this Advice Letter meets the requirements set forth in the previously mentioned Commission Orders and G.O. 96-A and should be approved. However, we must emphasize that our approval is based on the expectation that GTEC will modify and supplement its cost support as required by this resolution.

FINDINGS

1. GTEC filed Advice Letter No. 5731 requesting Commission authorization to provide CentraNet service for Rockwell under a customer-specific contract.
2. The Advice Letter and the contract conform to the requirements of Decision Nos. 88-09-059 and 94-09-065, Resolution Nos. T-13069 and T-13091, and G.O. 96-A.
3. GTEC states that authorization of this contract will result in an estimated annual revenue decrease of \$223,344.

4. Protests were filed by DRA and AT&T.
5. AT&T and DRA protested GTEC's customer specific price floor because it failed to cost customer specific elements on a servicewide unit cost basis pursuant to D.94-09-065.
6. Commission authorization of the Advice Letter and the contract does not establish a precedent for the contents of future filings or for Commission approval of similar requests. Commission approval is based on the specifics of the contract.
7. AT&T protested GTEC's supporting documentation and workpapers as insufficient to verify GTEC's cost analysis.
8. AT&T and DRA protested GTEC's DID station to trunk ratio.
9. AT&T's and DRA's protests with regard to uniform unit cost pricing are reasonable and should be granted.
10. AT&T's protest with regard to GTEC's workpaper sufficiency should be denied.
11. DRA's protests with regard to station to trunk ratios is reasonable and should be granted.
12. AT&T's protest with regard to station to trunk ratios should be denied.
13. The rates, charges, terms and conditions of the contractual services approved in this Resolution are just and reasonable.

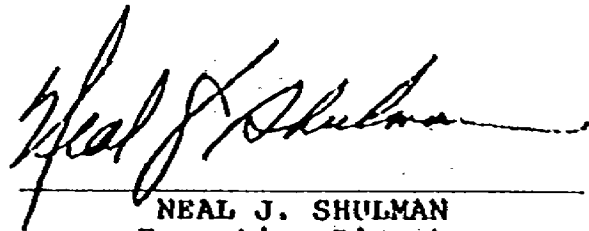
April 5, 1995

THEREFORE, IT IS ORDERED THAT:

1. GTE California Incorporated (GTEC) is granted authority to make Advice Letter (AL) 5731 and the contract effective upon approval by the Commission Advisory and Compliance Division (CACD) of GTEC's revised workpapers to Advice Letter (AL) 5731. GTEC's revised workpapers shall meet the requirements set forth below.
2. GTEC's revised workpapers to AL 5731 shall demonstrate that AL 5731 is in compliance with uniform costing criteria established in D.94-09-065 and that the price floor for AL 5731 has been modified to reflect the station utilization adjustment for its DID station to trunk ratio as required by CACD.
3. The Advice Letter and contract shall be marked to show that they were authorized by Resolution T-15713.
4. The contract may be extended at the current rates and charges for a period of up to twelve months without Commission approval. Rates and charges that modify the original agreement will require Commission authorization.

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 April 05, 1995. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
Commissioners

I abstain.
/s/ HENRY M. DUQUE
Commissioner