

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION      RESOLUTION T-15806  
Telecommunications Branch                                      December 18, 1995

R E S O L U T I O N

RESOLUTION T-15806. PACIFIC BELL. REQUEST TO PROVIDE CENTREX WITH DIRECT DIGITAL INTERFACE, ADVANCED DIGITAL NETWORK, HIGH CAPACITY DIGITAL AND ENHANCED SERVICES FOR LOCKHEED CORPORATION UNDER A CUSTOMER-SPECIFIC CONTRACT.

BY ADVICE LETTER NO. 17730 FILED SEPTEMBER 25, 1995.

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SUMMARY

Pacific Bell (Pacific) 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 deviate from filed tariff schedules in order to provide Centrex with Direct Digital Interface (DDI), Advanced Digital Network (ADN) and High Capacity Digital services (HCDS) for Lockheed Corporation (Lockheed) under a customer-specific contract. Pacific's subsidiary, Pacific Bell Information Services (PBIS) will provide enhanced services under this contract.

Pacific also requests that future modifications to the contract that do not materially change the service offering become effective upon Commission Advisory and Compliance Division (CACD) approval.

This Resolution authorizes Pacific's request. Pacific estimates that the annual revenue impact of this filing will be a decrease of \$759,749. No protest to the Advice Letter was filed.

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 Centrex, ADN, HCD and enhanced services under contract. The Settlement provides that the contract becomes 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 private line service contracts are provided in D.89-10-031.

D.90-04-031 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 by D.94-09-065 clarified those principles and adopted other changes to the contracting requirements. The proposed contract complies with the contracting requirements.

Supplement A to AL 17730 was filed on October 12, 1995 to make a correction to the contract.

Centrex 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. DDI service is a feature of Centrex which provides point-to-point, end-to-end digital connectivity from a Centrex to a distance end location. ADN service is a dedicated digital private line service using a nodal architecture which provides for full duplex, four-wire, end-to-end digital data transport. HCDS or T-1 service is a dedicated private line channel service suitable for the transmission of digital signals at a speed of up to 1.544 megabits per second.

Under the terms of the 10 year contract, Pacific agrees to provide 15,000 Centrex lines and associated features (including Centrex-ISDN) at a monthly rate of \$224,400. Pacific will also provide 24 ADN circuits with 48 Channel Terminations and 23 T-1 circuits with 46 Channel Terminations at a monthly rate of \$10,792. Recurring and nonrecurring charges for additional circuits and terminations are per contract.

Lockheed requested that enhanced services be included in the contract. PBIS will provide enhanced services (Pacific Bell Call Management and Call Router, and Pacific Bell Voice Mail Series 100) to Lockheed for seven years. The pricing for the enhanced services are above the cost of providing the services. PBIS' enhanced services are separate and distinct from Pacific's other services offered under this contract.

Pacific estimates the annual impact of this filing will be a decrease in revenue of \$759,749.

NOTICE/PROTESTS

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 to the customer named in the contract. Advice Letter No. 17730 was listed in the Commission's Daily Calendar of September 29, 1995.

No protest to the Advice Letter was filed.

DISCUSSION

In reviewing Advice Letter No. 17730 as supplemented, CACD notes the following:

- a. Pacific requests confidential treatment of workpapers and supporting documentation.
- b. Each service category offered under the terms of the contract covers its Long Run Incremental Costs (LRICs). The contract rates equal or exceed the LRICs of each rate element of the contract services.
- c. The Advice Letter indicates that the costs and revenues associated with the contract will be tracked.
- d. Pacific requests that contract modifications that do not materially change the service offering and are of a ministerial nature become effective upon CACD approval. The request is a reasonable one; however, we note that such non-material change advice letter requests can not become effective on less than the 40 day regular notice period required by G.O. 96-A. Also, the exceptions from "material change" are limited to the following: (a) modifications which do not result in a reduction of the revenue to cost ratio (R/C), (b) the inclusion of services from the same tariff schedule as the schedule which offers the original contract service, or (c) non-material changes that do not violate or change any other applicable Commission decisions and/or resolutions. Specifically, modifications that result in a decrease in the R/C, or changes in the price per line, are material changes and may be authorized only by Commission resolution.

CACD concludes that the Advice Letter meets the requirements set forth in the previously mentioned Commission Orders and G.O. 96-A and recommends that the Commission approve the filing. CACD also notes that Commission approval is based on the specifics of the Advice Letter and contract and does not establish a precedent for the contents of future filings or for the Commission approval of similar requests.

FINDINGS

1. Pacific filed Advice Letter No. 17730 as supplemented requesting Commission authorization to provide Centrex, ADN, HCD and enhanced services under a customer-specific contract.
2. The Advice Letter as supplemented and the contract conform to the requirements of Decision Nos. 88-09-059, 91-01-018, and 94-09-065, Resolution Nos. T-13069 and T-13091; and G.O. 96-A.
3. Pacific states that authorization of this contract will result in an estimated annual revenue decrease of \$759,749.
4. It is reasonable for contract modifications to become effective upon CACD approval but no sooner than the 40 day regular notice period required by G.O. 96-A and so long as they do not materially change the service offering, consistent with the definition of "material change", above.
5. Commission authorization of the Advice Letter as supplemented and the contract does not establish a precedent for the contents of future filings or of Commission approval of similar requests. Commission approval is based on the specifics of the contract.
6. The rates, charges, terms and conditions of the contractual service approved in this Resolution are just and reasonable.

THEREFORE, IT IS ORDERED that:

1. Authority is granted to make Pacific Bell's Advice Letter No. 17730 as supplemented and the contract effective on December 21, 1995.
2. Contract modifications that do not materially change the service offering may become effective on no less than the 40 day regular notice period required by G.O. 96-A and with Commission Advisory and Compliance Division approval.
3. The Advice Letter as supplemented and the contract shall be marked to show that they were authorized by Resolution T-15806.

December 18, 1995

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 December 18, 1995.  
The following Commissioners approved it:

*Wesley Franklin*

WESLEY M. FRANKLIN  
Executive Director

DANIEL Wm. FESSLER  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners