

DRAFT**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****Telecommunications Division
Carrier Branch****RESOLUTION T-16710
February 13, 2003****RESOLUTION**

RESOLUTION T-16710. APPROVAL OF SBC PACIFIC BELL'S REQUEST TO GRANDFATHER 'ECONOMY PLAN' AND 'THE WORKS' RESIDENCE FEATURE PACKAGES AND BOLT-ON DISCOUNTS

Summary

This resolution approves SBC Pacific Bell Telephone Company's (SBC's) request to grandfather 'The Economy Plan' and 'The Works' residence feature packages and bolt-on discounts¹ (referred to as 'the Plans'). The Plans will not be offered to new customers. However, they will continue to be offered to existing customers for existing installations at existing locations. Existing customers will also have the option of migrating to new and comparable feature packages. SBC's uncontested request complies with current Commission rules.

Background

This resolution approves SBC's request to grandfather 'the Economy Plan' and 'The Works' residence feature packages. Table 2 (in the Appendix) presents further details on the rates for these packages as currently offered. Since customers subscribing to these packages have committed to a predefined group of services, they also receive the following four additional discounts:

1. Primary access line including The Economy Plan, WirePro, Optional Calling Plan and Call Waiting ID with a \$2.15 WirePro discount
2. Primary access line including The Works, WirePro, Optional Calling Plan and Call Waiting ID with a \$2.15 WirePro discount and a \$1.85 Works discount

¹ The customers subscribing to 'the Economy Plan' and 'the Works' packages also receive additional discounts because they have subscribed to a predefined group of services. These discounts are referred to as 'bolt-on' discounts.

3. Primary access line including either # 1 or # 2 noted above and WirePro on an additional access line with a \$2.15 WirePro discount on the additional access line
4. Primary access line including either # 1 or # 2 noted above and Caller ID, Call Waiting and Three-Way Calling and WirePro on the additional line with a \$2.15 WirePro discount and \$4.45 CCS feature discount on the additional access line.

The four discounts noted above are referred to as 'bolt-on' discounts. The term, - "the Plans" as used in this resolution, refers to '*the Economy Plan*' and '*the Works*' feature packages as well as the four bolt-on discounts noted above.

SBC claims that many of its customers want residence feature packages that include frequently used and popular services. However, some customers would like to retain their existing services and have an option not to migrate to new packages. To meet these customer 's needs, SBC intends to grandfather the Plans for existing customers and to replace the Plans with new offerings such as the Advantage Plan and the Value Plan that offer more popular services and a choice of 5 additional Custom Calling Service features.

Notices/ Protests

SBC states that a copy of the Advice Letter (AL) 23146 and related tariff sheets were mailed to competing and adjacent utilities and/or other utilities. Notice of Advice Letter No. 23146 was filed on August 9, 2002 and published on the Commission Daily Calendar of August 12, 2002. No protest to this Advice Letter has been received.

Discussion

SBC's Rationale

SBC claims that it is designing new packages to provide the right products and services to meet the needs of residential customers. These packages will provide residential customers with the ability to customize their vertical services and receive additional savings by purchasing additional products and services from SBC's portfolio. SBC claims that from its experience in withdrawing the tariffed "Saver Packs" in August 2000, it found that some existing customers wanted the option to continue with their existing package. Therefore, SBC is requesting CPUC approval to grandfather the Plans. The Plans would be available for existing customers at existing locations only. These customers would retain their Plans until they either move or change their service. Therefore, in the case of supersedure, the Plans would no longer be available to these customers.

The Telecommunications Division (TD) finds that approving SBC's filing in AL 23146, will allow existing customers to maintain their Plans. These customers will also have the option to migrate to the new packages.

Alternative Plans

SBC is offering a new package called The Advantage Plan, which consists of Caller ID, Privacy Manager and 5 Custom Calling features for \$19.95. SBC claims that customers want packages that include those services they use most often, and do not include services that are not of value to the customers. To meet this customer need, SBC's new package offers the customer with two of the most popular services and a choice of 5 additional Custom Calling Service features. Table 1 in the Appendix lists the alternative Plans that current customers of the grandfathered Plans can migrate to. Table 2 in the Appendix provides a comparison of existing packages listed in Table 1 with the Plans in terms of costs, revenues and terms & conditions of service.

TD finds that if SBC withdrew the Plans, existing customers would realize a significant price increase for their products and services. Hence grandfathering the Plans is a much more customer-friendly solution.

Commission Rules

Relevant Commission Rules are embedded in SBC's tariffs on general regulations. SBC's Cal. P.U.C. No. A2.1.1, Rule 1, states:

“The term “frozen/grandfathered service” applies to an obsolete and/or outdated service the Utility no longer wishes to provide. The freezing/grandfathering of a service is the Utility's method of managing a tariff for this service prior to ultimately discontinuing the service, or change existing tariff regulations without discontinuing certain rights, privileges or conditions of the service to existing customers.”

In addition, SBC's Cal P.U.C. No. A.2.1.2, A.4, sheet 33 states:

“Services that have been frozen and/or grandfathered will continue to be furnished to the same customer at the same premises until such time as stated in the tariff. Any requests for additions, disconnections, moves or changes by the Customer on a circuit that has Frozen/Grandfathered service, will result in the complete disconnection of the Frozen/Grandfathered status service at the time of the addition, disconnection, move or change. Exceptions to this rule are requests for miscellaneous record order changes, i.e., bill address change, bill name change (not supersedure), miscellaneous corrections, etc.”

TD has analyzed the tariff changes proposed in AL 23146 and finds that SBC's request complies with Commission rules embedded in the tariff rules cited above. However TD also notes that existing customers may not be aware of all the conditions under which the Plans are grandfathered. Hence TD recommends that SBC mail a customer notice to existing customers. The customer notice should explain clearly the conditions under which the Plan will be grandfathered under the requirements of SBC Pacific Bell Tariff Schedule CAL P.U.C. No. A2.1.2.A.4 quoted above.

TD notes that other Competitive Local Carriers do not need a resolution to approve their requests to grandfather discounted packages². SBC, being an incumbent Local Exchange Carrier, has requested TD to prepare a resolution for the Commission to consider and approve its request. TD's Carrier Branch has analyzed SBC's uncontested Advice Letter filing and finds no reason to deny this request.

SBC's request is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code Section 311 (g)(2), the 30-day period for public review and comment is being waived.

Findings

1. If SBC withdrew the grandfathered Plans, existing customers would realize a significant price increase for their products and services.
2. SBC will continue to offer the Plan to an existing customer of record at the existing premise under the requirements set by SBC Pacific Bell Tariff Schedule CAL P.U.C. No. A2.1.2.A.4 sheet 33.
3. SBC will not change existing tariff regulations for the Plans for existing customers.
4. SBC will not discontinue any rights, privileges or conditions of the service to existing customers of the Plans.
5. SBC is offering alternative and comparable Plans to new customers and to existing customers of the Plans who choose to migrate to alternative Plans.

² Reference MCI WorldCom Communications Inc. (MWC) Advice Letter Request No. 162, dated September 9, 2002 "1. To grandfather Advanced Option II for Small Business Savings Plan XIII and Advanced Options II for Small Business Savings Plan IX...", which was approved without a resolution with a requested effective date of October 1, 2002.

THEREFORE, IT IS ORDERED that:

1. SBC's request in AL 23146, to grandfather '*the Economy Plan*' and '*the Works*' residence feature packages and bolt-on discounts (the Plans), is approved.
2. SBC will continue to offer the Plans to existing customers of record until they choose to subscribe to either '*the Economy Plan*' or '*the Works*' residence feature package with bolt-on discounts and under the requirements of SBC Pacific Bell Tariff Schedule CAL P.U.C. No. A2.1.2.A.4 sheet 33.
3. SBC will not change existing tariff regulations for the Plans for existing customers or discontinue any rights, privileges or conditions of the service to existing customers of the Plans.
4. SBC will file a draft customer notice with the Public Advisor's office, within 20 business days of the approval of this resolution. The customer notice should explain clearly the conditions under which the Plan will be grandfathered under the requirements of SBC Pacific Bell Tariff Schedule CAL P.U.C. No. A2.1.2.A.4.
5. SBC will mail the customer notice to existing customers within 20 business days of its approval by TD and the Public Advisor's office.
6. The effective date of the tariff sheets filed with AL 23146 shall be no sooner than 30 days after the last bill round containing the customer notice described in O.P. 4 & 5 above is mailed and SBC shall notify the Director of the TD of this effective date.
7. SBC's tariffs filed with AL 23146 will be marked as having been approved by Resolution T-16710.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 13, 2003. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

Table 1: Alternative Plans

Package	References (AL # and Tariffs)	All Service Elements in Package	Tariffed Rates and terms	Costs of Elements	Revenue Impact
Value Plan	AL #22862 – Effective 6/4/02 Schedule CAL.P.U.C. No. A5.4.10.E –Packages (Sheets 442.50 – 442.51) and Schedule CAL.P.U.C. No. 175-T Section 18.5.1(E)(3) Packages (Sheets 787-A-1 – 787-A-3)	Required: Caller ID Plus any two of following features: Call Waiting Three-Way Calling Call Forwarding Call Screen Priority Ringing Select Call Forwarding Call Return Call Waiting ID Repeat Dialing Speed Calling-8	<u>Retail Rate:</u> \$11.26 per month Currently available on primary line only. This is being changed per the tariff process (AL#23317 req. eff. Date 12/4/02) <u>Resale Rate:</u> \$9.35 per month Currently available on primary line only. This is being changed per the tariff process (AL#23317 req. eff. Date 12/4/02)	Tariffed Rates: Caller ID \$6.17 All Other Features: \$3.23 each (If purchased individually, \$12.63, hence a \$1.37 discount) Resale is the same less 17%	\$1.3M per annum
Advantage Plan	AL #22750 – Effective 5/3/02 Schedule CAL.P.U.C. No. A5.4.10.E –Packages (Sheets 442.50 – 442.51) Schedule CAL.P.U.C. No. 175-T Section 18.5.1(E)(3) Packages (Sheets 787-A-1 – 787-A-3)	Required: Caller ID and Privacy Manager Plus any five of following features: Call Waiting, Three-Way Calling, Call Forwarding Call Screen, Priority Ringing, Select Call Forwarding, Call Return Call Waiting ID, Repeat Dialing, Speed Calling-8	<u>Retail Rate:</u> \$19.95 per month No additional terms. <u>Resale Rate:</u> \$16.56 per month No additional terms	Tariffed Rates: Caller ID \$6.17 Privacy Manager \$4.00 All Other Features: \$3.23 each (If purchased individually, \$26.32, hence a \$6.37 discount) Resale is the same less 17%	\$11M per year

Table 2: Comparison of Plans

Packages	Components	Retail Rate	Package Rate	Savings
The Value Plan	Caller ID	\$6.17		
	2 \$3.23 Vertical Services	\$6.46		
	TOTAL	\$12.63	\$11.26	\$1.37
Economy Plan	Caller ID	\$6.17		
	3 - \$3.23 Vertical Services	\$9.69		
	TOTAL	\$15.86	\$14.95	\$0.91
	Caller ID	\$6.17		
	4 - \$3.23 Vertical Services	\$12.92		
TOTAL	\$19.09	\$14.95	\$4.14	
The Works	Caller ID	\$6.17		
	5 - \$3.23 Vertical Services	\$16.15		
	TOTAL	\$22.32	\$19.95	\$2.37
	Caller ID	\$6.17		
	6 - \$3.23 Vertical Services	\$19.38		
	TOTAL	\$25.55	\$19.95	\$5.60
	Caller ID	\$6.17		
	7 - \$3.23 Vertical Services	\$22.61		
	TOTAL	\$28.78	\$19.95	\$8.83
	Caller ID	\$6.17		
8 - \$3.23 Vertical Services	\$25.84			
TOTAL	\$32.01	\$19.95	\$12.06	
Caller ID	\$6.17			
9 - \$3.23 Vertical Services	\$29.07			
TOTAL	\$35.24	\$19.95	\$15.29	
Caller ID	\$6.17			
10 - \$3.23 Vertical Services	\$32.30			
TOTAL	\$38.47	\$19.95	\$18.52	
Advantage Plan	Caller ID	\$6.17		
	Privacy Manager	\$4.00		
	5 - \$3.23 Vertical Services	\$16.15		
TOTAL	\$26.32	\$19.95	\$6.37	