BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion into Competition for Local Exchange Service.	Rulemaking 95-04-043 (Filed April 26, 1995)
Order Instituting Investigation on the Commission's Own Motion into Competition for Local Exchange Service.	Investigation 95-04-044 (Filed April 26, 1995)

ADMINISTRATIVE LAW JUDGE'S RULING SOLICITING FURTHER INFORMATION REGARDING NUMBER POOLING COST RECOVERY

This ruling solicits additional supplemental supporting data from Pacific Bell Telephone Company (Pacific) in connection with its proposal for implementing recovery of state-mandated number pooling costs pursuant to Federal Communications Commission (FCC) delegated authority. In response to a ruling issued on February 5, 2002, Pacific submitted certain cost data on February 26, 2001, regarding state-mandated number pooling implementation. The California Cable Television Association and AT&T Communications of California, Inc. (Commenters) filed joint comments in response to Pacific's submittal, noting certain deficiencies in the submittal, and arguing that additional information is needed in order to evaluate Pacific's cost claims. Thus, based on review of Pacific's submittal and parties' comments, further information is solicited from Pacific as set forth in this ruling.

As previously prescribed in the FCC *First Report and Order*, the same standards used to evaluate local number portability (LNP) cost recovery also apply to thousand-block number pooling.[1] Under these standards, to be eligible for the extraordinary recovery, thousand-block number pooling costs must satisfy each of three criteria identified in the LNP proceedings.

First, only costs that would not have been incurred "but for" thousand-block number pooling are eligible for recovery.[2] Second, only costs incurred "for the provision of" thousand-block number pooling are eligible for recovery.[3] Finally, only "new" costs are eligible for recovery.[4] To be eligible for extraordinary recovery, carriers' thousand-block number pooling shared industry and carrier-specific costs directly related to thousand-block number pooling must satisfy all three of these criteria.[5] This three-pronged test is intended to prevent double recovery of number pooling and portability costs and to prevent recovery of costs that are not directly related to number pooling.

Consistent with these criteria, the following additional information is solicited from Pacific to provide necessary support for the claimed costs its seeks to recover in this proceeding for implementation of state-mandated number pooling.

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[1] *See First Report and Order*, 15 FCC Rcd at 7673, paras. 218-19.

[2] *See Id*. at 7673, para. 218.

[3] *See Id*.

[4] *See Id*. at 7673, para. 219.

[5] Carrier-specific costs not directly related to thousands-block number pooling implementation are not eligible for recovery. (*See Id.* at 7670, para. 211.)

Software Costs

Pacific seeks to include, as eligible for number pooling recovery, the cost of Number Portability Administration Center (NPAC) software known as Release 1.4. Yet, Pacific has failed to demonstrate that these costs meet the requisite FCC criteria for number pooling cost recovery. Specifically, Pacific has failed to demonstrate that the NPAC software meets the "but for" test and the "for provision of" test under the FCC criteria.

In its comments, Pacific claims that Release 1.4 is not needed for services other than number pooling. Yet, commenters argue that Release 1.4 provides capabilities that are important both for the pooling and porting of numbers. Commenters characterize Release 1.4 as porting software which includes pooling functionality, and which contains the database of information required to effect the porting of numbers. Pacific shall therefore provide further explanation to demonstrate that the software costs it seeks to recover are exclusively for pooling functionality, and do not include functionalities that are for services other than number pooling.

Expansion of Signal Transfer Points (STP) System

Pacific seeks to include costs to expand its STP system, arguing that such costs were necessary to accommodate the demands of large numbers of pooling records. Commenters argue, however, that Pacific's preexisting obligation to port numbers also places capacity demands on STP systems, and that Pacific did not account for those demands in its claimed costs of STP expansion attributable to number pooling. Pacific should present further supporting explanation to justify why the demands imposed by number pooling—to the exclusion of number porting—have required the STP expansion costs that are claimed for recovery as number pooling costs.

Savings Due to Deferral of Area Code Addition Plans

The FCC rules require that any cost recovery for number pooling be offset by cost savings realized by the carrier by virtue of delaying or avoiding the need for opening a new area code. Additional information is needed from Pacific to explain the basis for its assumptions regarding the appropriate cost savings related to deferral of area code additions, as set forth in Exhibit 3 of its submittal.

Pacific shall provide further details concerning the nature and scope of cost savings due to deferral of area code changes that offset costs that relate to state-mandated number pooling. For example, Pacific should explain what weight, if any, should be given to those educational cost savings incurred as a result in the delay in NPA relief. Was it appropriate to base all cost savings on area code splits rather than on overlays? If so, why?

Pacific shall also explain the basis for its assumption that the 10% cost of money used as a discount rate in its cost savings calculations. Is the cost of money assumed in the calculation to be funded entirely through short-term debt? If so, provide documentation to justify the use of a 10% interest rate. If not, provide documentation to justify alternative sources of funding assumed in the 10% discount rate.

Process Design and Number Administration Costs

Pacific seeks recovery of certain network service costs, including its process design, line, and number administration services. Parties filing responses claim that the costs for these functions appear more related to general number administration than to specific thousands-block pooling obligations imposed by California. To the extent that these costs reflect functions that are only the "incidental consequence" of thousand block number pooling administration, or were incurred to adapt other systems to the presence of

thousands-block pooling, they are ineligible for recovery under FCC criteria. Additional description is required from Pacific to explain why, or to what extent, the process design and number administration costs claimed for recovery relate specifically to number pooling, in contrast to general number administration functions.

Distinction Between "Statewide Pooling Trial" Versus "Statewide Pooling" Costs

Pacific should clarify as to whether its description of "statewide number pooling" refers to statewide trials authorized by this Commission or statewide pooling carried out in conjunction with the FCC's rollout schedule for nationally mandated number pooling. Since the latter costs are subject to federal cost recovery mechanisms, Pacific should verify that such costs have been excluded from any of the costs for state-mandated pooling trials for which it seeks recovery before this Commission.

IT IS RULED that:

1. Pacific Bell Telephone Company (Pacific) is directed to provide additional supporting justification that is responsive each of the cost categories set forth above, as a basis for the Commission to determine appropriate cost recovery for state-mandated number pooling.

2. Pacific shall provide information responsive to this ruling no later than May 15, 2002.

Dated May 1, 2002, at San Francisco, California.

/s/ THOMAS R. PULSIFER

Thomas R. Pulsifer
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Soliciting Further Information Regarding Number Pooling Cost Recovery on all parties of record in this proceeding or their attorneys of record.

Dated May 1, 2002, at San Francisco, California.

/s/ FANNIE SID
Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.