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March 17, 1995

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MAR 17 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

RE: PR Docket 94-105, Petition of the People of the State of California and the Public utilities Commission of the State of California to Retain Regulatory Authority Over Intrastate Cellular Service Rates

Dear Mr. Caton:

On March 15, 1995 representatives from BellSouth Corporation and on behalf of BellSouth Corporation met with Chairman Hundt and Regina Keeney of the FCC to discuss issues associated with the above referenced proceeding. On March 15, 1995, the notification of this ex-parte presentation was filed with the Secretary's office of the Commission in accordance with Section 1.1200 et. seq. of the Commission's rules.

During the course of this meeting, additional information concerning cellular rates in California was requested on behalf of the Commission. Attached is supplemental documentation in response to this request.

Please associate this notification and attached materials as a supplemental filing in the docket referenced above.

If there are any questions in this regard, please contact the undersigned.

Sincerely,



Ben G. Almond
Executive Director-Federal Regulatory

Attachment

cc: The Honorable Reed E. Hundt
Regina Keeney
Blair Levin

Michael Wack
Stanley P. Wiggins, Jr.

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L.A. CELLULAR PRICING ANALYSIS: 1989-1994

Attached are three charts designed to clarify and update Appendix J to the California Petition, which attempts to describe pricing trends on the L.A. Cellular system from 1989 to 1993.

Some preliminary remarks are essential. In mid-1994, CPUC staff asked various carriers to calculate per minute rates under all effective plans at three usage levels (60, 120, and 480 minutes). CPUC staff also asked that the carriers assume that 80% of usage was "peak" in nature. L.A. Cellular immediately recognized that the request was flawed. In asking, for example, that plans designed for high users be applied to occasional users, and that off-peak pricing plans be imposed on peak use patterns, the California Commission was assuring a skewed and unreal result. Counsel for L.A. Cellular so informed CPUC staff in writing. See Exhibit A.

The CPUC, however, persisted in its approach, and Appendix J is the result. The methodological flaws in Appendix J are many, and the document as a whole is useless as an indicator of the rates actually charged to L.A. Cellular customers. Thus:

- Appendix J does not include a variety of plans that were in effect prior to December 31, 1993. These are, as a matter of fact, the plans which offer the most favorable pricing to cellular users. These include L.A. Cellular's plans for corporate employees and members of affinity groups such as bar associations, medical associations, AAA, etc. Nor does Appendix J include the rates that are applicable to digitally capable units.

- Appendix J is not a "best plan" analysis. Instead, it insists on calculating charges under rate plans which are totally unsuitable for the usage assumptions made by the CPUC. For example, L.A. Cellular's "Nite Owl" plan features a usage rate of 20 cents per off-peak minute, and 90 cents for peak use. The plan is obviously designed for persons whose cellular use is primarily during evening and weekend hours. Yet Appendix J imposes these rates on users, 80% of whose calls take place during peak hours. The result is per minute charges far in excess of what would be incurred by the users if they simply subscribed under the company's basic service option. The same thing occurs when Appendix J applies the "Premium Value Plan" on persons who consume only 60 or 120 minutes of call time per month. Since the Premium Value Plan includes 600 minutes in a \$239.99 monthly charge, the result for the occasional user is disastrous, as reflected by the CPUC allegation that low-use subscribers would pay between \$2 and \$4 per minute. As had been pointed out by our June 6, 1994 letter to the CPUC, it is "patently absurd for a customer at 60 minutes per month to enroll in a plan requiring him/her to purchase...600 minutes of service." Yet Appendix J makes this assumption, and in so doing threatens seriously to mislead the FCC.

- **Appendix J also fails to take account of the ability of customers to migrate as new plans are introduced. Because of California's unique tariffing requirements, old plans never die. They remain in effect, side by side with new ones, with the customer being empowered to migrate freely among plans, both as the customer's usage patterns change, and economic interests dictate. For plan after plan, Appendix J shows no price change between 1989 and 1993, thus giving rise to the implication that prices have not been reduced during this period. What has really happened though is that each new plan represents a price reduction as compared to pre-existing plans, with old customers tending to migrate en masse to the more favorable alternative.**

Eighty-eight percent of L.A. Cellular's retail customers base has migrated to cheaper plans. Only 12% remain on the "basic plan" which California has criticized. What Appendix J does not do is depict the effect of this migration, which is that prices have dropped for nearly all customers. This is true both in nominal and inflation-adjusted terms.

Exhibits B, C, and D hereto depict the following:

1. **Exhibit B is a year-by-year survey of available retail rate plans, and associated per minute charges at the three levels depicted on Appendix J. The chart shows that while there were three alternatives to the Basic Plan available in 1989 (i.e., Nite Owl, Corporate, and Government Plans), there were thirteen such**

alternatives in 1993-94, most of which have variations for each level of usage. Of these thirteen alternatives, only two are depicted in Appendix J.¹

2. Exhibit C is a current "best plan" analysis at multiple usage levels for both individual and corporate/affinity group end users, as well as for analog and dual mode units. The resulting per minute charges are compared with the so-called 1984 "basic rate", and in each usage category shows reductions from basic rates of up to 39% (for users of 60 minutes/month, 38% for user of 120 minutes/month, and 31% (for users of 480 minutes/month).

3. Exhibit D is also a "best plan" analysis, but carries the analysis back to the entire period from 1989 through the present. In this way, it is possible for the reader to trace, at both retail and wholesale levels, the decline in per minute charges to both individual and corporate account units -- both digital and analog.

L.A. Cellular does not wish to overwhelm staff with detail. However, Exhibits B, C and D are essential to an understanding of what has really happened to L.A. Cellular prices since 1984. The following will summarize the impact on the "typical" user of 120 minutes/month, 80% of which are peak minutes:

¹ The "Premium ", "High", "Standard", "Convenience" and "Advantage" Value Plans shown in Appendix J are usage-level variants of L.A. Cellular's analog Value Plan Program. The same variants exist for L.A. Cellular's Corporate, Corporate Contract, and Dual Mode Value Plans, none of which are described by Appendix J.

RETAIL		
	<u>Individual Account</u>	<u>Corporate/Affinity Account</u>
1984 Basic Plan	\$.79/min.	\$.79/min.
1989 Best Plan	\$.79/min.	\$.66/min.
1994 Best Plan	\$.65-\$.71/min.	\$.50-\$.58/min.
% Decrease	10%-18%	27%-37%

WHOLESALE		
	<u>Individual Account</u>	<u>Corporate/Affinity Account</u>
1984 Basic Plan	\$.61/min.	\$.61/min.
1989 Best Plan	\$.61/min.	\$.61/min.
1994 Best Plan	\$.48-\$.54/min.	\$.46-\$.53/min.
% Decrease	11%-21%	13%-25%

The above is an exceptionally conservative approach to the question before the FCC. The figures provided do not include an adjustment for inflation, and if current numbers were restated in 1984 dollars, they would show a much more dramatic rate decrease. Nor do they attempt to calculate the additional discounts received by customers who have also enjoyed promotional concessions. These concessions usually take the form of activation fee waivers, up-front usage credits, cash rebates,

and (for resellers) cooperative advertising funds. L.A. Cellular estimates that more than 50 % of activations during 1994 received one or more of these promotional benefits.²

² A typical promotion accompanied the introduction of L.A. Cellular's Economy Value Plan in September, 1994. The Economy Value Plan provides system access plus 20 minutes of included peak or off-peak usage for \$34.99 per month -- itself a 34% reduction off of the "Basic Plan". However, enrollments during the first ten weeks of the program were entitled to a further reduction to \$29.99/month, for a 43.6% reduction from Basic Plan rates.

YOUNG, VOGL, HARLICK & WILSON

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June 6, 1994

18806-21.1

18806-21.5

BY MESSENGER

Fassil Fenikile
Commission Advisory and Compliance Div.
California Public Utilities Commission
505 Van Ness Avenue, Third Floor
San Francisco, CA 94102

Re: Supplementary Data Response

Dear Fassil:

Enclosed is L.A. Cellular's Figure 5A, which provides supplementary calculations to those sent to you on April 29. The enclosed document contains only minor changes (due to rounding) from those faxed to you on Friday, and is in response to your telephone request of last Thursday.

I would like to reemphasize what we discussed by phone, which is that while the Company's response of April 29 reflected the most economical rates available to a prudent consumer at the various usage levels indicated, Figure 5A calculates charges under a variety of rate plans which in many cases would be totally unsuitable for the usage assumptions you have asked us to make. For example, it would be patently absurd for a consumer of 60 minutes per month to enroll in a plan requiring him/her to purchase 170, 320, 475, or even 600 minutes of service. With minor exceptions, L.A. Cellular permits value plan customers to increase or decrease their minimum commitment without penalties. As you can see from the figures provided to you in April, the customer base has been quick to migrate to the most economic plan available to it at any given time.

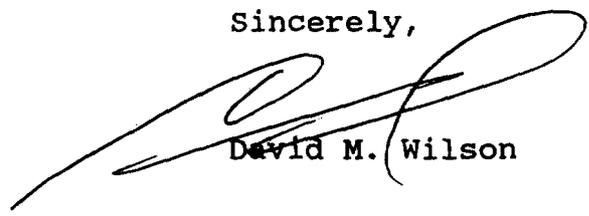
I understand from Mark Lyons that you have also requested additional calculations based on L.A. Cellular's wholesale tariffs. He is now working on these, and should have them to you shortly.

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EXHIBIT A

You should also note that there were 1125 units on L.A. Cellular's Occasional Use Plan as of March 31, 1994, and 900 such users as of December 31, 1993. The latter figures should be treated as confidential under General Order 66-C.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. M. Wilson', written over the typed name.

David M. Wilson

DMW:bmh

EXHIBIT B
LOS ANGELES CELLULAR TELEPHONE COMPANY
ALTERNATIVE PLANS PER MINUTE CHARGES AT VARIOUS USAGE LEVELS

RETAIL

(YEAR)	Nite Owl Plan	Nite Owl Value Plan	Occasional Use Plan	Corporate Plan	Corporate Productivity Plan	Corporate Contract Plan	Dual-Mode Corporate Contract Plan	Value Plan	Dual-Mode Value Plan	Government Plan	Government Contract Plan	Dual-Mode Government Plan	Dual-Mode Government Contract Plan
(1989)													
60	.76	N/A	N/A	.95	N/A	N/A	N/A	N/A	N/A	1.04	N/A	N/A	N/A
120	.55	N/A	N/A	.66	N/A	N/A	N/A	N/A	N/A	.71	N/A	N/A	N/A
480	.39	N/A	N/A	.44	N/A	N/A	N/A	N/A	N/A	.46	N/A	N/A	N/A
(1990)													
60	.76	N/A	N/A	.95	N/A	N/A	N/A	N/A	N/A	1.04	N/A	N/A	N/A
120	.55	N/A	N/A	.66	N/A	N/A	N/A	N/A	N/A	.71	N/A	N/A	N/A
480	.39	N/A	N/A	.44	N/A	N/A	N/A	N/A	N/A	.46	N/A	N/A	N/A
(1991)													
60	.76	N/A	N/A	.95	1.03	N/A	N/A	N/A	N/A	.94	N/A	N/A	N/A
120	.55	N/A	N/A	.66	.70	N/A	N/A	N/A	N/A	.65	N/A	N/A	N/A
480	.39	N/A	N/A	.44	.59	N/A	N/A	N/A	N/A	.43	N/A	N/A	N/A
(1992)													
60	.76	N/A	1.27	.95	1.03	N/A	N/A	N/A	N/A	.94	N/A	N/A	N/A
120	.55	N/A	1.13	.66	.70	N/A	N/A	N/A	N/A	.65	N/A	N/A	N/A
480	.39	N/A	1.03	.44	.59	N/A	N/A	N/A	N/A	.43	N/A	N/A	N/A

(YEAR)	Nite Owl Plan	Nite Owl Value Plan	Occasional Use Plan	Corporate Plan	Corporate Productivity Plan	Corporate Contract Plan	Dual-Mode Corporate Contract Plan	Value Plan	Dual-Mode Value Plan	Government Plan	Government Contract Plan	Dual-Mode Government Plan	Dual-Mode Government Contract Plan
(1993)													
60	.76	.75	1.27	.95		.83	.71	1.17 (.68)	1.05 (.62)	.94	.81	.94	.70
120	.55	.53	1.13	.66	N/A	.58	.50	.71 (.34)	.65 (.31)	.65	.56	.65	.50
480	.39	.38	1.03	.44		.39	.35	.42 (.08)	.38 (.07)	.43	.37	.43	.34
(1994)													
60	.76	.75	1.27	.95		.83	.71	1.17 (.68)	1.05 (.62)	.94	.81	.94	.70
120	.55	.53	1.13	.66	N/A	.58	.50	.71 (.34)	.65 (.31)	.65	.56	.65	.50
480	.39	.38	1.03	.44		.39	.35 (.05)	.42 (.08)	.38 (.07)	.43	.37	.43	.34

The above calculations assume the following:

- 1) A usage pattern of 80% peak and 20% off-peak for all plans except the Nite Owl plans, for which 80% off-peak and 20% peak is assumed. Charges are based on rates for plans in effect at year-end.
- 2) Per-minute charges include access and usage.
- 3) The Nite Owl, Corporate, Corporate Productivity, Occasional Use, Government and Government Dual-Mode Plan are month-to-month; the remaining plans require a 12-month commitment.
- 4) Corporate rates assume 250 or more units in service on the relevant account.
- 5) In 1993 and 1994, calculations were made using the actual tariffed "non-ceiling" rates, rather than the higher "ceiling" rates where appropriate.
- 6) Value Plan and Dual-Mode Value Plan rates at 60 minutes are calculated based on the terms of the Convenience Value Plan (analog and dual-mode). The plan allots 80 minutes of peak/off-peak usage. If a subscriber were to place the full 80 minutes of calling on the plan, the per-minute charge is reduced to \$.87 (.51) (analog); and \$.79 (.46) (dual-mode).

EXHIBIT C

**LOS ANGELES CELLULAR TELEPHONE COMPANY
CURRENT ALTERNATIVES TO BASIC RETAIL RATE PLANS***

	<u>20 min.</u>	<u>60 min.</u>	<u>120 min.</u>	<u>150 min.</u>	<u>200 min.</u>	<u>480 min.</u>
1984 Basic Rate (no contract) (12% of subscribers)	\$2.66	\$1.16	\$.79	\$.71	\$.64	\$.51
Currently Available Alternatives to Basic Rate (88% of subscribers)						
Analog Units:						
• Corporate/ Affinity Group (no contract)	\$2.11	\$.95	\$.66	\$.60	\$.54	\$.44
• Individual (contract)	\$1.75	\$1.04	\$.71	\$.64	\$.55	\$.42
• Corporate/ Affinity Group (contract)	\$1.83	\$.83	\$.58	\$.53	\$.48	\$.39
Digitally Capable Units:						
• Individual (contract)	\$1.75	\$1.04	\$.65	\$.60	\$.50	\$.38
• Corporate/ Affinity Group (contract)	\$1.55	\$.71	\$.50	\$.46	\$.42	\$.35

* Prices per minute include access and use, and assumes 80% peak use. Figures are nominal and would be more than 50% lower if restated in 1984 dollars.

EXHIBIT D

**Los Angeles Cellular Telephone Company
Per Minute Charges at Various Usage Levels¹
Best Available Plan**

INDIVIDUAL UNITS

YEAR	60 Minutes	120 Minutes	480 Minutes
1989	\$1.16 (.87)	\$.79 (.61)	\$.50 (.40)
1990	1.16 (.87)	.79 (.61)	.50 (.40)
1991	1.16 (.87)	.79 (.61)	.50 (.40)
1992	1.16 (.87)	.79 (.61)	.50 (.40)
1993	1.16/1.05 (.87/.76)	.71/.65 (.54/.48)	.42/.38 (.33/.29)
1994	1.04/1.04 (.81/.76)	.71/.65 (.54/.48)	.42/.38 (.33/.29)

CORPORATE/AFFINITY GROUP MEMBERS

YEAR	60 Minutes	120 Minutes	480 Minutes
1989	\$.95 (.87)	\$.66 (.61)	\$.44 (.40)
1990	.95 (.87)	.66 (.61)	.44 (.40)
1991	.95 (.87)	.66 (.60)	.44 (.40)
1992	.95 (.87)	.66 (.60)	.44 (.40)
1993	.83/.71 (.76/.65)	.58/.50 (.53/.46)	.39/.35 (.36/.32)
1994	.83/.71 (.76/.65)	.58/.50 (.53/.46)	.39/.35 (.36/.32)

¹ Calculations assume 80% peak use, and include both access and usage. Corporate/Affinity Group Rates assume 250 or more units in services on the relevant account. 1993 and 1994 figures also include alternative per minute charges for service to dual-mode units. Figures in parentheses are wholesale equivalents.