

The Commission finds that AT&T's request is timely and appropriate in that it is imperative that a reseller have access to the same service ordering provisions, service trouble reporting and informational databases for their customers as does BellSouth. The Commission finds that BellSouth shall establish the requested operational interfaces by July 15, 1996. AT&T's request for an additional 10% discount is denied. The Commission finds that access to these interfaces shall be made available to any requesting party at the same terms and conditions.

DIRECTORIES

AT&T has also requested that the Commission establish certain provisions regarding the maintenance of telephone directories. The Company has specifically requested that (1) BellSouth be required to include basic white page listings for resellers' residential and business customers as well as yellow page listings for business customers; (2) additional or enhanced listings be made available to the reseller at the same rates, terms and conditions as available to BellSouth customers; (3) BellSouth make directory listing data available for purchase so that the reseller can package and brand its own white and yellow page directories and; (4) resellers be afforded the opportunity to place local customer service information in BellSouth's directories.

BellSouth witness Scheye presented testimony that indicates that for all directory matters other than insertion of regular listings in the white pages, arrangement will be made with BellSouth's directory affiliate, BAPCO. The brief filed by BAPCO on April 16, 1996, reflects a similar position. BAPCO appropriately notes: "[T]his Commission historically has not asserted jurisdiction over publishing of Yellow Pages." (BAPCO brief). BAPCO has indicated an express willingness to provide the additional directory arrangements requested by AT&T. MFS, Sprint, MCI, ATA, COMPTTEL and CUC did not take a position on this issue.

The Commission finds that BellSouth shall include white page listings for all new resellers' customers in its directory. All other directory arrangements requested by AT&T should be pursued with BellSouth's service agent BAPCO.

UNBUNDLED OPERATOR SERVICES

AT&T has requested the ability to purchase from BellSouth "branded" operator services (including directory assistance, 0+, 0- toll dialing, busy line verification and interrupt). Alternatively the Company has requested that BellSouth be ordered to provide selective routing arrangements that will enable an AT&T customer to reach an AT&T operator platform just as a BellSouth customer can reach a BellSouth operator today. MFS and Sprint support AT&T's request. Sprint further recommended that custom branding for resellers is a service resellers should pay for, and some branding requests may not be technically feasible.

BellSouth witness Scheye testified that the Company stands ready to unbundle any network elements required by telecommunications carriers where technically feasible. BellSouth advocates that embedded cost should be utilized in determining the cost of an unbundled network element. MCI, CUC, COMPTEL, and ATA did not take a position on this issue.

The Commission finds that AT&T's request is valid and reasonable. The Commission finds that the ability of a competing carrier to utilize their own operators or custom "branded" operator services will enhance the ability of that entity to effectively compete. However, sufficient evidence was not presented by the parties regarding technical limitations, implementation cost and cost recovery. Accordingly, until the parties are able to present credible evidence on these issues, the Commission cannot grant AT&T's request.

The Commission directs that AT&T and BellSouth submit a joint report to the Commission which addresses a resolution of these outstanding issues. If the parties do not reach an agreement on these issues, each party should reflect their positions and factual evidence which supports same in the body of the report. Absent a resolution, this report shall be used as a primary basis for a Commission decision regarding this matter.

WHEREFORE, IT IS:

ORDERED that all existing retail services sold to non-telecommunications providers except those services which are presently grandfathered shall be made available for resale. This includes any discounted retail service, discounted package, and new service offerings as they become available. Promotions are not included because they are not tariffed offerings. The Commission shall continue to monitor the grandfathered provision and the offering of special promotions to insure that they are implemented in a way that is consistent with existing Commission policy.

ORDERED FURTHER, that the Commission shall impose class of service restriction on the resale of all retail service offerings. In addition, the Commission shall adopt the interLATA joint marketing restriction contained in the Federal Act.

ORDERED FURTHER, that within 30 days of the issuance of this Order BellSouth shall be required to file a separate complete Wholesale Tariff containing the rates, terms and conditions for all services provided. This initial filing as well as proposed revisions shall be subject to Commission approval. All proposed revisions to this tariff shall comply with the existing 30 day filing requirement. BellSouth shall continue to comply with the existing provision in its General Subscriber Service Tariff which requires a 30 day notice to the Commission on all promotional offerings.

ORDERED FURTHER, that the Federal Act standard of retail rates excluding avoided cost is the appropriate bases to determine wholesale rates. The Commission shall initially use embedded cost information to determine avoided costs as specified in the Federal Act. A separate discount shall be determined for each customer class and the discount shall apply equally to all services contained in BellSouth's wholesale tariff. Negotiated agreements may reflect additional discounts for longer terms.

ORDERED FURTHER, that the appropriate wholesale discount is 20.3% for residential services and 17.3% for business services. These discounts shall apply to all recurring, non-recurring and intrastate toll retail offerings. The currently tariffed non-recurring charges for primary and secondary services with the appropriate discount shall apply to resellers. These discount levels shall remain in effect for a 12 month period effective June 15, 1986. At the end of this 12 month period, the Commission shall conduct a review to determine if the need exists to modify these initial discount levels.

ORDERED FURTHER, that BellSouth shall establish electronic operational interfaces for pre-service ordering, service ordering and provisioning, directory listing and line information databases, service trouble reporting and daily usage data by July 15, 1986. AT&T's request for an additional 10% discount is denied. Access to these interfaces shall also be made available to any requesting party at the same terms and conditions. These interfaces shall provide access to resellers for their customers which is equivalent to that of the incumbent LEC. BellSouth and AT&T shall submit a joint report to the Commission within 30 days after this Order is issued which will update the activities and implementation time frames necessary to deploy these interfaces.

ORDERED FURTHER, that BellSouth shall include white page listings for all new resellers' customers in its directory. All other directory arrangements requested by AT&T should be pursued with BellSouth's service agent BAPCO.

ORDERED FURTHER, that AT&T and BellSouth are directed to submit a joint report to the Commission within 30 days of the issuance of an Order in this docket which addresses a resolution of outstanding issues relative to AT&T's provision of its own operator services. If the parties do not reach an agreement on these issues, each party should reflect their position and factual evidence which supports same in the body of the report. Absent a resolution, this report shall be used as a primary basis for a Commission decision regarding this matter.

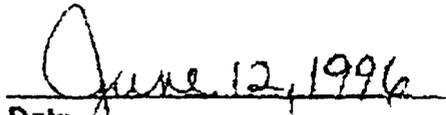
ORDERED FURTHER, that a motion for reconsideration, rehearing, or oral argument or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

ORDERED FURTHER, that jurisdiction over this matter is expressly retained for the purpose of entering such further Order or Orders as this Commission may deem just and proper.

The above action by the Commission in Special Administrative Session on the 29th day of May, 1996.


Terri M. Lyndall
Executive Secretary


Dave Baker
Chairman


Date


Date

CALCULATIONS SUPPORTING WHOLESALE DISCOUNT LEVEL

Appendix 1

The wholesale discount level was calculated utilizing the Avoided Cost Discount Model proposed by BellSouth witness Frank R. Kolb. The basis equation contained in Mr. Kolb's model is reflected below:

$$\% \text{ DISCOUNT} = \frac{\text{COST AVOIDED AS A RESULT OF RESALE}}{\text{REVENUE FROM RESOLD SERVICES}} \times 100$$

The Commission has made adjustments to the avoided cost calculated by Mr. Kolb to reflect additional avoided cost for sales, advertising, call completion services, number services and an assignment of indirect cost associated with the direct cost allocation contained in BellSouth's calculations. The numerical information utilized to make these adjustments was derived from Staff data requests submitted in the context of the public hearing regarding this matter.

The first adjustment the Commission made to BellSouth's avoided cost calculation is to recognize additional avoided cost associated with Sales. The Company's study included \$39,906,057 as avoided cost for Sales. This represents 81% of the total sales expense incurred by BellSouth's Georgia Operations for 1995. The Commission has included in its calculation avoided cost for Sales of \$48,675,614. This represents 75% of the total sales expense incurred by the Company. After reviewing BellSouth's Account Records Categories for Sales (Account 6612) the Commission finds that many of the representative work functions contained therein will be avoided in a resale environment. The Commission finds that the recommended avoided cost associated with Sales contained in this calculation is conservative at best.

The Commission finds that it is reasonable to assume that there is a direct correlation between Sales and Product Advertising. BellSouth did not include any product advertising cost as avoidable in their study. The Company incurred product advertising expense of \$17,666,591 for year-end 1995. The Commission finds that in order to remain consistent in its approach, it is appropriate and reasonable to conclude that 75% of the total product advertising cost will be avoided. This yields avoided Product Advertising cost of \$13,174,943. Likewise, a review of the Company's Account Records Categories for Product Advertising (Account 6813) reveals that many of these work functions will be avoided in the wholesale provisioning of services.

Several parties in this docket indicated their intention to utilize their existing operators to provide local operator and call completion services (i.e., 0+, 0-, Directory assistance). BellSouth's study did not include any avoided cost related to Call Completion and Number Services which are expense categories directly related to the provision of operator services. The Commission has included \$3,031,585 in its calculation as avoided cost associated with Call Completion. This represent 25% of the total Call Completion expense incurred by the Company for 1995. Similarly, the Commission has included \$8,281,083 in its calculation as avoided cost related to Number Services. This represents 25% of the total Number Service Expense incurred by BellSouth. The Commission finds that a 25% allocator represents a reasonable initial assignment of cost that will be avoided. Potentially, avoided cost in these areas may grow as competitors' call completion traffic increases.

The final adjustment the Commission made to the BellSouth cost study relates to the assignment of indirect cost which will be avoided. The avoided cost identified in the Company's calculations are all related to directly assignable cost. BellSouth did not reflect any indirect cost such as General Support, Administrative, or Corporate Operations in its study. The total avoided cost included in the Company's study is \$137,126,370. The total direct avoidable expense included in the Commission's calculations is \$170,383,518. The Commission finds that in keeping with its forward-looking approach, it is reasonable to reflect a level of indirect avoidable cost associated with the direct avoidable cost previously identified and calculated.

A review of previous cost studies submitted by BellSouth to the Commission reflect a range for indirect cost as a percentage of direct cost to be 30% to 50%. The Commission finds that it is reasonable to calculate the indirect avoided cost using a 50% factor. This yields an additional avoidable expense of \$85,191,750. This level represents less than 5% of the total expense (\$1,861,747,721) BellSouth deemed unavoidable. The Commission finds that as with all the previous adjustments made to BellSouth's study, this estimate of indirect avoidable cost is extremely conservative. The total avoidable cost (direct and indirect) calculated by the Commission is \$255,575,277.

The Commission utilized the same total revenues from resold services as contained in the BellSouth study. The study contains residential revenues in the amount of \$653,955,846 and business revenues of \$709,781,717. The total revenues contained in the study are \$1,363,737,563. The Company's study reflect that 52% of its total calculated avoided cost is attributable to residential services and 48% to business services. The Commission utilized these same percentages in calculating its separate residential and business wholesale discounts.

The Commission's Approved Discount Levels Are Calculated Below:

$$\text{RESIDENTIAL DISCOUNT} = \frac{\$132,899,144}{\$653,955,846} \times 100 = 20.3\%$$

$$\text{BUSINESS DISCOUNT} = \frac{\$122,676,133}{\$709,781,717} \times 100 = 17.3\%$$

FEB 28 1996

Decision 96-02-072 February 23, 1996

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.

R.95-04-043
(Filed April 26, 1995)

Order Instituting Investigation
on the Commission's Own Motion
into Competition for Local Exchange
Service.

I.95-04-044
(Filed April 26, 1995)

RECEIVED

AT&T Corp. Legal - SF

FEB 29 1996

OWN	_____	MAIER	_____
MESS	_____	MAIER	_____
INFER	_____	MAIER	_____
Other	_____	MAIER	_____

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O P I N I O N

I. Introduction

By this decision, we take a further step forward toward our ultimate goal of instituting a competitive market for telecommunications services for all Californians. As outlined herein, we approve the petitions of the competitive local carriers (CLCs) set forth in Appendix A for authority to resell the local exchange service of Pacific Bell (Pacific) and GTE California (GTEC),¹ within prescribed service territories and subject to our adopted interim rules. In a companion decision before us today, interim wholesale rates and related terms and conditions are established pertaining to the competitive resale of local exchange service.

By this decision, we also dispose of Phase II rulemaking issues in this proceeding which were not the subject of evidentiary hearings. These issues relate principally to the proposed interim rules issued April 26, 1995, for comment and which have not been resolved in our previously issued orders. These Phase II issues include the reasonableness of resale tariffs' nonrate terms and conditions, switched carrier access, service ordering, access to local exchange carrier (LEC) databases and directory assistance (DA) services, and rights-of-way access issues. The rules we adopt herein apply to CLCs providing competitive local exchange service within the service territories of Pacific and GTEC.

¹ The term "Local Exchange Carriers" (LECs) as used throughout this order refers exclusively to Pacific and GTEC.

II. Procedural Background

By Decision (D.) 94-12-053, we formally adopted a procedural plan to open all telecommunications markets to competition by January 1, 1997. As part of that plan, we instructed the Commission Advisory and Compliance Division (CACD) to accept parties' informal proposals for interim rules for local competition, as submitted on January 31, 1995. We reviewed parties' proposals and took them into account, as appropriate, to develop proposed interim rules for local exchange competition. On April 26, 1995, we instituted this rulemaking and investigation and concurrently issued proposed rules for competitive local exchange service within the service territories of Pacific and GTEC. The proposed rules were contained in Appendix A and Appendix B of the April 26 order.

Comments on the proposed rules were received on May 24, 1995, and further oral comments were provided at a Full Panel Hearing on June 9, 1995. In consideration of parties' comments, we issued D.95-07-054 which addressed the need for evidentiary hearings on certain issues and developed a general procedural plan for further implementation of local exchange competition. D.95-07-054 also adopted initial rules relating to certain categories of the proposed rules issued in April 1995 (i.e., competitive entry, certification, tariff procedures (covering Appendix A; Sections 1-5) and consumer protection rules (covering Appendix B in its entirety)). We also established a procedure to open market entry for facilities-based CLCs effective January 1, 1996, and for CLC resellers effective March 1, 1996.

A procedural schedule was set forth by Administrative Law Judge (ALJ) ruling dividing the remainder of the proceeding into three phases. Phase I issues dealt with certification of facilities-based CLCs, interconnection issues (Section 8 of Appendix A) and related rulemaking issues required to institute

facilities-based competition effective January 1, 1996. Phase I issues were resolved by D.95-12-056 and D.95-12-057.

Phase II covers certain issues to be addressed through evidentiary hearings and other issues subject to written comments only. Issues relating to interim number portability pricing and franchise impacts, originally Phase II issues, were rescheduled to be addressed in separate decisions. Interim number portability issues (Appendix A, Section 6) are addressed in a proposed decision mailed on January 8, 1996 and currently pending our vote. A subsequent proposed decision was mailed January 24, 1996, addressing Phase II hearing issues. Franchise issues will be separately addressed in a decision expected to be issued before May 1, 1996.

Phase II was also designated to dispose of disputes regarding the portions of the April 26 proposed rules which remain to be addressed (i.e., Appendix A Sections 9-12). As directed by D.95-07-054, these rulemaking issues were to be addressed by written comment only. This present decision resolves these remaining Phase II issues.

Parties filed comments on the proposed rules on May 24, 1995. By ALJ ruling, parties were authorized to file further written comments on those portions of the proposed rules which were designated for Phase II. Comments on resale and access to data bases were filed on October 10, 1995. Opening comments on other Phase II issues were filed on October 23, 1995, and reply comments were filed on November 27, 1995. The major parties submitting filed comments were Pacific, GTEC, the California

Telecommunications Coalition,² the Commission's Division of Ratepayer Advocates (DRA), and Citizens Utilities (Citizens). Comments focusing on compensation for access to LEC databases were filed by Metromail and the Association of Directory Publishers (ADP). Various other parties filed comments on miscellaneous Phase II issues.

In adopting the interim rules set forth herein, we have taken into account the comments previously filed by all parties as summarized above.

III. CLC Reseller Petition Approval

A. Introduction

As directed in D.95-07-054, prospective CLCs were to file petitions for authority by September 1, 1995, to enable us to act upon and approve them in time to allow local exchange competition for facilities-based CLCs to begin by January 1, 1996, and for CLC resellers to begin by March 1, 1996. As explained in D.95-07-054, we are using the investigation docket of this proceeding to administer the certification of all of the eligible CLC petitions which were filed by September 1, 1995. The CLC petitions were scheduled to be processed and approved in two consolidated groups. The first group of eligible petitions, representing 31 facilities-based CLCs, was approved in D.95-12-057 for authority to begin offering competitive local exchange service effective January 1, 1996.

² The Coalition currently consists of AT&T Communications California, Inc.; California Association of Long Distance Telephone Companies; California Cable Television Association; California Payphone Association; ICG Access Services, Inc.; MCI Telecommunications Corporation; Sprint Communications Co., L.P.; Teleport Communications Group; Time Warner AxS of California, L.P.; and Toward Utility Rate Normalization.

**TABLE 1 -- NUMBER OF COMPETITIVE
LOCAL CARRIERS CERTIFICATED TO PROVIDE
RESALE SERVICE**

Competitive Local Carriers (CLCs)	Number
Total number of CLCs which applied for certification by 9/1/95	66
Less:	
Number of CLCs which applied for certification only as facilities-based carriers by 9/1/95	- 3
Total number of CLCs which applied for certification as resellers by 9/1/95	63
Less:	
Caribbean and Venture Technologies which did not respond to deficiency letters in a timely fashion	2
Working Assets which did not respond to its deficiency letter in a timely fashion	1
Communications Telesystems International which is currently being investigated by the Commission's Safety and Enforcement Division	1
Total number of CLCs certificated as resellers in this decision	59

The second group of eligible petitions, representing prospective CLC resellers, is before us for certification in this decision, to begin service effective March 1, 1996. Those facilities-based CLCs who met the September 1, 1995, filing date, but who did not meet the eligibility requirements for certification in D.95-12-057, were added to the pending group of petitions seeking CLC resale authority. All filings for certification after the September 1, 1995, deadline have been treated as routine applications for authority, and will be processed individually, rather than in consolidated groups, their decisions being issued commencing after March 1, 1996.

Pursuant to this decision, we shall authorize 59 CLCs to competitively resell local exchange service within the service territories of Pacific and GTEC. (See Table 1 for a breakdown of the petitions.) The 59 eligible CLCs includes 28 CLCs who were previously certificated as facilities-based CLCs in D.95-12-057.

B. Results of Petition Review

By September 1, 1995, petitions were filed by 66 CLCs seeking authority to enter the local exchange market. The 66 petitioners include cable television companies, cellular companies, long distance service providers, and various other telecommunications companies, including some that specialize in transporting data. Also among the petitioners are Pacific and GTEC each seeking authority to compete in each other's service territory. No protests to the petitions were received with one exception as discussed below.

Forty of the 66 petitions sought authority to offer facilities-based service. In D.95-12-057, we granted conditional authority to 31 facilities-based CLCs. Twenty-six CLCs sought authority only to offer resale service using the facilities of either Pacific or GTEC, or other carriers. In all, 63 petitioners requested resale authority, with only 3 petitions requesting only facilities-based authority. For those petitioners which sought

authority for both facilities-based and resale service which are included in the Appendix A listing, we granted authority only for facilities-based service in D.95-12-057. We shall act upon the CLCs' remaining request for resale authority in this decision. Accordingly, there are a total of 63 CLC petitions before us for authority to resell local exchange service. Based upon our review, we find that 59 of the petitions currently meet our stated criteria for certification as CLC resellers and, accordingly, grant them certificate of public convenience and necessity (CPCN) authority effective March 1, 1996.

The CLC reseller petitions have been reviewed for compliance with the certification and entry interim rules adopted in Appendices A and B of D.95-07-054 and D.95-12-057. Petitioners requesting both facilities-based and resale authority were reviewed prior to certification as facilities-based CLCs in D.95-12-057 and those petitions were not reviewed further. Consistent with our goal of promoting a competitive market as rapidly as possible, we are granting authority to all CLCs who have met the certification and entry requirements set forth in our interim rules. The purpose of the rules is to protect the public against unqualified or unscrupulous carriers, but to encourage the entry of a large number of CLC providers to promote the rapid growth of competition.

We conducted a review of the past record of the petitioners who are already certificated for other services to determine their fitness to offer local exchange service. A review of the complaint histories for some of the certificated carriers revealed that a few companies had significantly higher than average ratios of complaints to revenues. Some of those companies with the higher than average complaint histories have been accused of slamming. If the allegations of slamming against these companies are proven, we will take appropriate action at that time.

This Commission is on record that it will vigorously pursue any company engaged in slamming activities. We stated in

D.95-12-057 that we intend to prevent the emergence of the practice of slamming in California's newly competitive local exchange market. We will be vigilant and respond swiftly to any occurrences we find. As a result of this decision, numerous CLCs are poised to enter the local exchange market. Those companies will be operating in a new environment where slamming will change a customer's dial tone provider. This could mean that a customer has a lesser grade of service or perhaps no service at all. We put these competitive local carriers on notice that we will be monitoring slamming complaints filed against them and intend to take whatever steps are necessary to ensure compliance with applicable state law and our own rules against slamming, including revocation of a noncompliant company's operating authority.

Petitioners had to demonstrate that they possess the requisite managerial qualifications, technical competence, and financial resources to provide local exchange service. As prescribed in Rule 4.B.(1) of Appendix A of D.95-07-054, CLCs seeking resale authority must demonstrate that they possess a minimum of \$25,000 in cash or cash-equivalent resources, as defined in the rule. Petitioners were also required to submit proposed tariffs which conform to the consumer protection rules set forth in Appendix B of D.95-07-054.

We have also reviewed the petitions for compliance with California's Environmental Quality Act (CEQA). CEQA requires the Commission to assess the potential environmental impact of a project in order that adverse effects are avoided, alternatives are investigated, and environmental quality is maintained or enhanced to the fullest extent possible. To achieve this objective, Rule 17.1 of the Commission's Rules requires the proponent of any project subject to Commission discretionary approval to submit an environmental assessment with the petition for approval of such project. This is referred to as a Proponent's Environmental Assessment (PEA). The PEA is used by the Commission to focus on

any impacts of the project which may be of concern and to prepare the Commission's Initial Study, to determine whether the project would need a Negatives Declaration or an Environmental Impact Report.

Review of the PEAs for facilities-based petitioners revealed the need for CACD to perform a draft mitigates Negative Declaration and Initial Study generally describing the facilities-based petitioners' projects, their potential environmental effects, and mitigations measures to address those effects. After a public comment period, CACD finalized the mitigates Negative Declaration and in D.95-12-057 we adopted it and CACD's proposed Mitigation Monitoring Plan.

In the current phase of this proceeding we also reviewed the PEAs submitted by CLC reseller petitioners to determine if there would be any adverse impacts on the environment as a result of their entering the local exchange market. Under the definition adopted in D.95-07-054 (Appendix A, 3.L), resellers do not directly own any of the facilities used in the provision of local exchange service. Since resellers do not use any of their own facilities and will not be constructing facilities of any kind, we are able to determine with certainty that their entrance into the local exchange market will not have an adverse impact on the environment.

CLC petitioners were also given further guidance regarding the requirements for CLC petitions through issuance of an ALJ ruling dated August 17, 1995, and in D.95-12-057 in which we certificated the initial group of facilities-based CLCs. Petitioners for CLC resale authority were notified by letter during the week of January 16, 1996, regarding deficiencies in their filings, and were given 15 days in which to file corrections. Commonly encountered deficiencies included tariffs which were unclear or internally inconsistent or in conflict with our adopted interim rules. Corrections were submitted by petitioners during the weeks of January 29 through February 5, 1996, in response to

the deficiency letters. We have reviewed the filings and the corrections which were submitted in response to the deficiency letters. Some companies, which are discussed below, warrant individual comment.

C. Communications TeleSystems International

Communications TeleSystems International (CTS) timely filed a petition requesting authority to operate as both a facilities-based and resale CLC. CTS currently holds a CPCN from this Commission (U-5273-C) to operate as an interexchange carrier (IEC). In D.95-12-057 we withheld certification of CTS because we were advised that our Safety and Enforcement (S&E) staff were in the process of conducting an investigation into the business practices of CTS and were reviewing allegations of abusive marketing and business practices. S&E stated its intention to file a protest prior to January 10, 1996, to CTS being authorized to provide local exchange service.

S&E filed its protest on January 4, 1996, stating that its preliminary investigation indicates that marketing practices used by CTS to obtain its long distance customers appear to violate Public Utilities (PU) Code Section 2889.5. S&E reviewed transcripts of verification calls made to customers who CTS stated had agreed to switch long distance service. Such verification is required by PU Code Section 2889.5. The independent verification process is intended to verify the subscriber's intent to change their telephone provider. However, S&E found that some transcripts show that rather than verifying previous sales, the confirmation agents act as sales agents if the customer does not give the agent a positive verification. Furthermore, S&E contends that agents provide false and misleading information to customers. At the very least, the verification transcripts show that the customers are not thoroughly informed of the nature and extent of the services offered, as required by PU Code Section 2889.5(a)(1). S&E observes that in issuing rules for CLC certification, the

Commission stated that applicants must possess the requisite managerial qualifications, financial resources, and technical competency to provide local exchange telecommunications services. S&E believes its investigation demonstrates that CTS uses marketing practices that violate Section 2889.5 when soliciting long distance customers, and therefore does not possess the managerial and technical competency that must be required of CLCs operating in California. Furthermore, S&E believes it is likely that CTS will use similar marketing practices in its CLC operations and such practices would similarly violate the CLC consumer protection rules. S&E recommends that the Commission not act on CTS' request for CLC authority until S&E completes a full investigation of CTS' marketing practices.

CTS responded to S&E's protest on January 19, 1996. While CTS takes issue with several of the points raised by S&E, we are not persuaded to dismiss S&E's protest.

We will grant S&E's request to defer granting authority to CTS until S&E has an opportunity to complete its investigation. We have reiterated above our intent to take any action within our authority to prevent slamming. Therefore, we remove CTS' instant petition for CLC authority from this docket and convert it to an application for CLC authority. Such application will not be acted upon until S&E has completed its investigation and we are satisfied that CTS has not operated in violation of PU Code 2889.5.

D. Cellular Radio Service Providers

Four facilities-based cellular carriers registered by this Commission filed for both facilities-based and resale CLC authority. The four are: Bakersfield Cellular Telephone Company (U-3017-C), Cellular 2000 (U-3037-C), Mammoth Cellular, Inc. (U-3025-C), and SLO Cellular, Inc. (U-3044-C). In addition, Unitel Communications, a Limited Liability Company which, according to its Petition, "is commonly controlled with Santa Cruz Cellular Telephone, Inc. (U-3019-C)" (Petition, pp. 1-2) filed for both

facilities-based and resale authority. The tariffs filed by the five companies did not describe the specific service the companies intend to provide.

D.95-12-057 directed the five petitioners to supplement their petition filings with additional information describing exactly what facilities, if any, beyond their existing cellular facilities they intend to use for competing in the local exchange market and the specific services they intend to provide. On January 16, 1996, the five companies all filed amendments to their petitions, withdrawing their request for authority to provide facilities-based local exchange telecommunications service. The filings stated that at present the companies seek only to provide local exchange service as resellers. We are ready to act on the five petitions for resale authority at this time.

In the same decision, the Commission invited potential CLCs, LECs and current cellular carriers to comment on the legal jurisdictional issues surrounding LEC-CMRS interconnection and the appropriateness of bill and keep for CMRS interconnection. On January 15, 1996, parties filed comments and reply comments were filed on January 25, 1996. Since the five cellular CLCs withdrew their petitions for facilities-based authority, the Commission need not resolve LEC-CMRS interconnection issues in this decision. The issue will be set for hearings in Phase III of this proceeding. These hearings will address the issues introduced in briefs, particularly the extent to which the Commission can or should establish LEC-CMRS interconnection policies similar to LEC-CLC interconnection policies.

**E. Caribbean Telephone and Telegraph (Caribbean)
and Venture Technologies Group dba Allegro
Communications (Venture)**

Caribbean and Venture both made timely filing of their petitions for local exchange authority. Commission staff reviewed the companies' petitions and sent a deficiency letter to each

company on November 27, 1995. In response to the deficiency letters, both companies asked for extensions of time to correct their deficiencies. In D.95-12-057 we granted the request for extensions of time to file corrections to their filings and indicated that we would consider their petitions with the reseller group to be certificated in February 1996. The two companies were ordered to file their corrections by January 15, 1996.

Although CACD staff discussed the deadline for filing corrections with the two companies, neither company had filed its corrections by February 9, 1996, more than 3 weeks after the deadline we established. We will not approve their petitions at this time, and therefore, order that the petitions for both Caribbean and Venture be converted to applications which will be addressed outside this docket.

F. Working Assets Funding Service

Working Assets Funding Service (Working Assets) timely filed on September 1, 1995, for authority to provide competitive local service as a reseller. Working Assets was sent a deficiency letter on January 16, 1996, but did not respond in writing to the deficiency letter. Instead, in informal discussions with CACD staff, Working Assets indicated its intent to wait until wholesale rates were set before determining whether the company wished to enter the local exchange market as a reseller. Therefore, we convert Working Assets' petition to an application which will be addressed outside this docket.

G. Pacific and GTEC's Petitions

Pacific and GTEC timely filed for authority to compete in each other's territories on both a facilities-based and a resale basis. In D.95-12-057 we certificated both companies as facilities-based competitive local carriers. In this decision we approve their further request to be certificated to provide resale service in each other's territories. Pacific and GTEC's resale

authority is subject to the pricing rules adopted for CLCs and is applicable only within each others' service territories.

H. Authority Granted

Based upon our review, we conclude that 59 of the CLC reseller petitioners have satisfactorily complied with our certification requirements for entry, and accordingly grant these petitioners CPCN authority to competitively resell local exchange service effective March 1, 1996. The list of petitioners eligible to commence service March 1, 1996, which includes those facilities-based petitioners who also requested resale authority, is set forth in Appendix A. Unless otherwise noted, petitioners will be authorized to begin service effective on or after March 1, 1996, upon the filing of tariffs in accordance with the terms and conditions set forth in the proposed tariffs filed with their petitions or, as applicable, with their filed corrections of deficiencies. In the case of certain CLCs as identified in Appendix C, the authority granted is conditional upon the CLC further amending its filed tariff as described in Appendix C.

Petitioners listed in Appendix A are ordered to file compliance tariffs, which comply with the requirements outlined in the deficiency letters issued by CACD and subsequent ALJ Rulings issued on November 16, and November 21, 1995. In addition, petitioners must comply with tariff changes ordered in D.95-12-057. Petitioners may not use the compliance filing to make any changes to their tariffs, other than those listed in the deficiency letters issued by CACD, or as ordered in this decision.

The following tariff changes must be incorporated into the compliance filings made by all reseller carriers:

1. Three of the surcharges collected by telecommunications carriers changed effective January 1, 1996. The Universal Lifeline Telephone Service (ULTS) surcharge was increased from 3% to 3.2% of all intrastate services in Resolution T-15799 dated November 21, 1995. The Deaf Equipment Acquisition Fund (DEAF) Surcharge