

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 17th
day of September, 1986.

Case No. TO-84-222

In the matter of the investigation
into WATS resale by hotels/motels.

Case No. TO-84-223

In the matter of the investigation
into WATS resale applications for
certificates of public convenience
and necessity.

Case No. TC-85-126

In the matter of the investigation
into the reasonableness of permitting
competition in the intraLATA
telecommunications market in Missouri.

Case No. TO-85-130

In the matter of the Missouri
interLATA access charge and intraLATA
toll pools.

ORDER

On August 25, 1986, the Staff of the Missouri Public Service Commission (Staff) filed its Motion for Partial Reconsideration and Modification of Report and Order. On that same date, the Missouri Independent Telephone Company Group (MITG) filed its Motion for Clarification or in the Alternative Application for Rehearing. The Office of Public Counsel (Public Counsel) filed its Application for Rehearing on that same date. AT&T Communications of the Southwest, Inc. (AT&T) filed on that same date its Motion for Clarification and Application for Rehearing. Southwestern Bell Telephone Company (Southwestern Bell) also filed its Application for Rehearing on August 25, 1986. United Telephone Company of Missouri (United Telephone) filed its

Motion for Clarification or in the Alternative Application for Rehearing on August 27, 1986.

On September 3, 1986, AT&T filed a Response to the Applications filed by Southwestern Bell and MITG. On September 4, 1986, MITG filed a Response to the Applications filed by Southwestern Bell and Staff. On September 15, 1986, the Missouri Hotel and Motel Association filed a Response to the Application filed by Southwestern Bell.

The Commission notes that its Report and Order in the above-styled cases became effective on August 26, 1986. Since United Telephone's Motion for Clarification or in the Alternative Application for Rehearing is untimely the Commission finds that it should be denied. Section 386.500, RSMo 1978, and State ex rel. Alton Railway Co. v. Pub. Serv. Comm'n., 348 Mo. 780, 155 S.W.2d 149 (1941).

The Commission has reviewed all of the applications for rehearing and responses filed thereto. With the exception of the following issues, the Commission determines that there is insufficient reason to grant and hold a rehearing.

Southwestern Bell in its application requests that the Commission eliminate the requirement that it conduct an intraLATA presubscription study at this time. Southwestern Bell argued that it would be premature to conduct a study while Southwestern Bell is prohibited from providing interLATA toll service. The Commission notes that it ordered Southwestern Bell to perform such a study since in its testimony it presented a broad range of cost estimates for conversion of its Missouri exchanges for intraLATA presubscription.

Looking to the future, the Commission wants to be in a position to evaluate the various options available if the prohibition against Southwestern Bell providing interLATA toll service is removed. The Commission finds that Southwestern Bell should be prepared to file the information the Commission requested in its Report and Order in the event Southwestern Bell seeks authority from this Commission to provide interLATA service in Missouri. Therefore, the Commission's Report and Order should be modified such that Ordered: 28 should read:

That Southwestern Bell Telephone Company shall file its intraLATA presubscription cost benefit analysis and other information at the time it files an application or other pleading with this Commission requesting authority to provide interLATA toll service in Missouri, unless otherwise ordered by the Commission.

The last sentence of the first full paragraph on page 27 of the Commission's Report and Order reads:

The Commission finds that Southwestern Bell should submit the analysis and the information within six (6) months of this Report and Order.

In order to change the reporting period, the Commission finds that this sentence should be revised to read:

The Commission finds that Southwestern Bell should submit the analysis and the information at the time it files an application or other pleading with the Commission requesting authority to provide interLATA toll service in Missouri, unless otherwise ordered by the Commission.

Southwestern Bell also requested that the Commission clarify that intraLATA toll carriers' initial jurisdictional reports need not be submitted until October 15, 1986, but must be based upon the actual jurisdictional nature of the traffic that they carried during the months of July, August and September of 1986. The Commission finds that its Report and Order should be clarified to reflect this request.

See: Re: Public Service Commission's Investigation of Southwestern Bell Telephone Company's and MCI Telecommunications Corporation's Implementation of Jurisdictional Reporting Requirements, 28 Mo. P.S.C. (N.S.) 118 (1986). The Commission's instant Report and Order on page 47 reads:

The Staff also recommends that the granting of the resellers' certificates should be conditioned on the filing of their tariffs and PIU reports within thirty (30) days of the effective date of this Report and Order. The Commission believes that condition is reasonable and should be adopted since the resellers are already operating in the state.

Ordered: 21 states that all certificated resellers shall abide by the conditions of their certification which the Commission has approved herein.

In order to clarify this issue, the Commission finds that the last sentence of its Report and Order on page 47 should be replaced with the following two (2) sentences:

The Commission believes that it is reasonable to grant the resellers' certificates conditioned on their filing tariffs within thirty (30) days of the effective date of this Report and Order and filing PIU reports on or before October 15, 1986, based upon the actual jurisdictional nature of the traffic they carried during the months of July, August and September of 1986, since the resellers are already operating in the state. The Commission finds that these two (2) conditions of certification for the resellers should be adopted.

Since it appears there is confusion as to what was meant by the Commission's directive that the local exchange companies submit tariffs designed to maintain the current interLATA revenues for each company thus maintaining a revenue neutral position, the Commission is of the opinion that the Report and Order should be clarified so as to reflect what was meant by "revenue neutral". The Commission intended to require all local exchange companies including Southwestern Bell, to file intrastate access tariffs which would allow for recovery of the same revenues, after implementation of the Report and Order, as they presently receive.

It was further pointed out in the applications for rehearing that the Report and Order was silent as to what time period should be used as the "test year" for the intrastate access charge tariff filings. Several parties have suggested that since calendar year 1985 is the most recent twelve months for which normalized pool data is available, the 1985 test year is appropriate. The Commission agrees that calendar year 1985 should be utilized as a starting point in developing the new intrastate access tariffs.

AT&T, Southwestern Bell and the MITG have requested that the Commission modify its decision concerning the "double SPF" issue. The parties are in agreement, and the Commission hereby finds, that the local exchange companies have not recovered more than 100% of the NTS costs assigned to toll services.

The MITG points out that to maintain revenue neutrality while implementing company specific intrastate access charge tariffs, it would be necessary to increase revenues from intraLATA toll if NTS costs are shifted from the interLATA jurisdiction to the intraLATA jurisdiction as required under the Commission's decision on the double SPF issue. The Commission is primarily concerned at this time with

maintaining a revenue neutral position for the companies affected by this proceeding. Since the record is unclear as to whether revenue neutrality can be accomplished in a just and reasonable manner if some NTS costs currently assigned to interLATA toll are shifted to intraLATA toll, the Commission is of the opinion that it should withdraw its decision regarding the double SPF issue. By withdrawing its decision at this time, the Commission does not intend to foreclose further consideration of this issue in future proceedings.

Southwestern Bell has recommended that the interLATA access pool be ended on December 31, 1986, with all true-ups completed by January 1, 1989. Southwestern Bell asserts that ending the pool at the end of a calendar year will facilitate finalization of true-ups, save auditing expense and save the administrative expense of maintaining access pooling records for part of another year. Southwestern Bell believes that to alleviate independent company revenue concerns, the Commission should order that intrastate access tariffs be filed on November 1, 1986 with a proviso that any tariffs still under suspension on December 31, 1986, will be allowed to become effective on January 1, 1987, subject to refund.

The Commission agrees that every reasonable effort should be made to facilitate ending the pool by December 31, 1986. All companies should file their intrastate access tariffs by November 1, 1986. The Commission is not willing, at this time, to commit to allowing all intrastate access tariffs to become effective subject to refund as of January 1, 1987.

The final issue to be addressed is Staff's request that the Commission reconsider its decision to rescind the requirement that average schedule companies move to a cost basis. Staff suggests that only the performance of individual company traffic studies is necessary for successful implementation of a simplified cost method. Staff believes that since the intraLATA pool will continue for some additional period, it would be reasonable to require the administrator of the pools to perform the initial traffic studies in concert with the average schedule companies for the purpose of evaluating the reasonableness of the simplified method.

While the Commission is not presently willing to reverse its decision with respect to the average schedule companies, the Commission is of the opinion that the administrator of the pools should provide an estimate of the cost of performing the aforementioned traffic studies within thirty (30) days of the effective date of this Order.

The Commission notes that Case No. TA-84-156 was omitted from Ordered: 1. of its Report and Order issued on July 24, 1986 which listed certain cases that were being dismissed and therefore should be dismissed. The Commission also notes that in the procedural history of this Report and Order on page 2, line 2, the last two words "in the" should be deleted; on page 2, line 9, the third to the last word in that line "a" should be deleted; and on page 2, line 10, the word "area" should be "areas".

It is, therefore,

ORDERED: 1. That Case No. TA-84-156 be, and hereby is, dismissed.

ORDERED: 2. That the Commission's Report and Order be, and hereby is, modified as follows: on page 2, line 2, the last two words "in the" shall be deleted, on page 2, line 9, the third to last word in that line "a" shall be deleted, and on page 2, line 10, the word "area" shall be "areas."

ORDERED: 3. That the Applications for Rehearing filed on behalf of Staff, Missouri Independent Telephone Company Group, the Office of Public Counsel, AT&T Communications of the Southwest, Inc., Southwestern Bell Telephone Company and United Telephone Company of Missouri be, and hereby are, denied except as otherwise provided herein.

ORDERED: 4. That the Commission's Report and Order be, and hereby is, revised as follows: on page 27, the last sentence of the first full paragraph shall be replaced with the following sentence: The Commission finds that Southwestern Bell should submit the analysis and the information at the time it files an application or other pleading with the Commission requesting authority to provide interLATA toll service in Missouri, unless otherwise ordered by the Commission.

ORDERED: 5. That the Commission's Report and Order be, and hereby is, modified as follows: Ordered: 28. That Southwestern Bell Telephone Company shall file its intraLATA presubscription cost benefit analysis and other information at the time it files an application or other pleading with this Commission requesting authority to provide interLATA toll service in Missouri, unless otherwise ordered by the Commission.

ORDERED: 6. That the Commission's Report and Order be, and hereby is, clarified as follows: on page 47, the last sentence shall be replaced with the following two (2) sentences: The Commission believes that it is reasonable to grant the resellers' certificates conditioned on their filing tariffs within thirty (30) days of the effective date of this Report and Order and filing PIU reports on or before October 15, 1986, based upon the actual jurisdictional nature of the traffic they carried during the months of July, August and September of 1986, since the resellers are already operating in the State. The Commission finds that these two (2) conditions of certification for the resellers should be adopted.

ORDERED: 7. That for purposes of developing new intrastate access tariffs, all local exchange companies should utilize calendar year 1985 as discussed herein.

ORDERED: 8. That all findings and conclusions relating to the double SPF issue contained in the Commission's Report and Order be, and the same are, hereby withdrawn.

ORDERED: 9. That Southwestern Bell Telephone Company, as administrator of the pools, shall provide an estimate of the cost of performing traffic studies for average schedule companies within thirty (30) days of the effective date of this Order.

ORDERED: 10. That each LEC shall file for Commission approval its intrastate access tariffs on or before November 1, 1986, unless otherwise ordered by the Commission.

ORDERED: 11. That this Order shall become effective on the 30th day of
September, 1986.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Musgrave, Mueller,
Hendren and Fischer, CC., Concur.