

TO-90-210

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 9th
day of March, 1990.

In the matter of the investigation of experimental)
extended measured service (EMS).) CASE NO. TO-87-131

ORDER

Between February 23, 1990 and March 6, 1990, eight local exchange companies (LECs) submitted various proposed letters to the Commission for its approval. These letters propose to notify their respective customers of the impending provision of community optional service (COS) beginning May 9, 1990, and to provide their customers a reply card by which to choose to take COS. The eight companies filing these letters were: ALLTEL Missouri, Inc. (ALLTEL); Contel of Missouri, Inc., Contel System of Missouri, Inc., Contel of Eastern Missouri (Contel); Southwestern Bell Telephone Company (SWB); GTE North Incorporated (GTE); Grand River Mutual Telephone Corporation (Grand River); United Telephone Company of Missouri (United); Chariton Valley Telephone Corporation (Chariton Valley); and Missouri Telephone Company (MoTel). Most of these proposed letters were filed in those dockets already addressing specific COS routes or, where no such docket existed, in the above-styled case. Contel filed its notification letters in Case No. TO-90-210 and United filed its notification letters in Case No. TO-90-211.

On March 7, 1990, the Commission's Staff (Staff) filed a memorandum in the above-styled case recommending that the Commission approve the standardized letter of notification which Staff had prepared. Staff notes that this approach would achieve consistency throughout the COS program. In its memorandum, the Staff also requests that the Commission reject specifically United's proposed letter which would notify its customers of a delay in offering COS. Staff points out that no delay is presently foreseen among United's routes. Staff suggests that such a letter is not currently needed.

In addition, Staff recommends that the Commission grant a conditional approval to United for a proposed bill insert. This bill insert proposes to notify the customers of the Lebanon exchange of the termination of extended measured service (EMS). The Staff states that the bill insert should be corrected since it incorrectly includes the Conway exchange in the Nebo/Lebanon route.

Finally, Staff recommends that the Commission clarify that the EAS additive charged for the expanded calling scope of the requested exchange is added to the COS charge of the petitioning exchange only in rural areas and not when the COS program provides service into a metropolitan service area.

On March 8, 1990, MoTel filed a letter herein responding to Staff's proposed standardized notification letter. MoTel does not believe there is a need to have a standardized letter. Further, MoTel is concerned that a standardized letter will confuse its customers. Specifically, MoTel states that by not addressing the letter to specific exchange customers there is a risk of misleading customers in non-COS exchanges into believing that they can sign up for COS. Also, MoTel states that the generic greeting may confuse customers into believing that COS invariably costs the same amount on every route.

Additional concerns of MoTel are: That the phrase used by Staff, "per telephone line", is less accurate than the phrase suggested by MoTel, "per access line"; that some of MoTel's customers already receive the Springfield white pages and should not be notified of receiving such white pages as suggested in Staff's COS notification letter since this could result in expecting a duplicate set of white pages; that Staff's letter does not recite the exact toll rates which the COS rates would replace. MoTel points out that such information would enable customers to make a more informed choice; that Staff's reply ballot is too lengthy and would require an envelope rather than the prepaid reply postal card as suggested by MoTel; that it is premature to talk of the exact connection fees to be charged after the grace period as Staff's letter requires. MoTel states that these fees could be affected by the intercompany compensation plan chosen; and finally that Staff's interpretation of the

Commission's order is inaccurate in regard to tier additives. MoTel would apply a tier additive on rural routes where an exchange is not contiguous to the calling scope of the target exchange .

On March 8, 1990, SWB filed its response to the standardized letter proposed by the Commission's Staff. SWB argues that it usurps the management prerogatives of the LECs for the Commission to approve a standardized letter to be used by all the companies. Further, SWB recommends that the language in the notification letter be less definite in announcing the commencement of COS. Since various factors could influence the date the service begins, SWB points out that it would be more prudent to announce the date in a less definite fashion. Finally, SWB takes issue with the Staff's interpretation of the Commission's decision in the instant case stating that Staff is wrong in believing that EAS additives would only be applicable on rural routes and not metropolitan routes.

The Commission determines that it is reasonable to approve a standardized letter for COS notification to ensure consistency, clarity and accuracy. The letter recommended by the Staff achieves these goals. The Commission does not view this as a usurpation of a company's management prerogatives. Rather, the Commission views this as the proper exercise of its regulatory oversight. Therefore, the Commission will approve Staff's proposed letter for use by all LECs with some corrections. A copy of the letter approved by this order of the Commission is attached hereto as Attachment A and incorporated herein by reference. The Commission believes that most of MoTel's concerns in regard to Staff's letter are valid and has incorporated changes into the letter to accommodate these concerns. However, the Commission believes that the information in Staff reply ballot is important and will not shorten it. The Commission also agrees with SWB's suggestion on making the commencement date for COS less definite and the letter approved reflects this change.

The Commission is of the opinion that Staff's recommendation as to United's letter concerning delay in implementing COS is well taken. There is no need to approve such a letter until there is a reason to use it to inform United's customers

of a delay. Therefore, the Commission will not approve United's proposed letter notifying customers of a delay in the provision of COS.

The Commission is further of the opinion that Staff's recommendation as to United's bill insert to their customers in Lebanon is also well taken. The reference to the Conway exchange should be removed. Upon condition that the reference to the Conway exchange is removed, the Commission will approve this letter of United.

Finally, the Commission determines that it is unnecessary, at this time, to address the generic concerns of MoTel and SWB as to Staff's interpretation of the addition of EAS or tier additives to the COS charge. However, it is clear that it is necessary to address at this time the disagreement of Contel with Staff's interpretation as it applies to the O'Fallon/St. Charles/Harvester route since Contel must know what COS charge to place in its notification letter to its customers in the O'Fallon exchange. Consistent with its Report and Order issued in this docket on December 29, 1989, the Commission finds that the charge for COS within St. Charles County is the rural residential rate of \$5.75 one-way and \$10.10 two-way plus the applicable non-optional EAS additive from the requested exchange. If COS is selected to St. Charles from O'Fallon, that charge would be \$6.05 for the residential rate one-way and \$10.40 for the residential rate two-way. If COS is selected from O'Fallon to Harvester, the charge would be \$6.60 for the residential rate one-way and \$10.95 for the residential rate two-way. If COS is selected to the entire metropolitan service area, the charge would be \$11.05 for the residential rate one-way and \$19.35 for the residential rate two-way.

Another issue which needs to be addressed in this order concerns the applications of Contel, United and SWB filed in Case Nos. TO-90-210, TO-90-211 and TO-90-226 respectively. In TO-90-210, Contel requests not only that the Commission approve Contel's notification letters but also that the Commission address therein the intercompany compensation plan and attendant issues which remain unresolved in the above-styled docket. Contel also requests the Commission receive therein any suggestions concerning the expedited consideration of rates proposed by LECs

experiencing revenue shortfalls associated with the provision of COS. Contel states that this approach is reasonable since it is possible that the Commission lost jurisdiction of the above-styled case upon the decision herein being appealed by several parties to this case.

United applied in Case No. TO-90-211 not only for approval of its proposed COS notification letters but also for the Commission to generally administer United's COS program through Case No. TO-90-211.

SWB, by its application filed in Case No. TO-90-226, requests that the Commission use that docket for two purposes. One purpose is to address SWB's request that it be given an extension of time until November, 1990, in which to provide two-way COS between the Frankford and Bowling Green exchanges. SWB notes that it is able to provide the one-way COS between these exchanges but that its present schedule of modernization will not allow provision of two-way COS between these exchanges before November, 1990, without a sizeable expenditure of funds.

The second purpose, is for the Commission to address in Case No. TO-90-226, SWB's motion for an expedited schedule of proceedings to be established in that case to consider the intercompany compensation plans about to be filed by the parties to the above-styled case. SWB states that the parties to the instant case have been unable to reach an agreement on the intercompany compensation plan to be established as part of the COS program and that several parties will file their own suggested intercompany compensation plans.

The Office of the Public Counsel (Public Counsel) has responded to SWB's request for an expedited schedule in TO-90-226. Public Counsel does not disagree that such a schedule of proceedings should be established but Public Counsel disagrees with the hearing and oral argument dates proposed by SWB and, further, suggests parties be allowed to file testimony in addition to their suggestions in support of, or in opposition to, the proposed intercompany compensation plans.

The Commission is of the opinion that a new docket should be opened for the purpose of administering the COS program and for the purpose of addressing the issues

which remain outstanding in the instant case, namely the intercompany compensation plan and issues attendant to that issue as well as suggestions in regard to the expedited treatment of proposed rate increases filed by LECs experiencing revenue shortfalls associated with the provision of COS.

Since it appears that there will be no agreement on an intercompany compensation plan, the Commission believes it is reasonable to establish an expedited procedural schedule through which to consider the alternatives offered. Therefore, the Commission will establish a new docket to administer COS and consider the outstanding issues of Case No. TO-87-131. The Commission will also direct the parties to that case to engage in a prehearing conference for the purpose of proposing to the Commission an expedited procedural schedule to address the outstanding issues of Case No. TO-87-131.

The Commission is of the opinion that SWB's request for an extension to November, 1990, in which to provide two-way COS between Frankford and Bowling Green should be granted since the relatively small delay of six months in providing that part of the COS program is offset by the substantial savings to the company.

In view of the establishment of a new docket to administer COS and address the outstanding issues of Case No. TO-87-131, the Commission will close Case Nos. TO-87-131, TO-90-210, TO-90-211 and TO-90-226.

The Commission's Secretary will be directed herein to place a copy of this order in Case Nos. TO-90-210, TO-90-211, TO-90-226 and all pending dockets addressing specific impending COS routes in which proposed notification letters have been filed.

It is, therefore,

ORDERED: 1. That the requests of the eight local exchange companies set forth herein that their proposed COS notification letters be approved by the Commission are denied hereby.

ORDERED: 2. That the COS notification letter proposed by the Commission's Staff is approved hereby as modified herein for use by all local exchange companies in notifying their customers of the impending provision of COS.

ORDERED: 3. That United Telephone Company of Missouri's bill insert proposing to notify its customers in the Lebanon exchange of the termination of EMS is approved hereby as modified herein.

ORDERED: 4. That United Telephone Company of Missouri's request for an order of the Commission approving its letter proposing to notify its customers of a delay in the provision of COS is denied hereby.

ORDERED: 5. That Case No. TO-90-232 is established hereby for the purpose of administering the COS program and addressing the issues yet outstanding in Case No. TO-87-131. Parties to Case Nos. TO-87-131 will be considered parties to Case No. TO-90-232. Parties wishing to address intercompany compensation and attendant issues as well as make suggestions as to the expedited treatment of rate increases proposed as a result of the provision of COS, shall do so in Case No. TO-90-232.

ORDERED: 6. That an early prehearing conference is set hereby in Case No. TO-90-232 to convene at 10:00 a.m. on March 15, 1990, for the purpose of arriving at an expedited procedural schedule to be proposed to the Commission for the purpose of addressing the intercompany compensation proposals of the parties to Case No. TO-87-131. The procedural schedule proposed shall provide for a hearing to be held no later than April 6, 1990.

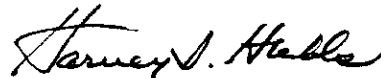
ORDERED: 7. That Southwestern Bell Telephone Company is granted hereby an extension until November 2, 1990, in which to establish two-way COS between the exchanges of Frankford and Bowling Green. Southwestern Bell Telephone Company shall inform the Commission's Staff of the establishment of two-way COS between the Frankford and Bowling Green exchanges.

ORDERED: 8. That the Commission's Secretary is directed hereby to place a copy of this order in Case Nos. TO-90-210, TO-90-211, TO-90-226 and all pending dockets addressing specific impending COS routes in which proposed COS notification letters have been filed.

ORDERED: 9. That Case Nos. TO-90-210, TO-90-211, TO-90-226 and the instant case shall be closed upon the filing of this order in each of their case papers.

ORDERED: 10. That this order shall become effective on the date hereof.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Rauch, McClure
and Letsch, CC., Concur.
Mueller, C., Dissents.

Dear [Exchange name] Customer:

Due to a recent decision by the Missouri Public Service Commission, [Company name] will offer an optional service to communities that have petitioned and qualified for expanded local calling areas. The optional service called Community Optional Service is anticipated to be available May 9, 1990. [Community Optional Service will replace the experimental Extended Measured Service plan currently available in your area. Therefore, Extended Measured Service will be eliminated on May 9, 1990.]

Community Optional Service consists of [two/three] different options. If you choose one of the [two/three] Community Optional Service plans you will not be charged toll rates for the calls you make to [list the requested exchange and the requested exchange's EAS exchanges*]. If you do not choose to subscribe to any of the Community Optional Service options, then you will pay full toll rates on a per call basis for all calls into these exchanges.

The [two/three] Community Optional Service options are detailed below:

Option I: For the following monthly charge[s], this "one-way" service allows you to make toll-free "1+" calls to [list the requested exchange and its EAS exchanges*]. However, customers living in these communities will still pay toll charges when calling you. The following monthly charges will be in addition to your monthly local service charges on a per telephone access line basis:

COS	[<u>EAS</u>]	[<u>Total</u>]
<u>Additive</u>	[<u>Additive</u>]	[<u>Option I</u>]

Residential:

Business:

Option II: For the following monthly charge[s], this "two-way" service allows you to make toll-free "1+" calls with [list the requested exchange and its EAS exchanges*] and allows the callers in these exchanges to call you toll-free. [Option II subscribers will also receive a complimentary [list the exchange] white page directory.] The following monthly charges will be in addition to your monthly local service charges on a per telephone access line basis:

COS	[<u>EAS</u>]	[<u>Total</u>]
<u>Additive</u>	[<u>Additive</u>]	[<u>Option II</u>]

Residential:

Business:

[Option III: This "one-way" service will allow you to make "1+" calls at a fifty percent (50%) discount from applicable toll charges for calls into the [Kansas City/St. Louis] Metropolitan Area. However, customers within the [Kansas

City/St. Louis] Metropolitan Area will continue to pay full toll charges in order to call you. This service would be available for \$4.00 per month in addition to your monthly local service charges.]

All options will allow you to keep your present telephone number. [However, if you subscribe to Option II, a [list the exchange] telephone number will be assigned to you. The [list the exchange] telephone number will be listed in the [list the exchange] white pages directory and this number must be used by customers in [list the requested exchange and the requested exchange's EAS exchanges] to call you toll-free. Toll charges will still apply if these customers call your present telephone number.]

To sign up for Community Optional Service simply check the Option that best meets your calling needs on the enclosed reply card and return by [____], 1990. If you do not wish to subscribe to any option of Community Optional Service, all calls [to list the requested exchange and the requested exchange's EAS exchanges*] will be charged on a per call basis using applicable toll rates with the implementation of Community Optional Service on May 9, 1990. [Please remember that beginning May 9, 1990 Extended Measured Service will be eliminated and full toll rates will be applied.]

You may choose only one Option per telephone line and certain restrictions may apply to multi-line customers. If you change your mind and wish to change your option or subscribe to Community Optional Service, service order charges will not be applied on orders received prior to August [__], 1990. However, changes made to your service after August [__], 1990 will be charged a one-time service order fee.

If you have any questions regarding Community Optional Service, please call your local business office at [list telephone number].

Name
Title

P.S. Please return the enclosed reply card with your selection by [____], 1990. If you choose not to subscribe to Community Optional Service, or do not reply, regular toll rates will be applied to your calls into [list the requested exchange and the requested exchange's EAS exchanges]. [Remember, Extended Measured Service will be eliminated on May 9, 1990.]

PLEASE REPLY BY MARCH [], 1990

Please indicate your selection regarding Community Optional Service. ** I understand that the monthly charge for Community Optional Service is in addition to my other monthly local service charges.

 Option I. ("One-way" flat rate calling into [list the requested exchange and the requested exchange's EAS exchanges**] for \$[] residential, \$[] business, per line per month.)

 Option II. ("Two-way" flat rate calling with [list the requested exchange and the requested exchange's EAS exchanges**] for \$[] residential, \$[] business, per line per month.)

[Option III. ("One-way" service that applies a fifty percent (50%) discount from applicable toll charges for calls into [list the requested exchange and the requested exchange's EAS exchanges**] for \$4.00 per line per month.)]

 No, I am not interested in subscribing to Community Optional Service at this time. However, I understand that if I decide to subscribe to Community Optional Service before August [], 1990, the one-time service order charge will be waived.

Signature: _____

Telephone Number: _____

[Other subscriber information such as printed name and address could be requested, if necessary.]

Modifications as applied in the notification letter and ballot:

* If the requested exchange and the requested exchange's EAS exchanges is too lengthy to be listed under Options I and II, it can be inserted in the second sentence of the second paragraph of the letter. Then the text pertaining to the requested exchange and its EAS exchanges can be deleted under Options I and II.

** The requested exchange and the requested exchange's EAS exchanges should be listed under Options I, II, and III of the ballot. However, if this information is lengthy, this information could be listed just once as the second sentence of the initial paragraph of the ballot. This information should read as follows:

Community Optional service will be available into [list the requested exchange and the requested exchange's EAS exchanges.]

If desired by the Local Exchange Company, the following text could also be inserted at this portion of the initial paragraph of the ballot:

You may choose only one Option per telephone line and certain restrictions may apply to multi-line customers.