

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of a Recommendation )  
Concerning the Surcharge for Deaf Relay )  
Service and Equipment Distribution Program )  
Fund. )

Case No. TO-2005-0308

**STAFF'S RELAY PROGRAM FUND REPORT  
FOR THE THIRD QUARTER OF FISCAL YEAR 2006**

**COMES NOW** the Staff of the Missouri Public Service Commission and for its report states:

1. The Commission has directed the Staff to monitor the Deaf Relay Service and Equipment Distribution Program Fund and to submit quarterly reports to the Commission regarding the state of the fund. The reports are due no later than 20 days following the end of the quarter.
2. In the attached Memorandum the Staff reports on revenues and expenditures of the fund during the third quarter of fiscal year 2006.

Respectfully submitted,

/s/ William K. Haas

William K. Haas  
Deputy General Counsel  
Missouri Bar No. 28701

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 20<sup>th</sup> day of April 2006.

/s/ William K. Haas

# Memorandum

**To:** Official Case File

Case No. TO-2005-0308

**From:** Walt Cecil

**Date:** April 20, 2006

**Re:** Deaf Relay and Adaptive Equipment Distribution Program Fund Balance Quarterly Report,  
Third Quarter FY 2006

## Fund Balance

The March 2006 closing Deaf Relay and Equipment Distribution Fund (collectively, Fund) balance is \$1,910,789 which is up about \$246,748 (or approximately 15%) from the December 2005 closing balance of about \$1,664,041. Table 1 illustrates Fund activity since September 2005, when the surcharge increased to \$0.13.

Table 1: Fund Activity			
Date	Receipts <sup>1</sup>	Expenditures <sup>2</sup>	Closing Balance
Sep-05	\$327,086	\$393,009	\$1,818,734
Oct-05	\$291,245	\$429,332	\$1,680,647
Nov-05	\$395,268	\$367,722	\$1,708,194
Dec-05	\$357,646	\$401,799	\$1,664,041
<b>Second Quarter Averages</b>	<b>\$348,053</b>	<b>\$399,618</b>	<b>\$1,684,294</b>
Jan-06	\$593,428	\$379,578	\$1,877,891
Feb-06	\$337,018	\$406,324	\$1,808,586
Mar-06	\$471,794	\$369,592	\$1,910,789
<b>Third Quarter Averages</b>	<b>\$476,413</b>	<b>\$385,165</b>	<b>\$1,865,755</b>
<b>Overall Averages</b>	<b>\$396,212</b>	<b>\$392,479</b>	<b>\$1,781,269</b>

<sup>1</sup> Receipts consist of surcharge revenues collected by local exchange carriers from end-users and paid to the state, and interest earned by the Fund.

<sup>2</sup> Expenditures includes amounts paid to the relay vendor, Sprint, amounts withdrawn by ATEP and amounts withdrawn by the Office of Administration for the Central Services Allocation Program. There are also expenses incurred by the Relay Missouri Advisory Committee and the committee members, individually, that are supported by the Fund.

Attachment 1 provides an overview of Fund balance behavior for a longer period of time, July 1998 to March 2006. The Fund reached its maximum in December 2001, about \$8,119,000.

During the past quarter the Fund balance increased primarily because of increased receipts. For example, monthly receipts averaged \$348,053 and \$476,413 for second quarter FY 2006 and third quarter FY 2006, respectively. Meanwhile average monthly expenditures have declined, averaging \$399,618 and \$385,165 over the same quarters. These figures will be discussed in greater detail in the remainder of this memorandum.

### **I. Receipts**

In the previous quarterly memorandum, Staff identified errors in a large local exchange carrier's (LEC's) surcharge collections which resulted in underpayments to the Fund for the previous quarter. A substantial true-up was made in late December but booked in January making payments to the Fund for the instant quarter appear to be larger than they otherwise would have been. The January 2006 receipt figure would be closer to \$420,000, not the \$593,428 indicated in Table 1. Furthermore, that LEC's January remittance was also erroneously low resulting in another true-up, occurring in March, which made March's receipts appear to be larger than they should have been. The March 2006 figure would also be closer to \$420,000. March payment data appears to indicate all surcharge remittances are either current or are within each respective company's historical payment pattern and Staff concludes there are no outstanding amounts due to the Fund. Monthly receipts anticipated for the fourth quarter of FY 2006 are estimated to average approximately \$417,384 per month.

### **II. Expenditures**

Expenditures have declined approximately 3.5% based on overall expenditures averaging \$399,618 for the second quarter of FY 2006 versus \$385,165 for the third quarter of FY 2006. This decline is attributed to a decline in traditional relay service (TRS) and CapTel usage. Specifically, on average, TRS and CapTel expenditures have declined approximately 4.5% and 8% respectively, and ATEP expenditures are essentially unchanged. Specific expenditure totals are provided in Table 2.

<b>Table 2: Second and Third Quarter FY 2006 Deaf Relay and Adaptive Telecommunications Equipment Fund Disbursements</b>				
<b>Month</b>	<b>TRS Expenditures</b>	<b>CapTel Expenditures</b>	<b>ATEP Expenditures</b>	<b>Central Services Cost Allocation</b>
October 2005	\$236,214	\$56,963	\$118,476	\$17,584
November	\$219,879	\$52,107	\$94,679	
December	\$216,818	\$53,307	\$131,674	
<b>Second Quarter Averages</b>	<b>\$224,304</b>	<b>\$54,126</b>	<b>\$114,943</b>	<b>\$5,861</b>

<b>Table 2: Second and Third Quarter FY 2006 Deaf Relay and Adaptive Telecommunications Equipment Fund Disbursements</b>				
<b>Month</b>	<b>TRS Expenditures</b>	<b>CapTel Expenditures</b>	<b>ATEP Expenditures</b>	<b>Central Services Cost Allocation</b>
January 2006	\$213,972	\$48,845	\$99,590	\$17,171
February	\$218,820	\$51,297	\$136,206	
March	\$209,140	\$49,845	\$110,606	
<b>Third Quarter Averages</b>	<b>\$213,977</b>	<b>\$49,996</b>	<b>\$115,467</b>	<b>\$5,724</b>
<b>Six-month Averages</b>	<b>\$219,141</b>	<b>\$52,061</b>	<b>\$115, 205</b>	<b>\$5,793</b>

#### **A. TRS and CapTel Expenditures**

The average monthly payment to the relay vendor, Sprint, for both traditional relay services (TRS) and CapTel for the third quarter is about \$263,973. As Table 2 demonstrates, TRS expenditures are declining and CapTel expenditures have leveled off. Attachment 2 illustrates TRS usage and expenditures from July 1999 to February 2006. Attachment 3 illustrates CapTel usage and expenditures from July 2004 to February 2006. Overall payments to Sprint are declining and the February 2006 invoice payment, about \$239,639, is about 19% less than that made for March 2005, about \$309,403.

A credit of \$137,277.86 is anticipated from Sprint for its April 2006 invoice. This credit is based on charges previously billed by Sprint for reimbursement from the Relay Missouri Fund during the time period of June 2000 through September 2005. Specifically the credit is for prior reimbursement from the intrastate Fund for interstate calls resulting in a busy or not answered (BRNA) condition. On November 22, 2005 Sprint contacted Staff and indicated, effective with the October 2005 invoice, it would discontinue charging the state for out-bound interstate TRS BRNA calls. Previously, those calls were billed to the state because the federal fund only compensates Sprint based on conversation minutes that are generated once the called party answers the call. Reimbursement from a state relay fund for interstate BRNA calls is inappropriate because these minutes reflect interstate usage. Letters from Sprint regarding this credit is appended as Attachments 4 and 5. At this time, Staff is further investigating the accuracy of Sprint's credit calculations.

TRS minutes are declining and are anticipated to continue to decline. For example July 1998 usage exceeded 425,611 minutes and July 2002 usage was about 405,974, but July 2005 usage was only about 232,546 minutes. The decline in usage over the life of the current contract exceeds 32%. It appears that those who use traditional relay services are migrating to video relay, IP-relay and wireless forms of relay (including Blackberries and other two-way text-based paging devices), all of which are currently supported by the federal fund.

CapTel usage appears to be reaching a plateau. Even though the total number of CapTel phones in circulation is increasing (there were approximately 292 phones receiving service at the end of February 2006 and 238 at the end of February 2005), the average usage to date may be declining. Also, Sprint was directed to discontinue captioning to 16 CapTel units and Sprint indicated captioning will be discontinued to these units by the end of the month.

#### **B. Adaptive Telecommunications Equipment Distribution Program Expenditures**

Monthly ATEP expenditures vary quite a bit on a monthly basis but appear to have a consistent long-term trend around \$115,000. For FY 2006 ATEP's appropriation is \$2,100,000. So far for FY 2006, ATEP expenditures have totaled slightly more than \$1,001,100. Normally, ATEP actual expenditures are significantly less than its appropriation. For instance, for FY 2005 ATEP expended approximately \$1,485,000 or about 71% of its \$2,100,000 appropriation. Attachment 6 illustrates ATEP spending from October 2001 to March 2006.

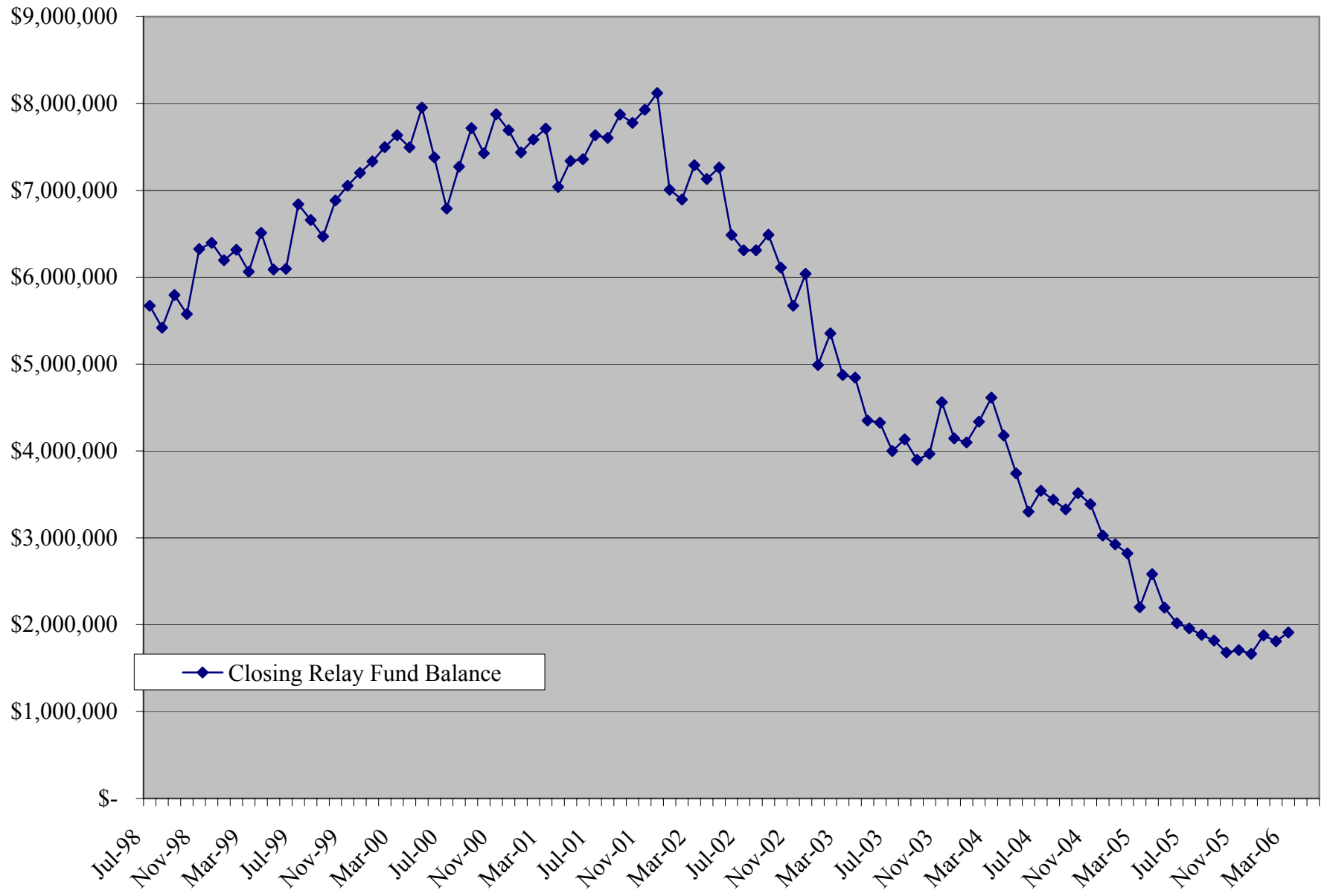
#### **C. Other Expenditures**

Under executive order, the Fund is obliged to support central governmental services and is, therefore, assessed an average of \$17,378 per quarter. The actual amount tends to vary. Also, the Fund supports expenses incurred when the Relay Missouri Advisory Committee meets and reimburses expenses incurred by its members. These expenses usually total less than \$3,000 per year, and include interpreter costs and mileage reimbursement.

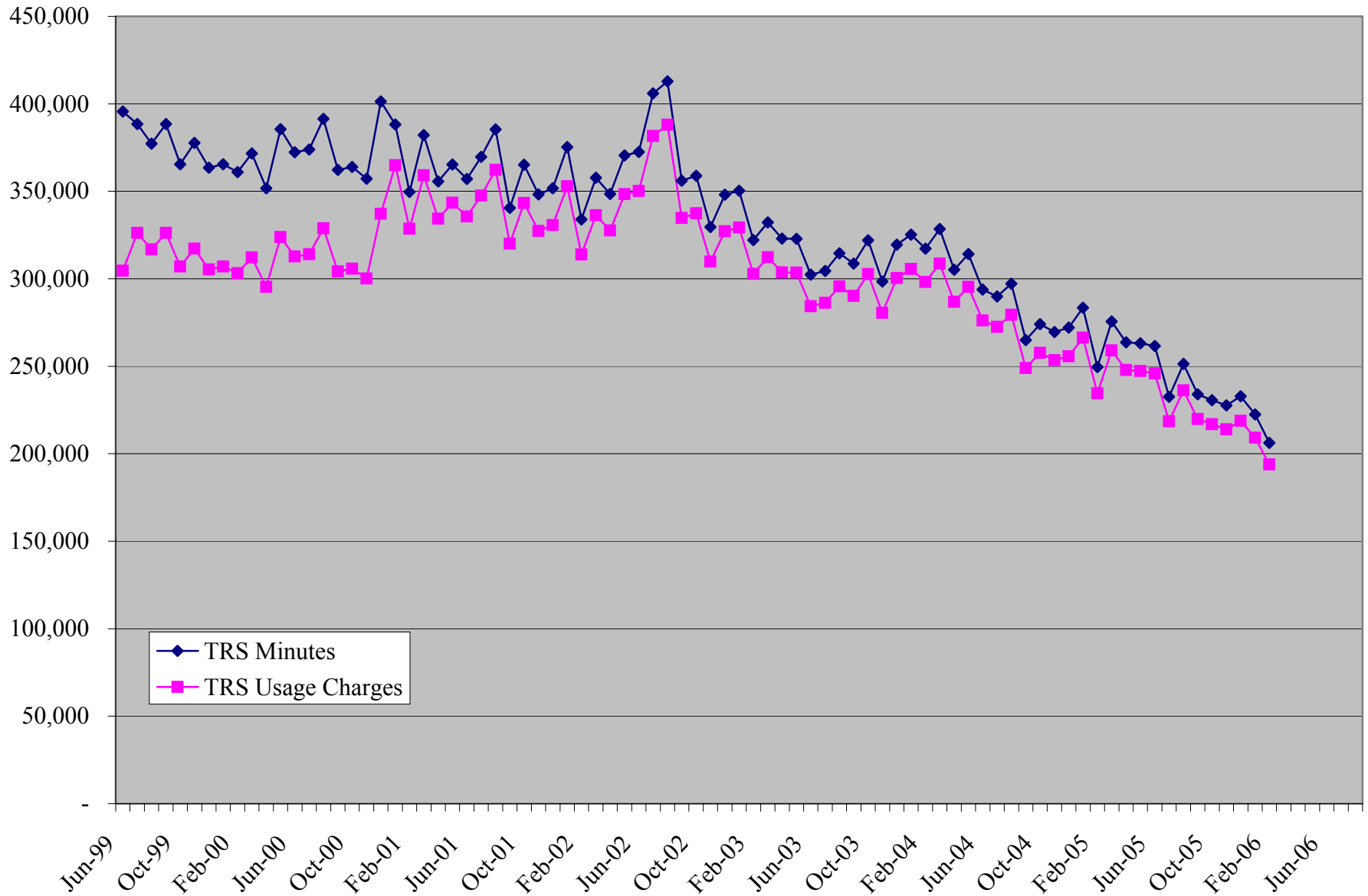
#### **Fund Balance Projection**

It is anticipated the Fund balance will increase during the fourth quarter of 2006. This projection is based largely on a continued decline in TRS expenditures, including the projected credit for the April 2006 invoice. Fund balance projections in FY 2007 may be further impacted by the Commission's decision regarding the current contract with Sprint, the current Relay Missouri provider. The current contract is scheduled to expire on June 30, 2006. This contract can be extended, and if acted upon, the reimbursement rate for TRS and CapTel would not change until July 2008. Requests for proposal in the provisioning of Relay Missouri TRS and CapTel have been solicited and bids have been submitted and are currently being reviewed. Depending on the outcome of the review of the bids, the Fund balance may be further impacted.

**Monthly Relay and Adaptive Telecommunications Equipment Distribution Program Fund Closing Balance: July 1998 to March 2006**

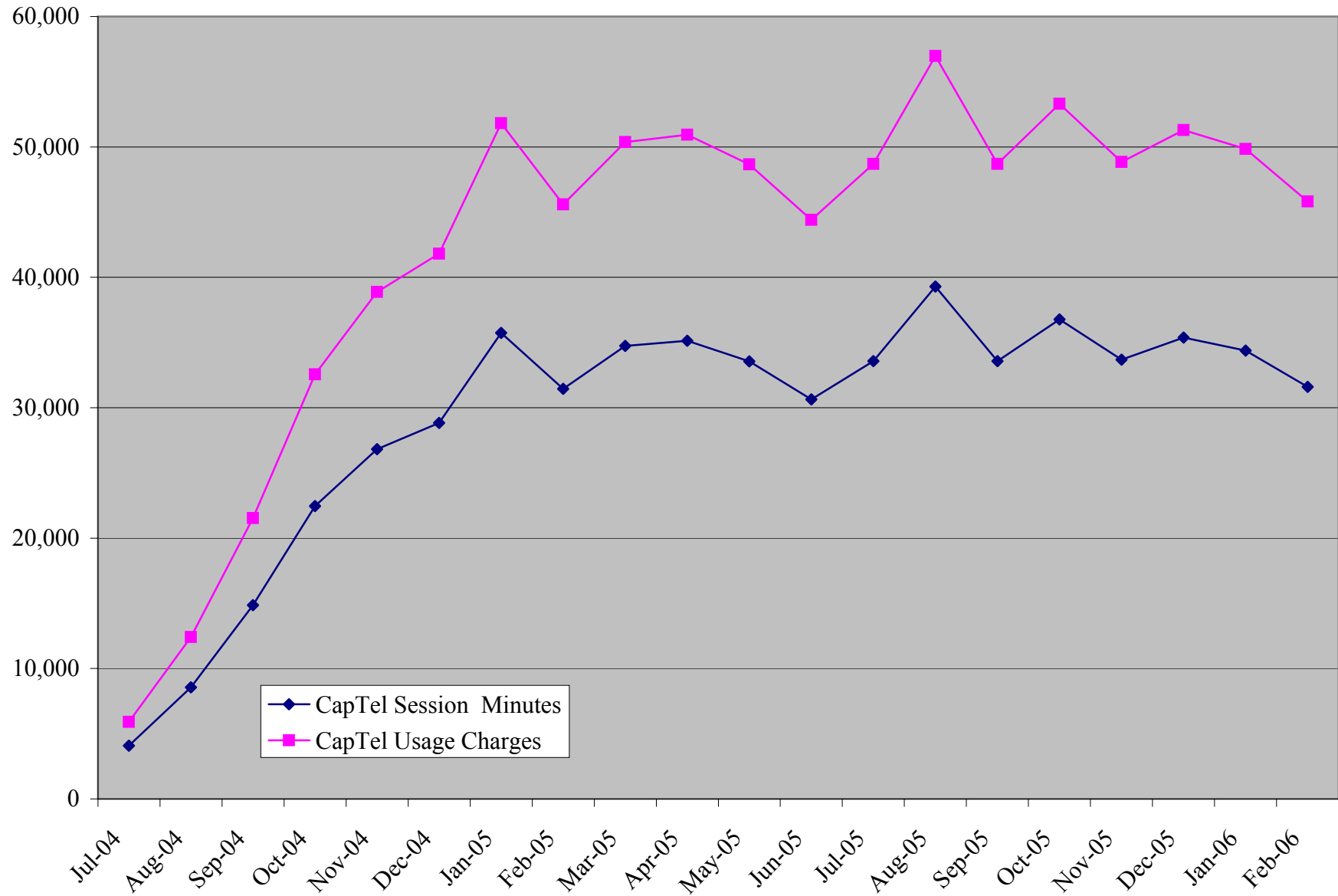


## TRS Minutes of Use and Usage Charges





CapTel Usage Charges and Session Minutes





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Reston, VA 20196  
Office: (703) 689-7868 Fax: (703) 689-7707  
E-mail: Don.J.Rawlings@Sprint.com

**Don Rawlings**  
Senior Contract Administrator

November 22, 2005

Walt Cecil  
Missouri Public Service Commission  
400 Madison Street., Box 360  
Jefferson City, MO 65102

RECEIVED  
NOV 30 2005  
UTILITY OPERATIONS  
DIVISION

Re: Busy/Ring-No Answer Call Minutes

Dear Mr. Cecil:

This is following up on previous communications you have had with Matt Gwynn and Dennis Selznick concerning interstate Busy/Ring-No Answer (BRNA) calls. Effective with its October TRS invoice, Sprint will cease billing the Missouri Public Service Commission for Missouri interstate Busy/Ring-No Answer call minutes. After reviewing this issue, Sprint has concluded that it should not bill session-minute State customers for interstate BRNA.

The term "Interstate" applies to calls from one State to another. "Intrastate" applies to calls that begin and end within the same State. A Busy/Ring-No Answer call takes place when an outbound relay call does not result in a connection with the called party, whether this is due to no answer because the called number is busy or any other reason. For such calls, Sprint incurs costs because the TRS platform is utilized and the CA's time is spent in processing the call.

Because BRNA calls do not result in a completed call, a "conversation minute" is not incurred. Because NECA, which reimburses TRS providers for interstate call minutes, uses conversation minutes for payment purposes, Sprint was of the understanding that interstate BRNA could not be billed to NECA (no conversation minute generated) and therefore this cost was billed to those States paying on a "session-minute" basis.

Sprint's recent review of this matter concluded that the cost of processing interstate BRNA, while not reimbursed directly through NECA, should be included in the calculation used to arrive at the NECA reimbursement rate. Therefore, because the rate being paid by NECA for interstate minutes of use contains a factor that should take into consideration a provider's interstate BRNA call minutes, these costs should be indirectly reimbursed by NECA and therefore should not be billed directly to the session-minute State customers.

Sprint's billing of interstate BRNA call minutes to the States has apparently always been the case. The charge typically appears on the monthly traffic report statistics included with your invoice. This is not something that, as far as we are aware of, started at a certain point in time, but instead has been Sprint's interpretation of the interstate billing methodology since NECA began reimbursing interstate TRS costs in 1993.

We regret this misunderstanding and are currently reviewing our billing records to assess the total amount of interstate BRNA call minutes and costs that have been billed to each of our session-minute State TRS customers. Sprint anticipates that its review will take about 120 days to complete due to the number of state billing histories that need to be reviewed and multiple billing systems used by Sprint over the past twelve years.

**Attachment 4**

Nonetheless, we wanted to inform you, our valued customer, as early as possible of this situation and the actions Sprint is taking to remedy the billing errors. We will provide you an appropriate credit after our review is complete. We request your patience and understanding while we continue to review the billing errors.

If you have any immediate questions concerning this letter or about the BRNA issue, please contact me at the letterhead address and phone number.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Rawlings", with a stylized flourish extending to the right.

Don Rawlings  
Senior Contract Administrator



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**Don Rawlings**  
Senior Contract Administrator

RECEIVED

APR - 5 2006

March 29, 2006

Walt Cecil  
Missouri Public Service Commission  
400 Madison Street., Box 360  
Jefferson City, MO 65102

UTILITY OPERATIONS  
DIVISION

Subject: Credit for Busy/Ring-No Answer Call Minutes

Reference: Sprint's November 22, 2005 Letter on Busy/Ring-No Answer Call Minutes

Dear Mr. Cecil:

Sprint has completed its review of the Busy/Ring-No Answer (BRNA) Call Minutes billed to its session-minute state customers. To briefly recap the issue, Sprint had been inadvertently billing its session minute state customers for interstate BRNA call minutes. Interstate BRNA call minutes are those resulting from interstate calls processed through the relay service but not answered at the terminating number. Because the call is not answered, it does not result in the creation of a conversation-minute-of-use, the billing unit used by NECA to reimburse relay providers. Upon investigation into this procedure, Sprint has determined that interstate BRNA minutes-of-use, while not billed directly to NECA, are reimbursed indirectly through NECA's approved billing rate. Therefore interstate BRNA should not be and should not have been billed directly to the states.

Sprint ceased billing interstate BRNA minutes effective with the October 2005 invoices. We have since been going over the billing history for all session-minute state customers going back to June 1993 when BRNA became a submitted cost element in the annual NECA filing. A research of the billing records shows that Sprint began including interstate BRNA as a line item on the June 1999 invoices. However, due to changes in accounting systems over the years, the actual amount of interstate BRNA billings is only available going back to January 2002. For those states with contracts dating back beyond 2002, a statistical formula was used to calculate the amount of BRNA billings for 2001 going back to when these billings originated in June 1999.

The methodology for calculating the applicable amount of interstate BRNA to be credited back to the state uses the actual data from Sprint's SGACB101-3 reports for the years 2002-2005. The BRNA credits owed from these four years are the sum of interstate, interstate DA, 900 NPA access and international minutes multiplied by specific price per minute rate for the specific state and time.

Due to a change in accounting systems, the SGACB101-3 reports do not exist for the 1999-2001 timeframe. To calculate an appropriate amount of billed interstate BRNA call minutes for these years, Sprint used the total interstate session minutes data from the invoices. A statistical formula was used to correlate actual data for years 2002-2004 to previous years. A state specific average was calculated by dividing the sum of 2002-2004 interstate BRNA minutes data of the specific state to the sum of its 2002-2004 Interstate session minutes. The resulting percentage was applied to the sum of 1999-2001 billable interstate and international service minutes totals. The resulting number of minutes was then multiplied by the appropriate price per minute for that timeframe to arrive at the amount to be credited for the 1999-2001 timeframe.

Sprint calculates that the State of Missouri is due a credit of \$137,277.86 for billed interstate BRNA call minutes spanning the current and previous contract going back to June 2000. This amount will be credited on the forthcoming April invoice (which you will receive in May). The credit will appear as a separate line item labeled, "Credit for BRNA Minutes".

We regret that Sprint's previous misunderstanding concerning the applicability of interstate BRNA call minutes resulted in the billing of these minutes of use to our session-minute state customers. Sprint discovered this error and has taken corrective action to cease billing and correct for past billings. We value the trust our customers place in us and will continue to provide the best telecommunication relay services available for a fair and competitive price.

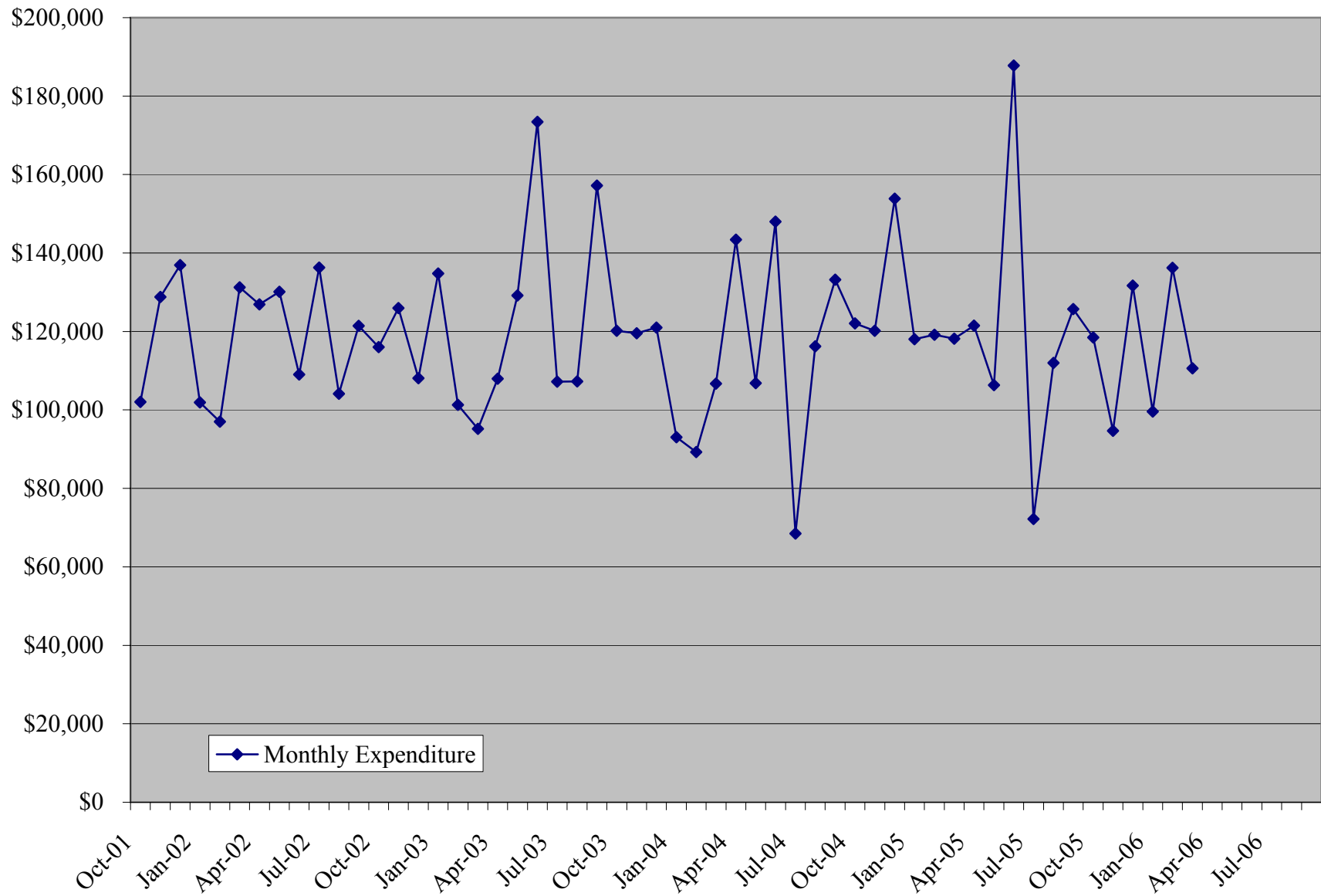
Your state Account Manager, Matt Gwynn, will be contacting you within the next few days to follow up on this letter. If you have any immediate questions concerning the forthcoming credit, its calculation, or about the BRNA issue in general, please contact Matt at (913) 345-7787 or by e-mail at [Matthew.Gwynn@sprint.com](mailto:Matthew.Gwynn@sprint.com), for assistance.

Sincerely,



Don Rawlings  
Senior Contract Administrator

# Adaptive Telecommunications Equipment Distribution Program Expenditures: October 2001-March 2006



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**


In the Matter of a Recommendation       )  
Concerning the Surcharge for Deaf Relay   )  
Service and Equipment Distribution       )  
Program Fund.

TO-2005-0308

**AFFIDAVIT OF WALT CECIL**

STATE OF MISSOURI       )  
                                      )ss  
COUNTY OF COLE

Walt Cecil, employee of the Staff of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in the preparation of the accompanying memorandum and that the facts therein are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Walt Cecil

Subscribed and affirmed before me this 20<sup>th</sup> day of April, 2006. I am  
commissioned as a notary public within the County of Cole, State of Missouri,  
and my commission expires on June 7, 2008.

  
\_\_\_\_\_  
NOTARY PUBLIC

