

BEFORE THE PUBLIC SERVICE COMMISSION  
FOR THE STATE OF MISSOURI

In the Matter of a Further Investigation of     )  
the Metropolitan Calling Area Service After     )     Case. No. TO-2001-391  
the Passage and Implementation of the     )  
Telecommunications Act of 1996.     )

**SOUTHWESTERN BELL TELEPHONE, L.P.,**  
**d/b/a SOUTHWESTERN BELL TELEPHONE COMPANY'S COMMENTS**  
**FOLLOWING THE MAY 29, 2002 PREHEARING CONFERENCE**

Comes now Southwestern Bell Telephone, L.P., d/b/a Southwestern Bell Telephone Company ("SWBT") and, for its Comments Following the May 29, 2002 Prehearing Conference, states as follows:

1.     On May 29, 2002, the Missouri Public Service Commission ("Commission") held a Prehearing Conference in the above captioned manner. The Commission determined that it was "appropriate to schedule a prehearing conference in this matter. The parties should be prepared to answer questions regarding the Final Status Report and clarify their recommendations."<sup>1</sup> The Commission indicated that topics to be discussed at the Prehearing Conference included, but were not limited to the following:

- a.     Outline the steps that remain. Are additional meetings by the Task Force necessary, and if so, clarify the purpose of the meetings?
- b.     Should local public hearings regarding the MCA-2 be held, and if so, where should the local public hearings be held and at what stage of the process? The Office of Public Counsel should be prepared to discuss its request for local public hearings in Lexington, Innsbrook (Wright City), Ozark County, Greenwood, and Warrensburg.

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<sup>1</sup> Order Scheduling Prehearing Conference, Case No. TO-2001-391, May 17, 2002.

- c. Should the protective order in this case be amended to allow release of some or all of the information currently designated as "highly confidential," such as the pricing effects for implementing the MCA-2?

2. SWBT will briefly outline its positions on these issues in paragraph 4, below. However, at the outset, SWBT believes that the Commission needs to provide the industry with guidance regarding how it would like this case to proceed. As a threshold matter, the Commission needs to notify the industry whether it is interested in exploring the possibility of implementing the Staff of the Missouri Public Service Commission's ("Staff's") Metropolitan Calling Area Plan-2 ("MCA-2") proposal. If the Commission is interested in exploring the possibility of implementing Staff's MCA-2 proposal, how does the Commission envision this service would be priced? For example, Staff envisions that if its MCA-2 proposal were implemented, the price that each ILEC's customer pays for MCA-2 service would be the amount its customer currently pays for MCA service plus an additional amount that is required for revenue neutrality if MCA-2 were implemented.<sup>2</sup> Staff's pricing proposal is just one possible pricing proposal. As numerous parties expressed during the Prehearing conference, other pricing proposals have yet to be considered. For example, under MCA-2, all MCA-2 subscribers would have the same calling scope. Thus, another pricing proposal would be that all MCA-2 subscribers pay the same amount for MCA-2 service. SWBT strongly believes that if the Commission is interested in exploring the possibility of implementing MCA-2, the Commission should direct the Industry Task Force to hold additional meetings to discuss alternative pricing proposals.

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<sup>2</sup> While SWBT agrees that revenue neutrality is both necessary and appropriate, SWBT does not believe that Staff's pricing proposal as set forth in the Final Status Report of the Industry Task Force considers all costs and/or revenue impacts that SWBT and the other ILECs would incur and, therefore, does not consider all aspects of revenue neutrality.

3. Additionally, while Staff has proposed its MCA-2 plan, alternative plans to alter the current MCA may be proposed by other parties. Additional Industry Task Force meetings would provide additional opportunity to discuss any potential plans being considered by the parties.

4. Turning to the specific issues that were discussed at the Prehearing conference, SWBT's positions are as follows.

- a. SWBT believes that if the Commission is interested in exploring the possibility of implementing Staff's MCA-2 proposal or other alternative proposals, the Commission should order the Industry Task Force to conduct additional meetings to discuss specific pricing proposals that may lead the industry to reach a settlement agreement. As SWBT indicated at the Prehearing Conference, the discussions to date have largely focused on the revenue impact of implementing MCA-2 and the development of the Final Status Report of the Industry Task Force. The parties have not engaged in any significant discussion of specific pricing proposals or any alternative plans that may be proposed by other parties. As indicated above, the Industry Task Force should examine the rebalancing of rates between outer tier exchanges and inner tier exchanges because, if adopted, all MCA-2 subscribers (both those located in the mandatory tiers as well as the optional tiers) would have the same calling scopes.

SWBT also believes the Commission should require pricing proposals to consider the cross-elastic impacts of changing MCA service from a two-way calling plan to a one-way calling plan on other services. Customers may no longer wish to subscribe to MCA service and/or may subscribe to other services in place of MCA service (e.g. 800 service).

Finally, SWBT believes that the Commission must allow ILECs full recovery of all lost revenue and implementation costs.

- b. SWBT does not oppose public hearings, but notes that any public hearings are premature until sufficient information on pricing changes is developed so that the public has adequate information on which to comment. If the Commission is interested in exploring the possibility of implementing MCA-2 or making other changes to the MCA plan, then local public hearings should not be held until alternative plans and pricing information have been determined and possible prices could be discussed with the public.

Regarding the Office of Public Counsel's ("OPC's") request for public hearings in Lexington, Innsbrook (Wright City), Ozark County, Greenwood, and Warrensburg, this request is premature. The Industry Task Force did not examine the potential for expanding the MCA beyond the current geographic boundaries. (Final Status of the Industry Task Force, p. 17). Although the Task Force acknowledged some demand for such expansion, the Task Force recommended to the Commission that prior to consideration of such expansion, the Commission should determine the feasibility of implementing MCA-2. *Id.* at 17-18. Even if the Commission is interested in pursuing expansion of the current MCA apart from Staff's MCA-2 proposal, it is not appropriate to conduct public hearings at this time since there are no pricing proposals to discuss with the public. Therefore, it is not appropriate to have public hearings on expansion until the issue has been more fully developed.

- c. The protective order in this case should not be amended to allow release of any of the information currently designated as "highly confidential." The

information designated "highly confidential" includes estimates of each ILEC's toll revenue reduction, terminating access expense reduction, terminating access revenue reduction, originating access revenue reduction, implementation costs, and subscription data in an effort to determine the monthly impact per customer if MCA-2 were implemented. As such, this information is "marketing analyses or other market-specific information relating to services offered in competition with others" and is highly confidential under the express terms of the Protective Order.

If the Commission is interested in exploring the possibility of implementing Staff's MCA-2 proposal, SWBT, as well as other industry participants, will propose prices for MCA-2 service and those prices will not be considered Highly Confidential. However, the cost and/or demand data underlying those price proposals may well be Highly Confidential.

WHEREFORE, Southwestern Bell Telephone, L.P., d/b/a Southwestern Bell Telephone Company prays the Commission considers its Comments Following the May 29, 2002 Prehearing Conference, provide direction regarding the case and, if the Commission is interested in exploring the possibility of implementing MCA-2, order the Industry Task Force to hold additional meetings to discuss pricing proposals for MCA-2 service, together with any further and additional relief the Commission deems just and proper.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

Copies of this document were served on the following parties by first-class, postage prepaid, U.S. Mail on June 10, 2002.

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