

**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 THIRD MOTION TO SUPPLEMENT RECORD**

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

1. During its Agenda on June 16, 2005, the Commission posed questions about CapTel phone distribution and usage, including the impact of a \$0.13 surcharge assuming a moratorium both of CapTel equipment distribution and of usage by existing users.

2. In the attached Memorandum, labeled as Exhibit 17, the Staff provides additional information about CapTel phone distribution and usage, including a schedule showing the impact of such a moratorium.

**WHEREFORE**, the Staff proposes to supplement the record.

Respectfully submitted,

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General Counsel

**/s/ William K. Haas**

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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 21<sup>st</sup> day of June, 2005.

/s/ William K. Haas

# MEMORANDUM

To: Missouri Public Service Commission Official Case File  
Case No. TO-2005-0308

From: Walt Cecil  
Telecommunications Department

John Van Eschen / June 21, 2005  
Utility Operations Division/Date

/s/ William K. Haas / June 21, 2005  
General Counsel's Office/Date

Subject: CapTel Overview and other Relay Information

Date: June 20, 2005

The Telecommunications Department Staff (Staff) offers the information contained herein as a response to questions posed by the Commissioners and Judge during the Agenda session on June 16, 2004. Included is Schedule 1, a spreadsheet demonstrating when the Deaf Relay Fund (Fund) is anticipated to exhaust its funds based upon a \$0.13 surcharge under a CapTel distribution and usage moratorium, and usage scenarios of 153, 175 and 200 minutes. The usage and distribution moratorium assumes suspension of all CapTel services, including those extended to existing users, for fiscal years 2006 and 2007 along with a suspension of distribution of all CapTel phones.

## **I. Recent Measurable CapTel Activity**

Staff has compared actual, billed minutes of CapTel usage to Staff's initial prediction of post-trial expected behavior. Given the number of phones distributed exceeds the Staff's initial projection, a comparison of actual minutes consumed to the number expected will not produce a clear understanding of the dynamics of the CapTel program. Staff's initial estimate of 100 minutes average monthly usage was based on the best available information at the time.

As indicated by the following table, the proportion of total relay invoiced amounts produced by CapTel is below 20%.

	Traditional Relay Expenditures	CapTel Expenditures	Total Relay Invoiced Amount	Percentage Traditional Relay	Percentage CapTel
Month					
Sep-04	\$249,037.68	\$21,542.65	\$270,580.33	92.04%	7.96%
Oct-04	\$257,596.70	\$32,567.00	\$290,163.70	88.78%	11.22%
Nov-04	\$253,437.31	\$38,884.65	\$292,321.96	86.70%	13.30%
Dec-04	\$255,720.80	\$41,820.90	\$297,541.70	85.94%	14.06%
Jan-05	\$266,400.88	\$51,818.65	\$318,219.53	83.72%	16.28%
Feb-05	\$234,562.01	\$45,593.35	\$280,155.36	83.73%	16.27%
Mar-05	\$259,025.99	\$50,377.22	\$309,403.21	83.72%	16.28%
Apr-05	\$247,837.03	\$50,943.40	\$298,780.43	82.95%	17.05%

The data provided in the table above arose after the trial and conversion periods ended. Traditional Relay data, collected over several years, appears to indicate that such usage is trending down. Consequently, some of the increase in the CapTel proportion of the total monthly invoice could occur even if CapTel usage remained constant. However, for the moment, CapTel usage appears to have reached a plateau and usage growth may be slowing.

As the following table indicates, the total number of CapTel minutes consumed has generally increased as more phones have been distributed. The total minutes consumed per month appears to be holding between thirty thousand and thirty-six thousand since January while the average monthly minutes consumed appears to be trending down. (Note May's usage.)

Month	Total CapTel Minutes	CapTel Phones in Public	Average CapTel Minutes/Phone
Jul-04	4,077.00	71	57.4225
Aug-04	8,558.00	117	73.1453
Sep-04	14,857.00	137	108.445
Oct-04	22,460.00	156	143.974
Nov-04	26,817.00	171	156.825
Dec-04	28,842.00	191	151.005
Jan-05	35,737.00	218	163.931
Feb-05	31,443.69	236	133.236
Mar-05	34,742.91	253	137.324
Apr-05	35,133.38	269	130.607
May-05	33,555.00	273	122.912

## II. Evaluation of CapTel Users

Staff has been working with the equipment distribution program's administrators to identify the characteristics of CapTel users to determine, for instance, whether the program is reaching a heretofore unserved or undeserved group, or if the consumers are former consumers of other relay services. At the beginning of June, the distribution program administrator provided the information based on 250 phones distributed with another six that had been reclaimed for non-usage but not yet reassigned indicating:

- 34% (or 86 persons) only have a CapTel phone;
- 18% (46 persons) previously used an amplified phone (not a relay service);
- 28% (69 persons) have and likely use both CapTel and TTY. These users are "oral" deaf who use the TTY to communicate with other deaf (CapTel usage will not function in this capacity), and the CapTel phone to communicate with the hearing community;
- 20% (49 persons) are former traditional voice carry over (VCO) users who may continue to use traditional VCO along with CapTel depending on whether or not technical difficulties occur during a CapTel session.

Staff has no data to indicate the extent to which former VCO users have substituted CapTel over VCO; however, at the moment, the data seem to indicate 52% of those using CapTel did not use relay services before CapTel, and another 28% use CapTel where traditional relay provided a lesser degree of communication given their abilities. Data in Exhibit 16, page 4, indicates 56.6% of those persons who have a CapTel phone consumed less than an average of 200 minutes in March 2005.

### **III. Equipment Distribution Program Activity**

The equipment distribution program is converting its program to one in which some of the equipment distributed, including the CapTel phone, is loaned, rather than given, to users. The program is contacting and attempting retrain all recipients of CapTel phones to make them aware of the costs of using the service as well as to ensure that those persons who have a CapTel phone actually use it. As part of this effort, Staff is working with the equipment distribution program administrators to identify and find means to reduce the number of minutes the high-user(s) appear to be consuming. Staff has identified the likely month in which some very high-users were assigned CapTel phones. In this effort, all users assigned phones during this period will be sent letters asking them to be retrained. The program's administrators have designed an agreement in which, among other things, users are told that CapTel services are purchased by the state at \$1.45/minute and are asked to agree to allow monitoring of their usage. It is hoped that with the retraining and additional information that the high-users will constrain themselves once they are aware of the costs of the service. A draft copy of the proposed loan agreement is provided in Schedule 2.

Staff does expect usage to increase as those who have, but do not use, phones surrender them to the equipment distribution program for reassignment. Such activity should increase the average monthly per minute usage because Staff's monthly average includes those phones that do not produce minutes.

### **IV. Previous Relay Missouri Surcharge Memoranda to the Commission**

In its Relay Missouri Surcharge Recommendation memorandum dated March 2, 2004, Staff stated:

In November 2003, Staff met with individuals representing the Telecommunications Equipment Distribution Program (TEDP) to discuss possible distribution of CapTel telephone sets if the Commission at any point decided to purchase CapTel as a service from the new contract. The TEDP has eligibility requirements that would have to be met for an individual to qualify for a CapTel phone. During that meeting, the TEDP representatives indicated that, based on their experience they believed no more that [sic] approximately 125 individuals per year would qualify for a CapTel telephone set. **When asked if they would limit the number of CapTel sets to 125, however, they indicated they could not limit the number of CapTel phones because they believe equipment issued through their program constitutes an entitlement.**  
[Emphasis added]

In its surcharge memorandum dated June 4, 2004 Staff stated:

MATC will be responsible for the distribution of CapTel phone sets. Its personnel have indicated to us that in their judgment, no more than 125 people will qualify for a CapTel phone per year. **They have also indicated, however, that they believe nothing can limit the number of phones that can be given out except for their appropriation.** Sprint has stated that in all of the states in which it now provides CapTel as a service, none has the contractually specified number of phones per month requested. For instance, some states have limited distribution of CapTel phones to ten per month. According to Sprint, to date, those states have not received ten requests for CapTel phones in any given month. **[Emphasis Added]**

#### **IV. History of Relay Surcharge and Rates**

Since the implementation of Relay Missouri, Sprint TRS has been the only provider of relay services under the contract to the state. Third party relay services contracts are competitively bid and have had initial periods of three-years and contain optional extensions. The current three year contract is due to expire next year and contains three optional, two-year extensions. Staff provides the following for the Commission's information.

##### **Rates for Traditional Relay Services**

- \$0.97 per minute, July 1, 1991 to June 30, 1996
- \$0.77 per minute, July 1, 1996 to June 30, 2000
- \$0.84 per minute, July 1, 2000 to June 30, 2001
- \$0.94 per minute, July 1, 2001 to present

##### **Surcharge**

- \$0.06 per access line, ordered October 16, 1990
- \$0.13 per access line, ordered October 2, 1992
- \$0.09 per access line, ordered March 6, 2001
- \$0.10 per access line, ordered March 27, 2003

Staff notes that during the period October 1992 to March 2001, the surcharge was \$0.13 per line and relay rates were \$0.97 per line until July 1996 and \$0.77 per line from July 1996 until June 2000 or for about half of the life of the \$0.13 surcharge. The current rate is \$0.94 per minute and will remain so under the first of the contract's optional extensions, should the extension be executed.

#### **IV. Staff's Conclusions and Observations**

It appears to Staff that, while the CapTel program is distributing more phones and consuming more minutes than originally anticipated, at least for the moment, the unanticipated growth in the program is stabilizing. The evidence, admittedly scant, is indicative of a program that has gone-through an initial rapid growth phase and may be entering a more mature phase in which distribution and usage of a product or service, in this case, CapTel phones, slows.

The equipment distribution program is making conscientious efforts to ensure recipients are aware of the costs of the service and the fiscal responsibility borne by those agencies overseeing

the distribution of the equipment and usage of the service. However, equipment distribution program administrators have consistently maintained they can not limit the distribution of CapTel phones to any number.

When the surcharge was previously set at \$0.13, the rate paid for relay services was \$0.97 for 60 months and dropped to \$0.77 for the next 48 months.

<b>Estimated Impact on Fund of \$0.13 Surcharge Imposed In September 2005</b>				
Month	Usage and Distribution Moratorium	153 Minutes Usage and 20 Phones Distributed	175 Minutes Usage and 20 Phones Distributed	200 Minutes Usage and 20 Phones Distributed
Mar-05	\$2,202,631.04	\$2,202,631.04	\$2,202,631.04	\$2,202,631.04
Apr-05	\$2,083,735.23	\$2,083,735.23	\$2,083,735.23	\$2,083,735.23
May-05	\$1,939,278.28	\$1,939,278.28	\$1,931,207.58	\$1,922,036.33
Jun-05	\$1,752,396.07	\$1,752,396.07	\$1,735,616.67	\$1,716,549.17
Jul-05	\$1,592,301.91	\$1,592,301.91	\$1,566,175.81	\$1,536,487.06
Aug-05	\$1,494,241.63	\$1,424,802.58	\$1,388,691.78	\$1,347,656.78
<b>Sep-05</b>	<b>\$1,457,063.43</b>	\$1,313,748.33	\$1,267,014.83	\$1,213,908.58
Oct-05	\$1,460,094.05	\$1,238,465.90	\$1,180,471.70	\$1,114,569.20
Nov-05	\$1,470,436.68	\$1,166,058.48	\$1,096,165.58	\$1,016,741.83
Dec-05	\$1,448,493.43	\$1,056,928.18	\$974,498.58	\$880,828.58
Jan-06	\$1,477,658.16	\$994,468.86	\$898,864.56	\$790,223.31
Feb-06	\$1,471,766.63	\$892,516.28	\$783,099.28	\$658,761.78
Mar-06	\$1,524,577.79	\$844,829.39	\$720,961.69	\$580,202.94
Apr-06	\$1,541,257.86	\$756,574.41	\$617,618.01	\$459,713.01
May-06	\$1,523,683.60	\$629,628.10	\$474,945.00	\$299,168.75
Jun-06	\$1,549,036.27	\$541,171.72	\$370,123.92	\$175,751.42
Jul-06	\$1,547,833.56	\$421,722.96	\$233,672.46	\$19,978.71
<b>Aug-06</b>	\$1,547,944.11	\$299,150.46	\$93,459.26	<b>(\$140,280.74)</b>
<b>Sep-06</b>	\$1,569,686.44	\$193,772.74	<b>(\$30,197.16)</b>	<b>(\$284,708.41)</b>
Oct-06	\$1,559,581.86	\$52,111.11	<b>(\$190,775.49)</b>	<b>(\$466,782.99)</b>
<b>Nov-06</b>	\$1,569,549.76	<b>(\$73,915.04)</b>	<b>(\$336,356.34)</b>	<b>(\$634,585.09)</b>
Dec-06	\$1,608,837.63	<b>(\$175,058.22)</b>	<b>(\$457,692.22)</b>	<b>(\$778,867.22)</b>
Jan-07	\$1,623,073.35	<b>(\$305,690.55)</b>	<b>(\$609,155.25)</b>	<b>(\$954,001.50)</b>
Feb-07	\$1,639,571.95	<b>(\$438,497.00)</b>	<b>(\$763,430.40)</b>	<b>(\$1,132,672.90)</b>
Mar-07	\$1,653,981.57	<b>(\$577,829.43)</b>	<b>(\$924,869.53)</b>	<b>(\$1,319,233.28)</b>
Apr-07	\$1,671,524.42	<b>(\$718,465.63)</b>	<b>(\$1,088,250.43)</b>	<b>(\$1,508,460.43)</b>
May-07	\$1,693,692.24	<b>(\$858,913.86)</b>	<b>(\$1,252,081.36)</b>	<b>(\$1,698,862.61)</b>
Jun-07	\$1,734,494.47	<b>(\$985,164.68)</b>	<b>(\$1,402,352.88)</b>	<b>(\$1,876,430.38)</b>

Observations:

1. CapTel moratorium: \$0.13 surcharge imposed in September will immediately begin to increase the Fund balance.
2. 153 Minutes: the Fund will be depleted sometime in November 2006.
3. 175 minutes: the Fund will be depleted sometime in September 2006.
4. 200 minutes: the Fund will be depleted sometime during August 2006.

## Missouri Telecommunications Access Program for Telephone

### CONDITIONS OF ACCEPTANCE — Captioned Telephone VCO

The following is an acceptance to the conditions of receiving a captioned VCO telephone on long-term loan from Missouri Telecommunications Access Program for Telephone (TAP-T).

**OWNERSHIP:** The equipment is provided to residents of the state of Missouri but remains the property of Missouri Telecommunications Access Program. It is the responsibility of the individual using the equipment to care for it and return it if they are no longer a resident of the state of Missouri or are no longer using the equipment. If the approved recipient is deceased, family member(s) must notify TAP-T and return the phone.

\_\_\_\_\_ (applicant's initials)

**USE OF CAPTIONING SERVICE:** The applicant understands the state is paying \$1.45 per minute for captioning service when using this equipment with captioning on. The recipient with a certified disability should use captioning as needed. Captioning should be turned off if individuals who do not need captioning use the phone.

\_\_\_\_\_ (applicant's initials)

**CHANGE OF ADDRESS/ANNUAL VERIFICATION:** The applicant is responsible for notifying TAP-T of any change of address or telephone number within thirty (30) days and must return an address verification form by mail every year. If TAP-T is not notified of an address change and cannot confirm the applicant's current address through annual verification, the applicant understands the captioned telephone **will be deactivated** and the captioning service will no longer be available.

\_\_\_\_\_ (applicant's initials)

**SALE OR LOAN OF EQUIPMENT:** The equipment is not to be sold or loaned to anyone else. The applicant understands if the equipment is sold or loaned to another individual, they can be held responsible for replacement cost.

**THEFT/FIRE:** In the event the equipment is stolen or destroyed, the applicant will need to provide a copy of a police or fire report before a replacement can be issued.

**LOST:** If the equipment is lost, the applicant must notify TAP-T in writing within fifteen (15) days of the equipment loss. The applicant understands they may not receive an exact replacement phone.

**DAMAGE/REPAIR OF EQUIPMENT:** The applicant is responsible for contacting TAP-T if the equipment is damaged in any way and in need of repair. The applicant is responsible for returning the equipment to TAP-T if the equipment is damaged or in need of repair.

\_\_\_\_\_ I authorize \_\_\_\_\_ I do not authorize (applicant initial one)  
**Sprint/Ultratec to disclose captioning usage minutes for the telephone I have received (serial number \_\_\_\_\_) to TAP for Telephone to ensure appropriate match of adaptive telephone equipment with individual disability needs.**

*I have read the above and/or had them explained to me and agree to comply with all of the conditions stipulated.*

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
(Applicant or Legal Guardian)