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September 14, 1998

VIA FEDERAL EXPRESS

The Honorable Dale Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, Missouri 65101

FILED
SEP 15 1998
Missouri Public
Service Commission

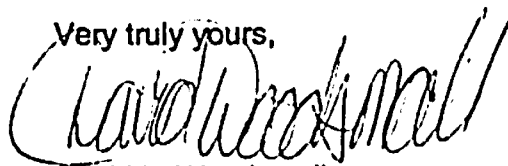
Re: In the Matter of the Merger of SBC Communications, Inc. and
Ameritech Corporation
Case No TM-99-76

Dear Judge Roberts:

Enclosed for filing please find the original and fifteen (15) copies of Sprint Communications Company L.P.'s Suggestions in Support of the Office of the Public Counsel's Motion to Open Docket, Establish a Procedural Schedule and Hold a Hearing in the above-styled proceeding.

Please provide a filed-stamped copy to me in the self-addressed stamped envelope. Please call me at 913/624-5233 if you have any questions regarding this matter.

Very truly yours,



David L. Woodsmall

DLS:pkh
Enclosures

cc: Service List
(w/enclosure)

FILED

SEP 15 1998

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of the Merger of SBC
Communications, Inc. and Ameritech
Corporation.

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Case No. TM-99-76

**SUGGESTIONS IN SUPPORT OF THE OFFICE OF THE
PUBLIC COUNSEL'S MOTION TO OPEN DOCKET, ESTABLISH A
PROCEDURAL SCHEDULE AND HOLD A HEARING**

Sprint Communications Company L.P. (Sprint) respectfully files these Suggestions in Support of the Office of the Public Counsel's Motion to Open a Docket, Establish a Procedural Schedule and Hold a Hearing on the proposed merger of SBC Communications, Inc. (SBC), the parent company of Southwestern Bell Telephone Company of Missouri (SWBT), and the Ameritech Corporation (Ameritech).¹ In support of its Motion, Sprint states as follows:

I. INTRODUCTION

1. Missouri law requires the Commission to exercise its jurisdiction and approve all transfers and mergers, directly or indirectly, of any franchise, facility or system used in providing telecommunications service to the public. As will be shown, Ameritech Communications International, Inc. (ACII) is a competitive local exchange carrier certificated by the Commission. ACII has Commission approved tariffs and is currently providing telecommunications service in the State of Missouri. As a wholly-owned subsidiary of Ameritech, the merger will, directly or indirectly, result in a transfer of ACII's franchise to SBC. Given this transfer of ACII's franchise, Commission approval of the merger must be obtained as required by Section 392.300.1 RSMo.

¹ Sprint has previously filed its Application to Intervene in this docket.

II. BACKGROUND

2. SBC is a Delaware corporation providing local telecommunications services to approximately 34 million access lines through its Southwestern Bell, Pacific Bell and Nevada Bell subsidiaries. In addition, the Connecticut Commission recently has approved SBC's acquisition of Southern New England Telephone providing SBC with an additional 2.2 million access lines. In the State of Missouri, SBC provides local exchange service, through SWBT, to approximately 2.5 million access lines.

3. Ameritech is a corporation created and existing under the laws of the State of Delaware. Similar to SBC, Ameritech is a holding company whose subsidiaries and affiliates operate predominately in the telecommunications industry. Among Ameritech's subsidiaries is ACII, a Delaware corporation authorized to conduct business in the State of Missouri as a competitive local exchange carrier.

4. ACII was granted a certificate of service authority to provide intrastate interexchange telecommunications services in the State of Missouri in Case No. TA-96-389. Pursuant to the request of ACII, the Commission issued, on June 26, 1996, its Order Approving Interexchange and Local Exchange Certificates of Service Authority and Order Approving Tariff classifying ACII as a competitive telecommunications company. (Attachment 1). In addition to the certificate of service authority to provide intrastate interexchange telecommunications services, ACII was also granted a certificate of service authority to provide basic local telecommunications services in the State of Missouri. In its Report and Order in Case No. TA-96-415, the Commission once again classified ACII as a competitive telecommunications company. (Attachment 2).

5. On May 11, 1998, SBC announced plans for a \$62 million acquisition of Ameritech. Under the terms of the agreement, shareowners of Ameritech will receive 1.316 shares of SBC common stock for each of their shares. Thereafter, on the effective date of the merger, Ameritech will be merged into a newly formed SBC subsidiary and will become a wholly-owned, first-tier subsidiary of SBC. As a result of the acquisition of its parent company, ACII will be transferred and become a wholly-owned subsidiary of SBC.²

**III. COMMISSION APPROVAL OF THE SBC / AMERITECH MERGER
MUST BE OBTAINED DUE TO THE MERGER OR CONSOLIDATION OF THE
FACILITIES AND OPERATIONS OF ACII.**

**A. MISSOURI LAW REQUIRES COMMISSION APPROVAL OF THE
MERGER.**

6. Missouri law mandates that the Commission approve the transfer of the assets of ACII to SBC. Section 392.300.1 RSMo 1994 provides in pertinent part that:

No telecommunications company shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, facilities or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such line or system, or franchises, or any part thereof, with any other corporation, person or public utility, without having first secured from the commission an order authorizing it so to do.

7. As a telecommunications company, ACII is subject to the terms and conditions of Section 392.300.1 RSMo 1994. As a result of the pending merger, ACII's franchise and facilities, including its customer base, will be transferred, directly or

² SBC readily admits that control over Ameritech and its subsidiaries will be vested in SBC following the merger. Specifically, in its application before the FCC, SBC notes that "Ameritech and all of its subsidiaries will be controlled by SBC." Application for Declaration of Common Ownership and Authorization for Common Officers and Directors, filed by SBC Communications, Inc. Before the FCC (7/24/98), p.4).

indirectly, to SBC, thus triggering the Commission's jurisdiction under Section 392.300.1. Therefore, authorization for the SBC / Ameritech merger must be secured from the Missouri Commission.

8. The statute declares that the Commission must exercise jurisdiction over the sale, assignment or transfer of any part of a utility's operations and facilities necessary to provide service to the public. In the telecommunications context, such facilities include all operational support systems including billing systems and customer care systems.

B. COMMISSION PRECEDENT REGARDING THE TRANSFER OF SYSTEMS, FRANCHISES AND ASSETS.

9. In asserting its jurisdiction over mergers and acquisitions, the Commission historically has taken a broad view of the phrase "lines, systems or franchises." In Case No. EO-92-250, the Commission, interpreting a virtually identical electric statute, discussed the meaning of the word "system". Specifically, the Commission noted that the phrase should not be literally construed, but instead construed broadly to include any part of a utility's operations.

The Commission does not believe the term "system" is intended to be so literally construed. It is, of course, true that court cases and Commission decisions interpreting Section 393.190 have dealt with tangible property such as generating plants, transmission lines and substations. Those are the issues that have been before the courts and the Commission and concerning which decisions were made. The Commission, though, believes that a utility's system is greater than the physical parts which would be its "works". A utility's system is the whole of its operations which are used to meet its obligation to provide service to its customers.

Re: Kansas City Power & Light Company, 1 MoPSC 3d 359, 362 (1992) (emphasis added).

10. The Commission also has not considered itself bound by the geographic location of the assets to be sold. In Case No. EM-90-12, Arkansas Power & Light Company (APL) urged the Commission not to assert jurisdiction over the sale of APL's electric assets in Arkansas. In that case, APL claimed that:

the Commission does not have jurisdiction over the sale of these plants since these plants are not reflected in the rates paid by AP&L's Missouri customers and, therefore, these assets are not necessary or useful in rendering service to AP&L's Missouri customers. Section 393.190 RSMo 1986, requires the Commission's approval for disposal of assets only if the assets are considered necessary or useful in the performance of a utility's duties to its customers in this state.

The Commission explicitly rejected AP&L's argument. "There is no doubt that the Commission has jurisdiction over this matter." Re: Arkansas Power & Light Company, 30 MoPSC (N.S.) 244, 246 (1990).

11. Consistent with its exercise of jurisdiction over the sale of non-Missouri assets in the Arkansas Power & Light case, the Commission also exercised similar jurisdiction in a 1992 Union Electric proceeding. In Case Nos. EM-92-225 & EM-92-253, Union Electric filed an application seeking authority to sell certain Iowa and Illinois properties. Again, the Commission concluded that it had jurisdiction over the matter pursuant to Section 393.190 RSMo 1986.

C. ACII HAS CUSTOMERS, SYSTEMS AND ASSETS THAT WILL BE TRANSFERRED, ASSIGNED OR MERGED.

12. Although the nature or extent of ACII's facilities cannot be known without discovery, ACII clearly has a certificate which will be transferred, directly or indirectly, to SBC upon the effectuation of the merger. In addition, it is apparent, from numerous pleadings, that ACII also has developed a customer base for its local exchange services in Missouri which will be transferred to SBC as a result of the merger. Although its tariffs

were not effective until December 5, 1997, Ameritech revealed in a letter dated October 6, 1997, in Case No. TO-98-61, that it had begun testing for approximately 50 resold lines in SWBT service territory. (Attachment 3).

Nine months have passed since ACII's tariff sheets were approved by the Commission. Although Sprint does not have knowledge concerning the exact number of local customers served by ACII, Sprint is aware that ACII and other competitive local exchange carriers provide monthly subscription reports to the Missouri Staff. These reports would provide definitive evidence of the true extent of ACII's local exchange operations in Missouri.

13. The Commission has previously determined that the sale or transfer of a telecommunications provider's customer base is sufficient to invoke Commission jurisdiction. In Case No. TM-90-52, the Commission asserted jurisdiction over the transfer of Western Union customer base to Teleconnect. In addition, the Commission has recently considered the sale and transfer of a customer base so firmly within its jurisdiction that it issued an order for WorldCom Network Services, Inc. d/b/a WilTel Network Services to show cause why it should not be subjected to penalties for its failure to seek Commission approval prior to obtaining the customer base of Communications Network Corporation, a/k/a Conetco.³

14. In addition to the transfer of its customer base, it is logical that the SBC / Ameritech merger will also result in the transfer of numerous other ACII assets necessary in the performance of its duties to the public. As mentioned, the identification of such assets is not known to Sprint, due to the unavailability of discovery; however, such assets

³ Case No. TM-97-123 (issued July 18, 1997). See also, Case Nos. TM-96-104, TM-97-188 and TM-97-189.

certainly include proprietary customer information, office equipment, billing systems, and marketing plans.

15. Given the fact that the SBC / Ameritech merger will result, either directly or indirectly, in the sale, assignment, lease, transfer, mortgage, merger, consolidation or encumbrance of ACII's system and franchise, ACII must obtain Commission approval to complete the transaction.

D. COMMISSION JURISDICTION IS MANDATORY.

16. In its August 31, 1998 Response to the Office of the Public Counsel's Motion to Open Docket, the Staff appears to suggest that the Commission has the discretion not to exercise jurisdiction over this matter. Specifically, "[i]t is Staff's opinion that this Commission should choose not to assert its jurisdiction in this case." To the extent Staff has suggested that jurisdiction is discretionary, Sprint asserts that the Commission does not have discretion in matters of jurisdiction.

17. It has been recognized repeatedly that the essence of the Commission's authority is based upon the police powers of the State. Although never definitively addressed with regard to the authority of the Public Service Commission, it is a fundamental tenet of law that such powers can not be surrendered, but rather, must be exercised where applicable.⁴ As such, any Commission decision waiving jurisdiction, as

⁴ In the case of State ex rel. Missouri Cable Telecommunications Association v. Missouri Public Service Commission, the Cole County Circuit Court expressly found that the Commission violated "the constitutional prohibition against surrendering or abridging the police power of the state" through its approval of a rate moratorium. 929 S.W.2d 768, 771 (Mo.App. 1996). However, given the rule that courts will avoid deciding constitutional questions if the case can be fully determined without reaching constitutional issues, the Missouri Court of Appeals never addressed the surrender of police powers argument. Id.

suggested by Staff, would be tantamount to a surrender of the state's police power and would be prohibited.

E. SUBSTANTIAL EVIDENCE EXISTS WHICH INDICATES THAT ACII WOULD HAVE BEEN AN EFFECTIVE COMPETITOR IN MISSOURI.

18. In addition to the constitutional prohibition against surrendering the state police powers, it is apparent that the public interest dictates that the Commission exercise its jurisdiction. Upon its announcement that it would enter the St. Louis telecommunications market, it became obvious that ACII was uniquely situated to enter the telecommunications market in SWBT's service area. Specifically, Ameritech officials publicly cited three reasons for their selection of St. Louis: (1) Ameritech's existing local phone service to 500,000 customers in the Illinois portion of St. Louis on the east side of the Mississippi River; (2) Ameritech's current sales of cellular, paging, and security monitoring in the St. Louis area; and (3) the paucity of local competition for residential customers served by the incumbent SWBT.⁵ In fact, Thomas Richards, Ameritech Executive Vice President was quoted as promoting the competition plan: "this expansion represents a huge win for consumers. . . [and] a tremendous opportunity for Ameritech to grow through competition." (Attachment 4).

Ameritech's St. Louis plans were pursued upon receipt of regulatory approval. On the day the Missouri Commission approved its tariff, Ameritech announced that it would next begin the process of testing its interconnection agreements with SBC. Expressing concern that its brand name not be identified with service inferior "to the standard of excellence that Ameritech's customers are used to," Ameritech announced it

⁵ Communications Daily, Nov. 7, 1997. See also, "Ameritech to enter Southwestern Bell's Missouri turf," The Kansas City Star, B8 (Nov. 12, 1997).

would not offer local competition until it was comfortable with SWBT's wholesale service.⁶

Consistent with Ameritech's contention that its expansion "represents a huge win for consumers," several analysts touted the benefits of Ameritech's announcement. In the November 7, 1997 edition of the St. Louis Post-Dispatch, analysts asserted that Ameritech's entry will "mean lower prices and better telephone service." (Attachment 5). As an example, one analyst noted that "Southwestern Bell charges \$8 a month in Missouri for call waiting, one of the most popular optional features for home telephone customers." Noticeably, "[i]n Texas, where Southwestern Bell faces more competition, it charges \$3 a month, one of the nation's lowest rates."

Clearly, given its possible anticompetitive effects, the pending merger raises public interest concerns which dictate that the Commission exercise its authority. As such, the Commission should reject Staff's position that the Commission not assert jurisdiction over the pending merger.

IV. CONCLUSION

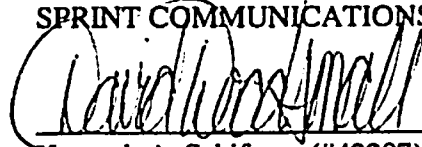
As shown, the Missouri statutes mandate that the Commission approve the pending SBC / Ameritech merger. Recognizing that the merger will involve a transfer in ownership of the facilities and operations of ACII, Commission jurisdiction is triggered as provided by Section 392.300.1 RSMo. Furthermore, in light of the potential anticompetitive effects associated with the pending merger, the public interest mandates that the Commission exercise its authority.

⁶ "Ameritech wins OK to serve St. Louis," Chicago Sun-Times, p.62 (Dec. 5, 1997).

WHEREFORE, in light of the Commission's jurisdiction over ACII as well as the potential anticompetitive effects associated with the pending merger, Sprint supports the Motion by the Office of the Public Counsel to open a docket, establish a procedural schedule and hold a hearing.

Respectfully submitted,

SPRINT COMMUNICATIONS CO. L.P.

A handwritten signature in dark ink, appearing to read "David Woodsmall", is written over a horizontal line.

Kenneth A. Schiffman (#42287)

David Woodsmall (#40747)

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, by overnight delivery, this 14th day of September, 1998 to:

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David L. Woodsmall

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 26th
day of June, 1996.

In the Matter of the Application of)	
Ameritech Communications Inter-)	
national, Inc. for Certificates of)	
Service Authority to Provide and/or)	
Resell Interexchange Telecommunica-)	
tions Services, Local Exchange)	CASE NO. TA-96-389
Private Line Intrastate Telecommuni-)	
cations Services, and Other Tele-)	
communications Services Throughout)	
the State of Missouri and for Classi-)	
fication of Such Services as)	
Competitive Telecommunications)	
Services.)	

ORDER APPROVING INTEREXCHANGE AND LOCAL EXCHANGE CERTIFICATES OF
SERVICE AUTHORITY AND ORDER APPROVING TARIFF

Ameritech Communications International, Inc. (Ameritech) applied to the Public Service Commission on May 13, 1996, for a certificate of service authority to provide intrastate interexchange and local exchange telecommunications services in Missouri under § 392.410 - .450 RSMo 1994¹. Ameritech asked the Commission to classify it as a competitive company and waive certain statutes and rules as authorized by §§ 392.361 and 392.420. Applicant is a Delaware corporation, with its principal office at 9525 W. Bryn Mawr, Suite 600, Rosemont, Illinois 60018.

¹All statutory references are to Revised Statutes of Missouri 1994.

The Commission issued a Notice of Applications and Opportunity to Intervene on May 14, 1996, directing parties wishing to intervene in the case to do so by May 29, 1996. Since no one requested a hearing or permission to intervene, the Commission determines that no hearing is necessary. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo.App. 1989).

Ameritech filed a proposed tariff to provide interexchange service at the time of its application, on May 13, 1996, and filed substitute sheets on June 11, 1996. The tariff's effective date is June 28, 1996. Ameritech's tariff describes the rates, rules, and regulations it intends to use, identifies Ameritech as a competitive company, and lists the waivers requested. Ameritech intends to provide interexchange telecommunications services including 1+, 800, operator, debit card, and calling card services. However, Ameritech did not file a tariff to provide local exchange services.

In its Memorandum filed June 19, 1996, the Staff of the Commission stated that Applicant's proposed services are the same or equivalent to those classified as competitive in Case No. TO-88-142, *In re the investigation for the purpose of determining the classification of the services provided by interexchange telecommunications companies within the State of Missouri*, 30 Mo. P.S.C. (N.S.) 16 (September 1989). Staff recommended that the Commission grant Applicant a certificate of interexchange service authority. In addition, Staff recommended that the Commission grant Applicant competitive status, and waiver of the statutes

and rules listed in the Notice. Staff recommended that the Commission approve the tariff as amended, effective June 28, 1996. However, Staff did not recommend granting a certificate of local exchange service authority.

The Commission has reviewed the entirety of the casefile in this proceeding, and finds as follows. The Commission finds that competition in the intrastate interexchange telecommunications market is in the public interest and Applicant should be granted a certificate of service authority. The Commission finds that the services Applicant proposes to offer are competitive and Applicant should be classified as a competitive company. The Commission is of the opinion that waiving the statutes and Commission rules set out in Ordered Paragraph 2 is reasonable and not detrimental to the public interest.

The Commission determines, by authority of § 392.470, that Applicant should comply with the following regulatory requirements as reasonable and necessary conditions of certification:

- (1) Applicant must comply with reasonable requests by Staff for financial and operating data to allow Staff to monitor the intraLATA toll market. § 386.320.3.
- (2) Applicant must file tariffs containing rules and regulations applicable to customers, a description of the services provided, and a list of rates associated with those services in accordance with 4 CSR 240-30.010 and § 392.220.

- (3) Applicant may not unjustly discriminate between its customers.
§§ 392.200, 392.400.
- (4) Applicant must comply with all applicable rules of the Commission except those specifically waived by this order.
§§ 386.570, 392.360.
- (5) Applicant must file a Missouri-specific annual report.
§§ 392.210, 392.390.1.
- (6) Applicant must comply with jurisdictional reporting requirements as set out in each local exchange company's access services tariffs. § 392.390.3.
- (7) Applicant must submit to the staff, on a confidential basis, a copy of the jurisdictional report it submits to local exchange companies. The report must be submitted within ten (10) days of the date on which it is submitted to the local exchange company.

The Commission finds that Ameritech's proposed tariff details the services, equipment, and pricing it proposes to offer, and is similar to tariffs approved for other Missouri certificated interexchange carriers. The Commission finds that the proposed tariff filed on May 13, 1996, and amended on June 11, 1996, should be approved, effective June 28, 1996.

In addition, the Commission also notes that Ameritech's application originally requested certificates of service authority to provide both intrastate interexchange and local exchange services as

limited, and the Commission's Notice disclosed those requests. However, Ameritech's tariff does not reflect the provision of dedicated, non-switched local exchange private line services. Staff's memorandum recommends that Ameritech be granted a certificate to provide interexchange telecommunications services, but does not address the question of whether Ameritech should also be granted a certificate to provide local exchange telecommunications services, which the Commission generally restricts to dedicated, non-switched private line services, in the absence of tariff provisions which describe those services.

A review of the casefile indicates that Ameritech has not withdrawn its request for a local exchange certificate as limited, thus the request is still before the Commission. The Commission finds that even if a local exchange certificate were granted to Ameritech, the company could not offer dedicated, non-switched private line services in the state of Missouri until such time as it submits and the Commission approves a tariff describing those services, since § 392.480.1 requires all telecommunications services to be offered under tariff. In addition, § 392.410.5 provides that unless the authority conferred by a certificate of service authority is exercised within a period of one year from the issuance thereof, the authority shall be null and void. Thus if Ameritech does not obtain a Commission-approved tariff and begin offering dedicated, non-switched local exchange private line services within a year from the issuance of this order, its certificate will essentially become null and void. The Commission finds that administrative

efficiency would be enhanced by granting a local exchange certificate to Ameritech, and that the statutory provisions cited above will help ensure that Ameritech will timely file appropriate tariffs in the event it is interested in providing local exchange services within Missouri.

The Commission further finds that there is competition in the market for the provision of dedicated, non-switched local exchange private line services, and that it is in the public interest to grant Ameritech a certificate for the provision of those services, subject to the caveat that no such services be provided to the public until such time as a tariff for those services has been submitted and approved by the Commission.

IT IS THEREFORE ORDERED:

1. That Ameritech Communications International, Inc. be granted a certificate of service authority to provide intrastate interexchange telecommunications services in the state of Missouri, subject to the conditions of certification set out above.

2. That Ameritech Communications International, Inc. be granted a certificate of service authority to provide local exchange telecommunications services in the state of Missouri limited to providing dedicated, non-switched local exchange private line services, subject to the conditions of certification set out above. These services may not be offered in the state of Missouri until such time as Ameritech Communications International, Inc. submits to the Commission tariffs reflecting the provision of these services, and the Commission has

approved the tariffs. If Ameritech Communications International, Inc. does not obtain Commission-approved tariffs and commence offering these services within one year from the issuance of this order, the authority conferred by this certificate of service authority shall become null and void.

3. That Ameritech Communications International, Inc. be classified as a competitive telecommunications company. The following statutes and regulatory rules shall be waived:

Statutes

- 392.240(1) - ratemaking
- 392.270 - valuation of property (ratemaking)
- 392.280 - depreciation accounts
- 392.290 - issuance of securities
- 392.310 - stock and debt issuance
- 392.320 - stock dividend payment
- 392.330 - issuance of securities, debts and notes
- 392.340 - reorganization(s)

Commission Rules

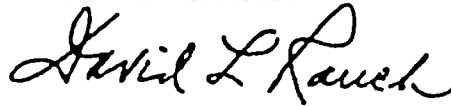
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|-------------------------|-------------------------------|
| 4 CSR 240-10.020 | - depreciation fund income |
| 4 CSR 240-30.010(2) (C) | - rate schedules |
| 4 CSR 240-30.040(1) | - Uniform System of Accounts |
| 4 CSR 240-30.040(2) | - Uniform System of Accounts |
| 4 CSR 240-30.040(3) | - Uniform System of Accounts |
| 4 CSR 240-30.040(5) | - Uniform System of Accounts |
| 4 CSR 240-30.040(6) | - Uniform System of Accounts |
| 4 CSR 240-32.030(1) (B) | - exchange boundary maps |
| 4 CSR 240-32.030(1) (C) | - record keeping |
| 4 CSR 240-32.030(2) | - in-state record keeping |
| 4 CSR 240-32.050(3) | - local office record keeping |
| 4 CSR 240-32.050(4) | - telephone directories |
| 4 CSR 240-32.050(5) | - call intercept |
| 4 CSR 240-32.050(6) | - telephone number changes |
| 4 CSR 240-32.070(4) | - public coin telephone |
| 4 CSR 240-33.030 | - minimum charges rule |
| 4 CSR 240-33.040(5) | - financing fees |

4. That the tariff filed by Ameritech Communications International, Inc. on May 13, 1996, be approved as amended, effective June 28, 1996. The tariff approved is:

P.S.C. Mo. No. 1

5. That this order shall become effective on June 28, 1996.

BY THE COMMISSION



(SEAL)

David Rauch
Executive Secretary

Zobrist, Chm., Kincheloe, and
Drainer, CC., Concur.
McClure, Crumpton, CC., Dissent

ALJ: Bensavage

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

In the Matter of the Application of Ameritech)
Communications International, Inc., for a Certifi-)
cate of Local Exchange Service Authority to Provide)
and/or Resell Basic Local Telecommunications) Case No. TA-96-415
Service and Local Exchange Telecommunications)
Service.)
)

REPORT AND ORDER

Issue Date: February 28, 1997

Effective Date: March 11, 1997

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Ameritech)
Communications International, Inc., for a Certifi-)
cate of Local Exchange Service Authority to Provide) Case No. TA-96-415
and/or Resell Basic Local Telecommunications)
Service and Local Exchange Telecommunications)
Service.)

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Jefferson City, Missouri 65102, for: Alma Telephone Company, Chariton

Valley Telephone Corporation, Choctaw Telephone Company, Mid-Missouri Telephone Company, MoKan Dial, Inc., Northeast Missouri Rural Telephone Company, and Peace Valley Telephone Company, Inc.

Sondra B. Morgan and W.R. England, III, Brydon, Swearengen & England, P.C., 312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102, for: BPS Telephone Company, Cass County Telephone Company, Citizens Telephone Company of Higginsville, Missouri, Inc., Craw-Kan Telephone Cooperative, Inc., Ellington Telephone Company, Farber Telephone Company, Goodman Telephone Company, Inc., Granby Telephone Company, Grand River Mutual Telephone Corporation, Green Hills Telephone Corporation, Holway Telephone Company, KLM Telephone Company, Kingdom Telephone Company, Lathrop Telephone Company, Le-Ru Telephone Company, Mark Twain Rural Telephone Company, McDonald County Telephone Company, Miller Telephone Company, New Florence Telephone Company, New London Telephone Company, Orchard Farm Telephone Company, Oregon Farmers Mutual Telephone Company, Ozark Telephone Company, Rock Port Telephone Company, Seneca Telephone Company, Steelville Telephone Exchange, Inc., and Stoutland Telephone Company; Bourbeuse Telephone Company and Fidelity Telephone Company.

Julie Thomas Bowles, Attorney, Sprint Communications Company, L.P., 8140 Ward Parkway, Kansas City, Missouri 64114, for Sprint Communications Company, L.P.

Mark P. Johnson, and Lisa C. Creighton, Sonnenschein, Nath & Rosenthal, Twentieth Century Tower II, 4520 Main Street, Suite 1100, Kansas City, Missouri 64111, for Kansas City Fiber Network, L.P.

Mary Ann (Garr) Young, William D. Steinmeier, P.C., Post Office Box 104595, Jefferson City, Missouri 65102, for Consolidated Communications Telecom Services Inc.

Michael F. Dandino, Senior Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

Colleen M. Dale, Deputy General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE

LAW JUDGES: Dale Hardy Roberts, Chief, and Joyce Hainen.

REPORT AND ORDER

Procedural History

Ameritech Communications International, Inc. (Ameritech or applicant) applied to the Commission on May 31, 1996, for a certificate of service authority to provide basic local telecommunications service and local exchange telecommunications services in Missouri under Sections 392.410 - .450, RSMo 1994¹. Ameritech asked the Commission to classify it as a competitive company and waive certain statutes and rules as authorized by Sections 392.361 and 392.420. Ameritech is a Delaware corporation with its principal business address at 9525 West Bryn Mawr, Suite 600, Rosemont, Illinois 60018.

On June 11, 1996 the Commission issued an Order and Notice directing parties wishing to intervene in the case to do so by July 11, 1996. On July 18, 1996, the Commission issued an order setting prehearing conference and granting permission to intervene to the following entities:

Southwestern Bell Telephone Company (SWBT)
The Small Telephone Company Group²
Bourbeuse Telephone Company
Fidelity Telephone Company

¹ All statutory references are to Revised Statutes of Missouri 1994 and the 1996 Cumulative Supplement.

² The following companies comprise the "Small Telephone Company Group": BPS Telephone Company, Cass County Telephone Company, Citizens Telephone Company of Higginsville, Missouri, Inc., Craw-Kan Telephone Cooperative, Inc., Ellington Telephone Company, Farber Telephone Company, Goodman Telephone Company, Inc., Granby Telephone Company, Grand River Mutual Telephone Corporation, Green Hills Telephone Corporation, Holway Telephone Company, KLM Telephone Company, Kingdom Telephone Company, Lathrop Telephone Company, Le-Ru Telephone Company, Mark Twain Rural Telephone Company, McDonald County Telephone Company, Miller Telephone Company, New Florence Telephone Company, New London Telephone Company, Orchard Farm Telephone Company, Oregon Farmers Mutual Telephone Company, Ozark Telephone Company, Rock Port Telephone Company, Seneca Telephone Company, Steelville Telephone Exchange, Inc., and Stoutland Telephone Company.

GTE Midwest Incorporated (GTE)
AT&T Communications of the Southwest, Inc. (AT&T)
MCI Telecommunications Corporation (MCI)
United Telephone Company of Missouri (United)

On August 2, 1996, a prehearing conference was held at the Public Service Commission in Jefferson City, MO. On August 19, 1996 Ameritech filed a motion to consolidate the instant case with MCImetro Access Transmission Services, Inc., Case No. TA-96-355. Ameritech filed an amended application for certificate on August 19, 1996. On August 20, 1996, the Commission issued its Order consolidating the cases of AT&T, (TA-96-322), MCImetro (TA-96-355) and Brooks Fiber Communications of Kansas City, Inc. (Brooks) (TA-96-438). On September 10, 1996 the Commission issued its Order further consolidating the similar cases of Ameritech Communications International, Inc. (Ameritech), TCG St. Louis, Inc.³ (TCG) (TA-96-345), MFS Intelenet of Missouri, Inc. (MFS) (TA-96-374), Digital Teleport, Inc. (Digital Teleport) (TA-96-406), and Sprint Communications Company L.P. (Sprint) (TA-96-415) with AT&T, MCImetro and Brooks.

The parties filed a Stipulation and Agreement (SA) on September 23, 1996. The parties filed a motion asking that the Commission establish a hearing date to consider approval of the agreement. The Commission Staff (Staff) filed Suggestions in Support of the Stipulation and Agreement on October 15, 1996. Staff's suggestions included sworn testimony by members of the Commission's telecommunications staff. The Commission conducted a hearing on October 23, 1996, where the parties made presentations and were available for Commission questions.

³ TCG has submitted a separate stipulation.

Background

Ameritech Communications International Inc., which is certificated to provide intrastate interexchange and local exchange services in Missouri, seeks authority to provide facilities-based and resold basic local telecommunications services as well. Although Ameritech has requested local exchange certification in this proceeding, the company was granted local exchange certification in June of 1996. *See Ameritech Communications International, Inc.*, Case No. TA-96-389, Order Approving Interexchange and Local Exchange Certificates of Service Authority and Order Approving Tariff, issued June 26, 1996.

Ameritech filed an amended application for certificate on August 19, 1996. In the amended application Ameritech seeks authority to provide basic local services in all exchanges currently served by United, SWBT and GTE. The specific exchanges in which Ameritech proposes to operate are described in Exhibit 3 to the amended application. Ameritech is not asking for certification in any area that is served by a small incumbent local exchange provider. Ameritech is requesting that its basic local exchange services be classified as competitive and that certain statutes and regulatory rules be waived.

Discussion

A. Requirements of 4 CSR 240-2.060(4)

Commission rule 4 CSR 240-2.060(4) requires a foreign corporation applying for certification to provide telecommunications services to include in its application a certificate from the Secretary of State showing it is authorized to do business in Missouri, a description of the types of service it intends to provide, a description of the exchanges

where it will offer service, and a proposed tariff with a forty-five day effective date. Ameritech has provided all the required documentation except for the proposed tariff. The applicant has requested a temporary waiver of 4 CSR 240-2.060(4) (H) because it is impractical for Ameritech to submit a tariff until it has executed interconnection agreements with the ILECs involved. Ameritech cannot price its resold services until it has reached price agreements with the ILECs from which it will purchase those services. The applicant has agreed that, once it is possible to do so, it will submit to the Commission for approval a proposed tariff with a minimum 30-day effective date. Ameritech will file the tariff in Case No. TA-96-415 and give notice of the tariff filing to all the parties and participants. Along with that filing Ameritech has agreed to provide a written disclosure of all interconnection agreements it has entered into which effect its Missouri service areas. See pages 12-13, ¶ 9.

B. Basic Local Service Classification

Section 392.455 sets out the requirements for granting certificates to provide basic local telecommunications service to new entrants. A new entrant must: (1) possess sufficient technical, financial and managerial resources and abilities to provide basic local telecommunications service; (2) demonstrate that the services it proposes to offer satisfy the minimum standards established by the Commission; (3) set forth the geographic area in which it proposes to offer service, and demonstrate that such area follows exchange boundaries of the incumbent local exchange telecommunications company and is no smaller than an exchange; and (4) offer basic local telecommunications service as a separate and distinct service. In addition, the Commission must give due consideration to equitable access for all Missourians to affordable

telecommunications services, regardless of where they live or the amount of their income.

1. Technical, Financial and Managerial Resources and Abilities.

Ameritech asserts and it is agreed by the parties that there is sufficient evidence from which the Commission can find and conclude that Ameritech possesses sufficient technical, financial and managerial resources and expertise to provide basic local telecommunications service. *See* SA page 9, ¶ 7A). The parties unanimously agree that Ameritech proposes to offer basic local services that satisfy the minimum standards established by the Commission. *See* SA page 9, ¶ 7B. The parties unanimously agree that Ameritech has sufficiently identified the geographic area in which it proposes to offer basic local service and such area follows exchange boundaries of the incumbent local exchange telecommunications companies in the same areas, and such area is no smaller than an exchange. *See* SA page 9, ¶ 7C. The parties agree that Ameritech will offer basic local telecommunications service as a separate and distinct service. *See* SA page 10, ¶ 7D. Further the parties agree that Ameritech has agreed to provide equitable access to affordable telecommunications services, as determined by the Commission, for all Missourians within the geographic area where it proposes to offer basic local service, regardless of their residence or their income, to affordable telecommunications services.⁴ *See* SA page 9, ¶ 7E. Ameritech has sought

⁴ Footnote 11 to the SA states: "The Agreement in Paragraph 7E of this Stipulation and Agreement is without prejudice to each Applicant's right to appear, after proper application and in accord with Commission rules and regulations, in any rulemaking proceeding or other proceeding regarding the Commission's considerations of equitable access under Section 392.455.(5), RSMo. Furthermore, such agreement should not be construed as an admission or conclusion of any Applicant that Section 392.455.(5), RSMo. creates new or specific duties or obligations on telecommunications companies to

the authority to provide services which will serve the public interest.
See SA page 10, ¶ 7F.

2. The Entrant's Proposed Services Satisfy the Minimum Standards Established by the Commission.

Ameritech stated in its application that the services it will provide will satisfy the minimum standards established by the Commission. Additionally Ameritech agreed to offer basic local services that will satisfy the minimum standards established by the Commission.
See SA page 9, ¶ 7B.

3. The Geographic Area in Which the Applicant Proposes to Offer Service.

Ameritech set out all the exchanges in which it proposes to offer services. Ameritech has defined its service area by means of the tariffed exchange areas of the incumbent local exchange companies presently providing basic local service in those exchanges. The parties agreed that Ameritech has sufficiently identified the geographic area in which it proposes to offer basic local service and that the area follows incumbent local exchange company exchange boundaries and is no smaller than an exchange. *See* SA page 9, ¶ 7C.

4. The Offering of Basic Local Telecommunications Service as a Separate and Distinct Service.

Ameritech has agreed to offer basic local telecommunications service as a separate and distinct service. *See* SA pages 9-10, ¶ 7D.

5. Equitable Access for All Missourians to Affordable Telecommunications Services.

Ameritech has agreed to provide equitable access, as determined by the Commission, for all Missourians within the geographic area in which

provide equitable access."

it will offer basic local services in compliance with Section 392.455(5).
See SA page 10, ¶ 7E.

C. Competitive Classification

The Commission may classify a telecommunications provider as a competitive company if the Commission determines it is subject to sufficient competition to justify a lesser degree of regulation. Section 392.361.2. In making that determination, the Commission may consider such factors as market share, financial resources and name recognition, among others. *In the matter of the investigation for the purpose of determining the classification of the services provided by interexchange telecommunication companies within the State of Missouri*, 30 Mo. P.S.C. (N.S.) 16 (1989); *In the matter of Southwestern Bell Telephone Company's application for classification of certain services as transitionally competitive*, 1 Mo. P.S.C.3d 479, 484 (1992). In addition, all the services a competitive company provides must be classified as competitive. Section 392.361.3. The Commission has found that whether a service is competitive is a subject for case-by-case examination and that different criteria may be given greater weight depending upon the service being considered. *Id.* at 487.

The parties have agreed that Ameritech should be classified as a competitive telecommunications company. See SA pages 10-12, ¶ 8. The parties have also agreed that Ameritech's switched exchange access services may be classified as competitive services, conditioned upon certain limitations on Ameritech's ability to charge for its access services. Ameritech has agreed that, unless otherwise ordered by the Commission, its originating and terminating access rates will be no greater than the lowest Commission-approved corresponding access rates in effect at the date of

certification for the large incumbent LECs within those service areas in which Ameritech seeks to operate. The parties have agreed that the grant of service authority and competitive classification to Ameritech should be expressly conditioned on the continued applicability of Section 392.200, and on the requirement that any increases in switched access services rates above the maximum switched access service rates set forth in the agreement must be cost-justified pursuant to Sections 392.220 and 392.230, rather than Sections 392.500 and 392.510. See SA pages 10-12, ¶ 8. The parties agreed that waiver of the following statutes is appropriate: Sections 392.210.2, 392.270, 392.280, 392.290.1, 392.300.2, 392.310, 392.320, 392.330 and 392.340. The parties also agreed that application of these Commission rules could be waived: 4 CSR 240-10.020, 4 CSR 240-30.040, and 4 CSR 240-35. See SA pages 7-8, ¶ 4.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

1. The Commission finds that competition in the basic local exchange telecommunications market is in the public interest.
2. The Commission finds that Ameritech has met the requirements of 4 CSR 240-2.060(4) for applicants for certificates of service authority to provide telecommunications services with the exception of the filing of a tariff with a 45-day effective date.

3. The Commission finds that Ameritech has demonstrated good cause to support a temporary waiver of the tariff filing requirement and the waiver shall be granted.
4. The Commission finds that Ameritech meets the statutory requirements for provision of basic local telecommunications services and has agreed to abide by those requirements in the future. The Commission determines that granting Ameritech a certificate of service authority to provide basic local exchange telecommunications service is in the public interest. Ameritech's certificate should become effective when its tariff becomes effective.
5. The Commission finds that Ameritech is a competitive company and should be granted waiver of the statutes and rules set out in Ordered Paragraph 3.
6. The Commission finds that Ameritech's certification and competitive status are expressly conditioned upon the continued applicability of Section 392.200, and on the requirement that any increases in switched access services rates above the maximum switched access service rates set forth in the agreement must be cost-justified pursuant to Sections 392.220 and 392.230, rather than Sections 392.500 and 392.510.

Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law:

The Commission has the authority to grant certificates of service authority to provide telecommunications service within the state of Missouri. Ameritech has requested certification under Sections 392.410 -.450. Those statutes permit the Commission to grant a certificate of service authority where the grant of authority is in the public interest.

The Federal Telecommunications Act of 1996 (47 U.S.C. §§ 251, et seq.) and Sections 392.185 and 392.200-455 were designed to institute competition in the basic local exchange telecommunications market in order to benefit all telecommunications consumers. Section 392.185 states that "the provisions of this chapter shall be construed to: (1) Promote universally available and widely affordable telecommunications services; . . . (3) Promote diversity in the supply of telecommunications service products throughout the state of Missouri; . . . (6) Allow full and fair competition to function as a substitute for regulation when consistent with the protection of ratepayers and otherwise consistent with the public interest"

The Commission has the legal authority to accept a Stipulation and Agreement as offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060. Based upon the information contained within the Stipulation and Agreement of the parties, the supporting information offered at the hearing on October 23, 1996, and on its findings of fact, the Commission concludes that the Stipulation and Agreement should be approved.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the parties on September 23, 1996 is approved as submitted.

2. That Ameritech Communications International, Inc. is granted a certificate of service authority to provide basic local telecommunications services in the state of Missouri, subject to the conditions of certification set out above, to become effective when the applicant's tariff becomes effective.

3. That Ameritech Communications International, Inc. is classified as a competitive telecommunications company. The following statutes and regulatory rules shall be waived:

Statutes

- 392.210.2 - uniform system of accounts
- 392.270 - valuation of property (ratemaking)
- 392.280 - depreciation accounts
- 392.290.1 - issuance of securities
- 392.300.2 - acquisition of stock
- 392.310 - stock and debt issuance
- 392.320 - stock dividend payment
- 392.330 - issuance of securities, debts
and notes
- 392.340 - reorganization(s)

Commission Rules

- 4 CSR 240-10.020 - depreciation fund income
- 4 CSR 240-30.040 - uniform system of accounts
- 4 CSR 240-35 - reporting of bypass and
customer-specific arrangements

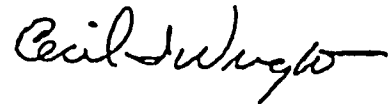
4. That the filing of a 45-day tariff as required by 4 CSR 240-2.060(4)(H) is waived until Ameritech Communications International, Inc. has entered into a Commission-approved interconnection agreement that enables it to provide basic local exchange services.

5. That Ameritech Communications International, Inc. shall file tariff sheets for approval no later than 30 days after the Commission

approves the required interconnection agreement or agreements. The proposed tariff shall reflect the rates, rules, regulations and the services it will offer. The tariff shall include a listing of the statutes and Commission rules waived under Ordered Paragraph 3.

6. That this Report And Order shall become effective on March 11, 1997.

BY THE COMMISSION



Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Kincheloe, Crumpton
and Drainer, CC., concur.
McClure, C., not participating.

Dated at Jefferson City, Missouri,
on this 28th day of February, 1997.

PUBLIC SERVICE COMMISSION

Mr. Cecil I. Wright
Executive Secretary
Missouri Public Service Commission
301 West High Street, Floor 5A
Jefferson City, Missouri 65101

Matt

Re: Case No. TO-98-61

Dear Mr. Wright:

On a previous occasion, Southwestern Bell Telephone Company and another provider of local exchange service notified the Missouri Public Service Commission of their intent to initiate testing of systems for ordering resale services. The purpose of this letter is to notify you that Ameritech Communications International, Inc. and Southwestern Bell have preliminarily agreed to work together to implement limited testing for ordering resale services in a mutually agreeable manner, prior to Commission approval of our Agreement for Interconnection and Resale. Southwestern Bell and Ameritech plan to work out the details and hope to begin such testing by October 13, 1997.

The test will be limited to approximately 50 resold lines with the test focus on the effectiveness on the two companies' electronic interfaces and ordering systems. There will be no service provided to the public prior to Commission approval of our Agreement. For the purposes of this test, Ameritech will not be offering service for hire nor billing for this service prior to Commission approval of our Agreement. Further details will be worked out shortly.

By agreeing to the test, neither party waives any arguments or positions that the party may be taking in any pending judicial or regulatory proceeding. Unless informed by the Commission otherwise, we will proceed with the test between Southwestern Bell and Ameritech.

Very truly yours,



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AMERITECH RELEASE: November 6, 1997

For further information, contact:

Dave Pacholczyk, 312/750-5205, david.a.pacholczyk@ameritech.com

Ron Cook, 314/920-4305



Ameritech to Expand in St. Louis

Will Give Customers Competitive Choice in Local, Long Distance Phone Services

CHICAGO -- Ameritech today unveiled plans to offer local and long distance phone services to residential customers in the St. Louis metropolitan area. The move will dramatically expand Ameritech's communications offerings in Missouri, and marks the first time Ameritech will offer local phone service to customers beyond its traditional operating territory.

"This expansion represents a huge win for consumers," said Thomas E. Richards, executive vice president of Ameritech's Communications and Information sector. "With this initiative, customers will begin to have a choice of some of the most complete and innovative packages of communications services in the country."

Ameritech's array of communications offerings for the St. Louis market will include local phone service, long distance, cellular, paging and wireless data. Customers will have the option of purchasing these services with the convenience of Ameritech's consolidated bill.

The company currently provides cellular, paging, wireless data and security monitoring services to hundreds of thousands of customers in the region -- all under the Ameritech brand. Ameritech provides local phone service to more than 500,000 consumers in the Illinois portion of the St. Louis metro area. The company currently has 17 retail stores and more than 150 dealer locations to serve customers in Missouri.

Ameritech outlined its expansion plans in Missouri in a tariff filed today with the state Public Service Commission. Pending commission approval, the company plans to begin marketing packages of local, long distance and cellular phone service in the St. Louis area in early 1998.

Ameritech's interconnection agreement with Southwestern Bell Telephone Company, the incumbent local service provider in Missouri, was approved by Missouri regulators on November 4. Ameritech received state permission to operate in Missouri as a competitive local exchange carrier, or CLEC, earlier this year.

"St. Louis is one of the nation's great markets, and this expansion represents a tremendous opportunity for Ameritech to grow through competition," Richards said. "The Ameritech brand is already strong there, as evidenced by our superior customer growth in cellular and paging. We're excited by this opportunity to offer our Missouri customers more choices and the convenience of a host of new service options."

Ameritech (NYSE: AIT) serves millions of customers in 50 states and 40 countries. Ameritech provides a full range of communications services, including local and long distance telephone, cellular, paging, security monitoring, cable TV, electronic commerce, on-line services and more. One of the world's 100 largest companies, Ameritech (www.ameritech.com) has 66,000 employees, 1 million shareowners and \$23 billion in assets.

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St. Louis Post-Dispatch

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Friday, November 7, 1997

NEWS

AMERITECH MAY ENTER ST. LOUIS PHONE MARKET SERVICE WOULD END BELL MONOPOLY HERE
ANALYSTS EXPECT RATES TO DROP
Jerri Stroud Of The Post-Dispatch

Ameritech Inc. says it plans to offer local and long-distance telephone service to St. Louis consumers starting early next year.

The Chicago-based phone company would be the first to target consumers rather than businesses as potential defectors from Southwestern Bell Telephone Co., which has had a monopoly on local service here for almost 120 years.

Southwestern Bell has agreed to connect its service with 23 other carriers, but most are going after high-volume business and institutional customers. Southwestern Bell was required to open up access to its system under federal deregulation laws.

Ameritech says it thinks consumer phone service in St. Louis is an untapped market. The company believes it can make inroads here because it already sells cellular, paging and security alarm monitoring services in St. Louis.

"St. Louis is a natural extension of our current geography," said Thomas E. Richards, executive vice president of Ameritech's communications and information sector. Ameritech has about 500,000 customers in the Metro East area. Richards declined to say how many cellular and paging customers it has here.

Richards said the company would offer package deals on local and long-distance service, cellular, paging and wireless data transmission. He wouldn't give specific rates for the services.

On Tuesday, the Missouri Public Service Commission approved Ameritech's interconnection agreement with Southwestern Bell. Ameritech filed tariffs for local rates on Wednesday and tariffs for package rates on Thursday. Both sets of tariffs were marked with Dec. 5 effective dates.

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(Publication page references are not available for this document.)

A Public Service Commission spokesman said Ameritech's tariffs could go before the commission before the end of the month. But commissioners could suspend them and delay approval beyond Dec. 5.

Earlier this year, Ameritech won a certificate to operate as a competitive telephone company in Missouri.

Some analysts say Ameritech's entry into the local market will mean lower prices and better telephone service - regardless of whether customers actually switch from Southwestern Bell.

"This is great news for Missourians, particularly in St. Louis," said Gary Miller, principal of Aragon Consulting in Clayton. "As local market competition opens up, you will see a decline in the price of local services."

As an example, Miller noted that Southwestern Bell charges \$8 a month in Missouri for call waiting, one of the most popular optional features for home telephone customers.

The rate is the highest in the nation, Miller said. In Texas, where Southwestern Bell faces more competition, it charges \$3 a month, one of the nation's lowest rates.

"The threat of competition does wonderful things for service," said Tony Ferrugia, a telecommunications analyst with A.G. Edwards & Sons Inc. "Real competition does even more."

Ferrugia said Ameritech's choice of St. Louis for its first foray into competitive local service is logical because of its proximity to Illinois and its established presence here.

Others are skeptical.

"I'll believe it when I see them out there advertising it," said Martha S. Hogerty, Missouri's public counsel.

Hogerty says she doubts that Southwestern Bell is prepared to make the appropriate connections to its network that Ameritech and other potential resellers need to provide dial tone service. "I doubt that they have the mechanisms in place to actually do it," she said.

Missouri consumers have nothing to lose from Ameritech's entry in the St. Louis market, said Martin Cohen, executive director of Citizens Utility Board, a utility watchdog group in Chicago. "If the market works the way Congress believes it should, we will see lower prices and better service."

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(Publication page references are not available for this document.)

Cohen said consumers will need to read the fine print on telephone service contracts to be sure they are getting the best deal, especially if the local market works anything like the long-distance market. Some long-distance companies offer low flat rates on service, but they charge a minimum fee whether customers use the service or not.

"It's a situation now of 'buyer beware,' " Cohen said.

Southwestern Bell said it welcomed Ameritech and the competition it would bring. But Bell said it believes it should be allowed to offer long-distance service, too.

Regulators have rebuffed requests by Bell and Ameritech to offer long-distance service in markets where they are the primary local phone company. But the 1996 telecommunications act allows them to offer long-distance service to cellular telephone customers and to customers outside their home markets.

Shopping for a service

Read the fine print. Some companies may offer a flat rate, similar to the dime-a-minute rate offered by some long-distance companies. If there's a minimum monthly fee for the service, the low rate could be deceptive.

Compare your calling patterns to the services offered. If you make lots of in-state long-distance calls, will you pay extra for them?

Analyze the scope for local calls. Can you call from the city to the suburbs without paying an extra fee?

Study the extra features. Is there an extra charge for call waiting, call forwarding or caller id?

Check directory assistance. What does it cost?

See if on-time installation and repair service is guaranteed.?

----- INDEX REFERENCES -----

COMPANY (TICKER): Ameritech Corp. (AIT)

KEY WORDS: SERVICE; COMPETITION; CONSUMER; AGREEMENT PRICE CHARGE
COMMENT LOCAL MARKET SERVICE PROVIDER

SIC: 6199, 2721, 4724, 6081, 6141, 6153

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