

CURTIS, OETTING, HEINZ, GARRETT & SOULE, P. C.
ATTORNEYS AT LAW

130 SOUTH BEMISTON, SUITE 200
ST. LOUIS, MISSOURI 63105
(314) 725-8788
FACSIMILE (314) 725-8789

CARL J. LUMLEY

EMAIL ADDRESS
MCI MAIL: (CLUMLEY / MCI ID: 505-3023)
0005053023@MCIEMAIL.COM

November 4, 1997

Cecil Wright, Executive Secretary
Missouri Public Service Commission
Truman State Office Building, 5th Floor
301 West High Street
Jefferson City, Missouri 65101-1517

Re: Case No. TW-97-333

Dear Mr. Wright:

Enclosed herewith for filing in the above-referenced case please find an original and fifteen (15) copies of the MCI Telecommunications Corporation's Response to Applications for Rehearing. Please file stamp the extra copy and return in the enclosed self-addressed, postage prepaid envelope to the undersigned for our records.

Very truly yours,


Carl J. Lumley

CJL:dn
Enclosures
cc. Parties of Record

FILED
NOV 5 1997
MISSOURI
PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

FILED

NOV 5 1997

MISSOURI
PUBLIC SERVICE COMMISSION

In the Matter of an Investigation
into the Provision of Community
Optional Calling Service in
Missouri.

)
)
)
)

Case No. TW-97-333

MCI TELECOMMUNICATIONS CORPORATION'S
RESPONSE TO THE APPLICATIONS FOR REHEARING

COMES NOW MCI Telecommunications Corporation (MCI) and for its Response to the Applications for Rehearing filed by the Small Telephone Group, the Mid-Missouri Group, and the Office of Public Counsel (collectively the Applicants) states to the Commission:

1. In large part, the Applicants dispute the manner in which the Commission exercised its discretion. The Commission weighed the evidence and reached a decision within the bounds of its discretion and did not abuse that discretion.

2. Notwithstanding the Commission's "W" case designation, the Commission held a full hearing and issued its Report and Order based on the record generated from that hearing. (Report and Order, p. 6). It issued findings of fact and conclusions of law which meet the standards of Section 536.090.

3. Specifically, based on the evidence of record and matters of official notice (see Section 536.070(6)), the Commission found:

- a. The small take rate of COS calls into question the actual "community of interest" allegedly being served.
- b. The COS market will be eroded by competition.
- c. Two-way COS modified to use an 800/888 number-based service would not be reasonable because it would interfere with other uses of such numbers, would pose directory and directory assistance problems, would cause customer confusion, and would cause billing problems.

- d. One-way reciprocal COS to replace Two-way COS service would not be an effective replacement and would have unpredictable effects on companies and the market.
- e. One-Way COS would also be an ineffective replacement and would present significant implementation problems.
- f. Continued Two-Way COS is not possible because of measurement and billing problems, is not consistent with a competitive environment, is not necessary because of competition, and is improperly subsidized.
- g. Mandatory COS has fulfilled and outlived its intended purposes.

4. The Commission's decision to eliminate COS is a logical and reasonable step in the evolution of the market. When the Commission adopted MCA and OCA and revised COS, it determined that subscription to COS would "diminish dramatically" and that "many COS routes [would] be eliminated by their inclusion in one of the MCAs". See In the matter of the establishment of a plan for expanded calling scopes in metropolitan and outstate exchanges, Case No. TO-92-306, 2 MPSC3d 1, 31 (December 23, 1992). Some parties recommended eliminating COS at that time. Id. at 28. However, the Commission followed a more deliberate course and now has concluded the time is right to end the regulatory mandate that certain carriers provide the service and to rely instead on competitive solutions. As the Commission concluded, it has the flexibility to adjust its policies over time.

5. The Commission properly found and concluded that below-cost, subsidized, mandatory COS service is inconsistent with competition and stands as a barrier to entry. Availability of the service for resale is not the only concern - rather, it is also the inability of a new entrant to provide a service below-cost. See, e.g., Ex. 16, Direct Testimony of MCI Witness Randy Klaus, at page 2.

6. The Commission is considering issues surrounding universal service in a number of proceedings already and did not need to address these issues in this case.

7. The Commission has properly dealt with concerns over urban and rural parity in this case and preceding cases, including by establishing MCA and OCA services. It will continue to deal with such issues in other dockets as well. Again, these are matters within the Commission's discretion.

8. The Commission will be dealing with revenue adjustments in its examination of the PTC Plan in Case No. TO-97-217 and other cases. Given its direction that COS be eliminated by March, 1998, it has allowed itself sufficient time to deal with such issues, and need not address them in this case.

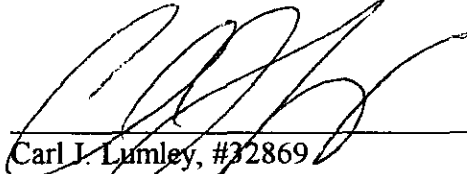
9. The Commission should not under any circumstances allow the secondary carriers to increase access charges because of the elimination of COS. As amply demonstrated in Case No. TO-97-217, such access charges should be reduced.

10. Because companies like SWBT will experience a revenue windfall from the elimination of COS, the Commission should not yet allow such companies to escape traditional ratebase, rate of return regulation to the haven of price cap regulation.

WHEREFORE, MCI Telecommunications Corporation prays the Commission to deny the applications for rehearing.


Respectfully submitted,

CURTIS, OETTING, HEINZ,
GARRETT & SOULE, P.C.



Carl I. Lumley, #32869
Leland B. Curtis, #20550
130 S. Bemiston, Suite 200
Clayton, Missouri 63105
(314) 725-8788
(314) 725-8789 (FAX)

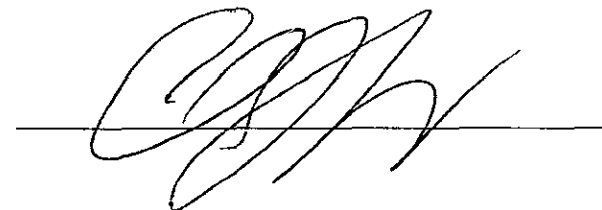
MCI Telecommunications Corporation



Stephen F. Morris, Texas Bar #14501600
701 Brazos, Suite 600
Austin, Texas 78701
(512) 495-6727
(512) 477-3845 (FAX)

Certificate of Service

A true and correct copy of the foregoing document was mailed this 4 day
November, 1997, to the persons on the attached list, by placing same in the U.S. Mail, postage
paid.



November 4, 1997

W.R. England, III
Sondra Morgan
Brydon, Swearengen & England
P.O. Box 456
Jefferson City, MO 65102-0456

Paul Gardner
Goller, Gardner & Feather
131 E. High Street
Jefferson City, MO 65101

Craig S. Johnson
Andereck, Evans, Milne,
Peace & Baumhoer
305 E. McCarty Street, 3rd Floor
Jefferson City, MO 65102

Paul Lane, Leo Bub, Diana Harter,
Anthony Conroy
Southwestern Bell
100 N. Tucker Blvd., Room 630
St. Louis, MO 63101

Linda Gardner
United Telephone Company of Missouri
5454 W. 110th Street
Overland Park, KS 66211

Paul DeFord
Lathrop & Gage
2345 Grand Blvd.
Kansas City, MO 64108

Mark Harper
United Telephone Company of Missouri
5454 W. 110th Street
Overland Park, KS 66211

Julie Grimaldi
Julie Thomas Bowles
Sprint Communications Company
8140 Ward Parkway, 5E
Kansas City, Missouri 64114

Mark Comley
Newman, Comley & Ruth
205 E. Capitol Avenue
Jefferson City, MO 65102

Larry Lovett
AT&T
101 W. McCarty, Suite 216
Jefferson City, MO 65101

Doug Trabaris, Madelon Kuchera,
Elizabeth Howland
Teleport Communications Group
233 S. Wacker Drive, Suite 2100
Chicago, IL 60606

Michael J. Ensrud
Competitive Telephone Association
of Missouri
6950 W. 56th Street
Mission, KS 66202

Office of Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

James C. Stroo
GTE Telephone Operations
1000 GTE Drive
MO611LGW
P.O. Box 307
Wentzville, MO 63385-0307