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ELAINE M. WALSH

August 21, 1997

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

VIA FEDEX

RE: Case No. TW-97-333

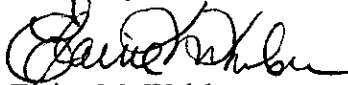
Dear Mr. Wright:

Enclosed for filing with the Commission in an original and 14 copies of MCI's Reply Brief in the above matter.

Please stamp "filed" on the extra copy and return the copy to me in the enclosed, pre-addressed post-paid envelope.

Thank you for your consideration in this matter.

Very truly yours,


Elaine M. Walsh

Enclosures

cc: Parties of Record

FILED
AUG 22 1997
MISSOURI
PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
AUG 22 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's REPLY BRIEF

Comes now MCI Telecommunications Corporation (MCI), pursuant to Commission order, and for its Reply Brief MCI addresses the issues raised by the Commission and other parties in the order they appear in the Hearing Memorandum.

I. Contested Issues

A.1. Should two-way COS be modified to use 800/888 number based service for the return calling portion of the service?

The Commission should not perpetuate any kind of COS service, but instead allow the competitive forces in the marketplace to develop feasible alternatives for consumers in Missouri. If the Commission does mandate some type of COS service, the method for providing COS services should be left to the carriers providing the service.

A.2. Should One-Way Reciprocal COS Service Replace Two-Way COS Service?

One-way reciprocal COS should only be used on a transitional basis, until exchanges convert to 1+ intraLATA dialing parity. One-way service is much simpler and can be administered much more efficiently.

A.3. Should one-way COS service replace two-way COS service?

MCI does not oppose one-way COS service, however, the Commission should allow each competitor in the market to decide whether they want to offer COS and not mandate such a service.

A.4. Should COS be eliminated completely?

COS should no longer be a mandated service by the Commission because consumers' needs will be fulfilled by the competing carriers in the telecommunications market. The Commission should leave it up to the carriers whether to provide COS service and in what manner to provide such a service. One-way COS may, however, be necessary until exchanges have 1+ intraLATA dialing parity.

B.1. If some form of COS is preserved, should the current compensation mechanism for COS also be retained?

If COS is preserved by the Commission, the current compensation mechanism should be changed so that the price actually reflects the cost of the provider. The compensation mechanism should be competitively neutral and provide carriers equal access to provide COS services, which it does not do in its current form.

B.2. If some form of COS is preserved, should it be classified as a local or a toll service?

If the Commission decides to retain COS in some form, it should be classified as a toll service. COS has traditionally been a substitute for toll and has historically limited toll revenues for IXC's that could have competed for such toll traffic.

B.3. If any form of COS is preserved, should aggregation and/or resale of COS service be allowed?

Resale of COS service should be allowed by the Commission to promote competition. Aggregation of multiple end users, however, should not be necessary.

B.4. What is (are) the potential impact(s) of expected changes in the Primary Toll Carrier Plan on COS?

Changes in the Primary Toll Carrier Plan could impact the way in which COS is provided. The effect of the changes cannot be determined at this time, however.

II. Issues Set by the Commission

A. Is the appropriate pricing mechanism for one-way COS with reciprocal service the same as set out by the Staff in Case No. TT-96-398? If not, so indicated and substantiate an alternative proposal.

MCI disagrees with Staff's pricing proposal in TT-96-398 that one-way reciprocal service should be priced at fifty percent of the existing two-way service, because such a pricing mechanism does not correctly include the provider's costs. The price of one-way reciprocal service should also impute the inflated prices of intrastate switched access charged by ILECs and include service specific costs for marketing, billing and collection, to put competitors providing COS services on equal footing. Pricing should be competitively neutral

B. Shall all competitive LECs be required to offer this service?

Mandating COS services is antithetical to a competitive telecommunications market. Carriers will provide COS or COS-like services while competing for consumers. Competition will encourage improvements upon existing COS service.

C. What, if any, change must be made in the primary toll carrier (PTC) plan to accommodate or accomplish the proposed COS changes herein?

MCI is not aware of any specific changes to the PTC plan necessary if the proposed changes

are made to COS. The Commission could address any necessary changes that arise in the PTC docket.

D. Shall the Commission stay all pending and future COS applications?

The Commission should stay all pending and future COS applications to decrease the potential for consumer dissatisfaction and confusion.

E. What is the participants' proposal for educating the public?

If the Commission implements one-way COS, the public could be notified by having the ILECs mail information to consumers, utilizing directory information assistance, and by the Commission issuing press releases.

F. Please "explore and discuss the potential of LATAwide or statewide flat-rate COS."

LATAwide or statewide flat-rate COS would be anticompetitive, by decreasing consumers' choices and possibly limiting the incentives for carriers to provide COS services. Consumers' demand for COS or COS-like services will be satisfied by carriers competing for optional toll traffic.

III. Additional Issues Raised at Hearing

A. What, if any, jurisdiction does the Commission have over Internet service?

Internet Service Providers (ISPs) have been treated as end users on numerous occasions. See, e.g., MTS and WATS Market Structure, 97 FCC 2d 682, 715 (1983); Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers, 3 FCC Rcd. 2631, 2633 (1988) (ESP Exemption). See also, Amendments of Section 64.702 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, 6 FCC Rcd. 4524, 4535

(1991). The Federal Communications Commission has exempted ISPs from paying interstate access charges. Furthermore, ISPs can purchase service from ILECs under local exchange service tariffs as end users. This is in part due to the FCC's intent to encourage the growth of the information services industry. ISPs are, therefore, not regulated providers of regulated services.

Conclusion

COS, as it exists now, should be eliminated entirely. If the Commission declines to mandate COS service, the consumer demand for such services would be satisfied by competing carriers in the Missouri telecommunications market. One-way COS may be necessary temporarily until exchanges have 1+ intraLATA parity. If one-way COS is adopted by the Commission, it should be priced according to cost, and impute the prices charged by ILECs for intrastate switched access service to allow other carriers to begin to compete with ILECs for this optional toll traffic.

Respectfully Submitted,
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CERTIFICATE OF SERVICE

A true and correct copy of the foregoing document was mailed this 22nd day of August 1997, to the persons on the attached list.

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