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Mr. Cecil Wright
Executive Secretary
Missouri Public Service Commission
301 West High Street, Suite 530
Jefferson City, MO 65101

FILED
AUG 22 1997
MISSOURI
PUBLIC SERVICE COMMISSION

Re: In the Matter of an investigation into the
Provision of Community Optional Calling
Service in the State of Missouri. Case No. TW-97-333

Dear Mr. Wright:

Pursuant to the protective order, enclosed for filing are an original and eight (8) copies of the non-proprietary version, one copy of the highly confidential pages, and an original and six (6) copies of the complete highly confidential version of the Reply Brief of United Telephone Company of Missouri d/b/a Sprint to be filed in the above captioned case. The highly confidential pages and brief are filed in separate envelopes and are filed under seal.

Please stamp "filed" the extra highly confidential version and return it to us for our files.

If you have any questions, please do not hesitate to contact me at (913) 345-7915.

Sincerely,


Linda K. Gardner

LKG:llw
Enclosures
cc: All Counsel of Record (w/ encl.)

BEFORE THE PUBLIC SERVICE COMMISSION
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 the State of Missouri.)

Case No. TW-97-333

REPLY BRIEF
OF
UNITED TELEPHONE COMPANY OF MISSOURI d/b/a SPRINT

Not surprisingly, there seems to be much agreement among the Staff, the PTCs and IXCs, on the one hand, and the Office of the Public Counsel (OPC), the Small Telephone Company Group (STCG) and the Mid Missouri Group, on the other; but little agreement between the two "sides." OPC takes the view to simply retain two-way COS. Yet OPC's Initial Brief is devoid of any discussion of how COS is to be maintained, technically or philosophically in a competitive environment.

Mid Missouri Group spends the first sixteen pages justifying past decisions to implement COS, to average toll prices (which, in the case of COS, the PTC does not even receive), and, to extract high access rates.¹ However, the question is not what the Commission should have done in years gone by but what the Commission should do in the future with a service inconsistent and harmful to competition, a service that has not been deemed "essential" or "basic," and a service which is subscribed to by only about one percent of the total outstate access lines and less than 13% of eligible customers. Like OPC, instead of explaining how COS can survive, technically or philosophically in the face of competition, the Mid Missouri Group attempts to gratuitously offer the continued services of the PTC. Failing that, it suggests that "if the Commission decides

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that COS cannot be allowed to survive in a competitive market, the commission should also release all companies from any requirement to provide it past that date.” (Mid Missouri Group Initial Brief, p. 17) Moreover, “it would be inconsistent with competition to somehow require some companies offer it in some places at some price level.” (Id., p. 18) In other words, so long as the PTCs are forced to offer COS to the Mid Missouri Group customers at a prescribed, below cost price, its permissible, but if the Commission wishes to place the responsibility on Mid Missouri Group, it is not.

STCG supports, in descending order, the 800/888 number proposal, the one-way reciprocal plan, and the one-way only plan. (STCG Initial Brief, p. 24) STCG also argues that COS is an interexchange service, not a local service, and thus, it is not appropriate for the Commission to require “any LEC, incumbent or competitive, to provide what is essentially an interexchange service.” (Id., p. 18) Apparently, like the Mid Missouri Group, so long as the PTC (which is also a “LEC, incumbent or competitive”) or someone other than its members provide the service its OK, but if the Commission wishes to place the responsibility on STCG, it is not.

The initial briefs of several parties persuasively support the elimination of COS in its entirety. The briefs describe the technical and practical difficulties with maintaining existing COS in a competitive environment (see e.g. SWBT Initial Brief, p. 5-7; Sprint Initial Brief, p. 6-7); the inconsistency between, and indeed harmfulness of, COS and competition (see e.g. Comptel Initial Brief, p. 6-7; Staff Initial Brief, p. 22; Sprint Initial Brief, p. 8-9); and specific problems with proposed solutions designed to maintain COS

¹ Mid Missouri Group also notes that Sprint’s access rates are high. Sprint agrees and is hopeful that rate rebalancing permitted under Section 392.245.8 and 9 will help to lower its access rates.

(see e.g. Staff Initial Brief, p. 10-14; SWBT Initial Brief, p. 22-24; Sprint Initial Brief, p. 10-12). If, despite these persuasive arguments, the Commission nevertheless attempts to retain some form of COS, the question becomes what entity will offer the service.

As previously cited, both STCG and Mid Missouri Group are more than willing to commit to COS or a modified version of COS if they do not have to provide the service. However, a review of the record indicates that there is nothing magical about the PTC's ability to provide the services vis-a-vis the secondary carriers. The secondary carriers are capable of providing the services as well. The RAIN network (formed by a group of secondary carriers) considered an 800 number solution to interexchange service provisioning. While COS was chosen over the 800 number solution, the 800 number solution was technically possible for the RAIN owners to provide. (T. 138)

The same is true for the one-way or one-way reciprocal COS options supported by STCG. As SWBT points out, generally one carrier does not own the complete interexchange toll facilities which connect its exchanges with another company's exchanges.² (SWBT Initial Brief, p. 30) When new COS routes are implemented today, the PTC does not construct its own facilities between the petitioning and target exchanges, but rather, pays the SC access charges to use the SC's facilities from the meet point back to the rest of the SC's facilities. (Id.) This is true for the PTC whether the calls are SC to SC or SC to PTC.

For example, when IAMO customers in Burlington Junction place a call to Higginsville (served by Citizens), Sprint serves as the PTC for that call. It is Sprint's

responsibility to secure the use of facilities to complete that call. In this example, Sprint owns very little of the facilities and must rely on SWBT's facilities to complete the call. Another example is an intraLATA call placed by a Sprint customer in Lebanon. The only exchange of Sprint in the 417 LATA is Lebanon. Nevertheless, Sprint is responsible for securing the use of facilities throughout the 417 LATA to complete that call. Once again, Sprint owns very little of the facilities. Mid Missouri Group witness Jones candidly admitted that he could use the facilities of the PTC or contract with other carriers to complete the calls if the SC bore this responsibility. (T. 148) Access tariffs provide the terms, conditions and pricing for the use of each other's facilities.

OPC, STCG, and Mid Missouri Group, to one degree or another, argue that if the Commission alters or eliminates COS, it may "run afoul" of federal and state statutes requiring "reasonably comparable" services at "reasonably comparable" rates between urban and rural areas. According to STCG, since the majority of SWBT customers have either EAS and/or MCA available, eliminating COS may "create problems" with the requirement that comparable services be made available. (STCG Initial Brief, p. 12) However, the cited statutes don't require "identical" services and prices or even "comparable" services and prices. Rather, it requires "reasonably comparable" which allows greater discretion to accommodate rational differences. However, even if STCG's analysis is correct, which Sprint doubts, the solution isn't to continue to offer COS but to make the service local, mandatory EAS as Sprint proposed. (See e.g. Sprint Initial Brief, p. 14-15) This would allow customers with a legitimate "community of

² Nor, for that matter, local facilities within the MCA. As STCG witness Schoonmaker testified, COS and MCA calls go over the same kinds of network facilities and completion of the call may involve one

interest" need to gain "reasonably comparable" services to the EAS and MCA services. Moreover, it moots the issue of whether COS, as an optional service, can be considered local service under the statutory definition of basic local telecommunications service.

Changing the service from an optional toll service to a mandatory local service does not pose insurmountable obstacles that require more time than available. STCG witness Schoonmaker poses a laundry list of "problems" in administration, billing and networking systems if the originating LEC and not the PTC is responsible for compensation. One such problem is the "major difficulties in measuring traffic." (STCG Initial Brief, p. 13) According to STCG, "one solution to this problem would be to have the originating telephone company record this data, extract it from their billing systems when they get to the point of billing, and then pass those records on to the terminating company. (Id., p.13-14) However, it then concludes that "such a complicated procedure has never been attempted at this level." (Id., p. 14) Yet, this method is no different than what occurs today. Sprint often relies on the originating company to record the data and pass the records to it for billing. The SC's do so today under the PTC. The SCs create the billing records today that are sent to the PTC and used to determine terminating access. While not ideal, systems and processes are in place today that do just what STCG claims is too complicated to work. By his own admission, STCG witness Schoonmaker estimates that converting the routes to local service with a terminating compensation system may take between 6 and 18 months. (T 335-336) If

company's facilities or multiple companies' facilities. (T. 313-314)

the routes are converted at the time intraLATA dialing parity is implemented in the SC's exchanges, there is time to accomplish this analysis.

There are two additional points Sprint wishes to address. STCG continues to stress the importance to customers of the return calling feature and uses the larger number of customers in the target exchange to bolster the supposed number of customers benefited from the service.³ Late-filed Exhibit #34 clearly disputes this conclusion. While there is still no evidence as to the number or percentage of the "tens of thousands of additional customers in COS target exchanges" that benefit from COS by placing toll-free return calling, exhibit #34 is illustrative. First, while COS was ostensibly designed to foster a "community of interest" and to accommodate day to day calling to friends, family, government offices, schools, doctors and to conduct general business, an examination of the top users of COS shows a different pattern. For example, for Sprint, the vast majority of the top 50 customers (based on minutes of use), petitioning to target, called ** _____

_____ ** (HC Ex. 34) While calling any business is a legitimate use of petitioning to target COS, it is illustrative of the type of calling completed over COS and should be considered when the Commission deliberates whether COS continues to serve legitimate customer needs for expanded calling to a community of interest that is

necessary for day-to-day activity and whether the average call volumes recited in this case for both petitioning to target and target to petitioning paint an accurate picture for the typical customer. For another example, consider that for SWBT, the top recipient of calls, target to petitioning, is ** _____

_____ ** Removing the call volumes associated with this calling will drastically change the average number of hours per customer associated with return calling.

The second issue is contained in at page 8 of the Mid Missouri Group Initial Brief. Mid Missouri Group questions whether the Commission approved of the \$1.2 million payment from SWBT to Sprint which is set to expire next year. In Case No. TO-92-306, the Commission adopted an intercompany compensation proposal which included payments to Sprint and to small LECs:

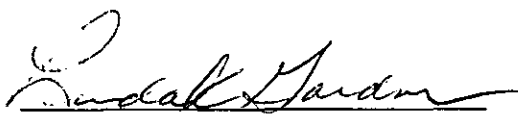
The Commission has adopted the expanded calling scope plans in this order both to satisfy customer demands and to limit the costs associated with implementation of these plans as much as reasonably possible and still meet the desired goals. The evidence indicates that among the Signatory Parties only United is projected to experience a revenue loss under the bill-and-keep arrangement. With the additive rate design adopted for MCA, United projects a greater loss than that indicated in the Joint Recommendation. The Signatory Parties have agreed among themselves to compensate United for the originally estimated losses. In addition, the Signatory Parties have agreed to make support payments to the small LECs which will be included in the MCA. These support payments will continue until the Commission issues an order eliminating them or the parties agree they are no longer necessary. (Report and Order, p. 43)⁴

³ In other words, its not just the approximately 17,000 subscribers to COS but the "tens of thousands of additional customers in COS target exchanges [that] benefit from COS by being able to call COS customers on a toll-free basis." (STCG Initial Brief, p.4)

⁴ In addition, when Sprint filed a tariff on October 4, 1993 designed to offset the anticipated losses as a result of the implementation of expanded calling services, the support material clearly identify the temporary payment from SWBT.

In conclusion, the Commission ordered COS in an era without much competition and in an era where it was free to encourage subsidization among services and customers and even among carriers. That is no longer the case. If the local calling scope does not include the exchange's community of interest, the solution is not to continue to burden the PTC to provide a below cost service to a select group of customers but to convert the service to local, EAS. If the majority of customers share a community of interest and vote to subscribe to the service, the local exchange companies involved could provide the service. For the reasons stated herein and in its Initial Brief, Sprint supports revising COS to mandatory EAS or converting COS immediately to one-way COS from petitioning to target exchanges until that exchange converts to 1+ intraLATA presubscription. At that time, carriers should be free to continue providing one-way COS but no carrier should be mandated to provide the service.

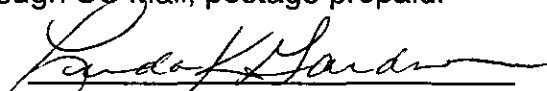
Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Brief of United Telephone Company of Missouri d/b/a Sprint was served on the attached service list, this 22nd day of August, 1997, through hand-delivery or through US Mail, postage prepaid.



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