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Vice Chair

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
573-526-5695 (TT)
<http://www.ecodev.state.mo.us/psc/>

August 22, 1997

CECIL I. WRIGHT
Executive Secretary

SAM GOLDAMMER
Director, Utility Operations

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Director, Policy & Planning

VACANT
Director, Utility Services

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Director, Administration

DALE HARDY ROBERTS
Chief Administrative Law Judge

DANA K. JOYCE
General Counsel

Mr. Cecil I. Wright
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. TW-97-333

Dear Mr. Wright:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **REPLY BRIEF OF STAFF**.

This filing has been mailed or hand-delivered this date to all parties of record.

Thank you for your attention to this matter.

Sincerely yours,

Penny G. Baker
Deputy General Counsel
573-751-6651
573-751-9285 (Fax)

PGB/sm
Enclosures
cc: Counsel of Record

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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

Case No. TW-97-333

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

REPLY BRIEF OF STAFF

COMES NOW the Staff of the Public Service Commission ("Staff") and provides this Reply Brief in response to the positions and recommendations of the other parties as raised in Initial Briefs.

I. INTRODUCTION

Under the pro-competitive, de-regulated national policy framework provided for under the Telecommunications Act of 1996, a rapid deployment of advanced telecommunications and information technologies has begun. The Commission must determine whether any form of extra exchange, toll-free or flat rate calling should be available in a competitive telecommunications market.

Staff believes that Two-Way COS is no longer in the public interest because it creates a barrier to entry for new competitors in the telecommunications industry. For Missourians to receive the benefits of the national telecommunications policy, all barriers to competition should be eliminated.

In order to further the goal of competition in the telecommunications industry, all forms of mandatory COS should be eliminated. Staff believes that as competitive services become available, the *need* for COS will be eliminated. It should also be noted that only approximately 18,000 of the total access lines in Missouri currently feel a *need* for COS.

90.

Considering the customer confusion and the likelihood of customer complaints associated with **any** change from the current COS plan, Staff recommends that the Commission be merciful and only subject these customers to **one** change. Don't phase out COS, eliminate it all at once, in all exchanges.

If the Commission concludes that some form of transition from COS is necessary, the Staff urges the Commission to adopt One-Way COS. This limits toll-free COS calling to only those customers in the petitioning exchange.¹ This means that customers in the target exchange are not able to obtain the ability to utilize COS through the reciprocal feature. This is reasonable and fair because the target exchange has not met the criteria for a community of interest finding by the Commission through a calling usage study. Staff believes it is unreasonable to provide such a benefit where the Commission's own criteria has not been met, especially in a competitive environment as envisioned by the Telecommunications Act of 1996.

II. STRAW PROPOSALS, COMPENSATION MECHANISM, PROPOSED ALTERNATIVES, AND POTENTIAL IMPACT(S) OF CHANGES IN THE PRIMARY TOLL CARRIER PLAN ON COS

A. Should Two-Way COS Be Modified to Use 800/888 Number Based Service for the Return Calling Portion of the Service?

Two-Way COS, utilizing 800 or 888 numbers for return calling is not a viable option for modification of existing Two-Way COS. As the Small Telephone Company Group ("STCG") correctly stated, the 800/888 proposal most closely resembles the present COS

¹ The petitioning exchange is the only exchange that has met the calling criteria for demonstrating a community of interest.

and has the minimum impact of the current customers of COS.² Thus, it closely tracks the problems and short-comings of existing Two-Way COS, causing Staff to be least enamored with this proposal.

Only STCG and the Mid-Missouri Group of Local Exchange Telephone Companies ("Mid-Mo Group") have specifically supported the Two-Way COS with 800/888 Reciprocal Service. Even so, the Initial briefs of these parties fail to adequately address the problems inherent in the proposal. For example, the STCG initial brief discusses that the directory listings in the target exchange directory can be maintained, but fails to discuss the issues of customer confusion from the use of multiple numbers, multiple directory listings, and payment for more than one directory listing.³

The primary concern of Staff with the 800/888 number-based service for the return calling portion of Two-Way COS is the lack of available 800/888 numbers to support this alternative.⁴ The STCG simply makes a statement that the depletion of these numbers does not outweigh the benefits of providing COS via 800/888 numbers. This statement simply cannot be supported, even with the argument of STCG's witness Schoonmaker that the assignment of 800/888 numbers to all COS subscribers would equate to slightly more than 60% of one day's national allocation of 800/888 numbers.⁵ Even though his mathematics appear to be correct, to say that the use of more than 18,000 of these limited availability

² Initial Brief of STCG, pp. 4-6.

³ Smith Direct, Ex. 32, pp. 10-11.

⁴ *Id.* pp. 7-10.

⁵ Schoonmaker Direct, Ex. 6, p. 9.

numbers is not a major contributor to depletion of them is simply not reasonable. Just because it would take only 60% of one day's national allocation does not mean that it is a wise use of those numbers. Missouri is only one of 50 states. Imagine if all 50 states used the same method. Assuming that all states had approximately the same number of COS routes, more than one month's allocations of numbers would be used up in this fashion. Clearly this is not a prudent use of such limited availability numbers.

Staff is further concerned with STCG's somewhat naive belief that the customer confusion caused by the requirement that customers have two different phone numbers, and the uncertainty by customers of the scope of a toll-free calling area will be "minor drawbacks" that customers will overlook because of their desire for Two-Way calling.⁶ In the early stages of extra-exchange calling scopes in Missouri, Two-Way COS was provided utilizing Remote Call Forwarding ("RCF") with the assignment of a second number in order for return calling to be toll-free to a COS subscriber. Customers were confused with the second number assignment causing a number of customer calls to the LECs and to the Commission requesting explanation and direction as to why the service was provided by utilizing a second number and specifying what number should be dialed.⁷ The Staff is convinced that providing Two-Way COS utilizing an 800/888 number for return calls would be even more confusing than when the RCF was used, causing numerous customer complaints and unnecessary confusion.

⁶ STCG Initial Brief, p. 6.

⁷ Smith Direct, Ex. 32, pp. 11-12.

B. Should One-Way Reciprocal COS Service Replace Two-Way COS Service?

The Staff is concerned that the adoption of One-Way Reciprocal COS could increase the calling scope of subscribers in the target exchange, especially if the target exchange has EAS routes or is part of an MCA plan. Staff does not believe that it is appropriate to expand the calling scope of any subscriber, especially where the target exchange has never met the calling criteria to demonstrate a community of interest. In the increasingly competitive environment of the telecommunications market, COS should be eliminated, not expanded. Although the Staff raised its concern surrounding calling usage studies in its direct testimony, no solutions to those valid concerns were presented. As the Staff noted, local competition and intraLATA presubscription will complicate the process of conducting calling usage studies due to the potential for additional carriers being involved in handling the traffic. All carriers would be required to track traffic, for the same time frame, for all respective customers, for each usage study conducted.⁸ No estimates of additional administrative costs to each carrier affected have been presented.

Further, the Staff notes that due to increasing intraLATA presubscription⁹, the incumbent LECs will no longer be able to measure and report all toll calls from a petitioning exchange to a target exchange. Accordingly, it will be increasingly difficult, if not impossible,

⁸ Smith Direct, Ex. 32, pp. 5-6.

⁹ The Commission is currently in the process of implementing intraLATA presubscription mandated by the FCC. IntraLATA presubscription would allow local exchange customers to designate a presubscribed interexchange carrier ("PIC") for intraLATA toll calls dialed as "1+" from the presubscribed location.

for the LEC to obtain the data necessary to perform the calling usage studies required to evaluate whether a prospective COS route meets the community of interest criteria.¹⁰

C. Should One-Way COS Service Replace Two-Way COS Service?

While Staff believes that it is most appropriate to eliminate COS at this time, if the Commission determines that a transitional service is necessary, One-Way COS would be the best service for moving to a competitive environment where no COS is mandated.¹¹ Most of the problems associated with the other proposals do not arise with One-Way COS. Not only could One-Way COS continue to be provided by the PTC as an optional long distance toll service with intercompany compensation based on access charges, but One-Way COS would not require any additional telephone number, directory listing, or directory assistance change.¹²

D. Should COS Be Eliminated Completely?

The Staff cannot state its position strongly enough. The competitive telecommunications environment envisioned by the Telecommunications Act of 1996 requires the elimination of mandatory COS. The rates currently being charged for COS do not recover the cost of the service.¹³ In a true competitive environment, the service must be cost-based to eliminate the possibility of a barrier to competition.¹⁴

¹⁰ Bourneuf Direct, Ex. 23, p. 27.

¹¹ Smith Direct, Ex. 32, pp. 12-15.

¹² *Id.*

¹³ Tr. 770, 776, 792, and 827.

¹⁴ Tr. 795-796.

Even though the Commission has attempted to meet the desires of the customers who want expanded toll-free calling since the late 1960's, customer discontent has continued.¹⁵ The Commission has had several proceedings, spent countless hours and resources attempting to address the concerns from a very minuscule percentage of the total number of telecommunications customers in Missouri.¹⁶ It is time to end this folly and declare an end to this mandatory service that has no place in the new competitive era of telecommunications services.

E. What Is(Are) the Potential Impact(s) of Expected Changes in the Primary Toll Carrier Plan on COS?

The Commission must consider any current changes in COS in conjunction with changes to the PTC plan. COS is presently classified as an intraLATA toll service that is provided through the PTCs. Any changes made to COS will necessarily impact the PTC plan, and vice versa. In the event that the Commission determines that COS will remain in its present form, the PTC plan must remain in place in some form. Likewise, if the PTC plan is altered by shifting the responsibility for providing intraLATA presubscription from the PTC to the LEC serving the petitioning exchange, many additional issues must be resolved.

The Staff is unsure that the PTC plan can remain in its current form. This would preclude intraLATA presubscription in exchanges involved with COS, in contravention of the Telecommunications Act of 1996. The exclusion from intraLATA presubscription would

¹⁵ Smith Direct, Ex. 32, p. 14.

¹⁶ Tr. p. 783.

deprive these customers of the benefits of competition, which is the very purpose of the 1996 Act.

III. COMMISSION ISSUES

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 Indicate and Substantiate an Alternative Proposal.

The Staff maintains that the implementation of One-Way COS or One-Way COS with Reciprocal Service will require the current COS rate to be modified. The customers will be purchasing only half the current COS service. The Staff, in Commission Case Nos. TT-96-398 and TO-97-253, recommended a fifty percent (50%) reduction of existing Two-Way COS rates be implemented as the appropriate rate for One-Way COS. Currently, time, this would provide a rate that is easy to determine and easy to explain. Customers are receiving half the service at half the charge.¹⁷

Although the Staff's recommendation in this case is that the Commission should reduce the rate by fifty percent (50%) for One-Way COS, the Staff, in discussing the pricing issue in general, has indicated its belief that COS should be based on cost.¹⁸ Additionally, Ms. Smith stated in response to cross-examination:

- Q. Okay. If the Commission were to continue it and order each providing carrier to price it based on its cost, would each carrier have to come in and justify its cost and its prices to the Commission?

¹⁷ Smith Direct, Ex. 32, pp. 15-16.

¹⁸ See, Tr. pp. 770-771, 776-778, 813-814.

A. I believe they should.¹⁹

The Staff, during cross-examination, also indicated its doubt that a statewide rate for COS could be established that covered the cost of providing COS but remained affordable.²⁰ Cost-based rates could even cause differing rates between exchanges served by the same company.

The real hurdle with the pricing issue currently before the Commission is that there is not enough time to complete cost studies to ensure cost-based rates, assuming the Commission wants to implement a transition at this time. Because of this time constraint the Staff has proposed a simple calculation consisting of a fifty percent (50%) reduction of the existing Two-Way COS rate as an appropriate rate for One-Way COS service.

B. Shall All Competitive LECs Be Required to Offer this Service?

In the Staff's Initial Brief, the Staff stated that, "[n]o LEC, either competitive or incumbent, should be required to offer COS."²¹ Competition will supply options to consumers without the Commission mandating options. In other words, any LEC should be permitted to offer services similar to COS, but not required to do so.

If the Commission determines that COS should continue, it should also require CLECs to provide the service. First, if ILECs provide this service while CLECs cannot, this would artificially direct traffic to the ILECs that must provide COS. Similar to the argument

¹⁹ Tr. p. 778.

²⁰ Tr. p. 771.

²¹ Staff Initial Brief, p. 19.

that COS, as currently configured, artificially directs traffic to the PTC,²² if only one local carrier could provide COS, persons within that exchange desiring COS would be artificially directed to the LEC that provides COS. This would stifle competition in rural areas.

Second, Missouri statutes establish regulatory parity for what can be required of CLECs and ILECs. The Commission must require CLECs to, "file and maintain tariffs," and "meet the minimum service standards, including quality of service and billing standards," that the Commission requires of ILECs.²³ Additionally, §392.451(2)(3) and (4), Mo. Rev. Stat., 1996 Supp., require the Commission to adopt rules that require CLECs to, "make such reports to and other information filings with the Commission," and, "comply with all of the same rules and regulations," respectively, that the Commission requires of ILECs. All of these statutory sections establish a standard of equitable treatment for ILECs and CLECs that is necessary for fair competition. The Commission should require CLECs to provide COS as ILECs must do if it decides COS should continue so that all LECs are held to the same standards.

If the Commission determines that CLECs must provide COS, it would have to be available for resale from the ILECs. The Telecommunications Act of 1996 requires LECs to resell "services" to local competitors that the ILEC "provides at retail to subscribers who

²² Ensrud Direct, Ex. 11 , p.14.

²³ §§392.450.2(1) and (2) and 392.451.2(1) and (2), Mo. Rev. Stat., 1996 Supp. These two statutory sections apply to approval of CLEC certificates of service authority and also to any rules the Commission adopts for certificating CLECs.

are not telecommunications carriers."²⁴ The state commissions can determine which services the LEC should resell.²⁵ As stated above, in the interest of regulatory parity, the Commission should require CLECs to provide COS if it requires ILECs to do so. However, the current tariff language prohibits resale of COS so it would need to be modified to allow resale.²⁶

If the Commission determines that COS should be resold below cost, as it is currently provided, the FCC includes below cost services as being subject to resale. However, the FCC's rationale for requiring resale of below cost services does not envision another party being adversely affected in the same manner in which the PTC is adversely affected by COS. The FCC stated that resale of below cost services should be allowed because resale is "accompanied by decreases in expenditures that are avoided because the service is being offered at wholesale."²⁷ As COS is currently provided, the LEC is not the party truly harmed by COS being priced below cost. The PTC is the company being harmed²⁸ and the PTC cannot avoid COS costs through savings at wholesale rates (i.e., advertisement and administration savings). For this reason the FCC's analysis of below-cost services does not

²⁴ 47 U.S.C. 251(c)(4).

²⁵ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket 96-98, First Report and Order, FCC 96-325, p. 415 (rel. Aug. 8, 1996).

²⁶ Smith Rebuttal, Ex. 33, p.7.

²⁷ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket 96-98, First Report and Order, FCC 96-325, p. 455 (rel. Aug. 8, 1996).

²⁸ Tr. 362.

apply to resale of COS. As such, if COS continues as currently configured, it should be cost-based to minimize harm to the PTCs and eliminate COS as a subsidized service.

One way to solve the problems encountered by the PTCs is to require the LECs to provide COS as a local service. However, this solution creates problems of its own. If COS is classified as a local service the same problems exist as those stated in the Staff's Initial Brief. Such a mandate would act as a significant curb on a company's willingness to serve areas receiving COS. A CLEC can choose which exchanges it wants to serve and CLECs would avoid those exchanges where it is required to provide COS. A company would not be willing to serve an area that required a completely new billing system and an area in which several customers were receiving service priced below cost. The Staff believes this would be a market entry barrier and would exclude effective competition in many rural exchanges that deserve options for calling other than COS.²⁹

As stated above, COS should be allowed to be provided by LECs, but not required.³⁰

C. What, If Any, Change Must Be Made in the PTC Plan to Accommodate or Accomplish the Proposed COS Changes herein?

While the Staff does not believe any specific changes to the PTC plan are necessary to implement the Staff's recommendations, the Staff notes that changes to the PTC plan can impact COS. Therefore, it may be necessary to expand the scope of Case No. TO-92-217, et al. to provide information necessary for the Commission to make changes to COS if necessary based on recommended changes to the PTC plan.

²⁹ Staff Initial Brief, pp. 22-23.

³⁰ See, IV. A., below for additional explanation of why COS is inconsistent with a competitive environment.

D. Should the Commission Stay All Pending and Future COS Applications?

Currently, there are seven outstanding COS petitions.³¹ When COS was initiated, a competitive local market did not exist. Today, with the implementation of the Telecommunications Act of 1996 and state statutes mandating that competition be initiated, COS must be modified in some way, if not completely eliminated. If the Commission allowed more COS routes, more consumers are going to be angry when COS is eliminated or substantially modified to meet the changes in technology and service offerings required by competition.

Every year since COS was initiated, fewer and fewer customers have been able to pass the calling usage criteria established by the Commission.³² In those routes where the criteria can be met, COS has already been implemented. The Staff believes that it will be much less painful for consumers if future COS petitions are denied rather than permit implementation of COS in areas where it will have to be substantially modified when intraLATA presubscription begins in COS exchanges. The small number of consumers who subscribe to COS in Missouri should not be permitted to dictate that other consumers be unable to enjoy the benefits of intraLATA presubscription.

E. What Is the Participants' Proposal for Educating the Public?

The Staff's proposal for educating the public, as set forth in its initial brief, is completely adequate to educate the public as to the Commission's ultimate decision in this

³¹ Smith Direct, Ex. 32 , Sch. 3.

³² Bourneuf Direct, Ex. 23, pp. 26-27.

matter. The proposal of the Office of the Public Counsel ("OPC"), STCG, and Mid-Mo Group, is so extreme that Staff has difficulty in comprehending its purpose. To suggest that the Commission provide further opportunities for public hearings in this matter is simply ridiculous. All parties have known that one of the issues being considered in this case was a proposal to eliminate COS in its entirety, as well as proposals to limit COS to a One-Way service. Any requests for public hearings should have been made long ago. The Commission should not be expected to delay its determination pending public hearings so that a very vocal, very small number of disgruntled customers can reiterate the same old song and dance that the Commission has heard in each and every one of the previous investigations where extra-exchange calling has been considered.

F. Please "Explore and Discuss the Potential of LATAwide or Statewide Flat-rate COS."

At the present time, it is very difficult to discuss all the specifics of LATAwide or statewide flat-rate COS. As the STCG stated in its Initial Brief, at the federal level a high cost fund proceeding and a rulemaking on additional access reform are pending.³³ However, many of the general issues relating to LATAwide or statewide flat-rate COS are the same as those discussed in other areas of this brief. First, competition should supply options for consumers without the Commission needing to mandate that services such as COS be provided.³⁴ Second, state commissions should eliminate implicit subsidies in the state telecommunications system and rely on explicit support mechanisms.

³³ STCG, Initial Brief, p. 20. Schoonmaker Direct, Ex. 6, pp.24-25.

³⁴ See IV. A., below.

COS is currently provided below cost. If the service continues to be priced below cost, the companies involved would have to be made whole or the Commission would be taking property without just compensation. From this premise, if the Commission decided that the companies should be made whole for providing COS below cost, from whom do the companies recover that lost revenue? If each LATA or the whole state received COS below cost, the Commission would have to determine which consumers would have to pay for provision of that service. Such cross-subsidization, especially on such a large scale, is fundamentally at odds with competition and also begs the question of why a universal service fund exists.

If the Commission determined that LATAwide or statewide flat-rate COS should be cost-based instead of provided below cost, most consumers would rather pay toll rates based on their own usage instead of subsidizing, through a flat-rate service, other consumers with an exorbitant amount of toll calling.

The Staff believes that mandated LATAwide or statewide flat-rate COS is not a viable alternative in a competitive marketplace.

IV. ADDITIONAL ISSUES RAISED DURING HEARING

A. COS is Inconsistent with the Current Competitive Environment.

The Staff in its Initial Brief stated that COS is inconsistent with a competitive environment because it creates market entry barriers for new competitors.³⁵ New toll competitors will be deterred if they are required to provide a service below cost. New local service providers will be deterred from serving an area if the service is changed to a local

³⁵ Staff's Initial Brief, pp. 22-23.

service. Local competition would be stifled in many rural areas if COS is mandated in those areas.

The STCG argued in its Initial Brief that the "state and federal acts require comparable prices for rural, high-cost areas."³⁶ The Staff understands that such mandates are actually to be used in conjunction with Universal Service Fund standards. As the FCC stated in its Access Charge Reform Order, "[b]y not mandating immediate Commission action to eliminate these policies and instead by ordering that the Commission and the states together achieve universal service goals, Congress intended that states, acting pursuant to sections [sic] 254(f) of the Communications Act, must in the first instance be responsible for identifying intrastate implicit universal service support."³⁷ The states are responsible for identifying and eliminating implicit subsidies in state telecommunications systems. Congress intended that universal service be attained through explicit support from the Universal Service Fund, not through implicit subsidization as the current telecommunications system is configured. The FCC reiterated that implicit subsidies should be eliminated in its Universal Service Fund Order.³⁸ The Federal Universal Service Fund was implemented to provide telephone service to all Americans. However, the fund is supposed to be the explicit manner in which everyone will receive telephone service. States are supposed to eliminate implicit subsidies such as those found in COS. Congress recognized

³⁶ STCG Initial Brief, p. 21.

³⁷ *Access Charge Reform*, et al., CC Docket 96-262, et. al., First Report and Order, FCC 97-158, p. 7 (rel. May 16, 1997).

³⁸ See, *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Report and Order, FCC 97-157, p. 10 (rel. May 8, 1997).

that maintaining elaborate implicit state subsidy systems has the effect of stifling competition.

B. Should the Commission Order a True-Up of T/O³⁹ Ratios or a Move to Actual Minutes of Use in this Docket?

In its Initial Brief, the Staff stated that the issue of whether the Commission should order a true-up of T/O ratios or move to actual usage minutes for access was not fully considered in the present docket.⁴⁰ A decision about access rates would affect the rates of every carrier in the state and should be considered in a separate docket where due process can permit a full examination of the issue."⁴¹

The Staff believes that access rates should be considered in a separate docket.

C. What, If Any, Jurisdiction Does the Commission Have Over Internet Service?

Based on the question at the conclusion of the hearing in this matter,⁴² the Staff believed that the Commission was asking whether Internet service should be regulated by the Commission. However, after reading the other parties' initial briefs, the Staff would like to state that it believes that Internet service through COS is improper.

³⁹ The T/O ratio refers to the ratio of terminating to originating minutes used by the LECs to calculate access usage.

⁴⁰ Staff Initial Brief, p. 24.

⁴¹ *Id.* at 24.

⁴² Tr. 838.

First, the use of COS by the secondary carriers to provide Internet service is forbidden by the COS tariff because it is sharing or reselling COS.⁴³ As the Staff's witness, Gay Smith, stated in her Rebuttal testimony,

The COS number which is subscribed to by the petitioning exchange LEC serves as a pilot number for a trunk hunting group that is tied to a bank of modems to allow an end user Internet access. This arrangement allows a target exchange customer to call the petitioning exchange number toll free to subscribe to an Internet access service. The Internet access service is not free to the end user but allows an end user to access an Internet service provider toll-free whereas if two-way COS was not available the end-user would be required to pay toll for the call.

Moreover, the existing COS tariffs state that, "COS is not to be offered in conjunction with services such as Cellular, Public, Semi-Public, Coin Box, Customer-Owned Pay Telephone Services or comparable services offered by other local exchange companies..."⁴⁴

The SC resells COS when the SC, from a petitioning exchange, subscribes for one COS business line, ties a number of modems to it which are accessed via one telephone number for the direct connection of the SC to Internet services. Also, COS is being combined with Internet service, which is a service offered by an SC similar to those services listed above. The SCs are offering an additional non-regulated service which requires, as a part of their service offering, the use of the PTCs COS service. This is a sharing of COS. The PTC's service arrangement is required to make the SCs Internet service attractive. Clearly,

⁴³ Smith Rebuttal, Ex. 33, pp. 7-8.

⁴⁴ *Id.*

Internet service provided in this manner through COS allows the SCs to resell or share COS in violation of the COS tariff.


The second reason Internet service provided through COS is improper is because the SCs will prosper at the PTC's *further* expense. The current COS compensation system is a boon to SCs because they gather compensation from access by the PTCs when the PTCs provide COS. Stimulated COS usage through Internet use could mean more access revenue for the secondary carriers at greater and greater cost for the PTC, which is already paying more in access than COS brings in. The SCs are able to create additional revenues by becoming a COS customer themselves, putting the PTCs at a further disadvantage. The LEC should not be permitted to create revenues for itself through a service offered by a PTC.

V. CONCLUSION

For the reasons set out herein and in its initial brief, the Staff believes the Commission should eliminate COS in its entirety. As an alternative, the Commission might authorize, but not require the provision of One-Way COS as a transitional service. If the Commission retains One-Way COS, and does not modify the existing PTC plan, the Staff believes One-Way COS should continue to be classified as an optional toll service provided by the PTC and that compensation for such service should be based upon access rates. Further, if the Commission authorizes the provision of One-Way COS, the Staff continues to support its position in Commission Case Nos. TT-96-398 and TO-97-253 that a fifty percent (50%) reduction of the existing Two-Way COS rate is the appropriate rate for One-Way COS absent the time necessary to perform cost studies. Finally, the Staff states

again its position that the Commission should not accept any new applications for any type of COS service due to the difficulty obtaining the necessary data to conduct calling usage studies when multiple local service providers are involved.

Respectfully submitted,



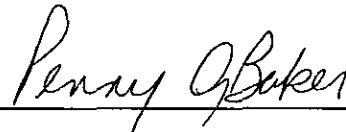
Penny G. Baker
Deputy General Counsel
Missouri Bar #34662

Carol Keith
Assistant General Counsel
Missouri Bar #45065

Attorney's for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
573-751-6651
573-751-9285 (Fax)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 22nd day of August, 1997.



Service List

Case No. TW-97-333

Revised: August 22, 1997

Mark W. Comley
Newman, Comley & Ruth
P.O. Box 537 (65102-0537)
205 E. Capitol Ave.
Jefferson City, MO 65101

Craig S. Johnson
Andereck Law Firm
301 E. McCarty Street
P.O. Box 1438 (65102)
Jefferson City, MO 65101

Paul H. Gardner
Goller, Gardner & Feather, P.C.
First Floor Suite
131 E. High St.
Jefferson City, MO 65101

Paul G. Lane
Diana J. Harter, Leo J. Bub
Southwestern Bell Telephone Co.
100 North Tucker, Room 630
St. Louis, MO 63101-1976

Paul S. DeFord
Lathrop & Gage
2345 Grand Blvd., Ste. 2500
Kansas City, MO 64108

Stephen F. Morris
MCI Telecommunications Corp.
701 Brazos, Suite 600
Austin, TX 78701

W. R. England, III
Sondra B. Morgan
Brydon, Swearengen & England
312 East Capitol
P. O. Box 456 (65102-0456)
Jefferson City, MO 65101

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

Michael F. Dandino
Office of the Public Counsel
P. O. Box 7800
Jefferson City, MO 65102

Linda K. Gardner
United Telephone Co. of MO
5454 W. 110th St., 10th Floor
Overland Park, KS 66211

Carl J. Lumley
Leland B. Curtis
Curtis, Oetting, Heinz, Garrett & Soule
130 S. Bemiston, Ste. 200
Clayton, MO 63105

Julie Grimaldi
Julie Thomas Bowles
Sprint Communications Co., L.P.
8140 Ward Parkway, 5E
Kansas City, MO 64114