BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the establishment of a plan for expanded calling scopes in metropolitan and outstate exchanges.	))))	<u>Case No. TO-92-306</u>

REPORT AND ORDER

Date Issued: **December 23, 1992**

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APPEARANCES

Katherine C. Swaller, **Darryl W. Howard**, and **Ann Mueleman**, Attorneys, Southwestern Bell Telephone Company, 100 North Tucker Boulevard, Room 630, St. Louis, Missouri 63101-1976, for Southwestern Bell Telephone Company.

Paul S. DeFord, Lathrop & Norquist, 2345 Grand Avenue, Suite 2600, Kansas City, Missouri 64108-2684, for AT&T Communications of the Southwest, Inc.

W.R. England, III, and **Paul A. Boudreau**, Brydon, Swearengen & England, P.C., 312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102, for: Citizens Telephone Company of Higginsville, Missouri, Inc., Craw-Kan Telephone Cooperative, Inc., Ellington Telephone Company, Farber Telephone Company, Goodman Telephone Company, Grand River Mutual Telephone Corporation, Holway Telephone Company, Iamo Telephone Company, Kingdom Telephone Company, Lathrop Telephone Company, Le-Ru Telephone Company, McDonald County Telephone Company, Mark Twain Rural Telephone Company, Miller Telephone Company, New Florence Telephone Company, New London Telephone Company, Orchard Farm Telephone Company, Oregon Farmers Mutual Telephone Company, Rock Port Telephone Company, Seneca Telephone Company, Steelville Telephone Exchange, Inc., and Stoutland Telephone Company (collectively, the "**Small Telephone Company Group**"); Missouri R.S.A. No. 7 Limited Partnership, d/b/a Mid-Missouri Cellular; Bourbeuse Telephone Company; and Fidelity Telephone Company.

Paul A. Boudreau, Brydon, Swearengen & England, P.C., 312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102, for Missouri R.S.A. No. 7 Limited Partnership, d/b/a Mid-Missouri Cellular.

H. Edward Skinner and **Valerie F. Boyce**, Ivester, Skinner & Camp, P.A., 111 Center Street, Suite 1200, Little Rock, Arkansas 72201, for: ALLTEL Missouri, Inc., Eastern Missouri Telephone Company, and Missouri Telephone Company (collectively, "**ALLTEL**").

Craig S. Johnson, Stockard, Andereck, Hauck, Sharp and Evans, 301 East Capitol Avenue, Third Floor, Post Office Box 1280, Jefferson City, Missouri 65102, for: Alma Telephone Company, Chariton Valley Telephone Company, Choctaw Telephone Company, Green Hills Telephone Company, KLM Telephone Company, Mid-Missouri Telephone Company, MoKan Dial, Inc., Northeast Missouri Rural Telephone Company, Peace Valley Telephone Company, and Wheeling Telephone Company (collectively, the "**Mid-Missouri Group**").

Richard S. Brownlee, III, and **Donald C. Otto, Jr.**, Hendren and Andrae, 235 East High Street, Post Office Box 1069, Jefferson City, Missouri 65102, for Competitive Telecommunications Association of Missouri.

James C. Stroo, Associate General Counsel and **William D. Kolb**, Attorney, GTE Operations, 1000 GTE Drive, Building A, Post Office Box 307, Wentzville, Missouri 63385, for GTE North Incorporated; Contel of Missouri, Inc., d/b/a GTE Missouri; The Kansas Telephone Company, d/b/a GTE of Eastern Missouri; and Contel Systems of Missouri, Inc., d/b/a GTE Systems of Missouri, (collectively, "**GTE**").

Thomas A. Grimaldi, Senior Attorney, United Telephone Company of Missouri, 5454 West 110th Street, Overland Park, Kansas 66211, for United Telephone Company of Missouri.

William M. Barvick, Attorney at Law, 240 East High Street, Suite 202, Jefferson City, Missouri 65101, for Midwest Independent Coin Payphone Association.

Jeremiah D. Finnegan, Attorney at Law, 1209 Penntower Building, 3100 Broadway, Kansas City, Missouri 64111, for: cities of Cleveland, East Lynne, Excelsior Springs, Freeman, Garden City, Greenwood, Grain Valley, Harrisonville, Lake Lotawana, Lake Winnebago, Oak Grove, Odessa, Ozark, Peculiar, Pleasant Hill, and Strasburg, Missouri; county of Cass, Missouri; and village of Lake Annette, Missouri (collectively, "**Oak Grove, et al.**").

Carl J. Lumley, Curtis, Oetting, Heinz, Garrett & Soule, P.C., 130 South Bemiston, Suite 200, Clayton, Missouri 63105, for MCI Telecommunications Corporation.

Randy Bakewell, Assistant Public Counsel, Office of Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of Public Counsel and the public.

Robert J. Hack, Deputy General Counsel, and **Colleen M. Dale**, Senior Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

HEARING EXAMINER: Cecil I. Wright.

REPORT AND ORDER

On June 12, 1992, the Commission issued an order establishing this docket to consider what types of plans should be adopted to provide expanded calling to all parts of the state of Missouri. In its order the Commission described four proposals for addressing the expanded calling limitations which exist under the current structure of telecommunications service. The Commission made all local exchange companies parties to this docket and granted intervention to: AT&T Communications of the Southwest, Inc. (AT&T); MCI Telecommunications Corporation (MCI); Missouri R.S.A. No. 7 Limited Partnership, d/b/a Mid-Missouri Cellular (Mid-Missouri Cellular); Competitive Telecommunications Association of Missouri (CompTel); Midwest Independent Coin Payphone Association (MICPA); the cities of Cleveland, East Lynne, Excelsior Springs, Freeman, Garden City, Greenwood, Grain Valley, Harrisonville, Lake Lotawana, Lake Winnebago, Oak Grove, Odessa, Ozark, Peculiar, Pleasant Hill, and Strasburg, Missouri, county of Cass, Missouri, and village of Lake Annette, Missouri (Oak Grove et al.); and city of Independence, Missouri. In addition, a Protective Order was adopted for the protection of confidential information.

The Commission established an ambitious procedural schedule for this case which set deadlines for discovery. Hearings were held as scheduled October 26 through 30 and briefs were filed.

Two late-filed exhibits have been offered. Exhibit 94 is the supplemental surrebuttal testimony of Public Counsel witness Robertson. No party filed an objection so that exhibit will be received into evidence. Exhibit 95P is a document entitled "Southwestern Bell Telephone Company's Toll Revenue and Access

Cash Flow, Missouri PTC Plan" offered by the Small Telephone Company Group.[1] No party filed an objection so that exhibit will be received into evidence.

On December 10, 1992 the Commission issued a scenario requesting certain information from the parties. The scenario and the nonproprietary responses will be made Exhibit 96 and the Proprietary responses will be Exhibit 96P.

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.

As stated in its Order Establishing Docket, the Commission proposes to adopt comprehensive plans for addressing the concerns and needs of customers in exchanges throughout the state. The Commission presented the outlines of four plans in its order. The Commission presented a Metropolitan Calling Area (MCA) plan for the three largest metropolitan areas in the state, St. Louis, Kansas City and Springfield. The Commission presented two proposals for an Outstate Calling Area (OCA) plan for exchanges not included in the MCA. Finally, the Commission presented a plan to modify Community Optional Service (COS). These plans were the result of a review of the history of earlier attempts to resolve expanded calling concerns. Most recently, the Commission adopted COS, which was designed to meet many of the customer concerns addressed by this case.

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[1]The "Small Telephone Company Group" is composed of the following companies: Citizens Telephone Company of Higginsville, Missouri, Inc., Craw-Kan Telephone Cooperative, Inc., Ellington Telephone Company, Farber Telephone Company, Goodman Telephone Company, Grand River Mutual Telephone Corporation, Holway Telephone Company, Iamo Telephone Company, Kingdom Telephone Company, Lathrop Telephone Company, Le-Ru Telephone Company, McDonald County Telephone Company, Mark Twain Rural Telephone Company, Miller Telephone Company, New Florence Telephone Company, New London Telephone Company, Orchard Farm Telephone Company, Oregon Farmers Mutual Telephone Company, Rock Port Telephone Company, Seneca Telephone Company Steelville Telephone Exchange, Inc., and Stoutland Telephone Company.

COS, though, was not a comprehensive service and so left many customers without expanded calling.

To address the limitations of COS and to endeavor to understand the specific needs of customers, the Commission created a Task Force on Calling Scopes in Missouri (Task Force) in December 1990. This Task Force resulted in four proposals for addressing expanded calling. These four proposals were presented for customer comment at meetings throughout the state. In addition, many letters were received from customers concerning the four proposals and expressing the desires of various areas throughout the state for expanded calling.

Based upon the history of attempts to address expanded calling concerns, the experience with COS, and the customer comments at the local meetings, the Commission developed the four plans presented in the order establishing this docket. These four plans, then, are the focus of this Report And Order. The MCA, OCA, and modified COS proposals will be addressed separately since they present different problems. Issues of implementation and revenue neutrality will be addressed after the Commission has made its findings concerning the expanded calling scopes plans.

The parties in this case, except for CompTel, basically agree that additional service offerings need to be provided to customers in most if not all of the exchanges in the state. There appears to be no real disagreement with the basic thrust of the Commission proposal, which is to provide separate plans for outstate and metropolitan exchanges. There also is no real disagreement that a metropolitan plan should include additional exchanges beyond the current WASP plans in Kansas City, St. Louis and Springfield.

A comprehensive proposal was presented by SWB, United and GTE (collectively referred to hereinafter as the Signatory Parties) in a Joint Recommendation. This Joint Recommendation contains the Signatory Parties' proposals regarding MCA, OCA and modified COS. The Joint Recommendation, as modified during the hearing, proposes to provide a bill-and-keep intercompany compensation plan for MCA service and classification and tariffing of the service consistent with that plan. The Joint Recommendation also proposes a procedure for achieving revenue neutrality and an implementation time frame for the proposed service. The Joint Recommendation also contains the proviso that the intercompany compensation arrangement proposed is contingent upon the Commission accepting the various proposals in the Joint Recommendation in their entirety.

Commission Staff also filed its own comprehensive proposal designed to establish MCA, OCA and modified COS. Staff's proposal is based upon its position that services should be divided between basic and long distance depending upon whether they are provided within or outside an exchange's local calling scope. In addition, Staff would make all long distance services optional. Consistent with this approach, Staff proposed that all expanded calling scope service be tariffed by the Primary Toll Carriers (PTCs) and that access charges be used for intercompany compensation. Staff also addressed revenue neutrality requirements and implementation time frames.

The small telephone company groups, as well as ALLTEL[2], and Fidelity Telephone Company, took positions similar to Staff's on intercompany compensation by access charges, and they presented positions on revenue neutrality issues and implementation.

The Office of Public Counsel generally supported the plan proposed by the Commission with certain modifications. These modifications addressed, mainly, whether mandatory seven-digit dialing was reasonable and how MCA rates would be changed in the future. Public Counsel also supported the position that

[2]The following companies are referred to collectively as "ALLTEL": ALLTEL Missouri, Inc., Eastern Missouri Telephone Company, and Missouri Telephone Company.

MCA should be an additive and intercompany compensation should be by access charges.

Other parties such as AT&T, Mid-Missouri Cellular, MICPA, and MCI addressed only those parts of the proposed plan that would affect them, while CompTel generally opposed the plans. Oak Grove et al. addressed concerns regarding MCA service in Kansas City and the Ozark exchange in Springfield.

As will be seen from the decision on specific issues with regard to the separate plans and other related issues, the Commission has not adopted any one party's position entirely. Each proposal had aspects which were considered reasonable and which accomplished the Commission's goal set for this docket, and each proposal had aspects which did not. As with all cases, the parties presented their evidence from their perspectives and the Commission must weigh that evidence against other evidence and evaluate all of the evidence based upon the interests of the ratepayers, the companies, other affected parties, and the overall public interest. The Commission hopes that the recommendations of the parties are not so inflexible that the selection of only a portion of a party's position will render the decision of the Commission unacceptable. The primary goal of this docket is to fashion new expanded calling scope services that will address existing customer complaints, desires and needs, and that also will put in place services that will adequately meet customers' long term requirements. Under the constraints of existing exchange boundaries, company boundaries and costs, the Commission believes the plans adopted in this order are reasonable and are a culmination of a long process to address the changing nature of telecommunications service in Missouri.

Metropolitan Calling Area

A substantial number of the customer complaints and dissatisfaction with exchange services originated from exchanges in areas which were once rural but which now consider themselves part of a metropolitan area. The growth of the three metropolitan areas has expanded beyond individual company boundaries and has expanded beyond the current exchange boundaries and local calling scopes of individual exchanges. Especially in Kansas City and St. Louis, this phenomenon has caused almost constant complaint by customers in outlying exchanges desiring the calling scope and calling pattern and rate structure enjoyed by exchanges included within existing metropolitan calling areas.

Currently, Southwestern Bell Telephone Company (SWB), which provides local service in the predominant portion of the three metropolitan areas, offers a Wide Area Service Plan (WASP) to metropolitan exchanges around St. Louis and Kansas City and to three exchanges around Springfield. The WASP allows for a basic local exchange customer to subscribe to the WASP service and thus extend that customer's calling scope for a flat rate. This is the type of service customers of other companies and in other SWB exchanges wish to be offered.

In response to the expressed desire of customers in these outlying exchanges and in recognition of the growth of the three metropolitan areas, the Commission proposed the MCA plan as a modification and expansion of the WASP service offered by SWB. The Commission proposed that the MCA include five tiers of exchanges radiating out from the MCA-Central exchanges in St. Louis and Kansas City and two tiers in Springfield's MCA. Under the Commission's proposal, the number of exchanges in the MCA would be 37 in St. Louis, 43 in Kansas City, and 22 in Springfield, as compared to 27 in St. Louis, 15 in Kansas City, and three in Springfield under the WASP.

The rates for MCA service would increase for each tier the farther from the MCA-Central the tier is. The Commission proposed a calling pattern where a subscriber to the MCA service would be able to call all customers throughout the MCA. The service would be mandatory in MCA-Central, MCA-1 and MCA-2 in St. Louis and Kansas City and in MCA-Central and MCA-1 in Springfield. It would be optional in the other tiers of all MCAs. The Commission proposed to eliminate WASP, Optional Measured Metropolitan Service (OMMES), Metropolitan Optional Service Plan (MOSP) and COS within the MCAs. In addition, the Commission proposed to eliminate Extended Area Service (EAS) between MCA-Central and MCA-1 in Springfield.

Calling Scope

The calling scope issue involves which exchanges should be included in the MCA and thus be offered the MCA service. The Commission proposed the following calling scope for the three MCAs.

MCA-Central
St. Louis, Kansas City, Principal Zone

MCA-1
Kansas City, St. Louis Zone 1

MCA-2
Kansas City, St. Louis Zone 2

MCA-3 would include the following exchanges:

St. Louis:

Chesterfield	Fenton	St. Charles
Manchester	Maxville	Imperial
Valley Park	Portage Des Sioux	Orchard Farm

Kansas City:

Farley	Kearney	Lake Lotawana
Platte City	Missouri City	Greenwood
Ferrelview	Buckner	
Smithville	Grain Valley	

MCA-4 would include the following exchanges:

St. Louis:

Harvester	High Ridge	St. Peters
Pond	Antonia	O'Fallon
Eureka	Herculaneum	Dardenne

Kansas City:

Weston	Excelsior Springs	Pleasant Hill
Camden Point	Orrick	Harrisonville
Edgerton	Oak Grove	Peculiar
Trimble	Lone Jack	Cleveland
Holt		

MCA-5 would include the following exchanges:

St. Louis:

Winfield	New Melle	Ware
Moscow Mills	Augusta	Festus
Old Monroe	Defiance	Hillsboro
Troy	Gray Summit	DeSoto
Foristell	Pacific	
Wentzville	Cedar Hill	

Kansas City:

Dearborn	Wellington	East Lynne
Plattsburg	Odessa	Garden City
Lathrop	Holden	Archie
Lawson	Kingsville	Freeman
Richmond	Strasburg	Drexel
Henrietta		

MCA-Central (Springfield) would include the Springfield exchange.

MCA-1 (Springfield) would be created, to include the following exchanges:

Springfield:

Republic	Strafford	Nixa
Willard	Rogersville	South Nixa
Fair Grove		

MCA-2 (Springfield) would be added, to include the following exchanges:

Springfield:

Billings	Ozark	Pleasant Hope
Clever	Sparta	Morrisville
Marionville	Fordland	Walnut Grove
Hurley	Marshfield	Ash Grove
Highlandville	Elkland	Halltown

There appears from the record to be no party which presented evidence in opposition to the exchanges proposed to be included in the MCAs by the Commission. The calling scope issues, where there is disagreement, include the proposal to add the Leavenworth exchange to the Kansas City MCA and the Foley exchange to the St. Louis MCA, and the position of Oak Grove et al.[3] that the exchanges are not properly classified within the MCAs.

The primary focus of the development of an expanded calling scope plan for the three metropolitan areas is to recognize the growth that has occurred and to reflect the expanded community of interest of the exchanges bordering the current metropolitan areas with those exchanges within the current metropolitan areas. A review of the transcripts of the local meetings, the letters from customers, the Task Force proposals and the lack of opposition from the parties in this case all reflect the need for expanded calling scopes for these three areas.

The Commission finds that the expanded calling scope as evidenced by the list of exchanges for each MCA as set out above, is reasonable. This calling scope includes all but five exchanges which have COS into the current metropolitan areas and recognizes the community of interest between the exchanges in the outer MCA tiers and the metropolitan exchanges. In addition, the Commission has included as MCA-5 an area which may be the limit of the expansion of the community of interest for several years. Thus, the MCAs' calling scopes meet not only current customer needs and desires but should meet future needs and desires, especially when combined with the other plans adopted by the Commission in this order.

Commission Staff proposed the addition of the Missouri portion of the Leavenworth exchange as an MCA-3 exchange in the Kansas City MCA. No party opposed this addition. The Commission finds this addition is reasonable,

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[3]"Oak Grove et al." is composed of the following intervenors: cities of Cleveland, East Lynne, Excelsior Springs, Freeman, Garden City, Greenwood, Grain Valley, Harrisonville, Lake Lotawana, Lake Winnebago, Oak Grove, Odessa, Ozark, Peculiar, Pleasant Hill, and Strasburg, Missouri; county of Cass, Missouri; and village of Lake Annette, Missouri.

especially in light of the location of the Leavenworth exchange in relationship to the other exchanges in MCA-3.

Commission Staff also proposed the addition of the Foley exchange as an MCA-5 exchange in the St. Louis MCA. SWB, United Telephone Company (United) and GTE[4] (Signatory Parties) oppose this addition to the MCA in St. Louis. Staff's principal reason for proposing the addition of the Foley exchange to the St. Louis MCA is the distance between the Foley central office and the St. Louis exchange's Jefferson Central office as compared to the distance of the Troy exchange to the same office. The Foley exchange is closer than the Troy exchange. Staff witness Smith maintains the inclusion of Foley would make the MCA-5 tier consistent in the St. Louis area.

The Commission finds that the MCA-5 in St. Louis should not be expanded to include the Foley exchange. Although distance is an important factor, it is not determinative. The Commission finds that Foley would be a stacking of three exchanges in the MCA-5 in St. Louis. Even though exchange boundaries have been an impediment to expanded calling, their existence still plays an important part in how telephone service is provided and the Commission finds it would not be reasonable to stack three exchanges in an MCA. In fact, the Commission was concerned about the two-exchange stacking that occurs in the St. Louis MCA but determined it is necessary to ensure the MCA accomplishes its goal. Stacking of two exchanges is unavoidable with the configuration of the exchanges and the population patterns in those exchanges. The Commission, though, does not believe stacking three exchanges should be approved.

Oak Grove et al. challenge the inclusion of specific exchanges in the MCA tiers as proposed by the Commission. Specifically, in the Springfield MCA,

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[4]"GTE" is the following companies: GTE North Incorporated; Contel of Missouri, Inc., d/b/a GTE Missouri; The Kansas Telephone Company, d/b/a GTE of Eastern Missouri; and Contel Systems of Missouri, Inc., d/b/a GTE Systems of Missouri.

Oak Grove et al. challenge the inclusion of the Ozark exchange as an MCA-2 exchange, contending it should be an MCA-1 exchange. In Kansas City, Oak Grove et al. challenges the inclusion of Grain Valley, Greenwood, Farley and Tiffany Springs as separate exchanges since they have no central office, and they challenge the rate differentials between MCA-3, MCA-4 AND MCA-5 and those proposed for MCA-Central, MCA-1 and MCA-2. In addition, Oak Grove et al. propose that exchanges in the MCA be included in a tier based upon the contiguity of that exchange to an exchange in a lower-numbered tier.

The Ozark exchange as shown on Attachment 3 is a long narrow exchange which abuts the proposed Springfield MCA-Central exchange and which extends between MCA-1 exchanges Nixa and Rogersville and MCA-2 exchanges Highlandville and Sparta. The issue concerning in which MCA tier to include the Ozark exchange arises because of this configuration.

Oak Grove et al. would have the Commission rely on two factors in moving the Ozark exchange from MCA-2 to MCA-1. First, Ozark's rate center is closer to the Springfield rate center than Rogersville, an MCA-1 exchange; and second, Ozark abuts the Springfield MCA-Central exchange. Oak Grove et al. contend that only these two objective measures should be used to determine in which MCA tier an exchange should be included.

All other parties which take a position on the issue oppose this change. SWB witness Halpin specifically testified that other factors such as size and shape of the exchange should be considered in reaching a decision on this issue. Halpin suggested that some subjective judgment was necessary in determining which exchanges belonged in which MCA tiers.

As can be seen from the configuration of telephone exchanges, they are not of similar size or shape and their distance from their toll rating center is not always to the center of each exchange. Comparisons on a purely distance or contiguity basis then, although important, cannot be conclusive.

The Ozark exchange configuration makes it an anomaly which cannot easily be resolved by inclusion in either MCA-1 or MCA-2. If the top half of the exchange is considered, it appears to belong to the MCA-1 tier, but if the bottom half of the exchange is considered it appears to belong in the MCA-2 tier. There is no objective test that can resolve this conundrum and so the Commission must use its judgment in deciding in which MCA tier Ozark should be included.

Weighing all factors, the Commission finds that the Ozark exchange should be an MCA-2 exchange. By distance, its rate center is beyond all but one MCA-1 exchange and its contiguity with the Springfield MCA-Central exchange is a small part of its overall boundary. The deciding factor for the Commission in reaching this decision, though, is the effect MCA-1 status would have on customers. The Commission finds that customers in the Ozark exchange should not have mandatory MCA service.

Currently there are six exchanges which have EAS to the Springfield exchange. These six have been included in MCA-1 and EAS is proposed to be eliminated between these exchanges. Ozark is not one of these exchanges and so customers had never demonstrated a sufficient community of interest to meet EAS criteria.

Since MCA-1 rates are mandatory for all customers, inclusion of Ozark would require those customers in the lower half of the exchange to pay for a service they may not want or need. The Commission finds it is more reasonable to allow the customers in the Ozark exchange the option of taking the MCA service rather than making it mandatory. This, of course, will require those Ozark customers taking the MCA-2 service to pay higher rates, but that is balanced by the fact that those customers who do not wish to subscribe will not be forced to pay for the service.

The issue of whether a designated area can be an exchange if it has no central office is an issue that the Commission considers beyond the scope of this case. The consolidation of exchanges or areas into larger exchanges or areas is an issue which the Commission has considered but has found to be not ripe for decision. The exchange boundaries have been in existence for many years and, as recognized by this docket, no longer represent the calling needs of many customers. The proposals in this case are designed to recognize those needs and provide a solution to many of the problems created by existing exchange boundaries. The Commission, though, is not prepared at this time to take the next step and eliminate certain exchanges. This step has not been completely thought out, nor is it a necessary step for the establishment of the expanded calling plans in this docket.

The Commission is also not persuaded by the reliance upon the statutory or rule definition of an exchange. The statute defines an exchange as "a geographical area for the administration of telecommunications services, established and described by the tariff of a telecommunications company providing basic local telecommunications service." Section 386.020(13), R.S.Mo. (Supp. 1991). The evidence shows that the exchanges of Grain Valley, Greenwood, Farley and Tiffany Springs meet this definition. Commission rules define an exchange as "a unit established by a telephone utility for the administration of telecommunications service in a specified area for which a separate local rate schedule is provided. It may consist of one (1) or more central offices together with associated plant facilities used in furnishing telecommunications service in that area." 4 CSR 240-32.020(16). This definition does not require that an exchange have a central office but only that it may have one or more. The evidence indicates that the four exchanges meet the definition for being considered exchanges. Whether the definition should be modified or exchanges consolidated where there is no central office, are issues for another docket.

Oak Grove et al. propose two changes to the calling scope of the MCA in Kansas City. First is the utilization of the ring of tiers concept for including exchanges in MCA tiers, and second is a commitment to the eventual implementation of one zone-one rate MCA similar to that adopted by the Oklahoma Corporation Commission. In a plan such as adopted in Oklahoma all customers would pay the same rate throughout the metropolitan area.

As Oak Grove et al. accurately describe, the exchanges included in MCA-3, MCA-4 and MCA-5 in the Kansas City MCA do not form complete rings. This can be seen very plainly in the color-coded maps in Exhibit 55, Schedule 1-2. Oak Grove et al. are also accurate in their description of the mileage differences and overlaps among the exchanges in the various tiers. Oak Grove et al. would have the Commission make its decision concerning the inclusion of exchanges in MCA tiers on the basis of symmetry and distance without regard to any other factor. This, Oak Grove et al. proclaim, would eliminate "discriminatory" treatment of these exchanges for the purposes of this docket.

Oak Grove et al.'s proposals in this docket are steps to their ultimate proclaimed goal of one zone-one rate for the MCA. Oak Grove et al., of course, recognize the rate shock that would occur if this type of plan were adopted and so they indicate they support the MCA proposal with their proposed modifications.

Perhaps Oak Grove et al. are correct and color-coded symmetry would calm the repeated cries of discrimination by customers in outlying exchanges. The Commission, though, is not sure that would be the result. If Oak Grove et al.'s proposed exchange arrangement were to be adopted, other exchanges could raise the same cry based upon their relationship to the Oak Grove et al. classification. If solutions to the expanded calling scope concerns of the customers were so simple, these matters would have been resolved years ago.

Perhaps a one zone-one rate calling area is the answer for the future for the metropolitan areas. That plan and that solution are not before the Commission and the Commission is not prepared to commit to a movement to that ultimate result. The calling scope proposals put forth in this case and supported by most of the parties are a comprehensive attempt to resolve calling scope issues in a manner that will alleviate a significant number of problems and allow the Commission to focus on other telecommunications issues which are equally important and which have a significant effect on telecommunications customers throughout the state.

Oak Grove et al.'s repeated claims of discrimination are much like a child with the "gimmes". Whatever any other person has, these people want, with little or no concern for cost or repercussions on customers who do not want or need the service. Claims of discrimination and discriminatory treatment have been heard and addressed by this Commission for years. At some point persons seeking expanded calling scopes for low rates must realize they are a minority of customers and they must pay for the services they demand or that the costs of providing the services are too great for the benefit received.

The arrangement of exchanges around the Kansas City MCA-Central, MCA-1 and MCA-2 has no common denominator nor does it lend itself to a simplistic solution. The evidence from the affected telephone companies and Staff is that the arrangement of exchanges proposed by the Commission is reasonable and generally comports with distances from the toll rate center in the Kansas City MCA-Central. This evidence is more persuasive in developing MCA tier arrangements than testimony designed to move the Commission in a direction beyond the purpose or scope of this proceeding. Anomalies exist because of exchange shapes and arrangements. Why should the Harrisonville exchange, as proposed by Oak Grove et al., which extends from MCA-2 beyond MCA-4 exchanges be an MCA-3 exchange when Freeman would remain an MCA-4 exchange? Why should the Archie exchange be an MCA-4 exchange and not the Drexel exchange? Including exchanges in MCA tiers based upon the tier classification of other exchanges they abut is unrealistic because of the gerrymandered shapes of the exchanges. Other factors must be taken into account. These factors include distance, shape, size and contiguity, and some overall analysis of the area to be served. There is also some subjective decision-making in this process. Others might make different judgments but the Commission believes its judgments as supported by the other parties are more reasonable than those presented by Oak Grove et al.

Two additional issues have been raised regarding the calling scope of the MCAs. These issues are (1) whether a mechanism should be established to provide for the addition of other exchanges in an MCA and (2) whether MCA service should include service to EAS points.

With regard to the first of these two issues, the Commission finds that any proposals for future additions to the MCA are premature and need not be addressed in this case. No proposals have been presented for consideration except Oak Grove et al.'s suggestion that the Commission utilize the contiguity principle, which has already been rejected.

With regard to the second of the two issues, the Commission finds that EAS additives should not be paid by a subscriber to MCA unless the EAS increases the calling scope of the subscriber. This is the position of the Signatory Parties and the Commission finds this is consistent with the intent of the MCA service. MCA is an optional service which provides calling to other exchanges throughout the MCA. When a customer subscribes to the MCA service, that customer should not have to pay the EAS additive unless the EAS exchange expands the subscriber's calling scope; otherwise, the subscriber would be paying twice to call the same exchange.

Commission Staff has proposed that the MCA service not include EAS exchanges since EAS is considered a part of the local calling area. Staff would separate calling between local and long distance and consistent with that separation, MCA service would be in addition to basic local service which includes EAS. Staff proposes that MCA service would then only include MCA exchanges not within the local calling area of a subscriber and MCA subscribers would continue to pay

EAS additives except in the Springfield MCA-Central and MCA-1 where EAS is proposed to be replaced with MCA.

The Commission in its Order Establishing Docket proposed that a subscriber to MCA would not pay the EAS additive but would also not receive EAS even if it was to an exchange not included in the MCA. Based upon the evidence, the Commission finds that this proposal would be discriminatory and could very well cause technical problems. The Commission finds further that its original intent to eliminate the EAS additive for MCA subscribers should be modified to require an MCA subscriber to pay the EAS additive where the EAS exchange expands the local calling of the MCA subscriber, i.e., where MCA service does not wholly subsume the EAS.

The last of the remaining MCA calling scope issues is whether subscribers to MCA service should be able to call the Kansas exchanges which are included in the current WASP and are part of the Kansas City metropolitan exchange. Most of the parties support the continuation of the current WASP calling scope which includes Kansas exchanges in the MCA. The Mid-Missouri Group[5] opposes this calling scope on a jurisdictional basis while Oak Grove et al. want to include the Kansas Basehor exchange in the calling scope. The Signatory Parties also raise a jurisdictional issue. The Signatory Parties argue that if MCA is classified as toll, it would remove the calls from the Commission's jurisdiction.

The Commission finds that this issue should not be determined by the classification of the MCA service. The current WASP service extends across the Kansas-Missouri State line and includes calling to Kansas exchanges in the Kansas City metropolitan exchange. The Commission finds that the MCA should

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[5]The "Mid-Missouri Group" consists of the following companies: Alma Telephone Company, Chariton Valley Telephone Company, Choctaw Telephone Company, Green Hills Telephone Company, KLM Telephone Company, Mid-Missouri Telephone Company, MoKan Dial, Inc., Northeast Missouri Rural Telephone Company, Peace Valley Telephone Company, and Wheeling Telephone Company.

include the same calling scope. The MCA service is to expand the calling of current WASP subscribers as well as include additional exchanges. The elimination of a part of the calling scope would be contrary to the purpose of this case and the MCA plan. The Commission will address the jurisdictional issues as necessary later in this order.

The Commission finds that calling to the Basehor exchange should not be included in the MCA calling scope. Basehor is not included in the Kansas City metropolitan exchange and even though Basehor customers may subscribe to the Kansas WASP as an optional service, it does not warrant their addition to the Kansas City MCA calling scope. The Commission believes that where Basehor can call is within the jurisdiction of the Kansas Corporation Commission and not this Commission.

Based upon the foregoing findings, the Commission will adopt the calling scope as proposed in its Order Establishing Docket with the modification that the Missouri portion of the Leavenworth exchange will be added to the Kansas City MCA-3. All other exchanges will retain their MCA status as proposed. The exchanges and their MCA tier are shown in Attachments 1, 2 and 3 to this Report And Order and are listed on Attachment 4, which are incorporated herein by reference.

Calling Patterns

The calling pattern issues involve what customers in the MCA a subscriber would be able to call as part of the MCA service. In its order establishing this docket, the Commission proposed that subscribers to the MCA would be able to call all customers throughout the MCA. Commission Staff has supported this calling pattern while the Signatory Parties support a continuation of the calling patterns now available through the WASP. Other parties taking a position on this issue support the position of the Signatory Parties.

The WASP-type calling pattern proposed by the Signatory Parties would allow calling by subscribers as follows:

1. In St. Louis/Kansas City:

   A. All MCA-Central, MCA-1 and MCA-2 customers would be able to call:
      1. all MCA-Central, MCA-1 and MCA-2 customers;
      2. all MCA-3, MCA-4 and MCA-5 subscribers.

   B. MCA-3 subscribers would be able to call:
      1. all MCA-Central, MCA-1, MCA-2 and MCA-3 customers;
      2. all MCA-4 and MCA-5 subscribers.

   C. MCA-4 and MCA-5 subscribers would be able to call:
      1. all MCA-Central, MCA-1, MCA-2, MCA-3 and MCA-4 customers;
      2. all MCA-5 subscribers.

   D. MCA-3, MCA-4 and MCA-5 nonsubscribing customers would be able to call:
      1. all customers in own local exchange and EAS points, if any.

2. In Springfield:

   A. All MCA-Central and MCA-1 customers would be able to call:
      1. all MCA-Central and MCA-1 customers;
      2. all MCA-2 subscribers.

   B. MCA-2 subscribers would be able to call:
      1. all MCA-Central and MCA-1 customers;
      2. all MCA-2 subscribers.

   C. MCA-2 nonsubscribing customers would be able to call:
      1. all customers in own local exchange and EAS points, if any.

Although there is evidence on this issue concerning customer confusion, exhaustion of central office dialing prefixes (NXXs), the effect of the calling patterns on pay telephone calling, and the problems associated with exchanges with electromechanical switches, the Commission finds this issue involves, fundamentally, customers' desires for an expanded calling pattern and the costs of the calling pattern adopted.

There will be customer confusion surrounding adoption of the MCA whichever calling pattern is adopted. A hierarchy of calling such as the WASP-type calling pattern will undoubtedly cause more confusion and require more customer education than the calling pattern proposed by the Commission and supported by Staff. The exhaustion of NXXs appears from the evidence to have been resolved for purposes of this case as well as the problems with electromechanical switches, and there is evidence that the problem of customer notification of the need for 1+ dialing can be resolved by recorded messages and directory modification. How pay telephone calling patterns are affected by this case is an issue which will be delayed for review in a separate docket.

Although a more restrictive calling pattern than an MCA-wide calling pattern, the Commission finds that the WASP-type pattern should be adopted for the MCA. In adopting this pattern the Commission finds that the WASP pattern has provided satisfactory service to existing WASP subscribers and it is the service customers in outlying exchanges indicate they wish to be offered. There was no conclusive evidence which showed that customers desired calling between the outer tiers of exchanges and what evidence did exist seemed to indicate otherwise. For SWB, only four of over 200 COS petitions were for routes from a lower proposed MCA tier to a higher proposed MCA tier. In addition, Staff's calling data indicates that calling occurs from the proposed outer MCA tiers into the MCA-Central, MCA-1 and MCA-2 tiers.

The final determinative factor in adopting the WASP-type calling pattern is the difference in cost between it and the MCA-wide calling pattern. The MCA-wide calling pattern would cost approximately $12.5 million more than the WASP-type calling pattern. The Commission finds that the evidence has not shown there is a sufficient demand or need for the larger calling pattern, and when weighed against the cost of the larger calling pattern, it would be unreasonable to provide this pattern. The Commission will therefore adopt the MCA calling pattern as set out in the chart above. This calling pattern is shown on Attachment 5 to this Report And Order and incorporated herein by reference.

Another issue raised regarding the MCA calling pattern is whether the MCA service should be mandatory in certain exchanges or optional in all exchanges. SWB customers in the St. Louis and Kansas City metropolitan exchanges, which currently consist of the Principal Zone, Tier 1 and Tier 2, receive as part of their basic local service, local calling to optional WASP subscribers in Tiers 3 and 4. The Commission in its order establishing this docket proposed to continue this arrangement by making MCA service mandatory for MCA-Central, MCA-1 and MCA-2 exchanges in St. Louis and Kansas City and for MCA-Central and MCA-1 exchanges in Springfield.

As part of its overall proposal for MCA service, Staff has proposed that the MCA service be optional in all exchanges in all tiers. Staff's proposal on this issue is consistent with its proposal that MCA be an interexchange service only, and it would allow customers in these tiers to choose the service they felt met their calling needs.

The Commission has reviewed this issue in light of the current calling patterns of WASP and the customer comments at the local meetings. Little or no evidence or public complaint has been heard about the calling pattern of the metropolitan exchanges. The evidence, in fact, is that customers wish to call these exchanges and wish to be called back from these exchanges. The large number of customers available in these central areas makes the current WASP service and will make the MCA service acceptable and attractive to MCA subscribers. To remove one of the positive features of WASP and reduce the current calling pattern would be counter to the intent and purpose of this docket. The real consideration which the Commission weighed and which may be addressed in a future docket is whether to make MCA service mandatory in MCA-3 in Kansas City and St. Louis and MCA-2 in Springfield. The Commission will make MCA service mandatory in MCA-Central, MCA-1 and MCA-2 in Kansas City and St. Louis and in MCA-Central and MCA-1 in Springfield.

The adoption of the MCA for the metropolitan areas of St. Louis, Kansas City and Springfield eliminates the need for the OMMES and MOSP plans now being offered. No party objected to the elimination of these services and since MCA will completely subsume these two services, the offerings would be an unnecessary redundancy and would cause additional customer confusion.

MCA Rate Design

The Commission in its order establishing this docket proposed that the MCA service be available as an alternative to basic local service in MCA-3, MCA-4 and MCA-5 in St. Louis and Kansas City and in MCA-2 in Springfield. The Commission has found earlier in this order that the MCA will be mandatory in MCA-Central, MCA-1 and MCA-2 in St. Louis and Kansas City and in MCA-Central and MCA-1 in Springfield. In these exchanges were MCA service is mandatory, it will replace basic local service, except for those customers who choose local measured service (LMS) where currently available.

For those exchanges where MCA service will be optional, the Commission proposed the same flat rate for each exchange in an MCA tier and that a subscriber who purchased the MCA service would not pay the basic local rate or EAS additive. This has been modified in this order to permit the charging of an EAS additive where the EAS exchange is not wholly subsumed by the MCA service.

Staff, Public Counsel, Mid-Missouri Group, Small Telephone Company Group, and Oak Grove et al. support making the MCA service separate from and in addition to basic local service rate. The MCA service, then, would not be an alternative or substitute for basic local service but would be an additional service to which a customer could subscribe. These parties support the concept of a flat rate for MCA service which would be the same for all exchanges within an MCA tier.

The Signatory Parties support the concept proposed by the Commission of a single rate for MCA service, which would be a substitute or alternative to basic local service. A subscriber would then pay only one flat rate for service rather than take basic service and pay an additional amount for the optional service.

There are several factors involved in this issue, none of which really resolves the issue. There is the problem of customer confusion for customers currently subscribing to WASP service. WASP service is provided at a single rate as a substitute for basic local service, and a change would require the local exchange company to explain the new rate structure. Of course, for those exchanges which do not currently have WASP this problem will be less since customers will be getting a new service rather than having a new service substituted for an existing service.

If the additive approach is adopted, then subscribers' total bills will be different depending on what that subscriber is paying for basic local service. The MCA service would be the same for all exchanges within an MCA tier but subscribers comparing total bills might feel unfairly treated if their total bill is greater than that of a subscriber in a neighboring exchange.

This situation, though, will likely exist even if a single rate is adopted. The parties have agreed that mileage charges be charged to MCA subscribers in addition to the MCA rate and the Commission has already found that an EAS additive should be charged where the EAS exchange is not wholly subsumed by MCA service. In some exchanges mileage charges would result in a noticeable difference in what an MCA subscriber pays for telephone service.

The most significant factor concerning which type of rate design to approve is when and how MCA rates could be changed in the future. Under either approach the MCA rate will be reviewed in each local exchange company's rate case, and based upon the evidence concerning costs, it may be modified. The

Signatory Parties recognize this fact even though they support the single rate. The other parties contend that making the MCA service an additive will make it easier for the Commission to change the MCA rate for a company.

The Commission recognizes the inherent problem in adopting a flat rate for all exchanges within an MCA tier regardless of the basic local service rate or the local exchange company providing the service. The rate will necessarily be changed in the future and those changes will occur at different times and probably with different changes for each company. These changes will then result in some subscribers again "looking over the fence" at the rates paid by other subscribers. This phenomenon, the Commission believes, is probably unavoidable. As long as there are different companies providing service under different conditions, rates for services will be different.

The Commission's goal in this case, and by adopting the MCA plan, is to resolve some of the more egregious differences in service and rates and to provide a service that hopefully will satisfy most customers' desires for several years. The MCA is not a panacea, nor can it solve all problems for all time. The focus of the Commission is on those problems it can address within the limits of its authority, and on the ability of the companies to provide the service without unreasonable costs.

With this in mind the Commission finds that, conceptually, the additive proposal is more consistent with the optional nature of the service. Customers can see just how much the flat rate service could cost them and can compare that cost with their toll bills to determine if they should subscribe to the service. The initial additive rate will still be the same for all exchanges within an MCA tier. The Commission believes that customers will understand that there are different basic local rates, and different EAS or mileage charges for each exchange, especially since those differences exist today. Customers should recognize that the rate they are paying for the MCA service is the same as other exchanges even though their total bill is not the same.

Rates at Implementation

As discussed in the previous section, the Signatory Parties supported the Commission's total rates for MCA service as a substitute for basic local service. Staff and others proposed that MCA service should be an additive. As part of its proposal Staff developed additive rates to be used to recover the costs it felt should be recovered from MCA subscribers.

Since the Commission has determined that the additive approach is the more appropriate rate design for MCA service, the Commission must then decide what are the appropriate additive rates for the service. For comparison purposes the Commission sent a scenario to the Signatory Parties asking them to develop an additive based upon the Commission's total rate proposal in its June 12 order.

The responses and the scenario, which have been made Exhibits 96 and 96P, provide additive rates for MCA tiers 3, 4 and 5 in Kansas City and St. Louis and MCA-2 in Springfield. These rates were designed to collect the same total revenue as the total rate proposed by the Commission. The effect of an additive, as recognized by the previous section, is to make the total rates subscribers will pay different depending upon the basic local rate in each exchange. The responses also show that the additive approach changes the effect of adoption of MCA service on each of the companies in the MCAs.

The responses indicated that the additive rate design will cause SWB's and GTE's MCA revenues to increase while United's and the smaller LECs' MCA revenues will decrease. This shift in revenue from that agreed to in the inter-company compensation plan in the Joint Recommendation causes the Commission some concern since it will mean United will need to replace any revenue losses above those agreed to under the Joint Recommendation. The Commission, though, still believes the additive rate design is the most appropriate for MCA service and will adopt additive rates rather than the total rates originally proposed by the Commission. Any additional revenue losses of United can be accounted for in adjustments to local rates, as will be discussed later. The additional losses of the small LECs are not significant in relation to the overall revenues affected by the MCA plan and since SWB and GTE will see additional gains from the additive approach, the additional losses experienced by the small LECs can be easily supported by the Signatory Parties. The additive rates will be those developed by the Signatory Parties in response to the Commission's scenario. These rates are shown in Attachment 6 and incorporated herein by reference.

Tariffing/Intercompany Compensation

These issues are closely related and so will be addressed together since the parties have taken positions on one issue based upon that party's position on the other issue. The tariffing issue requires two decisions: (1) what is the appropriate classification of MCA service; and (2) what LECs should be responsible for filing the tariffs to implement the service. The intercompany compensation issue then requires a decision of how companies will compensate one another for handling MCA calling.

The Signatory Parties in their Joint Recommendation propose that MCA service be classified as local, tariffed by the individual LECs, and that inter-company compensation be based upon the agreement among the Signatory Parties with support payments to LECs not signatories to the Joint Recommendation. The other parties propose that MCA service be classified as toll or long distance, tariffed by the Primary Toll Carriers (PTCs), and that intercompany compensation be through access charges.

The parties supporting the classification of MCA as local discuss the MCA service in terms of basic local telecommunications service or characterize the service requested by customers as expanded local calling. The parties supporting a classification of MCA as toll discuss the MCA service as replacing interexchange toll service and characterize the MCA service as flat rate interexchange telecommunications service.

These discussions and characterizations are not definitive or very probative. The consistent customer comment concerning the existing services provided by the LECs is that they involve toll charges between areas customers consider within their communities of interest. Customers want a flat rate calling service which will allow them to call their doctors, schools, relatives or other persons in neighboring exchanges without the uncertainty of the size of their telephone bill which occurs through use of usage-sensitive toll rates. Under a flat rate service customers would know what they were paying to call regardless of the number of minutes of telephone use during a month. Customers do not care nor are they concerned whether the MCA service will be classified as toll or local; they want the flat rate.

With the adoption of the MCA plan, the Commission will be requiring the implementation of a flat rate interexchange calling service. This service will allow a subscriber to purchase unlimited interexchange calling at a flat rate and thus eliminate this major point of contention for customers who are unable to call exchanges with which they have a community of interest.

A review of the briefs indicates that there is no legal requirement that the Commission classify MCA service as either local or toll. The statutory definitions of basic local telecommunications service and interexchange service, the Commission's rules, the Primary Toll Carrier Plan, and the Uniform System of Accounts are neither prescriptive nor prohibitive on this issue.

The statutes define basic local service and interexchange service. The distinction between the two types of services revolves around whether calls are within a local calling scope or between points in different calling scopes. The

Commission is of the opinion that the MCA service is neither a basic telecommunications service nor basic interexchange service. The Commission believes that MCA is a substitute for these two services which provides an option to those two basic services. For the MCA service to be basic local telecommunications service, it would have to be mandatory throughout the MCAs.

Since the Commission has determined that there is no requirement, either legal or factual, to classify MCA service as local or toll, the Commission will look to the evidence concerning the proposals to determine which is more reasonable. Based upon its review, the Commission finds that the proposal presented by the Signatory Parties is more reasonable.

Several factors support the Commission's decision. First, the Commission has found earlier that the calling pattern of the MCA plan should be a continuation of the WASP currently being provided. WASP service is now tariffed as local, and even though the Commission will be substantially expanding the number of exchanges in the MCA beyond the current WASP exchanges, it is more consistent to continue the same classification as is currently in place.

Staff contended that the MCA is different from WASP since MCA will require intercompany compensation while WASP does not. Although this is true, the Commission does not find this difference sufficient to require that MCA be classified as toll.

The Commission also finds that a classification of MCA as local is consistent with the intercompany compensation plan the Commission finds the most reasonable. The Signatory Parties represent a substantial majority of the exchanges within the MCAs. Those companies have reached agreement on a plan for intercompany compensation that will not require adjustment to access rates and which compensates each company for lost revenues. The adoption by the Commission of the additive rate design, which will cause additional revenue losses to United, does not alter the reasonableness of this decision. Under this plan there are not substantial revenue shifts between the Signatory Parties and these parties have agreed to support payments to the smaller LECs which will be included in the MCAs.

The proposal supported by the Signatory Parties is based upon each LEC billing its own customers/subscribers for the MCA service and then keeping the revenue. Any small LEC which incurs a loss under this system will receive support payments from the Signatory Parties. The Signatory Parties propose to continue these support payments through the next rate proceeding of each affected small LEC. This will be true even under the additive rate design.

The Commission, while adopting the bill-and-keep intercompany compensation proposal and support payments, finds that the time limitation on support payments to the small LECs is not reasonable. Any limitation on the duration of the support payments will just exacerbate any problems the small LECs have in implementing the MCA service and will reduce the Commission's flexibility in approving just and reasonable rates in any future small LEC rate case.

The Commission finds that the support payments will continue for the small LECs until the Commission issues an order in which it finds that they should cease. This will allow for a review of the issue in a rate case but will give the Commission the flexibility to allow the support payments to continue. The Joint Recommendation proposal for tariffing, classification and intercompany compensation will be adopted with this modification.

Outstate Calling Area (OCA) Plan

In its June 12 order the Commission included two proposals for addressing the desires of outstate customers for flat rate calling beyond their current local calling scope. The two plans included an optional service with calling on a flat rate basis for two blocks of time between exchange central offices within 23 miles of each other based upon toll rating mileage. The service was proposed to be a one-way reciprocal calling pattern. The Commission proposed a three-hour block of time and a ten-hour block of time. The difference in the two plans was that one would be a radius plan where an exchange could call all other exchanges within a 23-mile radius (radius plan), while the other plan would require an exchange to pass certain calling criteria before the service would be provided to that exchange (multipoint plan).

The Signatory Parties proposed, as part of the Joint Recommendation, that the Commission adopt the multipoint plan, use blocks of time of two hours and five hours, and adopt the following rates for the service:

Residential customers:
two hours for $9.10; $.075/add. minute
five hours for $21.35; $.07/add. minute

Business customers:
two hours for $10.30; $.085/add. minute
five hours for $24.00; $.08/add. minute

There appeared to be no opposition to the use of the two-hour and five-hour blocks of time instead of the three-/ten-hour blocks of time proposed by the Commission. The parties' support for this change has convinced the Commission that it is more reasonable. The institution of the OCA plan throughout Missouri will still have a substantial cost, and the evidence indicates that the lower blocks of time will still provide a significant additional service to outstate communities and customers while reducing substantially the costs associated with such service.

The parties seem to be in agreement, also, as to the rates to be charged for the OCA service. The Commission finds that these rates are reasonable for the service to be provided to customers except as discussed below. They are similar to the rates proposed by the Commission and even though the blocks of time are lower, the rates are such that those who desire this service should be able to obtain the service.

The Commission will make two modifications to the rates proposed. As can be seen from the rates set out above, there is a discounted toll rate for a subscriber whose calls exceed each block of time. The Commission agrees that there should be a discount over the five-hour block. This makes the service an attractive option to toll even if a subscriber exceeds five hours of calling per month. The other change is to add 50 cents to the rates to ensure they recover more of the projected costs of providing OCA. The rates adopted by the Commission for OCA service are shown in Attachment 7 and incorporated herein by reference.

The Commission, though, does not believe it is reasonable to allow a discount for calls which exceed the two-hour block. The OCA is a total service and customers should choose the block of time which best meets their calling needs. Those subscribers whose calling exceeds two hours a month should subscribe to the five-hour block. This will place some responsibility on customers to review their calling patterns and make an economical decision concerning which block of time to purchase.

All but one of the parties, other than the Signatory Parties, support the adoption of the radius plan. The Commission has considered this issue and finds that the radius plan is more reasonable and appropriate in meeting the goal of this docket. Outstate customers need a service that will meet their diverse calling patterns currently and into the future.

The multipoint plan would continue some of the shortcomings of Community Optional Service and would not be a long term solution to customer complaints. Any calling criteria established would be arbitrary, require additional administrative costs and would limit the availability of OCA between some exchanges because those exchanges could not meet the criteria.

Certainly, one of the lessons of EAS and COS is that calling criteria are unsatisfactory requirements where the goal is to provide a statewide plan.

Even the reduced criteria proposed in the Joint Recommendation would still exclude many exchanges. The Signatory Parties recognized this by providing an exception to the criteria for exchanges which would not meet the criteria for any routes.

The exception demonstrates the shortcomings of the multipoint proposal. The Commission finds that the radius plan will not only satisfy the short term desires of customers, but will establish a service that should address outstate customer desires for the foreseeable future. This should be true for those exchanges bordering the MCAs as well as those which involve only rural exchanges. A statewide plan should meet the needs of individual customers as well as the majority of customers where reasonably possible. The radius plan will accomplish that goal.

The Commission recognizes that the cost of the radius plan is greater than that of the multipoint plan. This cost, though, is not unreasonable in light of the long term solution that is being adopted. Exchange boundaries sometimes place an even greater burden on outstate exchanges than those surrounding metropolitan areas. The Commission has adopted a comprehensive plan for the metropolitan areas and finds that it is only reasonable to do so for the outstate exchanges.

OCA service is established primarily for exchanges not included in an MCA. The Commission, though, finds that the service will also be provided in MCA-5 exchanges in St. Louis and Kansas City and MCA-2 exchanges in Springfield. This will enable customers in those exchanges whose community of interest is to exchanges outside of the MCA to subscribe to an expanded calling scope plan to reach those communities of interest. The service will only be provided for calling to exchanges outside of the MCA and not for calling exchanges within the MCA.

The Commission does not consider it a reasonable alternative under the plans adopted in this case to allow direct competition between OCA and MCA services. Providing all options to all customers is a worthy goal, but the Commission does not believe it is realistic at this time.

Tariffing/Intercompany Compensation

The parties are in agreement that the OCA plan be classified as toll and tariffed by the PTCs, and that intercompany compensation be made through access charges. This agreement is based upon the rate design adopted for OCA service. Since OCA service will be blocks of time with discounted rates above the five-hour block, the PTCs' intercompany compensation liabilities will be quantifiable and thus compensation will be more predictable. The use of blocks of time limits some of the stimulation problems which occur when flat rate service is compensated between companies by usage-sensitive costs.

Other Issues

The last issues for the OCA service are, whether to require seven-digit dialing in implementing the service and whether calling should include EAS exchanges.

The Commission finds that OCA service should be implemented on a 1+ basis. Since the service is a block of time, subscribers should not have much difficulty in understanding how to use the service. The use of 1+ will allow use of existing toll networks and also not require upgrades by companies for exchanges which could not currently provide seven-digit calling for OCA service.

The Signatory Parties have recommended that a company be allowed the option of providing OCA service on a seven-digit basis where technically feasible. MCI opposes the use of seven-digit dialing for the OCA service.

The Commission finds it is entirely reasonable for a company to provide OCA service on a seven-digit basis in exchanges where it is technically feasible. This enhancement of the service should be a benefit to subscribers. This, of course, may cause some dissatisfaction for OCA subscribers in exchanges which must use 1+ dialing, but this problem should be outweighed by customers' satisfaction with the plan itself.

Finally, since the OCA plan is being adopted on a radius basis and the only criterion is that the exchanges be within 23 miles from each other, the inclusion of EAS exchanges in the calling scope is not warranted. EAS is a separate service which expands a single exchange's local calling scope and it is mandatory. OCA service will be optional and will allow flat rate calling beyond a local calling scope. To add EAS exchanges to OCA service would increase the cost and distort the nature of the service. A subscriber's local calling scope will be the local exchange plus EAS, if any. OCA will be to exchanges other than the EAS exchanges.

There is disagreement among the parties on how best to address the additional revenues that will be generated for certain companies because of the use of access charges for intercompany compensation. This issue will be addressed later in this order.

Community Optional Service (COS)

COS was ordered implemented by the Commission in December 1989 in an attempt to address many of the expanded calling complaints which this docket addresses. ***Re: Extended Measured Service***, 30 Mo. P.S.C. (N.S.) 45 (December 1989). COS is an optional service currently provided on both a one-way and two-way basis if an exchange meets certain calling criteria. Approximately 80 COS routes are now in place, although many of these will be eliminated once MCA is implemented, 101 have passed the calling criteria and await the Commission's decision in this case, and there are a large number of routes for which calling studies have not been ordered.

As evidenced by the customer comments at the local meetings and the number of routes which did not pass the calling criteria, COS was not a comprehensive solution to expanded calling scope desires of customers. It did meet the needs of some customers but many were not met. The Commission in this docket is adopting plans for both the metropolitan and outstate areas which should address many of the still-existing complaints as well as correct the problems inherent in COS.

As part of the adoption of comprehensive plans, the Commission is faced with the decision of whether to continue COS, modify it or eliminate it in favor of the MCA and OCA. In its June 12 order the Commission proposed to modify COS by making it a two-way premium service at increased rates. In addition, the Commission proposed to eliminate COS between MCA exchanges and limit the calling patterns of COS routes to MCA exchanges to the target exchange plus EAS exchanges, if any. The Commission clarified this by indicating that the Kansas City and St. Louis metropolitan exchanges (Principal Zone, Zone 1 and Zone 2) be treated as one exchange for routes targeted to those exchanges. The Commission reaffirms that clarification at this time.

The parties' proposals in this case run the gamut for what to do with COS. Some parties recommend eliminating the service, others, grandfathering existing routes but not requiring additional routes be implemented, and others recommending a continuation of the COS process but with COS only being provided as a two-way service.

The Commission finds that COS should be provided as a two-way service with rates to reflect the premium service it will be. Two-way flat rate calling between exchanges is a service which, in addition to OCA, will provide the full range of services to outstate exchanges. Communities of interest may exist or may develop which are beyond the 23-mile limitation of OCA and a service should be available in those instances. In addition, there may be instances where communities of interest are so substantial that two-way calling may more adequately address customers' desires than does the one-way reciprocal service of OCA.

Because of the demand for COS and its success for certain exchanges, the Commission finds it is not a reasonable or realistic alternative to eliminate the service entirely. To eliminate COS completely would create customer confusion and an unnecessary disruption to customers where it is currently provided. Those routes from one MCA exchange to another will be eliminated since MCA is a more comprehensive service and COS should no longer be necessary between these exchanges. COS from exchanges outside of an MCA will be maintained. For the COS routes, though, where customers have petitioned, passed calling criteria and want to use the service, the service should be implemented. For those routes where no calling studies have been ordered, the Commission will dismiss the petitions and inform the petitioners of the modifications to COS and indicate they should repetition if they still want the service as modified.

As several parties point out, the OCA plan should provide an attractive alternative to COS and COS subscribers should become a small minority of customers. The Commission's goal in requiring the OCA plan is to achieve this result. OCA should be the option chosen by most customers in outstate exchanges who wish to call beyond their local calling scope at a flat rate. The transition from COS to OCA, though, will be lengthy and the Commission believes retention of COS will allow customers to more adequately decide what their expanded calling needs are.

COS will thus be modified to be a two-way service. To obtain the service, an exchange must meet the existing COS calling criteria. For COS routes terminating in an MCA exchange, the calling scope will only include the targeted MCA exchange plus EAS to that exchange, if any. This will parallel the calling scope between outstate exchanges. Routes which target the Kansas City or St. Louis metropolitan exchanges will receive service to the MCA mandatory areas, i.e., MCA-Central, MCA-1 and MCA-2 in those MCAs, while routes which target the Springfield exchange will receive calling to MCA-Central and MCA-1. COS subscribers will no longer receive calling to optional customers outside the metropolitan exchanges.

As stated above, the calling scope of the two-way COS shall be to the targeted exchange plus EAS exchanges, if any. The service is a premier service and customers meeting the criteria have demonstrated a significant community of interest between the two communities represented by the exchanges. Part of the target exchange's community of interest are any EAS exchanges.

Rate Design/Rate Levels

The Commission proposed to significantly increase the rates for COS to reflect its change to a premium two-way service. The proposed rates were $15.50 for residential service and $33.00 for business service. Any EAS additives paid by the target exchange would be paid by the COS subscriber in addition to the modified COS rate.

The parties, except for the Small Telephone Company Group and ALLTEL, support the rates proposed by the Commission's proposal for outstate COS routes. Small Telephone Company Group and ALLTEL propose substantially higher rates for outstate COS if COS is not eliminated or grandfathered. This proposal is to mitigate what these LECs have projected to be their losses for providing COS. The rates proposed by Small Telephone Company Group and ALLTEL are $20.00 or $25.00 for residential subscribers and $42.00 or $52.00 for business subscribers. The difference in revenue loss is between $166,694 for the Commission rates and $90,098 for the $25.00/$52.00 rates.

The Commission finds that the rates proposed by the Small Telephone Company Group and ALLTEL are too high. If the service is to be offered it should be priced at a level where customers can reasonably afford the service. The Commission, though, does believe that it should add an additional 50 cents to the proposed COS rates to recover more of the costs associated with implementing the service. These rates are shown on Attachment 7 to this Report And Order and incorporated herein by reference.

The issue of what rates to charge for COS routes targeted to MCA exchanges was raised. Currently, under COS, there is a different rate for the metropolitan routes and there is substantial support among the parties for including separate metropolitan rates for any modifications adopted by the Commission.

The metropolitan COS rates proposed by the Signatory Parties in the Joint Recommendation are $37.30 for residential and $79.70 for business. These rates would be for routes targeted to Kansas City and St. Louis MCA exchanges, while a lower rate was proposed for routes targeted to a Springfield MCA exchange. Staff proposes a Springfield metropolitan COS rate of $19.00 and $40.00, while the Signatory Parties recommend $24.00 and $50.00 rates. These rates are for residential and business subscribers, respectively.

Based upon the support of the parties for a metropolitan COS rate higher than the outstate rate, the Commission will adopt the rates proposed in the Joint Recommendation. This rate reflects the greater value that COS will provide into an MCA exchange plus it makes the COS rates consistent with the rates charged for MCA-4 and MCA-5 service. The Commission will also adopt the rates proposed in the Joint Recommendation for COS to Springfield MCA exchanges. These rates should closer approximate the cost of providing the service. The Commission, though, will add an additional 50 cents to these rates also to recover more of the costs associated with its implementation. These rates ar also shown on Attachment 7.

The Commission finds further that COS subscribers shall pay Noncontiguous Exchange Additive Charges (NEACs) for COS routes between noncontiguous exchanges. These rates would be $5.15 for residential and $10.85 for business customers and would apply for each exchange a route crosses over. As proposed by the parties, NEACs should begin to apply at the outer boundary of the relevant MCA.

The Commission, as with all of the elements of the services adopted in this docket, has weighed the cost to the companies of providing a service against the need to provide a service that will meet customer calling desires into the future. A part of this weighing process is a determination of the reasonable level to set rates. Rates must be set at a level that customers will find the optional service a reasonable solution to their expanded calling complaints or the service is not a real or long term solution.

The Commission finds that the rates it proposed and which are supported by the other parties should be raised an additional 50 cents to ensure they cover more of the projected costs for modified COS. At this level, COS rates should provide a reasonable alternative for customers in those exchanges which pass the calling criteria. In addition, these rates are sufficiently above OCA rates to reflect the difference in the service. The cost projections of Small Telephone Company Group and ALLTEL are significant for those companies but with the revenue-neutrality requirement, these LECs should not be affected adversely.

<u>Tariffing/Intercompany Compensation</u>

This issue is similar to that addressed by the Commission for MCA service. The Commission, though, finds that COS shall be tariffed as toll by the PTCs and intercompany compensation shall be by access charges. These changes from the current practice for COS are occasioned by the adoption of the MCA and OCA plans.

The Commission, as stated earlier, believes that subscription to COS will diminish dramatically once the OCA plan is fully implemented. Most COS routes are between exchanges within 23 miles and OCA should adequately address the calling patterns of customers. In addition, OCA service will be priced at a lower rate than COS. Also, many COS routes will be eliminated by their inclusion in one of the MCAs.

The Commission finds that continuation of the Revised Revenue Sharing Plan (RRSP) for COS, in light of these circumstances, is not warranted. The RRSP was adopted when COS was the only service available and expected losses for PTCs were substantial. By adopting the Joint Recommendation for intercompany compensation for the MCA plan, the Commission has significantly reduced the PTCs' exposure. A reduction in the number of COS routes and the potential diminishing nature of the service make it more reasonable to shift the method of intercompany compensation.

In addition, the Joint Recommendation had to suggest modifications to the RRSP because of the adoption of OCA. The evidence indicates it will be practically impossible to separately quantify the effect of COS as modified by this order and OCA service within the same calling scopes. Further, the Joint Recommendation recognized that SCs which experience revenue losses on COS routes over 23 miles would need to receive support payments. Rather than continue a contractual support payment method of intercompany compensation which may or may not be modifiable, the Commission finds it is more reasonable to switch to access charges.

Seven-digit Dialing

COS as modified by this order shall be provisioned on a 1+ basis. This decision will mirror OCA and will be consistent for exchanges which have both services. The Commission, as for the OCA plans, will allow companies to provide COS through seven-digit dialing to exchanges where it is technically feasible. Companies that wish to offer seven-digit dialing from the target exchange to subscribers in the petitioning exchange may do so. Technical limitations to the network make mandatory seven-digit dialing for the two-way service unreasonable.

COS Surcharges

The elimination of the RRSP for modified COS will also affect surcharges for those companies which have implemented COS routes and SWB, which raised vertical services rates to achieve revenue neutrality for COS-associated revenue losses. The shift to intercompany compensation by access payments will include existing COS routes, and thus the losses associated with those existing COS routes. The surcharges and SWB's vertical service increases, if it wishes, will be eliminated. Companies will then have to recalculate their losses under access charges to include existing COS routes and those companies which still experience losses will include those losses in any tariffs filed to achieve revenue neutrality.

Revenue Neutrality

The parties have generally agreed that the Commission should establish a technical committee for both the calculations of the revenue neutrality requirement and for implementation of the expanded calling scope plans. The Commission agrees with this proposal since the plans it is adopting differ from its original proposal and no party's proposal was adopted entirely. The speculative nature of the calculations of revenue neutrality, especially, require additional analysis before any tariffs are filed and approved.

The technical committee shall be made up of a representative of each party, or group of parties, that appeared at the hearing. The Commission will convene the first meeting of the committee in January 1993 and will expect it to complete its work by April 30, 1993. This will enable tariffs to be in place where necessary by the time implementation of these expanded calling scope plans begins.

The issues involving revenue-neutral calculations are complex and some are hotly contested. To enable the committee to focus on calculations rather than on their disputes, the Commission will provide as much guidance as possible by addressing certain issues below. If additional clarification is needed, the parties may present questions to the Commission.

Assumptions

The only agreement concerning the assumptions used by the parties in estimating the revenue losses or gains for each company based upon the different proposals is that all assumptions are speculative and based upon incomplete data. Since this is the case the Commission finds that it is more important to choose a set of assumptions than to attempt to evaluate the separate sets used in this case to determine which is the least speculative.

With this in mind the Commission finds that the assumptions labeled "Staff assumptions" and set out in Exhibit 29, Schedule 10, shall be used by the technical committee for the calculations necessary to determine revenue neutrality with modified MCA take rates as shown in Exhibit 54, Schedule 17-1. These assumptions come from the Calling Scopes Task Force, and were used initially by Staff in collecting data for this case. These assumptions, therefore, were developed for purposes outside of this case and may be more objective. In addition, for OCA they use a greater stimulation than the other assumptions. The Commission's experience with COS indicates that customer acceptance may be greater than economic buy-up would indicate.

The "Staff assumptions" include various items which are not relevant to the plans adopted in this case by the Commission and items which will have to be modified to address aspects of the plans adopted. Hopefully, the technical committee will be able to reach a consensus on any modifications to this set of assumptions that are necessary. Where there is an unresolvable disagreement, that issue may be brought back to the Commission.

The evidence of the small LECs concerning the differences in the projected revenue losses or gains between the "Staff assumptions" and the Schoonmaker assumptions, is significant. The Commission, though, finds that rather than underestimate the buy-up of any of these plans it is more reasonable to assume the higher projections.

Rate Adjustments Upon Implementation

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.

For OCA and COS the evidence indicates that only two PTCs will experience a revenue loss. The SCs and other PTCs should experience revenue gains based upon use of access charges for intercompany compensation. The Signatory Parties propose that an attempt be made to calculate the gains caused by the use of access charges and then reduce access rates at implementation to account for these projected gains. The small LECs propose that no changes be made in access charges until after a true-up is conducted to ensure no under-recovery by SCs.

The proposals of all parties except Staff involve adjustments to rates on a company-specific basis. Staff, on the other hand, proposes that the revenue losses and gains be totaled on a statewide basis and then allocated evenly on a per-access-line basis to all local exchange companies, and revenue losses should be recovered equally through basic local rates of each LEC's residence and business customers. The Commission believes that each company should be made revenue-neutral based upon the losses or gains it experiences rather than based upon a statewide averaging of losses, so the Commission will not adopt Staff's proposal.

The uncertainty of calculations for revenue neutrality, as well as the Commission's adoption of Staff's assumptions, lead the Commission to find that no adjustments should be made to access charges at the beginning of implementation. There is no question that any calculation based upon any of the assumptions proposed would not reflect actual customer response to the MCA, OCA and modified COS services adopted. Rather than attempt to estimate the revenue gains of SCs and gaining PTCs and then adjust the access charges up front, the Commission finds that adjustments should be made after implementation is completed and actual gains can be calculated.

The simplest and most reasonable approach for changing access charges is that of the Small Telephone Company Group and ALLTEL. Their proposal is to true-up actual revenue gains by the gaining LECs and refund the access revenue gain to PTCs. The refund calculations will be based upon a comparison of the six months prior to implementation with the six-month period after implementation, so that changes in usage caused by the expanded calling plans can be determined. A normal growth adjustment will be calculated to remove normal growth for the period. After the true-up access rates would be reduced on a prospective basis.

Several proposals have been made concerning which access rate elements to adjust to reflect gains by the SCs. The Commission will request the technical committee to review this matter and see if a consensus can be reached on this issue. If no consensus can be reached it can be referred back to the Commission for a decision.

The refunds from the SCs to the PTCs will be made with interest. The rate of interest should be addressed by the technical committee. Small Telephone Company Group, ALLTEL, Mid-Missouri Group and the SCs support the refunding of gains experienced through implementation of OCA and modified COS. The Commission considers this method as similar to the support payment under the MCA. SCs will not be adjusting rates retroactively but are agreeing to return excess revenues caused by the OCA and modified COS. After true-up, the SCs should be revenue-neutral from the implementation of these plans.

As part of the true-up process the small LECs propose to include additional items which they regard as affecting revenue neutrality. These items are additional expenses associated with separations allocation shifts, costs of new facilities and administrative costs. The small LECs contend they cannot achieve actual revenue neutrality without the inclusion of these items in a revenue-neutrality calculation.

The Commission finds that revenue neutrality only requires the LECs be allowed to replace lost revenues which result from the implementation of the new services. Other items, such as additional expenses caused by separation allocations and the cost of new facilities, are not part of the requirement. Revenue neutrality is a substitute for changing rates within a general rate case and the inclusion of items other than revenue losses entails single-issue ratemaking. In addition, other costs should not be included to offset gains to reduce the refund to the PTCs. LECs can file general rate cases if they believe they are not earning an adequate return after implementation of the plans.

For those companies which will experience overall losses from implementation of the three plans, the Commission finds that each company should determine how best to recover that deficiency. The primary source of recovery should be an increase in basic local rates, but other alternatives may be acceptable. For United, which will now experience losses for MCA above those supported in the Joint Recommendation, the Commission considers retaining the current local charge associated with COS a reasonable alternative.

Implementation

The Commission has already determined that a technical committee should be formed to address revenue neutrality calculations and tariffs. The Commission finds that this same technical committee shall address the implementation of MCA, OCA and modified COS. SWB has proposed the formation of two committees. The Commission believes the parties can decide once the technical committee is formed whether a separate group should work on the implementation schedule.

Recognizing that differences exist in how and when each LEC will be able to implement the plans that affect them, the Commission will leave the details to the technical committee. The Commission, though, will give some general guidance.

First, for those LECs which are able to implement the plans at one time, they should do so. This will reduce some customer confusion and dissatisfaction. For those companies which are unable to implement the plans at one time, implementation of the first exchanges shall occur, as proposed by SWB, in May 1993, and full implementation shall be completed by September 1, 1994. MCA, OCA, and modified COS shall be implemented on similar schedules.

The LECs should retain current COS until OCA or MCA is implemented in the affected exchanges. Then COS can be eliminated or modified consistent with this order.

The technical committee should put a priority on implementing COS routes that have been stayed pending the outcome of this case. Modified COS shall be implemented on these new routes.

Acceleration of the replacement of central office switches is not required to implement the expanded calling scope services where electromechanical switches are still in place. Customer notification will be important so that callers can be made aware of the nature of the call being made for those exchanges which have electromechanical switches. The technical committee can address these problems as well as the White Page directory issue. The Signatory Parties recommend that companies have until June 1, 1993 to recommend a solution to the White Page directory problem. The Commission agrees that additional time is needed to consider this issue, and if it cannot be resolved by the technical committee, proposals should be filed with the Commission on or before June 1, 1993.

Access Imputation Requirement

Under current Commission policy, PTCs are required to impute access charges to themselves as if they have to pay access rates to themselves. The Signatory Parties have proposed that this imputation requirement be waived for those services which are classified as toll and intercompany compensation accomplished through access charges. These companies argue that the creation of this docket and the adoption of expanded calling plans is an acknowledgement that competition has failed to meet customer demands for interexchange calling. Since only PTCs will be offering these services, they argue that inclusion of these services as part of the imputation requirement places an unfair burden on the

PTCs since no competition exists for the service. The PTCs may then have to increase toll rates for mileage bands over 23 miles if the imputation requirement drives costs above aggregate toll revenues. At the least, it is argued that applying the imputation requirement to OCA and modified COS will reduce the ability of the PTCs to reduce toll rates to meet competition.

The Commission has considered the purpose of the imputation requirement and the additional imputation amounts caused by the adoption of OCA and modified COS. The Commission, though, is not ready to create an exception to the requirement without a fuller review of how the two new services affect toll rates and the overall effect of these services on each company's aggregate toll revenues. Imputation is only considered when prices are set and it is in that context that a decision concerning imputation should be considered.

Availability of New Services to Pay Phones, Resellers and Aggregators

MCA, OCA and modified COS are to be available to residential and business customers of LECs. These services will not be made available to pay phones, resellers or aggregators. Pay phones, both LEC-owned and privately owned, will retain the basic, nonoptional calling scope for purposes of implementing the MCA plan. Issues which affect pay phones, such as the 25-cent charge for local pay phone calls, and billing problems associated with electromechanical switches, should be addressed separately. SWB has offered to recommend a solution to the price and/or calling scope issues for pay phones within the MCA by December 31, 1993. If there are other issues which pay phones and SWB determine need to be addressed, those can be presented to the Commission at that time.

The issue raised by Mid-Missouri Cellular concerning the ability of subscribers to MCA, OCA or COS to call cellular customers appears to have been resolved. SWB witness Halpin and United witness Rohrer testified that subscribers to these services may use the services to call cellular customers.

The evidence is that calls from an LEC customer to a cellular customer are rated from V&H coordinates of the originating LEC's end office to the V&H coordinates of the cellular carrier's NXX (exchange). Thus, a subscriber to OCA could call a cellular customer using the OCA service as long as the two offices are within 23 miles of each other. This is similar for the MCA if the cellular exchange is within an MCA, calls can be made by a subscriber to cellular customers. There seems to be no disagreement that the expanded calling plans should not be available for calling from cellular customers to LEC customers or to cellular carriers to incorporate into their networks.

EAS Vote-out Procedures

Staff has proposed that with the implementation of expanded calling scope plans, procedures for allowing customers to vote out EAS between exchanges be relaxed. Current vote-out procedures are not consistent and some companies do not have vote-out procedures. Relaxed procedures would allow customers whose expanded calling requirements are met by the MCA, OCA or modified COS to discontinue EAS between exchanges.

The Commission understands the problems that have existed with EAS and the inability of customers to meet the criteria for discontinuing the service. This issue, though, should be the subject of a rule since it is a procedure to be required of all companies. Staff should prepare a rule for Commission consideration after the technical committee has completed its work.

The issue of the Tebbetts exchange should await the implementation of OCA and then a specific proposal in a separate docket can be filed with the Commission if it is still considered appropriate.

Exchanges That Straddle State Boundaries

There are at least 22 exchanges which have customers both in Missouri and neighboring states (See Exhibit 28, page 24). Eighteen of these exchanges will be included in the OCA plan while the others will be included in the MCA plan. The Commission has already addressed the Leavenworth exchange earlier, which will now be included in the Kansas City MCA-3.

Staff proposes that all customers in Missouri have the opportunity to subscribe to the applicable expanded calling scope plan. The Signatory Parties recommend that only those customers in exchanges that are part of the PTC plan and can make intrastate intraLATA calls should receive the applicable expanded calling scope plan.

The Commission finds that as a general policy all Missouri customers should have the opportunity to subscribe to the applicable expanded calling scope plan adopted in this order. There may be technical problems with providing the service or other reasons which would make this policy unworkable for a particular exchange. As proposed by Staff, where the offering of the applicable expanded calling scope plan is not reasonable, waiver requests may be made. This problem should be addressed by the technical committee if time allows.

CompTel Plan

Comptel basically opposes the concept of providing expanded calling plans to LEC customers, and specifically opposes the plans proposed in this case. CompTel's position is that a vocal minority of customers are seeking reduced rates for calling long distance and are seeking to shift those costs to the rest of the customers. CompTel also believes that any expanded calling scope plan will negatively affect intraLATA competition and that any compensation arrangement should include lost revenues of interexchange carriers (IXCs).

If an expanded calling scope plan is necessary, CompTel proposes that first a detailed study of how and where costs would be increased and a plan should be structured which ensures that those customers that create the cost are the ones that pay for the cost. The proper structure, under CompTel's proposal, would divide the total cost of implementation in an exchange by the number of customers to determine the average cost of conversion per customer. CompTel would then compare customers' monthly toll with the average cost of conversion and if 50 percent of customers in the exchange utilize an equivalent amount of toll, the plan would be implemented for that exchange.

The Commission does not consider CompTel's proposal for implementing an expanded calling scope plan a reasonable or practical solution to the desires expressed by customers. SWB witness Halpin analyzed CompTel's proposal and determined that no exchange would likely ever pass CompTel's criteria. What the Commission is attempting to do is fashion long term solutions to expanded calling desires of customers. CompTel's proposal appears to be of limited application which would neither address current complaints nor achieve long term goals.

The Commission also is of the opinion that the adoption of these plans does not require compensation for IXCs. The evidence indicates that for the short-haul calls, within 23 miles, IXCs do not offer services comparable to those adopted in this case. Customers want a flat rate alternative to measured toll calling. Even reduced toll has not been acceptable to customers. Additional competition in the toll market might not address customer desires since IXCs do not traditionally provide flat rate calling. The Commission, here, is addressing a service problem which is not met by the current service offerings of the LECs or the IXCs.

Access Charge Review/Analysis

AT&T initially proposed that the Commission delay a decision concerning access charges used for intercompany compensation until it has reviewed the current structure of those access charges. In its brief, AT&T modified its position, stating that any access charges should not be increased to obtain revenue neutrality. AT&T did indicate that if access charges are not to be increased to provide revenue shortfalls, they do not need to be reviewed prior to implementation.

It appears evident from the decision in this case that access charges will be reduced after true-up for some LECs, but they will not be increased by any LEC. Based upon the results of the decisions in this case, the Commission does not consider AT&T's proposal to review access charges before implementation of MCA, OCA and modified COS reasonable or necessary.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The Commission has authority under the provisions of Section 392.240 to determine that when the rates or service supplied by telecommunications companies are unreasonable, inadequate, or insufficient, it shall determine the just and reasonable rates and the reasonable and sufficient service to be offered. The Commission also has authority pursuant to Section 392.250 to order repairs, improvements changes or additions to be made to promote the convenience of the public. The Commission by its own motion established this case in order to address complaints by customers concerning rates for interexchange calling, the inadequacy of the services providing interexchange calling, and to consider additions or changes that should be made to existing service and facilities to remedy the complaints.

The Commission has found in this case that existing facilities, services and rates do not meet the expanded calling scope needs and desires of many customers in exchanges throughout the state. There has been almost unanimous agreement by LECs and other parties that existing services do not adequately meet customers' needs or desires for interexchange calling. The Commission has adopted an MCA plan, an OCA plan and a modified COS plan to address these desires. These plans have been found by the Commission to be reasonable and the rates adopted have been found by the Commission to be just and reasonable. The Commission concludes that LECs should implement these plans in the affected exchanges to provide efficient and adequate interexchange calling to their customers.

Several legal issues have been raised by the parties concerning the plans adopted by the Commission. Mid-Missouri Group raised the issue of the Commission's jurisdiction to classify MCA calls into the Kansas portion of the Kansas City metropolitan exchange as local. Mid-Missouri Group suggests the classification of these calls as local would disturb the existing interstate regulatory structure.

The Commission does not agree. The Commission is not changing the toll classification of toll calls between Mid-Missouri Group LECs into Kansas but is ordering the provisioning of an alternate service which will be classified as local. The Commission has authority to establish such a service just as it established WASP and the Kansas City metropolitan exchange.

AT&T, MCI and others raise the concern of whether classification of MCA service as local will render IXC services between the MCA exchanges as local exchange service and require these IXCs to obtain a local exchange service authority to continue to provide the service. The Commission does not consider the adoption of MCA as a modification or change in IXC service. IXCs provide interexchange service between exchanges under their certificates of service authority. The Commission is not making an MCA one exchange but only adopting an optional service for interexchange calling. The classification of MCA as local will not affect the authority of IXCs to provide interexchange service between MCA exchanges.

The Commission has established a technical committee to address revenue neutrality for companies affected by the implementation of MCA, OCA and modified COS. The Commission concludes this will comply with the revenue-neutrality requirements established by the circuit court in the appeal of Case No. TO-90-232.

Other legal issues which were raised have been reviewed and not considered relevant to a decision in this matter.

IT IS THEREFORE ORDERED:

1. That a Metropolitan Calling Area (MCA) service shall hereby be established in those exchanges in Kansas City, St. Louis and Springfield as shown on Attachments 1, 2, 3 and 4 attached to this Report And Order.

2. That those local exchange companies that provide service to the exchanges included in the MCA plan adopted in ordered paragraph 1 shall implement the service as provided in this Report And Order.

3. That the MCA service shall be provided at the rates as shown on Attachment 6 to this Report And Order.

4. That an Outstate Calling Area (OCA) service, as described in this Report And Order, shall be established in all exchanges in the state of Missouri not included in the MCA exchanges. In addition, that OCA service shall be

offered in MCA-5 exchanges in St. Louis and Kansas City and MCA-2 exchanges in Springfield as described in this Report And Order.

5. That the local exchange companies which provide service to the exchanges in which OCA service will be offered shall implement OCA service as provided in this Report And Order.

6. That OCA service shall be implemented by local exchange companies at the rates shown on Attachment 7 attached to this Report And Order.

7. That Community Optional Service (COS) shall be modified as described in this Report And Order and new rates shall be charged for the service as shown on Attachment 7 attached to this Report And Order.

8. That a technical committee be hereby established to calculate the revenue-neutrality requirements of local exchange companies affected by the establishment of MCA, OCA and modified COS. This technical committee shall also establish a schedule for the implementation of MCA service, OCA service and modified COS by company and by exchange which shall be filed with the Commission on or before April 30, 1993.

9. That the technical committee shall follow the guidelines as described in this Report And Order.

10. That the first meeting of the technical committee is scheduled for January 7, 1993 to begin at 10:00 a.m. in Room 520A of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri.

11. That Exhibits 94, 95P, 96 and 96P be hereby received into the record.

12. That this Report And Order shall become effective on the 5th day of January, 1993.

BY THE COMMISSION

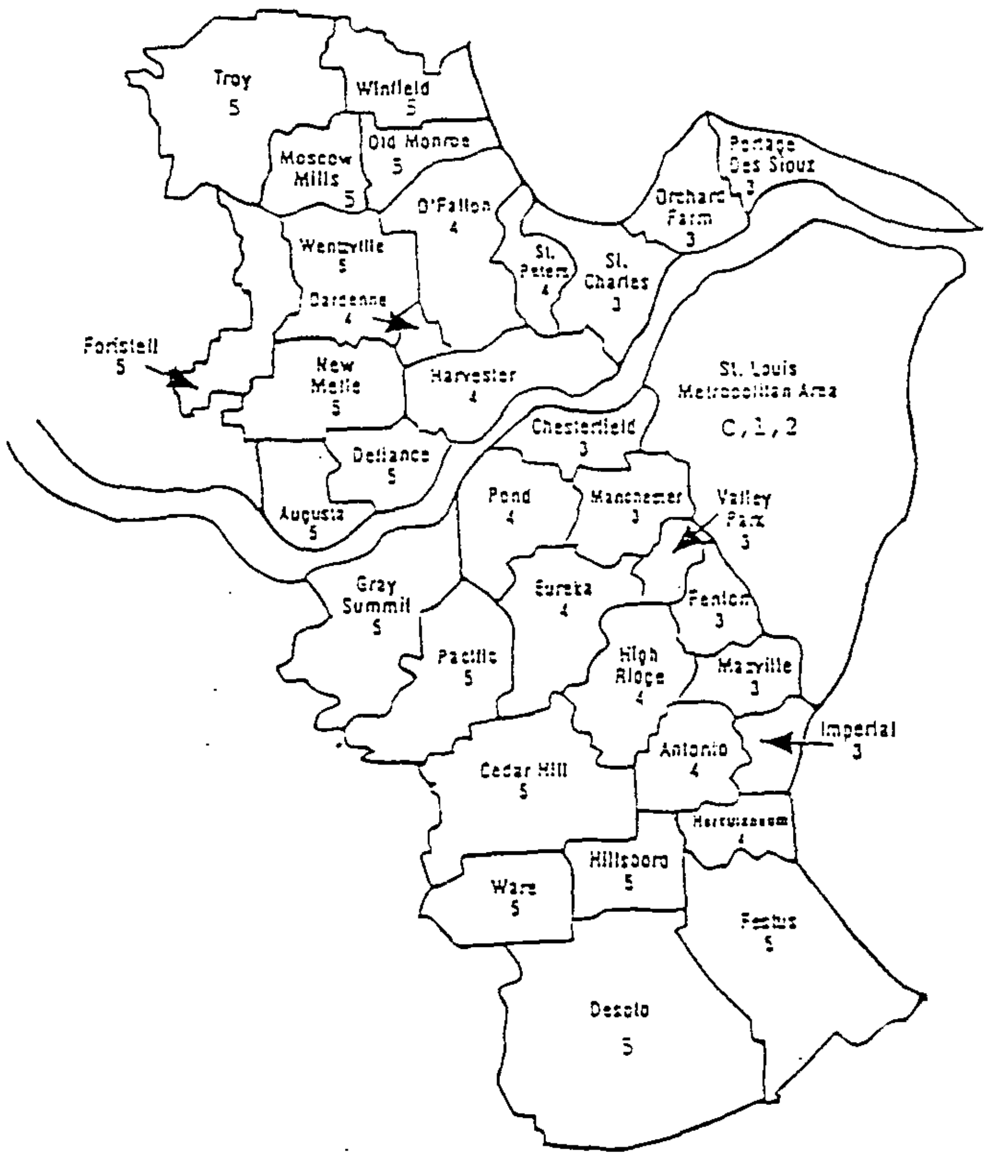
Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Perkins and Kincheloe,
CC., concur;
Mueller, C., concurs, with separate
opinion;
certify compliance with the provisions
of Section 536,080, R.S.Mo. 1986.
Rauch, C., not participating.

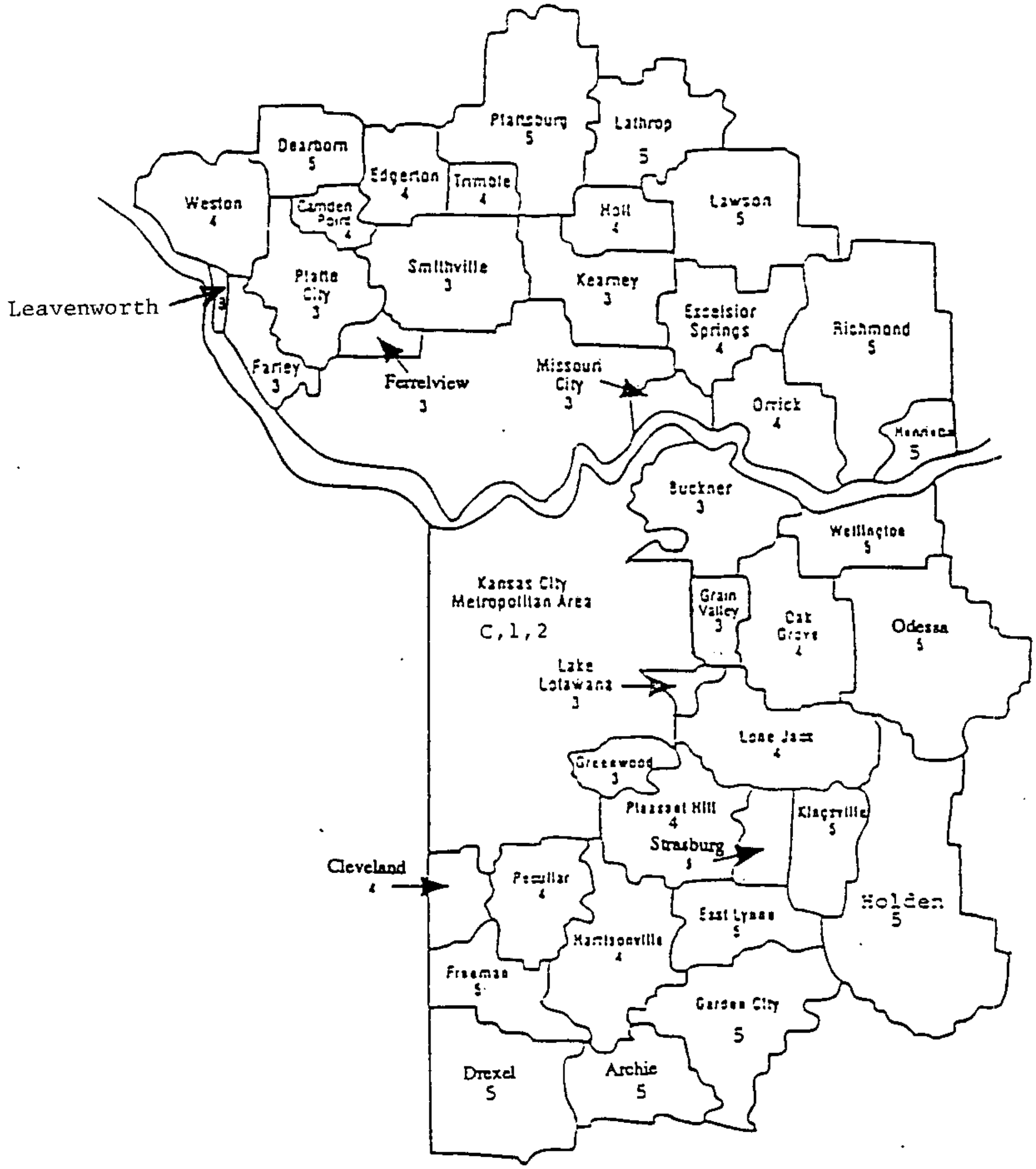
Dated at Jefferson City, Missouri,
on this 23rd day of December, 1992.



St. Louis
Metropolitan Calling Area

C: Central (Current WASP Principal Zone)
1: MCA-1 (Current WASP Tier I)
2: MCA-2 (Current WASP Tier II)
3: MCA-3 Exchanges
4: MCA-4 Exchanges
5: MCA-5 Exchanges

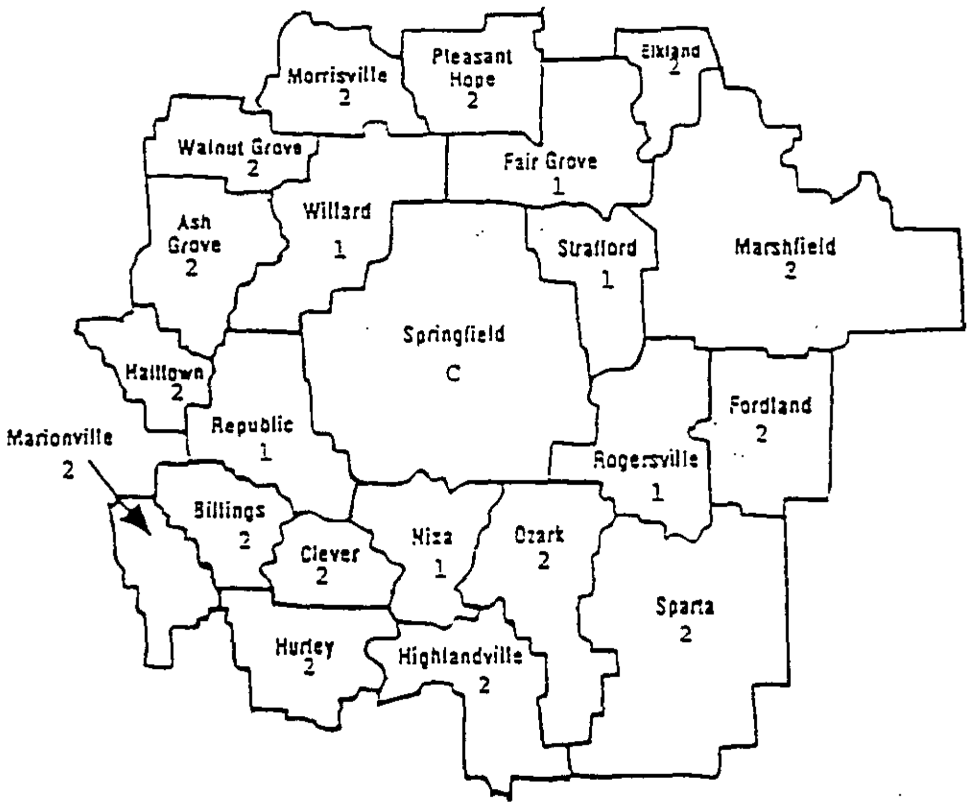
Attachment 1
Page 1 of 1



Kansas City
Metropolitan Calling Area

C: Central (Current WASP Principal Zone)
1: MCA-1 (Current WASP Tier I)
2: MCA-2 (Current WASP Tier II)
3: MCA-3 Exchanges
4: MCA-4 Exchanges
5: MCA-5 Exchanges

Attachment 2
Page 1 of 1



Springfield
Metropolitan Calling Area

C: Central Exchange
1: MCA-1 Exchanges
2: MCA-2 Exchanges

Attachment 3
Page 1 of 1

Exchanges Included in the MCAs

St. Louis

MCA-Central: St. Louis Principal Zone

MCA-1: St. Louis Zone 1

MCA-2: St. Louis Zone 2

MCA-3:

Chesterfield	Fenton	St. Charles
Manchester	Maxville	Imperial
Valley Park	Portage Des Sioux	Orchard Farm

MCA-4:

Harvester	High Ridge	St. Peters
Pond	Antonia	O'Fallon
Eureka	Herculaneum	Dardenne

MCA-5:

Winfield	New Melle	Ware
Moscow Mills	Augusta	Festus
Old Monroe	Defiance	Hillsboro
Troy	Gray Summit	DeSoto
Foristell	Pacific	
Wentzville	Cedar Hill	

Kansas City

MCA-Central: Kansas City Principal zone

MCA-1: Kansas City Zone 1

MCA-2: Kansas City Zone 2

MCA-3:

Leavenworth	Smithville	Grain Valley
Farley	Kearney	Lake Lotawana
Platte City	Missouri City	Greenwood
Ferrelview	Buckner	

MCA-4:

Weston	Excelsior Springs	Pleasant Hill
Camden Point		Harrisonville
Edgerton	Orrick	Peculiar
Trimble	Oak Grove	Cleveland
Holt	Lone Jack	

MCA-5:

Dearborn	Wellington	East Lynne
Plattsburg	Odessa	Garden City
Lathrop	Holden	Archie
Lawson	Kingsville	Freeman
Richmond	Strasburg	Drexel
Henrietta		

Attachment 4
Page 1 of 2

Springfield

MCA-Central:	Springfield		
MCA-1:	Republic	Strafford	Nixa/South Nixa
	Willard	Rogersville	
	Fair Grove		
MCA-2:	Billings	Ozark	Pleasant Hope
	Clever	Sparta	Morrisville
	Marionville	Fordland	Walnut Grove
	Hurley	Marshfield	Ash Grove
	Highlandville	Elkland	Halltown

Attachment 4
Page 2 of 2

MCA Calling Patterns

St. Louis/Kansas City:

A. All MCA-Central, MCA-1 and MCA-2 customers would be able to call:
   1. all MCA-Central, MCA-1 and MCA-2 customers;
   2. all MCA-3, MCA-4 and MCA-5 subscribers.

B. MCA-3 subscribers would be able to call:
   1. all MCA-Central, MCA-1, MCA-2 and MCA-3 customers;
   2. all MCA-4 and MCA-5 subscribers.

C. MCA-4 and MCA-5 subscribers would be able to call:
   1. all MCA-Central, MCA-1, MCA-2, MCA-3 and MCA-4 customers;
   2. all MCA-5 subscribers.

D. MCA-3, MCA-4 and MCA-5 nonsubscribing customers would be able to call:
   1. all customers in own local exchange and EAS points, if any.

Springfield:

A. All MCA-Central and MCA-1 customers would be able to call:
   1. all MCA-Central and MCA-1 customers;
   2. all MCA-2 subscribers.

B. MCA-2 subscribers would be able to call:
   1. all MCA-Central and MCA-1 customers;
   2. all MCA-2 subscribers.

C. MCA-2 nonsubscribing customers would be able to call:
   1. all customers in own local exchange and EAS points, if any.

Attachment 5
Page 1 of 1

MCA Rates

	RESIDENTIAL	BUSINESS	
St. Louis			
MCA-Central	$11.35	$33.55	Mandatory
MCA-1	11.85	35.00	Mandatory
MCA-2	12.50	36.95	Mandatory
MCA-3	12.35	24.80	Optional Additive
MCA-4	21.55	46.75	Optional Additive
MCA-5	32.50	70.70	Optional Additive
Kansas City			
MCA-Central	11.35	33.55	Mandatory
MCA-1	11.85	35.00	Mandatory
MCA-2	12.50	36.95	Mandatory
MCA-3	12.35	24.80	Optional Additive
MCA-4	21.55	46.75	Optional Additive
MCA-5	32.50	70.70	Optional Additive
Springfield			
MCA-Central	10.10	25.70	Mandatory
MCA-1	11.40	28.00	Mandatory
MCA-2	11.45	21.75	Optional Additive

Attachment 6
Page 1 of 1

OCA Rates

Residential customers:

two hours for $9.60
five hours for $21.85; $.07/add. minute

Business customers:

two hours for $10.80
five hours for $24.50; $.08/add. minute

COS Rates

Rural COS:

Residential: $16.00
Business: $33.50

Metropolitan COS (St. Louis/Kansas City):

Residential: $37.80
Business: $80.20

Metropolitan COS (Springfield):

Residential: $24.50
Business: $50.50

NEACs:

Residential: $ 5.15
Business: $10.85

Attachment 7
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CONCURRING OPINION OF COMMISSIONER ALLAN G. MUELLER

CASE NO. TO-92-306

The Commission, by its own motion, established this case in order to address some of the complaints for interexchange calling in the out-state area and the inadequacy of the service provided in the outlying metropolitan areas. This problem is not new to the Commission. Initially, the Commission tried to solve the various calling scope problems with an extended area service (EAS) plan, and later on developed an extended measured service (EMS) plan. More recently the Commission developed a community optional service (COS) plan to deal with the continuing demand to call outside the local exchange. For the most part, these solutions met with limited success.

The main reason for the problem is the change over the last twenty years in the relationship between the various communities in our state. New highway construction, housing patterns, and employment options, have changed our outlook on the various communities of interest and have required a different demand for calling scopes in the telephone exchanges.

Hopefully, the implementation of this plan will solve the majority of the interexchange calling problems on an ongoing continuous basis. This plan will not solve all of the problems, however, it is a well thought out attempt to address the new demands society has placed on our telecommunications infrastructure. The problems of interexchange calling scopes differ from one exchange to another and although this Report and Order is a reasonable solution it is by no means a solution to all the calling scope problems in the State of Missouri.

Respectfully submitted,

Allan G. Mueller

Allan G. Mueller, Commissioner