

MCA/Calling Scope Task Force Final Report

Case No. TW-2004-0471

The MCA/Calling Scope Task Force submits the following final report in response to the Commission directive in Case No. TW-2004-0471.¹ In preparing this report the Task Force met on the following dates: June 15th, June 24th, July 7th, July 21st and September 15th. A subcommittee of Task Force members met on August 3^d and August 26th. Some, but not all, Task Force members desire to submit concurring or dissenting comments, which are attached to the end of this report. The Task Force consists of the following fifteen members:

Bill Biere, Chariton Valley Telephone Company

Representative Rachel Bringer

Mike Dandino, Office of the Public Counsel

Natelle Dietrich, Missouri Public Service Commission staff member

Senator John Griesheimer

John Idoux, Sprint

Representative Bob Johnson

Arthur Martinez, CenturyTel

Senator Jim Mathewson

Virginia McNabb, residential consumer from Queens City, Missouri

Karen Messerli, Mayor of Lees Summit, Missouri

Michael Pauls, AT&T

Craig Unruh, SBC

John Van Eschen, Missouri Public Service Commission staff member

Bill Voight, Missouri Public Service Commission staff member

¹ At the September 15, 2004 MCA/Calling Scopes Task Force meeting the following Task Force members voted in favor of submitting the following report as the Task Force's Final Report: Bill Biere, Representative Rachel Bringer, Mike Dandino, Natelle Dietrich, Senator John Griesheimer, John Idoux, Representative Bob Johnson, Arthur Martinez, Senator Jim Mathewson, Craig Unruh and John Van Eschen. Task Force members not in favor of submitting the following report as the Task Force's Final Report are: Michael Pauls and Bill Voight. Task Force members absent: Virginia McNabb and Karen Messerli.

Introduction

A. The task force endorses the concept that consumers benefit either by having a choice of providers for services or by having regulatory oversight when choice is not available. When and where consumers have such choices, regulation can and should be relaxed. Recognizing that consumer benefits are maximized by competitive markets, the task force encourages the Public Service Commission and the General Assembly to rely on market forces where possible to best meet consumer needs. To that end, the task force encourages the Public Service Commission and the General Assembly to take measures to encourage competition.

II. Mission of Task Force

A. There is a demand for new toll-free expanded calling plans within certain consumer communities of interest and there is a demand for changes to certain existing calling plans.

B. In response to this demand, the Task Force should outline methods of identifying these demands and recommend rules and a process for the Missouri Public Service Commission to adopt as a means to consider and address this demand for these consumers and for consumers in the future.

C. Due to a question of authority with regard to the Public Service Commission and the implementation of new mandated calling plans, legislative action may be necessary to address the needs discussed above.

III. Task Force Findings

- A. Regulated telecommunications service providers in the state are being challenged every day by competition from diverse technologies such as wireless, cable, broadband over power lines, and voice over internet providers; competition that can offer the same services and more to customers without oversight from the Public Service Commission. Due to the ever-changing nature of telecommunications and the rate at which those changes are being made, such competition should be met with more opportunities for regulated, traditional telecommunication service providers to advance technologies that will maximize all competition and ultimately, provide more options to customers and more comprehensive service. The communications marketplace is evolving rapidly and the once clear lines between traditional landline telephone companies, wireless companies, cable companies and now Voice over Internet Protocol (VoIP) companies continue to blur. Calling plans now offered by many providers also blur the historical distinction between traditional “local” and “long distance” calling.
- B. Toll-free calling within communities of interest should be a component of essential local telecommunications service.
- C. As a result of the end of COS and other flat rated toll plans, limited ability for some customers to take advantage of nationally advertised long distance rates, and the increased scope of rural and suburban communities

of interest, the demand from consumers for changes to existing calling plans within the state is evident.

- D. A significant deterrent to the utility of toll plans and toll-free expanded calling plans is the present level of disparity in carrier exchange access rates, and its negative incentive for toll providers to make premium toll plans available in all areas of the state.
- E. Since the establishment of MCA, OCA and COS, the introduction of local competition, and the elimination of COS, there is little likelihood that a uniform mandated expanded calling offering would be workable or widely beneficial.
- F. The Public Service Commission should support initiatives to simplify, equalize and reduce inter-company compensation to make calling plans more economically feasible.
- G. The Public Service Commission should promulgate a rule and implement a process to entertain requests for the establishment of new expanded calling plans, or changes to existing expanded calling plans. This rule/process should include the following:
 - 1. The rule/process should be applicable to both requests for new expanded calling plans and changes to existing expanded calling plans.
 - 2. Process applies only to calling plans to provide toll-free calling or discounted toll plans, within reasonable communities of interest. The criteria for a community of interest should include

but shall not be limited to, community calling to medical service providers, educational institutions, governmental or social service offices, and commercial/trade centers. Out of necessity, the communities of interest criteria cannot be reduced to simple descriptions, rules or numbers, but shall remain a matter of some subjectivity for the Commission to determine on a case-by-case basis.

3. The process could be initiated in one of three ways:
 - a. A petition from the telecommunications company to the Commission
 - b. A petition to the Commission from a threshold number of at least 15% of subscribers within an exchange
 - c. A petition to the Commission by a governing body of a municipality or school district
4. The petition shall include at least the following minimum descriptions:
 - a. A description of the new plan or the change(s) to an existing plan
 - b. The proposed price and terms of the new service
 - c. Whether the proposed plan is optional to individual customers or mandatory for all customers

- d. Toll or local classification of calling plan traffic and associated inter-company compensation, if any, to be utilized to facilitate the plan
5. Within thirty days from the submission of the petition, the Commission shall notify all carriers potentially affected by the petition and include with that notification, a copy of the petition.
6. Within sixty days from the submission of the petition, the Commission shall convene a conference of the interested parties, including the petitioner, the Staff, Public Counsel and affected carriers, to meet and discuss the petition and any possible modifications to such petition. The petitioning party has the right to accept or reject any changes made to the petition, and is required to notify the Commission and all other parties of the final petition to be considered.
7. The Commission shall request from the carriers, statements of revenue and expense impacts as well as revenue neutrality requirements related to the petition to be received within ninety days after such request.
8. The Commission may choose to hold public hearings and/or meetings in locations affected by the petition.
9. After receipt of the financial data, the Commission shall hold a hearing to determine whether the proposed calling plan or change is just, reasonable, affordable, and is in the public interest.

10. The Commission shall issue its decision on the petition within sixty days from the conclusion of the hearing pursuant to paragraph 9 above. The commission may establish conditions for the adoption of the petition based on financial considerations with regard to the carriers and customers affected by the petition.
- H. The Commission should investigate whether additional competitive incentives can be achieved with the establishment of a high-cost, state support fund to ensure that basic local service rates remain affordable for all Missourians. The state fund should be funded through an end user surcharge and all funds should be disbursed equitably among high-cost providers without regard to company size or locations served.
- I. The Commission should account for competitive implications, revenue impacts, company and societal costs of implementing calling plans balanced against the desire for specific actions to address community of interest issues.
- J. The Task Force recommends that the previously filed petitions for proposed modifications to the MCA as listed in Attachment A be taken up and considered as filed petitions under G 3 and G 4 of the proposed process.

ATTACHMENT A
MCA/CALLING SCOPE TASK FORCE REPORT
CASE NO. TW-2004-0471

Kansas City MCA:

- Reclassify Greenwood exchange from MCA 3 (optional) to MCA 2 (mandatory)
- Add Lexington exchange to Tier 5 at MCA 5 rates

Springfield MCA:

- Reclassify Ozark exchange from MCA 2 (optional) to MCA 1 (mandatory)

St. Louis MCA:

Establish new optional Tier 6 to include the following exchanges:

- Washington
- Union
- Wright City
- St. Clair
- Marthasville
- Beaufort
- Foley
- Warrenton

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In The Matter of a Commission Inquiry Into)
The Metropolitan Calling Area Plan and Calling)
Scopes In Missouri.)

Case No. TW-2004-0471

MCA/CALLING SCOPE TASK FORCE FINAL REPORT
STATEMENT AND OPINION OF NATELLE DIETRICH

On March 18, 2004, the Commission issued an order establishing a task force or working group to investigate whether and if so, what type, of changes should be made to the Metropolitan Calling Area (MCA) Plans and to calling scopes in general. The Task Force members represented diverse groups including the public, Commission Staff and the industry. It has been my pleasure to serve as a Task Force member.

In an effort to reach common ground among such diverse interests, the Task Force created a subcommittee to work through many of the issues the Commission asked the Task Force to address. The result of that effort was ultimately adopted as the Task Force Final Report. I would like to commend the subcommittee for making the headway it was able to accomplish when the entire Task Force continued to struggle. It was for this reason that I voted in favor of submitting the subcommittee report as the Task Force Final Report. However, I would like to take this opportunity to express my concerns with that Final Report.

The Commission established a Task Force in 2001 to look at issues surrounding MCA service (Case No. TO-2001-391). In its order establishing working group for this proceeding, the Commission stated it had reviewed the record in Case No. TO-2001-391 and noted there were several important questions unanswered, including consumers desire for a modified or expanded MCA plan, at what cost consumers would find plans attractive, and the threshold

question of whether or not the Commission has authority to order changes to the MCA. The Commission found the scope of this Task Force should be broader than just addressing MCA, so it directed the Task Force to evaluate the need to make changes to Missouri's calling scopes in general by focusing on key questions and topics. These questions and topics included: (1) what type of calling scopes, prices and plans are desired by customers; (2) what changes, if any, should be made to the MCA plan; (3) what changes, if any, should be taken to expand calling scopes in rural areas; (4) the impact of alternative forms of communications; (5) local number portability and the MCA; and, (6) whether legislation is needed. The Commission expected the Task Force to conduct public meetings or use surveys to measure the level of demand for proposed changes and expected the industry to file illustrative tariffs on implementing the MCA-2 proposal.

In my opinion, the Task Force Report fails to respond to most of these directives. For this reason, I have concerns that the Task Force did not provide the Commission with the necessary information to address these long-standing issues.

First and foremost, it is my opinion that the Task Force should have put forth a recommendation on the Commission's authority to modify calling scopes. This issue has been litigated for years in many proceedings and must be resolved. Instead, the Report states, "Due to a question of authority with regard to the Public Service Commission and the implementation of new mandated calling plans, legislative action may be necessary to address the needs discussed above."

The Report sets forth guidelines for inclusion in a rule outlining procedures for submitting calling scope petitions and recommends another rule for extended area service (EAS). It is my experience that the rulemaking process can take many years and can be met with much

resistance when addressing such complicated issues as those that should have been addressed by the Task Force.

Finally, the Task Force declined to conduct public hearings or surveys to determine customer demand and need and failed to look at costs associated with modifications to calling plans. Therefore, the Report makes unsubstantiated statements such as: “As a result of the end of COS and other flat rated toll plans, limited ability for some customers to take advantage of nationally advertised long distance rates, and the increased scope of rural and suburban communities of interest, the demand from consumers for changes to existing calling plans within the state is evident.”; and, “Regulated telecommunications service providers in the state are being challenged every day by competition from diverse technologies such as wireless, cable, broadband over power lines, and voice over internet providers; competition that can offer the same services and more to customers without oversight from the Public Service Commission.”

In summary, while I applaud the subcommittee for its efforts, I am concerned that the Task Force and its Report were unsuccessful in answering many of the questions put forth by the Commission.

Respectfully submitted,



Natelle Dietrich, Regulatory Economist III

Date at Jefferson City, Missouri
On this 24th day of September, 2004.

however, I am not convinced that simply further expanding the local calling scopes for a few is the best, only or preferred solution for the state as a whole. The Commission should remember that any conversion of existing toll routes into expanded local calling routes would immediately and detrimentally affect the current long distance providers of that traffic (such as AT&T). The Final Report correctly points out that a “significant deterrent to the utility of toll plans and toll-free expanded calling plans is the present level of disparity in carrier exchange access rates.” The Final Report further notes that the Commission “should support initiatives to simplify, equalize and reduce inter-company compensation to make calling plans more economically feasible.” Finally, the Final Report appropriately states that the Commission should investigate “the establishment of a high-cost, state support fund.”

It is my recommendation that the Commission should first place a moratorium on any further MCA/Calling Scope initiatives until it has opened, completed and implemented the “root cause” access, inter-company compensation and high-cost fund initiatives as outlined in the Final Report. It is my belief that such initiatives could well eliminate the need for future additional MCA/Calling Scope initiatives--history has shown us that the local calling scope issues in this state have not gone away on their own under the current iterative process. I believe that this new and pro-competitive “root cause” market forces approach would serve the Commission well and be in the best interest of consumers and telecommunications companies in the state of Missouri.

Respectfully submitted,

Michael J. Pauls -- AT&T

resulting in intermodal competition that does not fit within today's regulatory framework. As such, regulation of telecommunications must rapidly change as well.

The task force report also recognizes that competition and market forces provide the best environment for meeting consumer needs. The good news for consumers is that technology is rapidly evolving and competition continues to intensify. Consumers have benefited as these intermodal competitors continue to roll out new products and services with the ever-present goal of better meeting customer needs than the other providers. We are witnessing the blurring of local and long distance calling, as traditional telephone companies, cable providers, wireless companies, and VoIP providers compete for consumers' business.

However, for consumers to receive the maximum benefits from the competitive marketplace, today's asymmetric and out-dated regulation must be changed. Today's over-burdensome regulation of incumbent landline telephone companies hinders the marketplace and limits the potential for innovation and investment that could lead to additional products and services for consumers. I encourage policymakers to accelerate the path to a fully competitive marketplace where all providers are treated equally and where regulation does not stand in the way of innovation and investment. That is the environment where consumers are the clear winners.

Craig Unruh
Executive Director-Regulatory
SBC Missouri

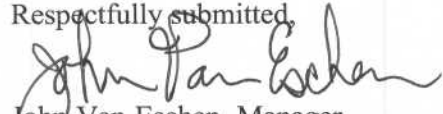
record for Case No. TO-98-329, in the matter of an investigation into various issues related to the Missouri Universal Service Fund. In that proceeding proposals concerning a high-cost fund were presented for the Commission's consideration although no action was ever taken by the Commission.

The Task Force report does not contain some significant work initiated by the Task Force. For example the Task Force compiled a detailed list of calling plans available in each exchange in Missouri. This list shows for each exchange the exchange's residential local service rate and, if applicable, extended area service (EAS) routes, EAS rate, Metropolitan Calling Area (MCA) plan, MCA rate, other special calling plans offered by the incumbent local telephone company for that exchange, plus other calling plans offered by other companies. This type of list had not previously been compiled and it provides an easy reference for what's currently available in the way of local calling plans. Other work concerned the development of a survey to gauge public opinion. Although the Task Force declined to hire an outside firm to conduct a survey, my staff continued to explore other alternatives to obtain public feedback. Rather than hire a firm to conduct a survey, the development of a questionnaire may be an alternative method of obtaining public input. If the Commission wishes to post a simple questionnaire on our web site to obtain public input on calling scope issues such a survey is available for the Commission's consideration.

As Chair of the Task Force I wish to thank all of the Task Force members. We had very good participation and input from Task Force members. I also wish to acknowledge the participation of non-Task Force members. Senate Research staff member Megan Word played an important role assisting the Task Force, especially the

Task Force subcommittee. In addition, my colleagues Mike Scheperle, Walt Cecil and Marc Poston were very instrumental in assisting the Task Force.

Respectfully submitted,



John Van Eschen, Manager
Telecommunications Department

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In The Matter of a Commission Inquiry Into)
The Metropolitan Calling Area Plan and Calling))
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**DISSENTING OPINION AND STATEMENT
OF WILLIAM VOIGHT**

The Task Force has recommended the Commission undertake the following: (1) promulgate an expanded calling rule to accommodate urban and rural areas; (2) rebalance access rates; and, (3) institute a statewide high cost fund. Even though the recommendations are not detail specific, the Task Force is to be commended for reaching near unanimous consensus on such controversial subject matters. There can be little doubt that each participant conceded individual points of view to strike a balanced Final Report. It has been personally rewarding to serve on the Task Force and subcommittee with members of the General Assembly. Comparatively few state workers are afforded an opportunity to serve in such a manner, and I am honored to have had the privilege.

At its final meeting, the Task Force voted to amend the subcommittee report by “grandfathering” all existing petitions previously submitted to the Commission. While I strongly agree that existing petitioners should not be forced to start the process all over again, I disagree that the Commission should entertain expanded calling scope petitions that force telephone subscribers to change their telephone NXX codes en masse. The current Metropolitan Calling Area (MCA) telephone central office routing configurations necessitate optional MCA subscribers be assigned unique NPA-NXX telephone numbers. Granting petitioners the requested relief would necessitate that many telephone subscribers change telephone numbers. A

better course would have been for the Task Force to adhere to the Commission's stated expectations, including the expectation that the Task Force would examine ways to accommodate expanded calling without forcing subscribers to change their telephone numbers. Rather than examining telephone tariff sheets submitted solely on an illustrative basis for the purpose of exploring this matter, the Task Force voted to suspend such activity, and did not examine this issue at all.

With but one exception (commonly called the Rockaway Beach petition), all of the current petitions before the Commission make requests involving the optional areas of Missouri's MCA. If the requested relief is granted, the Commission should expect similar petitions from other similarly situated communities.

There can be little doubt as to the necessity of Missouri's MCA plan, and I do not advocate eliminating the Plan. Rather, my concern is with the way the MCA plan is administered. Missouri's MCA, along with a similar plan in the greater Dallas, Texas area, are the only areas identified in the nation that utilize segregated NXX codes to accommodate an expanded local calling scope. The current system was devised in an era of monopoly telephone service and, in my opinion, is no longer conducive to today's competitive telephone environment. The current system wastes valuable telephone numbers, and contributes to premature area code exhaust. The current system not only forces MCA subscribers to change their NXX telephone numbers but, due to segregated MCA codes, also contributes to the necessity for subscribers to change area codes as well. Although conservation measures have prolonged the exhaustion of area codes, new technologies, such as Voice over Internet Protocol, are likely to negatively impact current projections. Therefore, we should continue our efforts to

prolong the useful life of current area codes. In my view, these efforts should include elimination of segregated MCA codes.

The current system acts as an entry and exit barrier for consumers who desire to shop around for the best and most affordable telephone service. Missouri's MCA plan forces telephone subscribers to change telephone numbers when they sign up for MCA service, and forces them to again change their number should they cancel MCA service. Customers have reported they sign up for flat-rated unlimited long distance calling plans and, finding they no longer need MCA service, call to cancel MCA only to find out they have to change their telephone numbers. In this regard, the current system does not allow customers to port their telephone number from one calling plan to another. In spite of its apparent popularity, I can only imagine how many current MCA subscribers would retain their MCA service if they could freely choose among calling plans without fear of losing their current telephone number. For that matter, how many customers continue to pay for MCA without a need for the service - doing so only because of an unwillingness to change telephone numbers? Unfortunately, we will not know the answers, as the Task Force did not follow the Commission's directive to "[measure] the level of demand for various changes to the MCA plan and to calling scopes in general."

The current system also causes confusion because callers often do not know if the number they are dialing is a local or long distance call. A better system would categorize long distance based on geography as the determining factor - not whether or not the person being called also subscribes to the same calling program as does the caller. Although this situation impacts all callers, I am especially concerned for the programming needs of the thousands of business customers who own and maintain business telephone systems. The current MCA system relies on the Local Exchange Routing Guide (LERG) as the only means of identifying MCA

NXX codes. The LERG is a complex computer software instrument commonly used only by telephone companies. Moreover, adherence to the LERG is completely voluntary; data resident within the LERG is not accurate in all instances. Ordinary business customers simply do not have the resources to subscribe to and maintain a LERG. These business customers (and residential customers as well) used to rely on the telephone company to publish MCA codes in the telephone directory. By having MCA codes published, at least callers could research which calls were local and which were long distance. Now, however, the telephone companies no longer publish MCA codes, making it all but impossible for the average person to distinguish between local and long distance dialing. I am especially concerned for the needs of the lodging industry in this regard. These proprietors must navigate a mishmash of unknown telephone codes simply to make local calling available to their overnight guests.


Of the many problems caused by segregated MCA codes, it is likely that competitive telephone companies experience the most severe impacts. As witnessed by petitions submitted to the Commission, facility-based competitive carriers often find themselves disadvantaged with an inability to compete for customers because they do not have additional dedicated NPA-NXX codes to allocate to both MCA and non-MCA customers. This is because Missouri's MCA plan is not conducive to federal guidelines pertaining to numbering resources and telephone number allocation. Such situations necessitate the Commission being asked to override decisions of Neustar, Inc., the North American Numbering Plan Administrator (NANPA). Although such requests have so far been granted expeditiously, my fear is of a contested case. If another party contests such a request, the dispute could take months to unravel. Such legal wrangling over MCA NXX codes would delay market entry by the competitor, and further deny the benefits of facility-based competition to the public. Even without a contested case proceeding, the necessity

to request a state commission to overrule the NANPA represents an unnecessary adjudicative hopscotch for competitors. If policy makers indeed desire to move to more switched-based competition (as opposed to UNE-P), surely such policy goals would be better achieved by placing would-be competitors on equal footing with incumbents.

The popularity of Missouri's MCA appears evident by the number of subscribers, but I am not convinced that those who sign petitions realize they would have to change their telephone numbers in order to obtain the MCA service. Even if the signatory petitioners do realize this basic fact, they by no means speak for all exchange subscribers. I recognize the outcry of those who demand expanded calling. My fear is that voices opposed to changing telephone numbers would understandably be much louder. I am equally concerned that the Task Force majority overlooks this strong possibility.

In summary, insofar as it requires segregated MCA codes, Missouri's MCA plan is anti-consumer, anti-competitive, and bad for business. Moreover, use of segregated NXX codes would appear to conflict with federal guidelines on number conservation. The Task Force Report should have presented the Commission with a recommendation concerning those important public policy considerations. For these reasons, I respectfully dissent.

Respectfully submitted,


William Voight

Date at Jefferson City, Missouri
On this 23rd day of September, 2004.