BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission its own Motion to investigate the quality of telephone service and to consider ordering Local Exchange Carriers to provide customers with touch tone as a part of Basic Local Exchange Service and to provide single-party service phased in over a reasonable period of time.	)	APPLICATION NO. C-1056/PI-8 DISMISSED Entered: September 13, 1994

O P I N I O N A N D F I N D I N G S

BY THE COMMISSION:

By this Docket opened March 7, 1994, the Commission, on its own Motion, initiated an investigation into the quality of telephone service being provided to the public in the State of Nebraska. Specifically, the Commission focused its investigation upon whether touch tone service should be included in Basic Local Service provided to all telephone customers in Nebraska, and whether an Order should be entered requiring all Local Exchange Carriers to phase in single-party service over a stated period of time.

Notice of the opening of this Docket was published pursuant to the provisions of the Commission's Rules and Regulations. Pursuant to Notice, as required by law, a public hearing was held on this Docket on August 16, 1994, in the Commission Hearing Room, Lincoln, Nebraska. Five witnesses appeared and testified at the hearing.

M. Gene Hand, Director of Telecommunications, testified and his testimony primarily related to explanation of Exhibit 3, a compilation of information pertaining to touch tone and multi-party lines in service within Nebraska. Mr. Hand testified that twenty-nine Local Exchange Carriers in Nebraska offer touch tone service as an optional service to business and residential subscribers at rates ranging from $.50 to $2.00 per month per access line. The overall penetration rate for touch tone service is 69.72% among the subscribers served by these twenty-nine Local Exchange Carriers. Annually, touch tone revenues aggregate $2,434,156 for these twenty-nine Local Exchange Carriers.

Mr. Hand also testified that ten Local Exchange Carriers and five unregulated cooperative telephone companies include touch tone service in their rates for Basic Local Exchange Service. With the exception of the cooperative telephone companies, Mr. Hand testified that most of the Local Exchange Car-

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riers which include touch tone service in the Basic Exchange rate received Commission approval to do so in connection with a rate case proceeding. The revenue requirement for touch tone service was considered in connection with the establishment of the monthly rates for Basic Local Exchange Service and was included in such companies' rate structure.

With regard to multi-party service in the State of Nebraska, Mr. Hand's Exhibit shows that a total of 1,809 multi-party subscribers exist at the present time. Of this number, 1,564 are subscribers of GTE North and U.S. West. Both of these companies have service improvement plans in progress to convert all multi-party lines to one-party service. The majority of the remaining multi-party lines, totalling 191 lines, are customers of United Telephone of the West. Mr. Hand testified that the cost of converting these lines to one-party service is so great that conversion is not viewed as economically feasible. On questioning by Commissioner Landis, Mr. Hand offered his opinion that, practically speaking, by the end of 1996 local exchange service in Nebraska will have been converted to single-party service.

Commission Staff Attorney, Deonne Niemack, testified concerning the results of a survey which she completed relating to the provision of touch tone service to telephone subscribers in nine other Midwestern states. Ms. Niemack offered an Exhibit summarizing her findings. Of the nine states surveyed, six states do not mandate touch tone service be included in Basic Local Exchange Service. Two states, Colorado and North Dakota, specifically require that touch tone service be included in Basic Local Exchange Service. The remaining state, Oklahoma, enacted a rule in 1993, requiring that touch tone service be included in Basic Local Exchange Service, however, the Oklahoma Corporation Commission's ruling is on appeal to the Oklahoma Supreme Court.

Mr. Norm Osland, President of The Nebraska Telephone Association, testified with regard to the position of the Local Exchange Carriers of Nebraska relative to touch tone service and one-party service. Mr. Osland stated that the Local Exchange Carriers have concluded that offering the customer the option to purchase touch tone service and payment of a monthly charge for such service is preferable to creating mandatory touch tone service. Mr. Osland pointed out that, as demonstrated by Mr. Hand's Exhibit, a number of Local Exchange Carriers currently have a penetration rate for touch tone service which is less than 60%, and in the case of four Local Exchange Carriers, the penetration rate is less than 50%. If touch tone service were included in the Basic Local Exchange Rate, an additional charge to some customers would be necessary, as well as the requirement to replace rotary dial customer premise equipment with touch tone equipment. Mr. Osland stated that it is the posi-

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tion of the Nebraska Telephone Association that each Local Exchange Carrier should be allowed to determine whether touch tone service should be included in its Basic Local Exchange Rate, or whether touch tone service should be offered as an optional service offering.

With regard to the one-party service aspect of this proceeding, Mr. Osland testified that GTE North is proceeding with a service upgrade plan which will eliminate all multi-party lines by year-end 1996. U.S. West is similarly proceeding with an upgrade plan to eliminate all multi-party lines by year-end 1995. The bulk of the approximately 50 customers of Home Telephone Company which currently have multi-party service are located in a lake area, and only a small number of such customers, who predominately occupy vacation homes, have requested one-party service. However, Home Telephone Company is proceeding with a facility upgrade to be completed by year-end 1995, which will allow the provision of one-party service to all remaining Home Telephone Company subscribers. Of the 191 multi-party service subscribers of United Telephone of the West, 89 subscribers have one-party service available today, but have chosen to retain four-party service. Of the remaining 102 four-party service customers, the cost of upgrading would be $4.77 million, or approximately $47,000 per customer. Mr. Osland stated that it is the position of the Nebraska Telephone association that the one-party service issue in Nebraska does not require further attention in light of the scheduled upgrades for virtually all remaining multi-party service customers and the unique circumstances involving those few Nebraska customers who do not currently receive one-party service.

O P I N I O N & F I N D I N G S

Upon consideration of the evidence, the exhibits, and the testimony presented at the hearing, the Commission finds that the public interest will continue to be served by affording the Local Exchange Carriers in this State the ability to offer touch tone service to customers on an optional basis. The penetration rates of touch tone service for those companies that offer such service on an optional basis indicate that there is a substantial segment of Nebraska telephone users who have made a decision that notwithstanding the benefits of the "Information Super Highway", that the additional cost of touch tone service is not warranted.

The Commission further finds that the evidence establishes that Local Exchange Carriers have the technical capability to provide touch tone service to subscribers upon request. The Commission finds that it is preferable to allow customers to determine the level of telephone service which will meet their

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needs rather than to mandate the level of service. The revenues which would be lost by Local Exchange Carriers if the Commission mandated the inclusion of touch tone service in Basic Local Exchange Service may have to be recovered from other revenue sources. One source would most likely be increased Basic Local Exchange Rates. The Commission finds that at the time the public interest is better served by not shifting the revenue requirement which is currently being met by touch tone revenues to other services, including Basic Local Service Rates.

With regard to one-party service in Nebraska, the Commission finds that existing plans for plant upgrades for GTE North, U.S. West Communications and Home Telephone Company will eliminate multi-party service in their service territories in the near future. The Commission further finds that United Telephone of the West still has, and will continue to have, a relatively small number of multi-party customers but, based upon the evidence before the Commission, we conclude that the cost of upgrading these remaining 102 multi-party subscribers to one-party service cannot be justified at this time as a prudent use of resources. The Commission encourages United to continue exploring ways to offer one-party service to its multi-party subscribers in a reasonable and prudent manner. Practically speaking, multi-party service has been substantially eliminated in Nebraska and by the end of 1996, virtually all telephone subscribers in the State of Nebraska will have one-party service available for their use.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that this Docket shall be closed and that this Application shall be dismissed.

MADE AND ENTERED at Lincoln, Nebraska, this 13th day of September, 1994.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Daniel G. Urwiller

Duane D. Gay

//s//Rod Johnson

Chairman

ATTEST:

Executive Director

COMMISSIONERS DISSENTING:
//s//Frank E. Landis

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DISSENT OF COMMISSIONER LANDIS:

I respectfully disagree with the majority's opinion determining that touch tone should be offered to subscribers at an additional charge. Through the testimony and exhibits that were presented at the hearing, it is clear that where it is optional, an overwhelming number of customers purchase the feature in Nebraska. The rate charged to subscribers varies anywhere from $.50 to $2.00; however, there is minimal expense incurred by the phone company to provide this service.

With the technological advancements that are evolving nationwide, touch tone should not be considered an optional feature. In order to access many information services, the caller must have touch tone capability. To characterize touch tone service as similar to caller I.D. and call forwarding is totally inappropriate.

Competition is coming. When it comes, phone companies which have treated their subscribers as mere revenue streams rather than "customers" will lose those subscribers in streams.

Frank Landis

Commissioner Frank Landis

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