

1 **RATE DESIGN**

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3 ***Miscellaneous General and Local Service Rates***

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6 **Q. Next, would you discuss the Companies' proposals regarding changes they**
7 **have proposed to miscellaneous general and local exchange services?**

8 A. Yes. As is true of all of the other rate elements, the Companies have proposed to
9 merge tariffs that deal with miscellaneous local and general services. There are eight
10 specific modifications that result in revenue changes and others listed under one
11 miscellaneous category. The Companies propose to:

- 12
- 13 1. Decrease late payment revenue by \$402,537, or 60%;
 - 14 2. Decrease service charges by \$241,619, or 14%;
 - 15 3. Increase custom calling revenue by \$197,089, or 18%;
 - 16 4. Increase coin/coinless service revenue by \$104,367, or 40%;
 - 17 5. Increase directory/operator services revenue by \$411,109, or 59%;
 - 18 6. Decrease general services revenue by \$108,802, or 10%;
 - 19 7. Decrease Centranet Service revenue by \$187,050, or 50%;
 - 20 8. Decrease emergency (911) service revenue by \$8,073, or 12%; and
 - 21 9. Decrease miscellaneous revenue \$94,397, or 87%.

22 [Chopp, Exhibit 1, p. 1.]

23

24 **Q. In your opinion, how should the Commission view the rates for such ancillary**
25 **services?**

26 A. Essential or nearly essential services, such as basic local exchange service, ought to be
27 priced at a lower mark-up than purely optional services, in order to further the goal of

1 universal service. By pricing discretionary services at relatively high levels, it is feasible
2 to price other, more basic, services at lower levels. In general, the Companies' rate
3 requests are consistent with this philosophy.

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5 **Q. Do you agree with the Companies' proposal?**

6 A. Not entirely, although I do agree with many elements of their proposal.

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8 **Q. Please explain, in more detail, the elements of the proposal to which you are in
9 agreement.**

10 A. The Companies have elected to apply Contel's late payment charge of 1.5% per month
11 on the unpaid balance to the new tariff. This differs from GTE's current one time 5%
12 penalty. The Companies have also proposed to moderately reduce the rates charged
13 for service orders and line connection charges. I find no reason to dispute either
14 proposal.

15
16 The Companies have proposed to eliminate the separate rate for a premise visit and
17 moderately change other service charges. Within this proposal, the Companies will
18 decrease the service charges that are applicable to LITAP customers. I recommend
19 that these changes be accepted by the Commission.

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21 GTE/Contel has proposed to merge tariffs for custom calling features and reprice
22 several of the services. These services are discretionary and higher prices permit
23 reduced rates for essential services. The Companies have raised the rates for services
24 such as Call Waiting and Call Forwarding, left most of the package prices unchanged,
25 and decreased the rates for a few features such as Call Forward/Busy No Answer. The
26 Companies have also proposed a new Tel-Teen Service.

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1 I also agree with the Companies' proposal to introduce Non-Listed service and
2 increase rates for Non-Published and secondary listings.

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4 Currently, GTE charges \$.50 per directory assistance call after a three call monthly
5 allowance. Additionally, GTE customers get one free direct dialed long distance
6 directory assistance call for each long distance direct dialed call appearing on their bill.
7 Contel charges \$.35 per call with no free allowances. Under the merged tariff, the
8 Companies have proposed to increase the directory assistance charge to \$.60 per call
9 with no free allowances. The Companies' justification for these increases is to bring
10 them in line with US West in New Mexico. I recommend that the proposed changes be
11 accepted.

12
13 In the merger process, the Companies have proposed a relatively small decrease in
14 revenue associated with General Services such as Direct Inward Dialing, FX, Rotary,
15 and Off Premises Extensions. Although I have not studied them in depth, I have no
16 reason to dispute these proposals.

17
18 The Companies have proposed to reduce their revenues by 87% for a variety of
19 services that they have grouped together in a category termed "miscellaneous." The
20 bulk of this reduction comes from the removal of GTE's Touch Call charge and the
21 elimination of certain customer premise hardware such as ringers and buzzers. I find no
22 reason to dispute these proposals.

23
24 **Q. With which portions of the Companies' miscellaneous local/general rate design**
25 **proposal do you not agree?**

26 A. The Companies have proposed to increase the Local Message Charge for public and
27 semi-public telephone service from \$.25 to \$.35. This proposal will generate \$55,000

1 in additional revenue for the merged Companies. In addition, the Companies have
2 proposed a new rate element termed "Set Use Fee." This fee applies to the use of a
3 public or semi-public telephone for the placement of calling-card, collect, or third-party
4 billed intraLATA toll calls. In addition to the normal charges, an additional \$.35 fee
5 would be included the billed party, generating over \$78,000 annually.

6
7 I disagree with both of these proposals, neither of which has been adequately justified.
8 Nationwide, the \$.25 public telephone rate is the most widely accepted rate in the
9 market, and it substantially exceeds the Companies' cost of providing the service. An
10 increase above the prevailing market level does not seem justified at this time--
11 particularly in the context of an overall rate reduction. Similarly, it does not seem
12 necessary or appropriate to impose a surcharge on toll calls which already generate a
13 substantial markup above cost. I find no reason to dispute the proposed reduction in
14 COCT screening and the elimination of revenue attributed to Contel's semipublic
15 telephone set charge.

16
17 The merged Companies' have proposed to unbundle, modify several features of, and
18 reprice Centranet Service. This service competes with PBX and key systems provided
19 in the competitive marketplace. GTE/Contel's proposal will allow "the GTE Companies
20 to cost effectively market and provision the service. [Chopp Testimony, p.35.] I have
21 not studied this proposal in depth, but question whether it is necessary to reduce
22 revenues by 50%--particularly in a context where this reduction translates into higher
23 rates for other services, such as basic local exchange service. I do not dispute the
24 proposed unbundling and restructuring of the service, but recommend that the
25 Commission limit the overall reduction in Centranet services to just 17.16%, consistent
26 with the overall revenue reduction amount.

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