

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Northwestern Bell Telephone Company's Proposed Tariff to Discontinue Operator Services to Local Exchange Carriers

ISSUE DATE: July 8, 1988

DOCKET NO. P-421/M-87-815, 816

In the Matter of Northwestern Bell Discontinuing to Offer Local and IntraLATA Operator Handled Conference Service

ORDER ACCEPTING OFFER OF SETTLEMENT

PROCEDURAL HISTORY

P-421/M-87-815, Operator Services

On December 31, 1987 the Commission entered its ORDER SUSPENDING TARIFF AND INITIATING INVESTIGATION in Docket Number P-421/M-87-815. That is a proceeding involving Northwestern Bell Telephone Company's (Northwestern Bell's or the Company's) proposal to discontinue offering operator services to other local exchange carriers. The services at issue were calling card, person to person, third number, collect, coin paid, busy line verify and interrupt, call completion, and emergency call handling services. The Company stated that these services would be provided in the future by its corporate affiliate, U. S. West Service Link, Inc.

The Commission suspended the operation of the tariff filing pending completion of an investigation by the Department of Public Service (DPS or the Department). The Commission was concerned about the proposed arrangement's potential for cross-subsidization and about continuity and quality of service.

P-421/M-87-816, Operator-Handled Conference Call Services

On April 1, 1988 the Commission entered its ORDER PARTIALLY SUSPENDING TARIFF, INITIATING INVESTIGATION, AND LIMITING CONFERENCE CALL REFERRALS TO AUTHORIZED PROVIDERS in Docket Number P-421/M-87-816. That is a proceeding involving the Company's proposal to discontinue offering operator-handled conference call services to its subscribers. The Company stated that there were alternative providers capable of providing the service in place of the Company.

The Commission suspended the operation of the tariff filing, to the extent that it had not already gone into operation, pending completion of a Department investigation. The Commission was concerned about the availability, quality, and price of conference call service if the Company left the market. The Commission also ordered the Company to limit its referral of customers to conference call providers who were authorized to operate within the state of Minnesota. Finally, the Commission consolidated the conference call docket and investigation (P-421/M-87-816) with the operator services docket and investigation (P-421/M-87-815).

The Parties

The following organizations and agencies were made parties to the consolidated docket: the Department, the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), and the Minnesota Independent Coalition (MIC). AT&T Communications of the Midwest, Inc. (AT&T) participated in the investigation and in discussions among the parties, but did not request party status.

The Offer of Settlement

On May 23, 1988 the parties filed with the Commission the attached Offer of Settlement, which was signed by all parties. AT&T, although not a signatory, filed comments recommending acceptance of the Offer of Settlement. The matter came before the Commission on June 23, 1988.

FINDINGS AND CONCLUSIONS

Operator Services, P-421/M-87-815

Under the proposed settlement, Northwestern Bell would remain responsible for providing operator services to other local exchange carriers. The Company would be free to fulfill this responsibility through contractual arrangements with other companies or by using its own equipment and personnel. Any contract with a corporate affiliate would be subject to normal Commission review, as provided by Minn. Stat. Section 237.65 (Supp. 1987).

The parties to the settlement anticipated that, in the immediate future, the Company would provide these services through a contract with U. S. West Service Link, Inc. The parties also anticipated that the price charged local exchange carriers would go down under the new contract. They took no position on cross subsidization issues, stating that such issues should be addressed in the context of Commission review of the proposed contract between Northwestern Bell and U. S. West Service Link, Inc.

The Commission agrees with the parties that the proposed settlement of the operator services docket should be accepted. In this regard the Company's agreement to continue as a provider of operator

services to other local exchange carriers is critical.

The Commission considers the uninterrupted provision of high quality operator services a matter of great importance. Relying on the developing competitive market to provide these services would appear to be no substitute for the proven experience and expertise of Northwestern Bell. The Company's agreement to continue providing these services, either on its own or through qualified providers of its choice, allays the Commission's concerns about quality and militates in favor of approving the settlement. Similarly, the Company's agreement facilitates the Commission's ability to monitor the provision of operator services to the local exchange carriers, another consideration favoring approval of the settlement.

The Commission also agrees with the parties that its other concerns, the contract's potential for self-dealing and cross-subsidization, can be adequately and appropriately addressed in the context of a petition for contract approval under Minn. Stat. Section 237.65 (Supp. 1987). There being no unresolved issues remaining in the 815 docket, the Commission concludes the Offer of Settlement should be approved as to P-421/M-87-815.

Operator-Handled Conference Call Services, P-421-87-816

Under the proposed settlement, Northwestern Bell would stop providing operator-handled conference call services to its subscribers as soon as the following two events occurred: (1) AT&T notified the Commission of its intention to continue offering operator-handled conference call services, and (2) there was at least one authorized conference call provider in addition to AT&T.

The parties stated that AT&T's intention to remain in the conference call market provided sufficient assurance of quality and availability of service. The Commission agrees and notes that AT&T, by its attorney, assured the Commission of its intention to remain in the market and to provide notice to the Commission prior to leaving it.

The Commission also had concerns about the price of the service in the event of Northwestern Bell's exit from the market. These concerns are met in part by the recent approval of other conference call providers. They are further allayed by the availability of Commission review of AT&T's price lists under Minn. Stat. Section 237.60 (Supp. 1987).

Furthermore, requiring Northwestern Bell to continue offering the service on the same terms as before would not provide any price advantage over the terms of the settlement. Previously the Company was providing operator-handled conference call service at a mark-up under contract with AT&T. That price was higher than the rate currently being charged by AT&T, and the Company was losing money by providing the service. There is therefore nothing to be gained by requiring the Company to continue providing the service.

The Commission therefore concludes that the Offer of Settlement is also in the public interest as to operator-handled conference call services and should be approved as to P-421/M-87-816.

ORDER

1. The Commission hereby accepts, adopts, and incorporates herein by reference the attached Offer of Settlement.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)