

P-421/EM-93-590 ORDER PARTIALLY GRANTING PETITION AND REQUIRING
FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
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In the Matter of a Proposal by US WEST Communications, Inc. to Discontinue Billing and Collections Service for 976 Information Delivery Service

ISSUE DATE: May 2, 1994

DOCKET NO. P-421/EM-93-590

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PROCEDURAL HISTORY

On June 30, 1993, US WEST Communications, Inc. (US WEST) filed a proposal to discontinue billing and collection for its 976 Information Delivery Service (976 service).

Between July 23, 1993, and September 7, 1993, comments regarding US WEST's proposal were filed by the following parties: Minnesota Tenants Union (MTU); the Department of Public Service (the Department); First Link Telephone (First Link); US WEST; MicroVoice Applications; Austral Communications, Inc.; Minnesota Newspaper Association; Newspaper Association of America; Association of Alternative Newsweeklies (AAN); City Pages; System Dynamics, Inc.; Twin Cities Reader; and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG).

On September 7, 1993, US WEST filed reply comments.

On April 15, 1994, US WEST filed a list of potential billing and collection service providers.

On April 18, 1994, First Link filed responsive comments.

The matter came before the Commission on April 19, 1994.

FINDINGS AND CONCLUSIONS

I. US WEST's 976 Information Delivery Service

US WEST's 976 service allows a telephone subscriber to obtain information by dialing a 976-xxxx number. The subscriber's 976 call is carried by US WEST through the regular telephone network to an information provider (IP), who is US WEST's customer for the 976 service. The IP sets charges for the information service and provides a short recorded message regarding charges at the beginning of the call. The subscriber who proceeds with the call can be linked to "chat" lines, time and temperature information, sports results, or other information.

US WEST records the length of each call made, applies the rate established by the IP, and bills the subscriber as part of the monthly US WEST telephone bill. US WEST deducts the charges for carrying or transporting the call and remits the remainder to the IP. This portion of US WEST's service to the IP is known as billing and collecting.

US WEST, along with all other local exchange companies, is required to adjust, or remove from customer bills, charges for 976 service which the subscriber denies knowledge of or refuses to pay. In the event of an adjustment, US WEST still collects the transport fee from the IP.

US WEST is also obliged by Commission Order¹ to provide free blocking of 976 calls to any subscriber who wishes it.

II. The US WEST Proposal

In its June 30, 1993 filing, US WEST proposed discontinuing call management reports for 976 service, withdrawing from 976 billing and collection service, and revising its price lists/tariffs.

Call management reports provide aggregate data on the volume and length of calls placed to any one 976 number. There are currently no Minnesota customers for the US WEST call management reports. US WEST proposed discontinuing the production of the reports.

US WEST proposed discontinuing the billing and collection function of the 976 service and incorporating the 976 service into US WEST's 960 Network Access Service (960 service). US WEST would continue to allow IPs network access and the use of their existing 976 prefixes.

US WEST argued that it should be allowed to discontinue its 976 billing and collection service because it is no longer profitable to the Company, there are alternatives available to IPs, and billing and collection service is not integral to telephone service. US WEST proposed providing a magnetic tape which would allow its IP customers to take over the billing and collection function. US WEST also offered a list of entities which it claimed would assume the billing and collection service for a fee. Customers could also move to "900" service alternatives.

US WEST offered revenue impact information which was intended to support its assertion that 976 billing and collection has become increasingly unprofitable. US WEST argued that excessive writeoffs for nonpayment, the high number of time-consuming inquiries per payment, and the decreasing number of IPs resulted in a negative revenue impact.

US WEST supported the concept of a six month delay of the discontinuance so that IPs could obtain billing and collection alternatives.

US WEST filed proposed price lists/tariffs which would reflect the modification of the 976 service.

III. Comments of the Parties

A. The Department

The Department stated that the Company erred when it included the costs of 976 blocking in its revenue impact statement for 976 billing and collection services. The Department stated that the recurring rates for 976 service must fully recover direct expenses and blocking expenses.

According to the Department, viable billing and collection alternatives have not been shown to exist in Minnesota.

¹ In the Matter of the Commission-Initiated Investigation of the Reasonableness of Dial-Data Services Offered by Northwestern Bell Telephone Company, Docket No. P-421/CI-87-631, ORDER AFTER RECONSIDERATION OF MARCH 10, 1988 ORDER (May 24, 1988).

The Department recommended allowing the Company to discontinue call management reports. The Department recommended that the Commission deny US WEST's request to discontinue 976 billing and collection at this time. IPs should be allowed six months to obtain billing and collection alternatives. The Department recommended that the Commission require US WEST to submit revised price lists/tariffs which would fully reflect the direct expenses and blocking expenses associated with 976.

B. The RUD-OAG

The RUD-OAG agreed with the Department that the costs of blocking 976 access should be recovered from 976 rates rather than from billing and collection services.

The RUD-OAG declared that 976 is not an integral part of basic local telephone service, but is rather a form of information service. Minn. Rules, part 7810.2000 would therefore prohibit disconnection of local service for failure to pay for 976 service.

C. Information Providers

The commenting IPs stated that local information services are most easily accessible through the telephone; the link to local telephone service should remain viable. According to the IPs, there are no practical alternatives to US WEST's billing and collection services. The IPs

distrusted US WEST's characterization of its billing and collection as unprofitable, and pointed to the fact that US WEST itself may be entering the information provider business.

City Pages stated that its costs would triple if it turned to US WEST's 900 Intrastate Service alternative. City Pages stressed that US WEST is a monopoly provider and as such has a higher standard of obligation to the public.

The Minnesota Tenants Union stated that its low and moderate income members need equal access to the information highway. According to the MTU, if US WEST discontinues billing and collection service the MTU will be forced to close its tenants' information hotline.

D. US WEST

US WEST agreed that its 976 price lists/tariffs should fully reflect the direct costs of 976 service, including blocking.

US WEST stated that intrastate 900 service, credit cards, and the billing and collection providers it listed are all viable alternatives to its own 976 billing and collection service. Although some alternatives might be more costly, US WEST cannot justify to its ratepayers the continuation of a billing and collection service which has become a liability.

IV. Commission Analysis

No party expressed opposition to US WEST's proposal to discontinue its call management reports. No customer has chosen to avail itself of these reports, and no party should be harmed by the discontinuance of the reports. The Commission will grant US WEST its request to discontinue the production of call management reports.

Most parties who commented on the allocation of 976 costs agreed that the full costs of 976 service should be borne by the service itself. As the Commission stated in its January 17, 1989 Order in Docket No. P-421/CI-87-631², the 976 costs must include costs of providing free blocking to 976 lines. Because blocking costs are tied to the service itself and not to billing for the service, US WEST's billing and collection service should not absorb blocking costs. Proper allocation of costs associated with 976 is the best means of assessing the revenue impact of the service elements. It is also the best way to ensure that no element of US WEST's service is subsidizing the business of providing information, which is a nonregulated enterprise.

The Commission will require US WEST to submit a proposed revision of 976 service rates which should fully reflect both the direct expenses and blocking expenses for the service. The revised rates must show an estimated positive contribution from 976 service. The Company must also file a cost study supporting the proposed rates; the cost study must delineate all direct, indirect, and blocking expenses of 976 service.

The Commission will require the Department to file a report and recommendation on the revised rates. When the Commission has had the opportunity to analyze the revised rates and the Department's report, the Commission will again take up US WEST's request to discontinue its 976 billing and collection service. By deferring its decision until that time, the Commission will have the benefit of accurate and complete cost information. More information may also be

² In the Matter of the Commission-Initiated Investigation of the Reasonableness of Dial-Data Services Offered by Northwestern Bell Telephone Company, ORDER APPROVING TARIFF FILING AS MODIFIED.

available regarding viable alternatives for US WEST's billing and collection services. The revised rates may also provide the opportunity for IPs to decide if the true costs of 976 service make continued use of the service worthwhile.

ORDER

1. The Commission grants US WEST's request to discontinue its call management reports. US WEST shall file revised tariffs reflecting the discontinuance within 30 days of the date of this Order.
2. Within 90 days of the date of this Order, the Company shall file a proposed revision of 976 service rates which should fully reflect both the direct expenses and blocking expenses for the service. The revised rates must show an estimated positive contribution from 976 service. The Company must also file a cost study supporting the proposed rates; the cost study must delineate all direct, indirect, and blocking expenses of 976 service.
3. Within 60 days of the submission of the above filing, the Department shall file a report and recommendation on the reasonableness of the revised rates.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)