Service Date: October 31, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER OF the Application of	)	
U S WEST Communications, Inc. for	)	UTILITY DIVISION
Approval of Tariffs Reducing	)	
Revenues by $6,032,749.16, Tariff	)	DOCKET NO. 94.1.6
Transmittal 94-5.	)	ORDER NO. 5774b

* * * * *

FINAL ORDER

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Background

1 On January 28, 1994, pursuant to a settlement agreement between U S WEST Communications, Inc. (USW) and the Montana Consumer Counsel (MCC) in Docket No. 93.5.23 (USW's sale of 60 rural exchanges), USW filed Tariff Transmittal 94-5 which included proposed rate changes designed to reduce the Company's annual revenues by approximately $6 million. The Commission designated USW's filing Docket No. 94.1.6.

2 On February 22, 1994, the Commission issued a Notice of Application and Intervention Deadline. MCC, AT&T, MCI and Sprint filed petitions to intervene.

3 Also on February 22, the Commission issued a Notice of Commission Action approving USW's proposal to reduce annual revenue requirements by $6,032,749.16 as of January 1, 1994. The Commission ordered USW to accrue the revenue reduction with interest at 11.16 percent per year until a Final Order was issued approving a new rate design, at which time a refund of the accrued amount would be ordered.

4 On March 24, 1994 the Commission issued a procedural order setting August 30, 1994 as the hearing date for this case and granted intervention to MCC, AT&T, MCI and Sprint. On August 23, 1994, USW, MCC and AT&T filed a stipulation agreement resolving all outstanding issues between these parties. The two other parties to the case, MCI and Sprint, did not sign the stipulation; however, on August 29, 1994, these parties filed a statement of non-objection to the stipulation.

Findings of Fact

5 The stipulation generally adopts USW's proposed rate design with exceptions in two areas: rural zone charges and carrier access charges. The stipulated revenue requirement reduction is more than would result from USW's initial proposal ($6,085,616.79 vs $6,032,749.16). A breakdown of these revenue reductions is shown in Table 1. Figure 1 shows the stipulated revenue shares, by rate category, in graphical form.

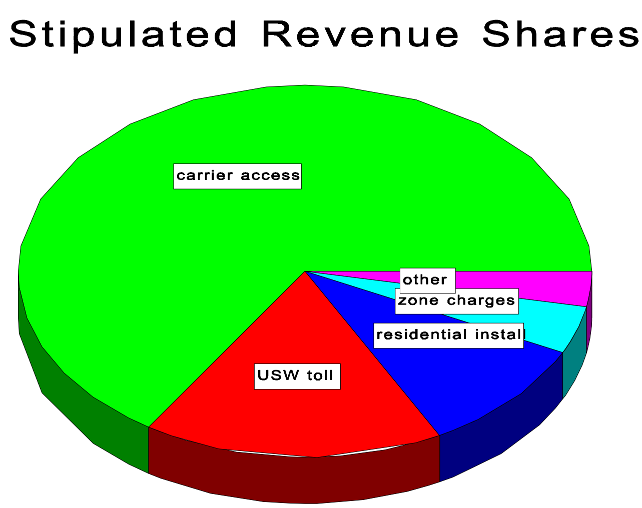
Table 1.

Rate Category	**Stipulation**	**USW Proposal**
Carrier Access	($4,018,776)	($4,219,833)
USW Toll	($1,035,560)	($1,035,560)
Res Service Instal	($605,360)	($605,360)
Rural Zone Charges	($251,889)	$2,268
Other	($174,031)	($174,264)
Total	($6,085,616)	($6,032,749)

6 As Table 1. shows, the main difference between the stipulated rate design and USW's proposal is the amount of carrier access and rural zone charge revenues. The following findings summarize the testimony and positions of each party and the stipulation with respect to each rate category listed in Table 1.

Carrier Access

Testimony



7 There are three rate elements associated with USW's interexchange carrier access service: local transport, local switching and carrier common line. In USW's current tariffs, each element is charged on a per minute of use (MOU) basis. Local transport charges recover the cost of transporting the call from the interexchange carrier's point of presence (POP) to the end office serving the end user. Local switching charges recover the cost of switching the call, and carrier common line charges provide a contribution to support the provision of basic telephone service for end users; USW states there are no direct access costs associated with the carrier common line charge.

8 In her prefiled testimony (Exh USW-4) USW witness Barbra Wilcox testified that the entrance of competitive access providers, cable television companies and interexchange carriers into the access market requires USW to reduce its price for access. She stated that if this is not done "U S WEST will lose much greater access market share than it should or needs to, and [an] important source of contribution will be lost." (EXH USW-4 p. 20).

9 Ms. Wilcox testified that the FCC has ordered local transport rates to be restructured so access customers may buy and pay for pieces of local transport that are currently bundled together in one price. She recommended that the Commission consider local transport restructure in this docket. However, she did not make a specific recommendation in her prefiled testimony, stating that details of the Company's interstate restructuring were not firm and that state and interstate rates structure should be consistent. Therefore, Ms. Wilcox's prefiled testimony reduced carrier access revenues by reducing the local switching and carrier common line rate elements.

10 Both AT&T and Sprint supported USW's proposed access charge reductions in their prefiled direct testimony. MCI did not file testimony in this case.

11 MCC's witness, Mr. Buckalew, testified that USW's cost study does not indicate that a $4.2 million reduction to carrier access charges is appropriate. Alternatively, he recommended a $600,000 reduction, which he derived by adding residential local service, business local service, toll and carrier

access revenues and used each service's percentage of the total to calculate that service's share of the revenue reduction.

12 USW and AT&T each filed rebuttal testimony objecting to MCC's proposed $600,000 carrier access charge reduction. USW testified that its long run incremental cost study indicates that a $4.2 million reduction "will not even come close to removing the contribution from this product." (Exh USW-5 p. 9). AT&T testified that MCC's proposal reduces local service rates which are below cost already. (Exh AT&T-2 p. 4).

Stipulation

13 The Stipulation reduces carrier access charge revenues by $4,018,542. This revenue reduction results solely from restructuring local transport rates; the local switching and carrier common line rates remain at their current levels under the stipulation. The local transport structure adopted by the stipulation moves away from strict minute of use rates to flat charges per month and per mile for dedicated transport arrangements and per minute of use rates for transport arrangements that use a tandem switch.

USW IntraLATA Toll

Testimony

14 USW witness Dan Purkey testified that USW's toll business has experienced declines over the last two years due to customers switching to competitors. (Exh USW-3). In addition, Mr. Purkey stated that the access charge reductions proposed in this case will lower competitors' costs. Mr. Purkey testified that, assuming these competitors pass on the cost savings to customers, USW must respond by similarly reducing its toll prices if it is to remain competitive and retain more of its toll customers. (Exh USW-3 p. 4).

15 USW proposed a $1,035,560 reduction to toll service revenues. The proposed revenue reduction would come from introducing four new Optional Calling Plans (OCPs), reducing the MTS rates for the longest mileage bands and consolidating some mileage bands.

16 The new OCPs would be included under USW's existing Calling Connection services which offer discount toll services based on the number of toll minutes or the dollar amount of toll used in a month. Each OCP is targeted to a specific segment of the Montana intraLATA toll market. Mr. Purkey testified that the introduction of the OCPs would reduce annual revenues by $332,473.

17 USW's other toll proposal was to restructure its MTS rates and reduce the per minute rates for certain mileage bands. USW proposed to reduce the number of mileage bands from eleven to eight by combining the three longest bands into a single band of 125 miles or more. In addition, USW proposed to consolidate the 41-55 mile band with the 56-70 mile band. The per minute rate for the 125+ mile band would be $.01 less than the current 125-196 band and the per minute rate for the new 41-70 mile band would be $.01 less than the current per minute rate for the 41-55 mile band. USW also proposed to reduce the rate for the 71-124 mile band by $.01 per minute. The revenue impact of these changes would be $677,207. USW's Volume Discount plan provides further discounts to the MTS rates causing an additional revenue impact of $25,880. The current and proposed MTS mileage band structure is shown in Table 2.

Table 2.

CURRENT		BAND	PROPOSED		BAND
1st min*	Addl min*		1st min*	Addl min*	
0 - 10	$0.13	$0.04	0 - 10	$0.13	$0.04
11 - 16	$0.16	$0.08	11 - 16	$0.16	$0.08
17 - 22	$0.20	$0.11	17 - 22	$0.20	$0.11
23 - 30	$0.23	$0.14	23 - 30	$0.23	$0.14
31 - 40	$0.26	$0.18	31 - 40	$0.26	$0.17
41 - 55	$0.30	$0.21	41 - 70	$0.29	$0.21
56 - 70	$0.33	$0.24	71 - 124	$0.35	$0.26
71 - 124	$0.36	$0.27	125 +	$0.39	$0.30
125 - 196	$0.40	$0.30			
197 - 292	$0.43	$0.32	* prices shown are Daytime rates		
293 +	$0.44	$0.35			

18 MCC testified that it agrees with the rate design aspects of USW's toll proposal but not with the level of the revenue reduction. Mr. Buckalew testified that "the magnitude of the reduction will

cause the toll category earnings to fall below the Company's overall return on investment." (Exh MCC-1 p. 8). He recommended that the Commission reject USW's proposed reduction in favor of his proposal, based on the same formula he used to derive his carrier access proposal described above. This results in a $1.9 million revenue reduction. He did not propose a rate design that would achieve this revenue reduction.

19 AT&T did not testify on the merit of the toll reduction or on USW's proposed rate design. AT&T testified that USW's toll services must be priced to exceed a price floor based on the service specific incremental cost plus the tariffed access rate for the wholesale service provided to interexchange carriers. Sprint did not testify on this issue.

20 In rebuttal testimony, Mr. Purkey stated that MCC's proposal is an across-the-board reduction that is unsupported by market research. Mr. Purkey stated that MCC's rationale is flawed and the Commission should reject his recommendation. (Exh USW-7 p. 2).

Stipulation

21 The stipulation adopts USW's proposed rate design and revenue reduction for USW intraLATA toll services.

Residential Service Installations

Testimony

22 The current tariffed rate for the installation of a new residential basic access line is $35.00. In prefiled testimony, USW witness Mary Owen recommended that this charge be reduced to $25.00. Ms. Owen testified that the reduced price is still above cost and makes service installation more attractive and more affordable for some customers. Ms. Owen testified that this proposal would reduce annual revenues by $605,485.

23 MCC testified that it agrees with this proposal and recommended that it be approved. Neither AT&T nor Sprint testified on this issue.

Stipulation

24 The stipulation adopts USW's proposal.

Rural Zone Increments

Testimony

25 USW currently charges customers outside the base rate area an additional monthly rate increment which reflects their distance from the central office. Ms. Owen testified that this rural structure was implemented to better match the price of the service with the cost of providing the service. USW's current rural service increment structure consists of three rural zones, two suburban rate area (SRA) zones and three locality rate area (LRA) zones, each with a different rate increment. Ms. Owen recommended that this structure be replaced with a structure with two rate elements; Zone 1 and all the SRAs and LRAs would be one rate increment and Zones 2 and 3 would be the other rate increment. Ms. Owen testified that the rate impacts of this proposal would be essentially revenue neutral, about a $2,270 revenue increase. Table 3 illustrates this proposal.

26 MCC testified that it agrees with USW's proposal to simplify the structure of the rural service increments. However, MCC testified that no customer should see a rate increase as a result of the simplification. Neither AT&T nor Sprint testified on this issue.

Stipulation

27 The stipulation adopts a rural service increment structure that consists of four rate elements. No customer would experience a rate increase as a result of the stipulated structure, which results in a revenue reduction of $251,889. The stipulated rural service increment structure is also shown on Table 3.

Table 3.

Rural Zone	USW Current	USW Proposed	Stipulation
Zone 1	$1.00	$0.80	$0.75
Zone 2	$4.00	$5.00	$3.75

Zone 3	$7.00	$5.00	$5.75
SRA 1	$0.25	$0.80	$0.25
SRA 2	$0.75	$0.80	$0.75
LRA 1	$0.50	$0.80	$0.25
LRA 2	$1.25	$0.80	$0.75
LRA 3	$2.00	$0.80	$0.75

Other Local Exchange Service changes

Testimony

28 USW witness Mary Owen testified on other miscellaneous proposals for local exchange services. These changes can be categorized as changes to 1) local measured service rates, 2) business services, 3) custom number services, 4) intercept services and 5) payphone services.

Local Measured Service

29 USW proposed to restructure the local measured service usage rate element. The current rate varies by distance, time of day and initial vs. additional minutes. USW proposed to replace this structure with a single rate which would apply to all minutes of use. USW proposed $.01 per minute, which is the lowest rate contained in the current rate structure. This rate would apply equally to residential, business and Public Access Line (PAL) usage. Ms. Owen testified that the single rate would improve customers' understanding and allow them to better monitor their monthly usage. This proposal would reduce annual revenues by about $11,000.

Business Services

30 USW's proposed changes to business services include unbundling the hunting feature from trunk rates and resetting prices for Network Access Registers and Joint User service.

31 USW's hunting feature is currently called Companion Line service and is an optional service for customers with multiple lines. When one line is busy, the hunting feature allows the call to be

routed to another line. The price for hunting is now bundled with the trunk price. According to Ms. Owen, customers find that the hunting feature is sometimes not needed for every trunk. For example, a business may have 10 trunks but may only have answering staff for 5. Customers do not feel they should be required to pay for hunting on all 10 trunks when only 5 actually use the feature. Therefore, USW proposed to remove the hunting feature from the trunk rate and make it a separate rate element that can be purchased on a per trunk basis. Neither the trunk rate nor the hunting rate is being changed. However, since some customers would no longer purchase hunting for some of their lines after this change, USW projects an annual revenue reduction of $62,910.

32 USW also proposed to reduce the Network Access Register (NAR) rate. A NAR is a software function of the USW central office which limits the number of calls that can be connected to the public switched network. The purchase of NARs by a centrex customer mimics the purchase of trunks by a PBX owner. Ms. Owen testified that the NAR price is based on a commission approved formula and some of the pieces in the formula have changed. Recalculating and resetting the NAR price results in an annual revenue reduction of about $11,750. USW also proposed to adjust the Joint User rate. According to Ms. Owen this rate should be half the flat business line rate but is slightly askew. Correcting this results in an annual revenue reduction of $51.

<u>Custom Number Services</u>

33 USW's custom number service includes a group of products that give customers a choice in their telephone number assignment. These products include personalized number, number search, easy number, reserved number and same number.

34 Personalized number allows a customer to customize their number. For this service USW currently charges $75 for residence and $250 for business.

35 Number search allows business customers to reject the initial 5 numbers they are offered and get a second group of numbers. USW charges $20 for this service.

36 Easy number allows a residence customer to choose a number that is easy to remember. These numbers usually end with two or three zeros, repetitive or sequential numbers. USW charges $50 for this service.

37 Reserved number allows a customer to save a number after service has been disconnected for reassignment when service has been reestablished. USW charges $30 plus $5 per month for residence customers and $50 plus $10 per month for business customers.

38 Same number allows a residence customer to get the same number they previously had within a 12 month period following original disconnection. USW charges $30 for this service.

39 USW proposed maintaining the current personalized number service charges and providing all other custom number services at no charge. Ms. Owen testified that this proposal would result in an annual revenue reduction of about $36,840.

Intercept Services

40 Intercept services provide information to callers regarding a customer's new number. For residence customers there is a $5 charge after three months and for business customers there is a $10 charge after 12 months. USW proposed to eliminate these charges for the primary line, for additional lines there would continue to be a charge. This change would reduce annual revenues by $49,339.

Payphone Services

41 USW proposed several changes to its payphone services. First, the Company proposed to eliminate charges for volume control handsets. USW states these handsets have largely been replaced with newer technology and only two customers in Montana still have phones with volume control handsets.

42 Second, USW proposed to eliminate the monthly recurring charge, and increase the nonrecurring charge, for a privacy device associated with providing a PAL extension. USW stated that its cost analysis indicates that there is very little ongoing maintenance and operation expense associated with the device and most of the cost is incurred in installation. USW testified that the rate should reflect the up-front, one time costs associated with the service.

43 Third, USW proposed to reduce the rate for PAL service with fraud protection and align those rates with the rates for CustomNet and Toll Restriction service. Fraud protection restricts outgoing calls to only collect calls, third party billed calls or credit card calls. USW states that fraud protection is provided the same way as CustomNet and Toll Restriction so it should be priced the same.

44 Ms. Owen testified that the total annual revenue reduction from these changes would be about $2250.

45 MCC witness Mr. Buckalew testified that he agrees with all the above proposals. Neither AT&T nor Sprint testified on these issues.

Stipulation

46 The stipulation adopts the above USW proposals.

Commission Decision

47 The rate design provided by the USW-MCC-AT&T stipulation allocates about $250,000 more in reductions to local exchange service rates than the rate design proposed by USW in Tariff Transmittal 94-5, and carrier access charges are reduced about $200,000 less. According to the terms of the stipulation, the additional $250,000 in local exchange revenue reductions would be applied to rural service increments (zone charges). This appears to have been done to satisfy the Consumer Counsel. As noted in finding of fact 26, Mr. Buckalew testified that no rural customer should experience an increase in zone charges as a result of the $6 million revenue reduction. USW's original rural service rate design proposals would increase zone charges for some customers while reducing the charges for other customers. Overall, USW's proposal was generally revenue neutral, in terms of zone charge revenues.

48 In Docket No. 90.12.86 the Commission approved a $3.37 million reduction in zone charges despite a finding that rural service was subsidized. The Commission reasoned that the reduction was in the public interest. (Order No. 5535g, finding of fact 275).

49 Cost information filed in this case indicates that rural residential service continues to be subsidized. USW states that this cost information is based on the cost method conditionally approved by the Commission in Docket No. 90.12.86, but reflects USW's current system, after the sale of 60 exchanges.

50 The Commission finds that adopting the stipulated rate design increases the rural service subsidy, but by an unknown amount. The subsidy will probably not increase by the full $250,000 per year because both residential and business customers pay rural service increments and it appears that business rates do cover the costs provided by USW.

51 Nevertheless, since the main difference between the stipulation and USW's original proposal is that the stipulation allocates $250,000 to reducing zone charges, it appears that at least three parties feel increasing the rural service subsidy is in the public interest.

52 With respect to other rate design issues, it appears that the rates proposed by USW for

local switching, intraLATA toll, and residential installs, as well as the rates included in the stipulation for local transport cover the costs provided by USW.

53 The Commission is generally opposed to continuing or increasing subsidies. However, the Commission finds that the USW-MCC-AT&T stipulation provides a compromise rate design which satisfies the diverse interests of ratepayers, the local exchange company and the interexchange company. Although the Commission notes that of the three intervening interexchange companies only one signed the stipulation; the other two stated that they did not oppose the stipulation.

54 Therefore, the Commission adopts the rate design presented in the USW-MCC-AT&T stipulation (Exh USW-9). New tariffed rates shall be implemented for service rendered on and after November 1, 1994, with the exception of USW's proposed new Optional Calling Plans which will become effective December 8, 1994.

55 USW must begin dispersing the accrued revenues from the January 1, 1994 implementation of the revenue reduction on November 1, 1994. The accrued amount will be $5,204,033 and will result in a one time bill credit of $15.62 per residence access line and a one time bill credit of $21.47 per business access line.

56 Finally, the Commission is concerned that residential customers may not be adequately informed about the availability of discount toll options offered by USW. As a result, residential customers may not be using services that are in their best interest. The Commission directs USW to improve customer awareness and understanding of the toll service alternatives it offers. USW should consider public advertising and bill inserts, as well as other options, to transfer the necessary information to its customers.

CONCLUSIONS OF LAW

1. USWC is a public utility offering regulated telecommunications services in the State of Montana. ' 69-3-101, MCA. The Commission has authority to supervise, regulate and control public utilities. ' 69-3-102, MCA.

2. The Commission properly exercises jurisdiction over USWC's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The PSC has provided adequate public notice of all proceedings herein and an opportunity to be heard, to all interested parties in this Docket. Montana Administrative Procedure Act, Title 2, Chapter 4, MCA.

4. The rates and charges established in this Order are just and reasonable. ' 69-3-201, MCA

ORDER

NOW, THEREFORE, based upon the foregoing, it is hereby ORDERED as follows:

1. USWC is hereby ordered to implement and comply with all provisions of the above Order, which amend and alter the tariffed rates of USWC. This Order shall be effective for service rendered on and after November 1, 1994, except the new Optional Calling Plans will become effective December 8, 1994.

2. USWC is ordered to disperse the revenue reduction which has accrued from January 1, 1994 pursuant to the parties stipulation, by means of a one time bill credit on the first bills issued after the effective date of this Order. See Paragraph 55 above

3. USWC is ordered to file compliance tariffs which implement all provisions of this Order. The Montana PSC staff is hereby delegated authority to approve the compliance tariffs on behalf of the Commission.

4 USWC is ordered to provide information to residential customers regarding the availability of alternative toll calling options as discussed in Commission Finding of Fact number 56.

5. This docket is closed

Done and Dated this 31st day of October, 1994 by a vote of

4 - 1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman
(Dissenting - Attached)

DAVE FISHER, Commissioner

NANCY McCAFFREE, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

DISSENT OF COMMISSIONER ROWE
DOCKET NO. 94.1.6, ORDER NO. 5774B

Business and residential customers are not getting their fair share out of this order. As explained more fully below:

1. The "sales of exchange" settlement from which this case flows merely moves rates in the direction they should go anyway, and provides almost no recognition of the customers' contribution to the value of the assets which were sold.

2. While a $15 one-time bill credit is nice, allocating 70 percent of the ongoing reduction to long distance carriers again fails to recognize the contribution "end-use" business and residential customers made to the value of the sold assets.

3. To the extent end use customers do benefit from reductions in access fees paid by long distance carriers, it will be the result of mandatory flow through of access charge reductions to end use customers. The Commission should keep this in mind in deciding issues in PSC Docket 94.2.8, <u>Investigation of the Regulatory Status of Other Common Carriers</u>.

The stipulation the Commission now approves designs rates to implement the settlement which concluded the U S West "sale of exchanges" case, Docket No. 93.5.23. The present stipulation does improve rate design in several respects, and does provide for a very modest one-time credit to residential and business end-use customers. Apart from the one-time credit, the stipulation fails to recognize directly the significant contribution these core customers made to the value of the property sold by U S West. The stipulation's shortcomings largely result from debilitating flaws in the original settlement.

The sale of U S West exchanges was approved based upon a settlement which provided, among other terms, for a $6 million annual reduction in U S West rates. U S West's financial showing in Docket 93.7.25 demonstrated a net benefit to the company of $6.3 million as a result of the sale of high-cost rural property. U S West lost a stream of revenue, but avoided a much larger stream of costs. In the aggregate, rates continue to cover costs. There is no indication that U S West's opportunity to earn a reasonable return has been jeopardized. All the settlement accomplished was to put U S West rates about where they should be anyway.[1]

This creates the conflict reflected in the two strategies to implement the $6 million reduction: If end-use customers' contributions to the value of sold assets are more directly recognized, some rates might arguably drop below costs, sending an inaccurate price signal. If, as was decided, reductions are focused more on access charges paid by long distance companies, end-use customers' contributions are not satisfactorily addressed.

The stipulation in this case will reduce access charges paid by long distance carriers to U S West and will reduce certain

[1]The financial showing is discussed in more detail in footnote 6 to my dissent in Docket 93.5.23.

charges paid by local customers.[2] It will not reduce the monthly charge for local service. This is certainly inconsistent with most ratepayers' expectations one year ago when they read that their rates would be reduced as a result of the sale of exchanges.[3]

To the extent residential and business customers do realize ongoing savings as a result of the stipulation it will be due to mandatory flow through of carrier access charge reductions to reduce rates charged by long distance companies for long distance service.[4] AT&T's long distance rates are now at

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[2] Applying the greater part of the ongoing reduction to access charges does move access charges in the appropriate direction. It is also a rough way to recognize the contribution of customers in the sold exchanges (who do pay US West access charges) to the sale transaction. However, it will only benefit customers who make calls over 40 miles (US West toll), and will benefit high-volume long distance customers relative to low-volume long distance customers and local customers.

[3] The Consumer Counsel's proposal in this docket would have applied essentially the same formula to the ongoing rate reduction as is being applied to the one-time credit. MCC's approach was problematic because there was no showing that price reductions were related to cost of service. Again, this demonstrates a basic flaw with the original settlement of the sales of exchange case: There was no explicit connection between the modest reduction and the principle that all customers had contributed to the assets being sold (assumed both the economic burden of those assets and faced the risk of loss on those assets).

[4] Under the Commission's current rules, long distance carriers file "Maximum Allowable Rates." Prices may change, but may not exceed the MARs. Commission approval is required to raise the MARs. Changes in carrier access charges paid by the long distance companies to the local phone company must be applied to the MARs. If actual prices are at or near the MARs, a reduction in carrier access charges will also force a reduction

their "Maximum

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in prices.

Allowable Rates" (MARs) filed with the Commission. Under current Commission rules, long distance carriers are required to reduce their MARs by the amount of any reductions in access charges they pay to the local phone company. Therefore, a reduction in AT&T's MARs will trigger a reduction in its actual prices.

MCI, Sprint and other long distance carriers' prices are now generally below their MARs. However, they typically lower or raise their prices in response to price changes by AT&T. If this pattern holds, customers of these non-dominant carriers should also realize savings.

Whether to retain mandatory flow through of carrier access charge reductions is now a key issue in PSC Docket 94.2.8, Investigation of the Regulatory Status of Other Common Carriers. The Commission should note the importance of mandatory flow through, especially when coupled with price leadership by the dominant firm.

RESPECTFULLY SUBMITTED this ___ day of _________, 1994.

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BOB ROWE
Vice Chair