

provide no study supporting his claim that inefficient duplication of transmission facilities would result. Neither could LDDS point to this result in other jurisdictions in which facilities-based intra-LATA toll competition is permitted. It is also curious that LDDS believes that there have been significant benefits to ratepayers as a result of intra-LATA toll competition but opposes any additional competition. The record is void of any empirical evidence which would support LDDS's predictions. Therefore, there is no reason to adopt this limit on intra-LATA competition at this time.

There is, however, a portion of the LDDS proposal which does have merit. No party to this proceeding is advocating competition for local service. We agree that such competition should not be permitted. We believe that it would be inefficient for the IXCs to construct facilities utilized for local service. Therefore, nothing in this order shall be construed as granting such authority.

b) Intra-LATA Competition Preceded By Rate Rebalancing And An Extended Local Calling Area

As discussed previously, South Central Bell supports the introduction of intra-LATA toll competition if and only if certain actions are taken prior to the implementation of that competitive environment. Specifically the company wants to reprice its intra-LATA toll charges to set the rate levels at 15 per cent below those of the lowest priced facilities based carriers, greatly reduce intra-State access charges, recover those

lost revenue through increases in local and/or LOS rates, and establish a mandatory 40 mile 7-digit local calling area. The company believes that only if these actions are taken will the local exchange companies have an opportunity to effectively compete for this intra-LATA toll traffic, over 95% of which they handle today.

The asserted need for the rebalancing and related relief is based almost exclusively on a Louisiana intra-LATA toll contribution study. This was a survey conceived by representatives of BellSouth Services, Southern Bell Telephone Company and South Central Bell. All of the questions in the survey were drafted by an employee of BellSouth Services. The questions were then given to a market research group which the BellSouth companies use on a regular basis when conducting these studies. At that point, South Central Bell gave the research firms the names and addresses of the customers to call and the surveyors called the customers. When the calls were completed, BellSouth Services' Market Research section analyzed the raw data and came up with "Study Findings." A total of 607 residential customers and 600 business customers were polled. Based on the results of this survey, South Central Bell has predicted losses of contribution ranging from \$25.1 to \$43.4 million and losses of subscribers as high as 82% of residence, 89% of business and 100% of WATS and 800 subscribers.

Virtually every party in this proceeding that addressed the company's study found it flawed. For example, Mr. Don Wood,

who testified on behalf of MCI, pointed out the following infirmities in the study. First, the subscribers who were surveyed were not representative of the group of consumers of intra-LATA toll services in Louisiana. Therefore, the results would not be representative. (Reb. Test. D. Wood p. 12). Mr. Wilkerson, the South Central Bell witness who sponsored the study, testified that the sample of customers used did not represent the "demographics" of South Central Bell customers. (Tr. 7/8/91, Test. James Wilkerson at 151). Rather, the company attempted to "adjust" for the fact that the survey population was not representative by "weighting" the results. (Id.) Second, significant bias exists in the wording of the questions themselves.

Third, South Central Bell improperly interpreted the results of the survey. For example, when a customer responded that he did not know whether he would use South Central Bell or another carrier for intra-LATA calling needs, the company assumed that the customer would leave South Central Bell. This is an assumption that is not realistic.

Fourth, South Central Bell improperly equated one lost toll minute with one gained access minute. In fact, for every toll minute it loses, South Central Bell will gain more than one access minute because access minutes are billed to the interexchange carriers whether or not calls are completed. Finally, South Central Bell's study fails to take into account stimulation, which is likely to occur in the more open competitive environment.

There are additional, more significant reasons which suggest that South Central Bell's predictions of massive erosion of contribution must be rejected. Dr. Lewis Perl, one of South Central Bell's witnesses, testified that facilities-based intra-LATA competition exists in some form in at least 26 states. In some states, that competition has existed since divestiture. Notwithstanding this experience, in performing its analysis on the potential impact that intra-LATA toll competition would have on contribution to the local exchange companies, South Central Bell made no effort to obtain information from those other jurisdictions in order to make its predictions. (Tr. 7/8/91, Test. J. Wilkerson, at 159-160). Instead, the company simply chose to -- select 1200 of its own customers, ask them a limited number of questions, and then determine the amount of revenue it would lose if intra-LATA competition were permitted.

Dr. Kahn, the Commission's expert consultant, summed up the infirmities in using such an approach:

The credibility of the study must be further questioned because it totally ignored all available information from other jurisdictions on the impact of facilities-based competition on toll volumes, toll revenues and market share. In fact, the results of this assessment differ substantially and significantly from all empirical examinations, including those prepared by or for South Central Bell.

(Pre-filed at Dir. Test. M. Kahn, at 19).

Dr. Kahn did contact regulators in those jurisdictions where intra-LATA competition has existed and also reviewed the data available on the loss of toll traffic in those states. The

empirical evidence indicates that in those states where intra-LATA toll competition exists, the impact on the local exchange companys' share of the intra-LATA toll market has been minimal. The LECs continue to retain in excess of 90% of the intra-LATA toll market.

In addition to this evidence, in discovery, the Staff obtained two reports, one prepared by South Central Bell and one by its witness Dr. Perl, which reviewed the impact of open entry into the intra-LATA toll market on the volume of South Central Bell-provided toll services. The results of these studies indicate that if facilities based competition were permitted, the Bell operating companies' intra-LATA toll volumes would only be reduced by 8 to 15 per cent. This is a far cry from the loss predicted in the survey performed on South Central Bell's Louisiana subscribers.³

South Central Bell's predictions for loss of traffic and revenue are inconsistent with the results achieved in other jurisdictions which have already experienced intra-LATA competition. The Commission does not accept the results of South Central Bell's study and therefore does not see any need to

3 It should also be noted that virtually the identical survey was conducted in Kentucky in connection with a proceeding almost identical to this Docket (i.e. studying the question of whether to authorize intra-LATA toll competition). In re: An Inquiry Into Intra-LATA Toll Competition, And Appropriate Compensation Scheme For Completion Of Intra-LATA Calls By Interexchange Carriers And WATS Jurisdiction Analogy, A.D. Case No. 323, Phase I (Ky. Pub. Serv. Com'n. 1991). In its Order, the Kentucky Commission rejected the results of that study for many of the same reasons which are set forth on the record in this proceeding.

undertake the massive rate rebalancing sought by the company prior to implementation of intra-LATA toll competition.

There are two aspects of South Central Bell's request for relief that do have merit. Every party to this proceeding that took a position on the issue asserted that the level of intrastate access charges in Louisiana is excessive. The parties also were in agreement that those access charges should move downward, toward cost, but that it is appropriate for access charges to contain a component for contribution to support local service. Finally, most parties were in agreement that at least as an interim step, access charges should move to the interstate level.

For a number of years, we have recognized that the level of access charges in Louisiana is too high. In the initial rate investigation of South Central Bell, which determined that South Central Bell's rates were excessive by over \$35 million, the Commission ordered that \$16 million of the rate reduction should be applied to reduce intrastate access charges. (Order No. U-17949-B). Similarly, when certain revenues were made available as a result of the repeal of the telecommunications gross receipts tax, South Central Bell's intrastate access charges were lowered. Finally, in Order No. U-17949-G, which determined that South Central Bell's rates were excessive by approximately \$69 million, the Commission required intrastate access charges to be reduced to the interstate level. In Order No. U-17949-M the Commission lowered the \$69 million rate

decrease to \$55 million. (Both the \$16 million reduction associated with Order No. U-17949-B and the \$55 million reduction associated with Order No. U-17949-G and U-17949-M are currently on appeal and their implementation has been enjoined). Therefore, if the Commission is successful in defending against South Central Bell's challenges to these Orders, intrastate access rates will be reduced to the interstate level.⁴ The interexchange carriers have been ordered to pass through South Central Bell's access charge reductions in their Louisiana intrastate toll rates.

The second portion of South Central Bell's proposal that has merit concerns the establishment of a 40 mile local calling area. In 1989 in Order No. U-17949-B, the Commission established a local optional calling plan for all LECs which became known as "LOS." Currently there are two LOS offerings, basic LOS and "LOS B." Generally, LOS provides a mechanism for rural Louisiana telephone subscribers to complete what formerly were toll calls at greatly reduced rates. At its greatest distance LOS provides reduced rate calling out to 40 miles from a subscribers home wire center. LOS is offered on a completely optional basis.

In this proceeding, South Central Bell proposed the establishment of a 40 mile mandatory 7-digit local calling area. Under the company's plan, all calls within the 40 mile radius

4 In addition, even if one were to accept South Central Bell's complete rate rebalancing plan, there would be sufficient revenues available from the Commission's last two rate reduction orders to accomplish that rate rebalancing.

would be defined and priced as local calls and a subscriber would only have to dial 7 digits to complete the call. Rates for local service would have to be adjusted for the loss of toll revenue within the 40 mile band. In addition, unlike LOS this plan would not be optional. Finally, under the South Central Bell proposal, no interexchange carrier or reseller would be permitted to complete calls within the 40 mile local calling area.

For a number of reasons, we find this proposal unacceptable. First, by making the program mandatory, massive restructuring of local rates would be required for all customers, whether or not they reap potential benefits. Second, because about three-quarters of all intraLATA toll calls are forty miles or less, blocking interexchange calls within the forty-mile zone would continue the customer inconvenience which interexchange carrier customers are currently experiencing. It is important, however, to define a forty-mile local calling area in which rates will be set by this Commission on the basis of subscriber need instead of imputed cost and competition. One way of accomplishing this would be to move the LEC forty-mile calls into the LEC local tariffs where no competition is intended. Failing to do so could lead to the demise of the price plan which we have adopted for LOS and which has been so needed in certain areas of the state. Calls by IXC customers will not be blocked within this forty-mile area so that the expressed concerns of the IXCs in regard to customer convenience can be met.

Although AT&T throughout this proceeding took a lead role in opposing the 40 mile plan, AT&T announced at the Commission's business meeting of September 12, 1991 that it supports the concept, as did a number of other parties. At the same Commission business meeting South Central Bell indicated that it no longer required blocking of 10XXX calls by the IXCs within the 40 mile area.

Strong measures must be taken to ensure consumers are not confused into believing seven digit calls outside the base area may be made for free.

Therefore, we will adopt a 40-mile 7 digit local calling area under the following guidelines:

- 1) All calls within 40 miles of a customers central office shall be local calls to be completed with 7 digit dialing.
- 2) The rates and services and conditions associated with these calls shall be moved into the local tariffs of the LECs.
- 3) The prices for these calls (as well as those classified as "local" today) shall be unchanged.
- 4) The establishment of the 40 mile 7 digit local calling area shall not be construed as endorsing measured service for basic exchange calling and all basic exchange service being offered on a flat rate basis shall remain in effect.
- 5) All customers may continue to subscribe to LOS or LOS-B on an optional basis.
- 6) 10XXX calls within the 40 mile band shall not be blocked by the LECs.
- 7) South Central Bell and any LEC adopting the 40 mile plan shall inform customers in recordings used to advise them of the implementation of seven digit dialing that calls outside the base rate area will still be charged on a measured rate basis and shall otherwise inform customers of this fact in bill inserts and advertisements; if any of these actions appear impractical, the companies may apply for a waiver of this requirement by filing a request with the Commission.

These requirements were agreed to by South Central Bell, the independent local exchange companies, and AT&T, except the companies sought more flexibility regarding how to advise

consumers that calls would continue to be billed at the same rates.

c) "1+", "0+" intra-LATA competition

At least two parties to the proceeding, MCI and Cable and Wireless, have advocated that the Commission expand intra-LATA competition to its fullest degree, i.e., "1+/"0+" competition. This form of competition would permit a telecommunication subscriber to dial "1" plus a seven digit number and access the intra-LATA toll carrier of his choice. Such an arrangement could be accomplished either via balloting (as was done after divestiture in those inter-LATA areas that had equal access) or simply by having subscribers notify the local exchange company who they prefer to have as their "1+" intra-LATA toll carrier.

There is no question that "1+" intra-LATA toll competition would be the most complete competition available. The local exchange companies would lose their monopoly on "1+" seven digit calling within the LATA. There is little dispute that having a monopoly on "1+" seven digit dialing is a significant advantage to any company and that loss of that monopoly would result in a significantly greater erosion in the local exchange companys' share of the intra-LATA toll market. However, from the perspective of an intra-LATA toll user (as opposed to a local exchange user) full intra-LATA competition, on a "1+" basis, theoretically should provide the maximum advantage.

After reviewing the evidence in the record we are at this time unwilling to order implementation of "1+/"0+" intra-

LATA toll competition. This is not to say that such competition may not be beneficial to Louisiana telecommunication subscribers in the future. It simply recognizes that inadequate information is available on the impact of such competition. Moreover, certain technological and networking difficulties still exist which make it appropriate to study the impact of "10XXX" competition for a specified period of time and then decide whether to begin implementation of "1+" intra-LATA competition.

The evidence indicates that Iowa is the only state in which full intra-LATA competition exists. In two other states, Minnesota and Kentucky, the Commissions have ordered full intra-LATA competition but that arrangement has not yet been implemented. (Pre-filed Dir. Test. of Dr. Kahn, p. 7). Additionally, the switch manufacturers who would have to provide the equipment necessary to accomplish full intra-LATA competition have yet to develop the required systems. Apparently, implementation in Minnesota has been delayed for this reason.

Furthermore, one would expect that the first state or states to order the implementation of "1+" intra-LATA competition and require the LECs to install the switching equipment necessary to accomplish that arrangement might end up paying a disproportionate share of the research and development costs associated with that technology. In addition, because this technology is in its infancy, it is likely that some time will be required to work out the "bugs" in the system.

Finally, because full scale intra-LATA competition currently only exists in parts of a single state, it is virtually impossible to fully gauge the impact of that competition on the local exchange companies, determine what benefits it has produced, and make an ultimate determination of whether it is in the public interest. For these reasons, we will not order the implementation of "1+" "0+" intra-LATA competition at this time. However, depending upon the results produced by the increased competition which we do authorize (see section "F" below) the Commission may well authorize full intra-LATA competition in the future.

d) 10XXX Competition

The final alternative to be considered is permitting competition within the LATA on a 10XXX basis. Under this alternative, the LECs would retain the exclusive right to complete all "1+/" "0+" calls but that a subscriber could use the carrier of his choice to complete intra-LATA toll calls by dialing a 10XXX code or a similar dialing arrangement. Resellers currently have this authority and this alternative would open up competition to the IXC's for the same traffic. South Central Bell on September 12, 1991 announced its agreement to the Commission adopting this alternative.

The Commission will approve implementation of 10XXX competition. As previously discussed, all parties to this Docket recognize the potential benefits to subscribers which may result from increased competition. The principal concern expressed by

South Central Bell is that increased competition will cause such an erosion in toll revenue as to threaten the contribution to local service. However, the ability to retain "1+/"0+" calling exclusively to the LECs is a tremendous advantage in retaining intra-LATA traffic. As discussed, the experience in other jurisdictions suggests that South Central Bell is likely to retain the vast majority of the intra-LATA toll market. The level of retention of the intra-LATA toll market is likely to be 90% or more. This strongly suggests that the LECs will not suffer the loss of revenue contribution they fear. Furthermore, our approval of an expanded 40 mile 7 digit local calling area is likely to cause customers to complete their intra-LATA toll calls with their local exchange companies.

In addition, to the extent that the LECs lose toll traffic, they gain access revenues. If competition, as expected, leads to lower prices and/or new and different service offerings, toll traffic should be stimulated. This stimulation will provide the LECs with either greater toll or greater access revenue. It is the absolute level of contribution that the Commission is concerned with and not the percentage of any particular market retained by the LECs. Therefore, even if the LEC loses a portion of the intra-LATA toll market, if the related revenues are offset by stimulated traffic and/or increased access, no contribution loss will be suffered.

Permitting 10XXX facilities-based intra-LATA toll competition provides a unique opportunity. The Commission can

study the impact of intra-LATA competition to determine what benefits it yields with little risk of any adverse impact on local ratepayers. If the expected benefits materialize the Commission can decide whether to go further and begin implementation of "1+/"0+" competition. If the benefits are not evident the Commission can reconsider its decision.

Although we believe South Central Bell's prediction of significant contribution loss is unfounded, it is possible to protect against contribution loss. MCI's witness, Mr. Don Wood proposed a "make whole" provision which would provide such protection. (Dir. Test. D. Wood, p. 15, App. "A") The Commission's expert consultant, Dr. Kahn, also recommended the use of such a mechanism. Therefore, the Commission will track the impact of intra-LATA competition on the LECs' revenues from toll traffic. If we determine that the authorized competition is negatively impacting contribution to local rates (after taking into account any increased revenues from access, stimulation and other sources) the Commission will then have the opportunity to increase intrastate access charges to make up for any shortfall in compensation.

3. Access charge levels

Three basic issues have been raised regarding access charges. The first is the general level of intra-LATA access charges. As discussed, most parties to this proceeding, including South Central Bell and the Commission Staff, have advocated that intrastate access rates be reduced to interstate levels.

The Commission has already ordered that intrastate access rates be reduced to interstate levels. The resolution of South Central Bell's appeals from our Orders will determine whether and when such access reductions occur. The interexchange carriers are to required to pass through all access resolutions to consumers through corresponding reductions in their Louisiana intrastate toll rates.

The second access charge issue is whether the Commission should order the LECs to include in their intra-LATA toll rates the same level of access charges assessed to the IXC's and resellers. Access represents the largest single component of the cost of an intrastate toll call. With the exception of South Central Bell, all parties in this Docket who addressed this issue recommended that the LECs be required to impute access charges in the intra-LATA toll rates they will be permitted to charge. Even South Central Bell witnesses acknowledged that it would be appropriate for the LECs to impute at least the level of contribution from access in setting rates. (Tr. 7/8/91, Test. L. Perl, at 88-89).

As Dr. Kahn, the Commission's expert explained, two issues are raised by the proposal to impute access charges. The first is the revenue impact on contribution to the local loop which will be caused by a Commission decision to expand intra-LATA competition. (Pre-filed Dir. Test. of Dr. Kahn at 25 et seq.) South Central Bell has predicted a massive erosion in its intra-LATA toll share if further competition is permitted. Thus,

the company proposes pricing its intra-LATA toll offerings at a level 15 per cent below that of the lowest price intra-LATA facilities-based carrier for the same offerings. Putting aside the question of whether this approach is necessary to protect the company's market share, there is no question that such an arrangement would improve its competitive position in the marketplace.

South Central Bell's justification for this proposal is that it is necessary for it to retain that market share because intra-LATA toll provides contribution to the local loop. However, it must be recognized that access charges also provide a significant contribution. To the extent that South Central Bell retains intra-LATA toll traffic at reduced prices, it sacrifices the contribution it would receive from the sale of switched access to long distance carriers and resellers. To maximize this contribution, as Dr. Kahn states, "[t]he minimum acceptable price for toll charges would be equal to the access services. Stated differently, the contribution from access services will be imputed as a cost of toll service." (Id. at 26).

The third issue is an anti-competitive concern. Switched access is a monopoly offering. If all carriers other than the LECs are assessed access charges, but the LECs are relieved of any imputation requirement, the IXCs would have to charge prices reflecting both their cost of access plus all other costs related to completing the toll calls while the LECs could price their toll offerings at levels above toll costs but below

the level of carrier access. The result would be a price squeeze.

If increased intra-LATA competition is authorized, it should be done on an equitable basis. The only way to ensure that result is to require the LECs to impute to its own price of toll service the same carrier access rate charged to other carriers. This imputation will prevent monopoly leveraging by the LECs and ensure that the contribution from access is not lost or shifted to other monopoly offerings. As a result, we conclude that the minimum price to be charged by the LECs for toll service include the LECs' tariffed rates for carrier common line, end office and traffic sensitive access charges, plus the costs for such non-access functions as interoffice transmission and billing. Access rates charged to other carriers are not required to be imputed in the prices of calls within the 40 mile local calling area because these are local and not toll calls.

4. Equalization of access charges

The Small Company Committee submitted two proposals in this Docket which would have the effect, over time, of equalizing intrastate access charges for the LECs operating in the State. The original proposal would have established South Central Bell's access charges as the target level and then each LEC would identify the degree, if any, to which its access charges exceeded those levels. Any difference in the levels would be made up from a statewide surcharge. (Pre-filed Dir. Test. M. Czerwinski).

The Small Company Committee believes that the following advantages would be realized through the adoptions of such a proposal:

Such a reform in access rate design would: (1) increase incentives of alternate IXCs to offer competitive services in the independent companies' territories, (2) decrease incentives to geographically deaverage toll rates, (3) decrease incentives to bypass the independent companies' local networks, and (4) address the concerns raised by AT&T regarding the disparity in access charges vis a vis the competing IXCs, because AT&T is more prevalent in the rural independent company exchanges.

(Alternative Compromise Proposal Submitted by the Small Company Committee at 3).

In response to various reactions and criticisms of the proposal, the Small Company Committee submitted an "Alternative Compromise Proposal." Under this plan a two part process would be established. Under the interim portion of the plan, any LEC which has a switched access rate level greater than 120% of the LECs interstate tariff or South Central Bell's intrastate tariff would be required to restructure its rates. Essentially, any required reduction in usage sensitive access charges would be translated into a flat rate per access line per month which would be included in the intrastate carrier access tariff as a new rate element. This new flat rate charge would be allocated to all IXCs based on each carrier relative percentage of total terminating minutes for intrastate switched access.

The second part of the plan, for "permanent" relief, essentially adopts the proposal of Dr. Kahn for the establishment of an intrastate high cost fund. The fund would be designed to

ameliorate (but not necessarily eliminate) the differences in the cost of providing access service and thereby reduce the disparities in access rates. (Id.) at 5-7). Dr. Kahn described the eligibility requirements for access to the fund as follows:

To be eligible for assistance, three criteria will have to be met. First, the company's access charges will have to be no lower than Bell's charges or the company's interstate charges, whichever are higher. Second, the company's charge for local flat rate service can be no lower than Bell's charges in comparably sized exchanges. Third, the company will have to demonstrate that it is a high cost company in need of support.

(Dir. Test. M. Kahn, p. 32).

The proposal of the Small Company Committee does have merit. Large disparities in access charges can have a chilling effect on IXCs and resellers originating traffic in independent LEC territories. In addition, high access charges do provide greater incentive for bypass. Further, South Central Bell on September 12 announced its agreement to the Small Company Committee's proposal.

The plan for "interim" relief offered by the Small Company Committee will be adopted but with one significant modification. It will be voluntary, not mandatory. That is, an independent LEC may choose to restructure its access charges on an interim basis, but will not be required to do so. Revised access tariffs filed pursuant to the plan for interim relief will be presumed reasonable.

Regarding permanent relief to reduce the disparity in access, we believe that the high cost fund proposal by Dr. Kahn

strikes a balance between the need to move toward uniform access rates and the concerns expressed by South Central Bell concerning its subsidization of LEC rates and those of some IXC's. However, we do not believe that it is necessary to absolutely equalize access charges. First, there may be differences in the cost of providing access that are not inappropriate to reflect in rates. Second, most states do not require uniform access charges, nor are they mandated at the federal level.

Under the high cost fund plan any independent LEC which believes that it is in need of assistance, has a vehicle to apply for it. Mr. Czerwinski, on behalf of the Small Company Committee, testified that in order to receive relief from the high cost fund, a company would have to apply to the Commission for general rate relief. We agree with the concept that a company would at least have to demonstrate the inadequacy of its total revenues before receiving relief -- whether or not is a rate case.

There are still a few details to be worked out regarding the high cost fund. The largest single issue is precisely how the fund will be financed. In addition, since we do not believe that it is necessary to reach absolute parity in access charges, we must determine to what level those charges should move if the high cost fund is accessed (i.e., 105% of the target level, 110%, etc.). Therefore, representatives of the IXC's, South Central Bell, the independent LECs and resellers are directed to meet and report back to the Commission within 60 days

with a joint recommendation if possible, as to how the high cost fund should be implemented.

5. Statewide average toll rates

Currently toll rates on an intra-LATA basis for South Central Bell and the LECs and on an intrastate inter-LATA basis for the IXCs, are offered on an averaged basis. This averaging provides the benefits of more affordable toll services to all toll subscribers in the State. The Commission must now determine whether intra-LATA toll rates should remain averaged in light of the increased competition recommended in this report. For a number of reasons we believe that requiring average rates on a statewide basis is appropriate.

No party has suggested that it intends to deaverage its rates. The IXCs assert that it would be uneconomic to deaverage rates but do not want the Commission to mandate that rates be averaged. Statewide intra-LATA toll rates are appropriate. As Dr. Kahn points out, intra-LATA toll rates are not likely to evolve equally across the State. Mandated average rates will guarantee that the benefits of increased intra-LATA toll competition will accrue to all ratepayers, not those in the low cost areas. (Dir. Test. M. Kahn, p. 30). For this reason we order that intra-LATA toll rates be required to be averaged.

6. COCOT authority to complete Intra-LATA toll calls

The final issue to be resolved is whether the COCOTs should be permitted to complete intra-LATA "0" calls within the LATA. As discussed previously, approximately a year ago the

Commission denied this authority to the COCOTs. (Order No. U-16462-E). In this Docket, however, it is appropriate to revisit this issue.

Both the LPA and Intellicall urge the Commission to grant the COCOTs the authority to complete all "0" calls using both the carrier (i.e., South Central Bell, a reseller or an IXC) and operator service company of their choice. South Central Bell has opposed this authority, asserting that any revenue lost to the COCOTs as a result of such competition will simply be revenue not available for contribution to the local loop.

Our decision to permit expanded intra-LATA competition on a 10XXX basis does not necessarily mean that the COCOTs should be granted the expanded authority they seek. "10XXX" competition simply does not fit the way the COCOTs operate. COCOTs are not "carriers." Since the Commission requires COCOTs to permit a customer to access its carrier of choice via 10XXX, at no charge, the effect of granting 10XXX competition would further exacerbate what the COCOTs consider to be their most significant problem - i.e., use of their sets without compensation. In addition, the record reveals that the impact on South Central Bell of allowing the COCOTs to complete "0" intra-LATA calls is far smaller than originally thought when the Commission issued Order No. U-16462-E.

For these reasons, we believe that it is appropriate to permit COCOTs to complete intra-LATA toll calls. This authority

should be granted. In addition, basic service shall be provided to the COCOTs on a flat rate, IFB basis.

There are a number of additional issues regarding COCOT operations which still must be resolved. Currently, AOS providers do not have authority to operate within the LATA. They currently are operating based on interim authority previously granted by this Commission. The issue relating to AOS providers will be addressed in the next phase of this Sub-Docket. Therefore, to the extent that a COCOT can complete "0" calls without the use of a live operator, it should be permitted to do so. In addition, if a call requires a live operator, that call may continue to be handled by the AOS companies currently authorized to operate in the State. No new AOS companies will be granted authority to operate until the Commission decides Phase II of this subdocket. When Phase II is completed the Commission will also determine whether existing AOS companies will be permitted to continue operations.

III. CONCLUSION

Considering the foregoing:

IT IS ORDERED that:

- 1) The interexchange carriers be permitted to offer toll service within the LATAs in Louisiana on a "10XXX" or other access code basis. The IXCs shall be permitted to offer intra-LATA call services they are currently offering on an inter-LATA basis. The IXCs shall be required to file for permission to offer any new services.
- 2) For all non-local, non-LOS intra-LATA toll calls, the LECs shall be required to impute in their prices for such toll calls the access rates charged the IXCs and resellers.

- 3) There be established a 40 mile 7 digit local calling area for all Louisiana customers and all calls made within such calling area shall be local calls. The current prices for calls being made in this zone shall remain the same.
- 4) There shall be no change in the LOS programs currently offered.
- 5) There be established a high cost fund to reduce the disparity in access charges among the local exchange companies. The parties shall present to the Commission the remaining details of such a plan within 60 days.
- 6) Non-Bell local exchange carriers may voluntarily restructure their access rates according to the interim plan proposed by the SCC and such rate restructures will be presumed reasonable.
- 7) All toll rates in the State will be averaged.
- 8) COCOTs shall be permitted to complete "0" intra-LATA calls and may utilize currently authorized AOS providers to handle operator-assisted calls until Phase II of this subdocket is completed.
- 9) Basic service to the COCOTs shall be provided by the LECs on a 1 FB or other flat line basis.
- 10) Nothing in this Order shall be construed as granting authority to alternate access vendors to offer service in Louisiana.
- 11) In granting limited intraLATA authority to the interexchange carriers in this docket, we do not intend to authorize the interexchange carriers to provide local service, and nothing in this Order shall be construed as granting them such authority. Further, the construction of facilities which duplicate LEC facilities used to provide local service is prohibited.
- 12) We do not believe it would be efficient for the interexchange carriers to construct facilities which duplicate the local exchange carriers facilities. Accordingly, nothing in this Order shall be construed as granting the interexchange carriers such authority.

