N. L. Farmer
Regional Director
External Affairs

GTE

GTE Telephone
Operations

P.O. Box 1412
Durham, NC 27702
919 317-5100

May 19, 1997

RECEIVED
MAY 19 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, D.C. 20554

Reference: FCC CC Docket No. 96-128 and Order No. 97-805

Dear Mr. Caton,

On May 15, 1997 the North Carolina Utilites Commission (NCUC) issued an Order pursuant to Docket No. P-100, Sub 84b and Docket No. P-55,Sub 1040 concerning Coin Telephone Service. The NCUC ordered "that all Local Exchange Companies who determine, based on their own analyses, that any existing Public Telephone Access Service rates do not meet the "new services" test, file revised rates and supporting data with the FCC for review by May 19, 1997."

In accordance with the Ordering Paragraph 1, attached is GTE South's supporting data, as it relates to the "new services" test for Coin Telephone Service in North Carolina. This data is being provided for your review per the NCUC's order.

Sincerely,

Dean Painter /for

N. L. Farmer

NLF:nss

GTE South, Inc.
North Carolina GTE
Executive Summary

This filing relates to FCC Docket No. 96-128 and GTE's compliance with FCC Order No. 97-805.

The FCC requires GTE ("the company") to file intrastate tariffs for payphone related services consistent with the new services test of the federal guidelines required by said order. In essence, this requirement applies a cost based test for new services under the jurisdiction of the FCC to existing payphone related intrastate services which, in some cases, have been priced using residual pricing mechanisms and/or value of service pricing mechanisms. Restating, this requirement applies a cost based federal pricing guideline to intrastate services.

The new services test requires rates to be between a cost floor and a cost ceiling. The company believes the best representations of the cost floors are the costs that have been provided in arbitration proceedings, where applicable. The best representations of the cost ceilings are the cost floors plus allocations of joint & common costs, where applicable. The intrastate services that do not have arbitration cost studies were evaluated in a similar manner.

The company believes that the best way to evaluate the rates is to determine a statewide composite rate for those services that are not uniform. If the statewide composite rate did meet the new services test, then no rates were changed for that service. If the statewide composite rate did not meet the new services test, then the rates were changed. The company believes that the best way to change rates that do not meet the new services test is to do so as consistently as possible.

It would be convenient to supply a theoretical example with numbers to better portray the mechanics used to meet the new services test. However, no example could portray the complexities of the different types of services, the wide ranging impacts that a statewide, weighted average rate could have on individual rates, and the many different scenarios on the potential rate design impacts and revenue impacts.

The different categories of payphone related services are Public Telephone Access Service (PTAS), Customer-Owned Pay Telephone (COPT) Coin Line Service, Outbound Screening (Selective Class of Call Screening), Answer Supervision and Inbound Screening (Billed Number Screening).

PTAS - Item I on page 1 of "New Services" Test data shows that the current composite measured line rate does not meet the new services test. The proposed composite line rate of $37.61 represents a 3% decrease to the individual tariffed flat rates. The annual revenue impact of the proposed rate change is ($6,638).

COPT Coin Lines - Item II on page 1 of "New Services" Test data shows that the current line rate does meet the new services test.

Answer Supervision - Item III on page 1 of "New Services" Test data shows that the rate does meet the new services test.

Outbound Screening - Item IV on page 1 of "New Services" Test data shows that the rates for the Selective Class of Call Screening Options does not meet the new services test. The proposed rate of $1.52 represents a 52% increase in Option 1, 24% decrease in Option 2, 62% decrease in Option 3 and a 49% decrease in Option 4 rates. The annual revenue impact of the proposed rate change is ($2,814).

Billed Number Screening - Item V on page 2 of "New Services" Test data shows that the inbound screening rates for No Collect Billing, Third Number Billing and No Collect/Third Number Billing does not meet the new services test. The proposed rate of $0.25 represents a 100% increase in the rate. The annual revenue impact of the proposed rate changes is $1,338.

Non-Recurring Charges - Item VI on page 2 of "New Services" Test data shows that the Non-Recurring Charges for Selective Class of Call Screening does not meet the new services test. The proposed non-recurring rate of $18.00 respresents a 100% increase in the rate.

The overall annual revenue impact of the proposed rate changes is ($8,114) as shown on Item VII on Page 2 of "New Services" Test data.

	Service	Units	Present Rate	Proposed Rate	Present Monthly Revenue	Proposed Monthly Revenue	Monthly Revenue Change	Annual Revenue Change
I.	**PTAL Line-Measured**							
	NORTH CAROLINA GTE							
	Exchanges							
	Monroe	3	$17.77	$16.57	$53	$50	($4)	($43)
	Creedmoor	0	$20.23	$19.03	0	0	0	0
	Durham	0	$18.99	$17.79	0			
	Research Triangle Park	0	$23.73	$22.53	0			
	ALL EXCHANGES	3	$17.77	$18.98	$53	$50	($4)	($43)
	Average Usage		$11.25	$11.25	$34	$34	$0	$0
	Average Revenue Per Line		$29.02	$30.23	$87	$83	($4)	($43)
	PTAL Line-Message							
	Exchanges							
	Monroe	92	$18.77	$17.57	$1,727	$1,616	($110)	($1,325)
	Creedmoor	18	$21.23	$20.03	$382	$361	($22)	($259)
	Durham	350	$19.99	$18.79	$6,997	$6,577	($420)	($5,040)
	Research Triangle Park	1	$24.73	$23.53	$25	$24	($1)	($14)
	ALL EXCHANGES	461	$19.81	$18.61	$9,130	$8,577	($553)	($6,638)
	Average Usage		$13.00	$13.00	$5,993	$5,993	$0	$0
	Average Revenue Per Line		$32.81	$31.61	$15,123	$14,570	($553)	($6,638)
	TOTALS							
	Total Measured Plus Message	464	$32.78	$31.58	$15,210	$14,653	($557)	($6,682)
	Federal SLC		$6.00	$6.00				
	Total Composite PTAL		$38.78	$0.00	$17,994	$17,437	($557)	($6,682)
	Present Composite Line Rate			$38.78				
	Proposed Composite Line Rate			$37.61				
II.	**COPT Line**							
	Monroe	2,001	$29.62	$29.62	$59,270	$59,270	$0	$0
	Creedmoor		$33.72	$33.72	$0	$0	$0	$0
	Durham		$31.67	$31.67	$0	$0	$0	$0
	Research Triangle Park		$39.58	$39.58	$0	$0	$0	$0
	Total	2,001	$29.62	$29.62	$59,270	$59,270	$0	$0
	Federal SLC		$6.00	$6.00				
	Total		$35.62	$35.62				
	Present Rate			$29.62 - $39.58				
	Proposed Rate			$29.62 - $39.58				
III.	**Answer Supervision**	1	$11.00	$11.00	$11	$11	$0	$0
	Present Rate			$11.00				
	Proposed Rate			$11.00				
IV.	**Outbound Options**							
	Option 1	0	$1.00	$1.52	$0	$0	$0	$0
	Option 2	433	$2.00	$1.52	$866	$658	($208)	($2,494)
	Option 3	0	$4.00	$1.52	$0	$0	$0	$0
	Option 4	1	$3.00	$1.52	$3	$2	($1)	($18)
	Option 4 - Inmate 1-Way	17	$3.00	$1.52	$51	$26	($25)	($302)
	Option 4 - Inmate 2-Way	0	$3.00	$1.52	$0	$0	$0	$0
	Total	451			$920	$686	($234)	($2,814)
	Present Rate			$1.00-$4.00				
	Proposed Rate			$1.52				

	Service	Units	Present Rate	Proposed Rate	Present Monthly Revenue	Proposed Monthly Revenue	Monthly Revenue Change	Annual Revenue Change
V.	**Inbound Options**							
	Billed Number Screening							
	Billed Number Screening							
	Option A (No Collect or 3rd Number	223	$0.00	$0.25	$0	$56	$56	$669
	Option B (No 3rd Number) N	200	$0.00	$0.25	$0	$50	$50	$600
	Option C (No Collect) N	23	$0.00	$0.25	$0	$6	$6	$69
	Total	464			$0	$112	$112	$1,338
	Present Rate			$0.00				
	Proposed Rate			$0.25				
VI.	**Non Recurring Charges**							
	Selective Class of Call Screening/Line							
	Option 1	0	$0.00	$18.00	$0	$0	$0	$0
	Option 2	0	$0.00	$18.00	$0	$0	$0	$0
	Option 3	0	$0.00	$18.00	$0	$0	$0	$0
	Option 4	0	$0.00	$18.00	$0	$0	$0	$0
	Option 4 - Inmate 1-Way	0	$0.00	$18.00	$0	$0	$0	$0
	Option 4 - Inmate 2-Way	0	$0.00	$18.00	$0	$0	$0	$0
VII.	**Summary of Revenue Impacts**							
	COCOT Lines				$15,123	$14,570	($553)	($6,638)
	COPT Lines				$0	$0	$0	$0
	Answer Supervision				$11	$11	$0	$0
	Outbound Options				$920	$686	($234)	($2,814)
	Inbound Options				$0	$112	$112	$1,338
	Non Recurring Charges				$0	$0	$0	$0
	Total				$16,054	$15,378	($676)	($8,114)

S7. COIN TELEPHONE SERVICE

S7.3 Public Telephone Access Service (PTAS) (Continued)

S7.3.4 Optional Service Features

a. Central Office Blocking With Operator Screening - Central office blocking with operator screening is offered to provide a choice of restrictions at the customer's option. These options will be available where PTAS is provided on a usage rate service basis.

Options are as follows:

(1) Option 1 - Two-Way Service. Provides that third number and collect calls to Public Telephone Access Service are not allowed.

(2) Option 2 - Two-Way Service. Provides screening information to the operator to prevent operator assisted sent-paid calls from being billed to the line. Further, third number and collect calls to PTAS are not allowed.

(3) Option 3 - Two-Way Service. Provides central office blocking of seven digit local, 976, 1+DDD, and 1+900 calls. Provides screening information to the operator to prevent operator assisted sent-paid calls from being billed to the line. Further, third number and collect calls to PTAS are not allowed.

(4) Option 4 - Two-Way Service. Provides central office blocking of 976, 1+DDD, and 1+900 calls. Provides screening information to the operator to prevent operator-assisted sent-paid calls from being billed to the line. Further, third number and collect calls to PTAS are not allowed.

(5) Option 5 - Two-Way Service. Provides for the automatic blocking of third number billing, collect billing, or third number and collect billing. (N)

(6) Option 6 - International Blocking will be provided according to the rules and regulations as specified in the GTE Facilities for Interstate Access Tariff FCC No. 1. (N)

(M)

(M) Material has been moved to Page 9.1. (N)

S7. COIN TELEPHONE SERVICE

S7.3 Public Telephone Access Service (PTAS) (Continued)

S7.3.4 Optional Service Features (Continued)

b. Answer Supervision (M)

Answer Supervision is the line side functionality that provides an electrical signal to the calling end of a switched telephone connection when the called line goes off-hook. Customer-Owned Pay Telephone (COPT) Answer Supervision will be provided for use with Public Telephone Access Service (PTAS) to assist in determining when billing for a specific call should commence. (M)

(M) Material previously appeared on Page 9. (N)

GTE SOUTH INCORPORATED
NORTH CAROLINA
ISSUED: May 19, 1997
BY: Vice President
Durham, North Carolina

Third Revised Page 11
Cancels Second Revised Page 11
EFFECTIVE: June 4, 1997

S7. COIN TELEPHONE SERVICE

S7.3 Public Telephone Access Service (PTAS) (Continued)

S7.3.5 Rates and Charges

a. PTAS is provided on a usage rate basis where facilities permit; otherwise the service will be provided on a message rate basis.

(1) Usage Rate Service

(a) The following monthly rates are applicable to PTAS on a per line basis.

	Monthly Rate[1]	Nonrecurring Charge	GSEC	
Access Line				(R)
Altan	$16.57	$ -	PTAL	
Creedmoor	19.03			
Durham	17.79			
Goose Creek	16.57			
Monroe	16.57			
Research Triangle Park	22.53			(R)
i. Option 1 Per Line	1.52(I)	18.00(N)	PTAL1	
ii. Option 2 Per Line	1.52(R)	18.00(N)	PTAL0A	
iii. Option 3 Per Line	1.52(R)	18.00(N)	PTAL03	
iv. Option 4 Per Line	1.52(R)	18.00(N)	PTAL04 INMATE1W INMATE2W	
v. Option 5 Per Line	.25			(N)
vi. Option 6 Per Line	Note 1			(N)

Note 1: International Blocking will be provided at the approved rate specifed in the GTE Facilities for Interstate Access Tariff FCC No. 1.

(D)
(D)

(b) No monthly usage allowance applies for PTAS.

S7. COIN TELEPHONE SERVICE

S7.3 Public Telephone Access Service (PTAS) (Continued)

S7.3.5 Rates and Charges (Continued)

a. (Continued)

(1) Usage Rate Service (Continued)

c) The following usage charges apply for calls within the local calling area.

i.

Initial Minute or Fraction Thereof	Additional Minute, Each or Fraction Thereof
$.03 (R)	$.02

ii. For local calls placed in the following listed time periods, discounted usage charges of $.02 for the initial minute or fraction thereof and $.01 for each additional.minute or fraction thereof will apply as follows:

12:00 p.m. - 2:00 pm.
9:00 p.m. - 9:00 a.m.
Saturday and Sunday/All day

(2) Message Rate Service

(a) The following monthly rate is applicable for PTAS.

	Monthly Rate	GSEC	
Access Line			(R)
Altan	$16.57	PTALF	
Creedmoor	19.03		
Durham	17.79		
Goose Creek	16.57		
Monroe	16.57		
Research Triangle Park	22.53		(R)
Two-way, per line - each	$1.00[1]	PTALF2W	

Note 1: To the monthly Access Line rate shown, add this $1.00 two-way charge. (C)

(b) The following message rate charges apply for completed outgoing calls within the local calling area.

	Rate
Local Message - Each	$.06

	Monthly Rate	GSEC/IOSC
(3) Answer Supervision	$ 11.00	COPTANS/20232

GTE South, Inc.
North Carolina Contel
Executive Summary

This filing relates to FCC Docket No. 96-128 and GTE's compliance with FCC Order No. 97-805.

The FCC requires GTE ("the company") to file intrastate tariffs for payphone related services consistent with the new services test of the federal guidelines required by said order. In essence, this requirement applies a cost based test for new services under the jurisdiction of the FCC to existing payphone related intrastate services which, in some cases, have been priced using residual pricing mechanisms and/or value of service pricing mechanisms. Restating, this requirement applies a cost based federal pricing guideline to intrastate services.

The new services test requires rates to be between a cost floor and a cost ceiling. The company believes the best representations of the cost floors are the costs that have been provided in arbitration proceedings, where applicable. The best representations of the cost ceilings are the cost floors plus allocations of joint & common costs, where applicable. The intrastate services that do not have arbitration cost studies were evaluated in a similar manner.

The company believes that the best way to evaluate the rates is to determine a statewide composite rate for those services that are not uniform. If the statewide composite rate did meet the new services test, then no rates were changed for that service. If the statewide composite rate did not meet the new services test, then the rates were changed. The company believes that the best way to change rates that do not meet the new services test is to do so as consistently as possible.

It would be convenient to supply a theoretical example with numbers to better portray the mechanics used to meet the new services test. However, no example could portray the complexities of the different types of services, the wide ranging impacts that a statewide, weighted average rate could have on individual rates, and the many different scenarios on the potential rate design impacts and revenue impacts.

The different categories of payphone related services are Public Telephone Access Service (PTAS), Customer-Owned Pay Telephone (COPT) Coin Line Service, Outbound Screening (Selective Class of Call Screening), Answer Supervision and Inbound Screening (Billed Number Screening).

PTAS - Item I on page 1 of "New Services" Test data shows that the current composite measured line rate does meet the new services test.

COPT Coin Lines - Item II on page 1 of "New Services" Test data shows that the current line rate does meet the new services test.

Answer Supervision - Item III on page 1 of "New Services" Test data shows that the rate does not meet the new services test. The proposed rate of $10.40 respresents a 5% decrease to the individual tariffed rate. The annual revenue impact of the proposed rate change is ($7.00).

Outbound Screening - Item IV on page 1 of "New Services" Test data shows that the rates for the Selective Class of Call Screening Options does not meet the new services test. The proposed rate of $1.60 represents a 60% increase in Option 1, 20% decrease in Option 2, 60% decrease in Option 3 and a 47% decrease in Option 4 rates. The annual revenue impact of the proposed rate change is ($1,488).

Billed Number Screening - Item V on page 1 of "New Services" Test data shows that the inbound screening rates for No Collect Billing, Third Number Billing and No Collect/Third Number Billing does not meet the new services test. The proposed rate of $0.24 represents a 100% increase in the rate. The annual revenue impact of the proposed rate changes is $962.

Non-Recurring Charges - Item VI on page 2 of "New Services" Test data shows that the Non-Recurring Charges for Selective Class of Call Screening does not meet the new services test. The proposed non-recurring rate of $18.00 respresents a 100% increase in the rate.

The overall annual revenue impact of the proposed rate changes is ($533) as shown on Item VII on Page 2 of "New Services" Test data.

	Service	Units	Present Rate	Proposed Rate	Present Monthly Revenue	Proposed Monthly Revenue	Monthly Revenue Change	Annual Revenue Change
I.	**PTAL Line-Measured**							
	NORTH CAROLINA CONTEL							
	Rate Group 1	5	$19.99	$19.99	$100	$100	$0	$0
	Rate Group 2	80	$20.50	$20.50	$1,640	$1,640	$0	$0
	Rate Group 3	276	$21.14	$21.14	$5,835	$5,835	$0	$0
	Rate Group 4	11	$21.74	$21.74	$239	$239	$0	$0
	Rate Group 5	36	$22.73	$22.73	$818	$818	$0	$0
	Murphy and Suit	9	$21.82	$21.82	$196	$196	$0	$0
	Total PTAL Line - Measured	417	$21.17	$21.17	$8,828	$8,828	$0	$0
	Average Usage		$11.25	$11.25	$4,691	$4,691	$0	$0
	Average Revenue Per Line		$32.42	$32.42	$13,520	$13,520	$0	$0
	Federal SLC		$6.00	$6.00				
	Total		$38.42	$38.42	$16,022	$16,022	$0	$0
	Present Composite Line Rate			$38.42				
	Proposed Composite Line Rate			$38.42				
II.	**COPT Line**							
	Rate Group 1	2,001	$33.32	$33.32	$66,673	$66,673	$0	$0
	Rate Group 2	0	$34.16	$34.16	$0	$0	$0	$0
	Rate Group 3	0	$35.24	$35.24	$0	$0	$0	$0
	Rate Group 4	0	$36.24	$36.24	$0	$0	$0	$0
	Rate Group 5	0	$37.89	$37.89	$0	$0	$0	$0
	Murphy and Suit	0	$35.92	$35.92	$0	$0	$0	$0
	Total	2,001	$33.32	$33.32	$66,673	$66,673	$0	$0
	Federal SLC		$6.00	$6.00				
	Total		$39.32	$39.32				
	Proposed Rate			$33.32 - $35.92				
	Present Rate			$33.32 - $35.92				
III.	**Answer Supervision**	1	$11.00	$10.40	$11	$10	($1)	($7)
	Present Rate			$11.00				
	Proposed Rate			$10.40				
IV.	**Outbound Options**							
	Option 1	0	$1.00	$1.60	$0	$0	$0	$0
	Option 2	238	$2.00	$1.60	$476	$381	($95)	($1,142)
	Option 3	5	$4.00	$1.60	$20	$8	($12)	($144)
	Option 4	0	$3.00	$1.60	$0	$0	$0	$0
	Option 4 - Inmate 1-Way	12	$3.00	$1.60	$36	$19	($17)	($202)
	Option 4 - Inmate 2-Way	0	$3.00	$1.60	$0	$0	$0	$0
	Total	255			$532	$408	($124)	($1,488)
	Present Rate			$1.00 - $4.00				
	Proposed Rate			$1.60				
V.	**Inbound Options**							
	Billed Number Screening							
	Options A, B, and C	334	$0.00	$0.24	$0	$80	$80	$962
	Present Rate			$0.00				
	Proposed Rate			$0.24				

	Service	Units	Present Rate	Proposed Rate	Present Monthly Revenue	Proposed Monthly Revenue	Monthly Revenue Change	Annual Revenue Change
VI.	**Non Recurring Charges**							
	Sel CL Call Scr/Line/Trunk, All Options	0	$0.00	$18.00	$0	$0	$0	$0
	Present Rate			$0.00				
	Proposed Rate			$18.00				
VII.	**Summary of Revenue Impacts**							
	COCOT Lines & Usage				$13,520	$13,520	$0	$0
	COPT Lines				$66,673	$66,673	$0	$0
	Answer Supervision				$11	$10	($1)	($7)
	Outbound Options				$532	$408	($124)	($1,488)
	Inbound Options				$0	$80	$80	$962
	Non Recurring Charges				$0	$0	$0	$0
	Total				$80,736	$80,692	($44)	($533)

COIN TELEPHONE SERVICE

7.3 PUBLIC TELEPHONE ACCESS SERVICE

7.3.3 Violations of Regulations

a. Where any customer-provided equipment is used and/or connected in violation of this Tariff, the Company will promptly notify the customer in writing of the violation.

b. Failure of the customer to discontinue such use or to correct the violation will result in the suspension or disconnection of the customer's service until such time as the customer complies with the provision of this Tariff.

7.3.4 Optional Service Features

a. Central Office Blocking with Operator Screening - Central office blocking with operator screening is offered to provide a choice of restrictions at the subscriber's option. These options will be available where PTAS is provided on a usage rate service basis. Options are as follows:

1. Option 1 - Two-Way Service. Provides that third number and collect calls to PTAS are not allowed.

2. Option 2 - Two-Way Service. Provides screening information to the operator to prevent operator assisted sent-paid calls from being billed to the line. Further, third number and collect calls to PTAS are not allowed.

3. Option 3 - Two-Way Service. Provides central office blocking of seven digit local, 976, 1+DDD, and 1+900 calls. Provides screening information to the operator to prevent operator assisted sent-paid calls from being billed to the line. Further, third number and collect calls to PTAS are not allowed.

4. Option 4 - Two-Way Service. Provides central office blocking of 976, 1+DDD, and 1+900 calls. Provides screening information to the operator to prevent operator-assisted sent-paid calls from being billed to the line. Further, third number and collect calls to PTAS are not allowed.

5. Option 5 - Two-Way Service. Provides for the automatic blocking of third number billing, collect billing, or third number and collect billing. (N)

6. Option 6 - International Blocking will be provided according to the rules and regulations as specified in the GTE Facilities for Interstate Access Tariff FCC No. 1. (N)

COIN TELEPHONE SERVICE

7.3 PUBLIC TELEPHONE ACCESS SERVICE

7.3.5 Rates and Charges

a. Access line service for customer-provided public pay telephones is provided on a usage pricing basis where facilities exist. Where facilities do not exist, the service may be provided on a message rate basis. Such service will be converted to usage pricing service as it becomes available at no cost to the subscriber.

1. Usage Pricing Service

(a) The following monthly rates are applicable to PTAS on a per line basis.

	Monthly Rate	Nonrecurring Charge	GSEC	
(1) Option 1 Per Line	$ 1.60[2](I)	$ 18.00(N)	PTALL	
(2) Option 2 Per Line	1.60[2](R)	18.00(N)	PTAL0A	
(3) Option 3 Per Line	1.60[2](R)	18.00(N)	PTAL03	
(4) Option 4 Per Line	1.60[2](R)	18.00(N)	PTAL04 INMATE1W INMATE2W	
(5) Option 5 Per Line	.24			(N)
(6) Option 6 Per Line	Note 1			(N)

Note 1: International Blocking will be provided at the approved rate specified in the GTE System Telephone Companies Access Service Tariff FCC No. 1.

Note 2: To the monthly rate shown, add an amount equivalent to 60% of the Business Individual Access Line rate.

(b) Local Usage

(1) Local usage is charged on a per minute basis.

Per Message, Per Minute or Fraction Thereof	
Each 1st Minute	Add'l Minute
$0.030 (R)	$0.020

(2) For locals placed in the following listed time periods discounted usage charges of $.02 for the initial minute or fraction thereof and $.01 for each additional minute or fraction thereof will apply as follows:

a. 12:00 p.m. - 2:00 p.m.
b. 9:00 p.m. - 9:00 a.m.
c. Saturday and Sunday/all day

7.3 PUBLIC TELEPHONE ACCESS SERVICE (Cont'd)

7.3.5 Rates and Charges (Cont'd)

2. Message Rate Service

(a) In exchanges where usage pricing facilities are not available, a monthly rate of $1.00 will be added to an amount equivalent to 60% of the Business Individual Access Line Rate. A message charge of $.06 per call will be applied to calls within the local calling area.

b. Answer Supervision

	Monthly Rate	GSEC/IOSC	
All exchanges	$ 10.40	COPTANS/20232	(R)

c. At the request of the subscriber, TOUCH TONE Calling Service may be provided as covered in Section 13 of this Tariff for business service.

d. Service Charges as covered in Section 4 of this Tariff for business line service are applicable.

e. Switched Access Charges apply as specified in Section E3 and E6 of the Access Service Tariff and are billable to the interexchange carrier.

f. Intrastate intraLATA long distance charges apply on a per message basis based on toll rates (as provided in Section 18.1.1 of this Tariff) plus the appropriate additive operator services charges (as provided in Section 18.1.1 of this Tariff). Intrastate interLATA long-distance charges apply as specified in the intrastate tariffs of the underlying inter-LATA carrier. Local charges apply to the PTAS subscriber on a per message basis based on the applicable local usage rate charges (as provided in Section 7.3.5.a.1.(b)(1) of this Tariff or local message rate charges (as provided in Section 7.3.5.a.1(b)(2) of this Tariff) plus the appropriate additive operator services charges (as provided in Section 3.10 of this Tariff).

The subscriber to Public Telephone Access Service for CPE shall be responsible for the payment of outgoing local calls and long-distance intra LATA calls which are charged by the calling party to a commercial credit card.

g. The local exchange company providing service to the PTAS subscriber shall provide the subscriber with a maximum of 25 local directory assistance inquiries per month per pay station free of charge, but shall charge the subscriber for local directory assistance calls in excess of the 25 free calls in the same manner as it charges for such calls to business one-party access line subscribers.

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. P-100, SUB 84b
DOCKET NO. P-55, SUB 1040

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. P-100, SUB 84b

In the Matter of Petition of the North Carolina Payphone Association for Review of Local Exchange Company Tariffs for Basic Payphone Services DOCKET NO. P-55, SUB 1040 In the Matter of BellSouth Telecommunications, Inc., Tariff to Reduce Business Rotary Line Rates Pursuant to the Telecommunications Act of 1996	))))))))))	ORDER DISMISSING PETITIONS AND DIRECTING FILINGS

BY THE COMMISSION: There have recently been two petitions regarding payphones received by the Commission.

<u>Docket No. P-100, Sub 84b</u>

On March 20, 1997, the North Carolina Payphone Association (NCPA) filed a Petition for Review of LEC Tariffs for Basic Payphone Services in this docket requesting the Commission to do the following:

1. Initiate separate proceedings to (i) reduce local exchange company (LEC) rates to eliminate subsidies to the LECs' payphone operations and (ii) reduce LEC payphone service tariffs to cost-based rates;

2. Require LECs to submit the information identified in Paragraph 13 of the NCPA's petition relating to payphone costs and revenues so that subsidies to payphone operations can be identified and eliminated;

3. Require LECs to submit the cost information required by the Federal Communications Commission (FCC's) new services test identified in Paragraph 22 of the NCPA's petition.

4. Require LECs to restructure all tariffs for basic payphone services so that they comply fully with the FCC's requirements set forth in CC Docket No. 96-128;

5. Consolidate review of the tariff filings of BellSouth, Carolina and Central, GTE, ALLTEL, Concord, and TDS Telecom (Barnardsville Telephone Company; Saluda Mountain Telephone Company; and Service Telephone Company), as well as any other LEC tariff filings made in response to FCC Orders in CC Docket No. 96-128, into this single docket.

6. Suspend the effectiveness of the above-referenced tariffs pending the completion of the investigation required by the FCC's Orders in CC Docket No. 96-128.

The NCPA argued at that time that Section 276 of the Telecommunications Act of 1996 (TA96) and associated FCC payphone orders (Payphone Order and Order on Reconsideration) require that LECs file intrastate tariffs for "basic payphone service and unbundled functionalities" which are (1) cost-based, (2) consistent with the requirements of Section 276 as, for example, regarding the removal of subsidies from exchange and exchange access services, and (3) are nondiscriminatory. Order on Reconsideration, Paragraph 163. LECs were required to file these tariffs by January 15, 1997, to be effective by April 15, 1996.

On March 24, 1997, the Commission received for information at its Regular Commission Conference a Public Staff agenda item concerning the tariff filings made by certain LECs, which the NCPA urged the Commission to suspend.

On March 31, 1997, the Commission issued an Order declining to suspend the tariffs and soliciting procedural comments from interested parties.

Docket No. P-55, Sub 1040

On March 24, 1997, BellSouth Telecommunications, Inc. (BellSouth), made a tariff filing to comply with the provisions of the TA96 relating to payphones. TA96 requires that subsidies from basic exchange and exchange access services be discontinued. BellSouth identified through a payphone study a subsidy of $2.396 million in its intrastate rates. BellSouth has chosen to reduce its business rotary line (hunting) rates, which have traditionally be priced on a value of service basis and include significant contribution.

On March 27, 1997, MCI filed a Petition for Investigation and Request for Suspension of Tariff Pending Investigation concerning the rotary line rate. MCI argued that the amount of subsidy was greater than that identified by BellSouth and should be eliminated by reducing access charges. In its salient points, MCI requested:

1. That BellSouth be required to file with the Commission an intrastate switched access tariff to remove the deregulated payphone investment and associated expenses and to reduce BellSouth's intrastate carrier common line (CCL) charge to reflect the removal of the payphone investment and associated expenses in its intrastate North Carolina operations;

2. That the Commission order (i) an investigation of this tariff to determine whether it serves the public interest and (ii) suspend the effectiveness until such time as the investigation is completed;

3. That a hearing be held in the matter as part of such investigation; and

4. That an expedited discovery and procedural schedule be established that will (i) permit MCI to conduct discovery on BellSouth's filing and (ii) result in a hearing and decision on the removal of the payphone subsidy from BellSouth's intrastate carrier access operations by April 15, 1997, as required by the Federal Communications Commission.

This matter came before the Regular Commission Conference on March 31, 1997. The Public Staff supported BellSouth's proposal, while representatives of MCI, AT&T and the NCPA urged that the reductions should go elsewhere, notably access charges. BellSouth argued that the principal rationale for placing the reductions on business rotary lines was to enable BellSouth to meet competition.

On April 2, 1997, the Commission issued an Order Requesting Procedural Comments concerning MCI's petition and allowed the rotary line rate tariff revision to go into effect as scheduled without prejudice to further Commission action.

The following parties filed comments or reply comments in one or both dockets: AT&T Communications of the Southern States, Inc. (AT&T), the North Carolina Payphone Association (NCPA), ALLTEL Carolina, Inc. (ALLTEL), GTE South Incorporated (GTE), Carolina Telephone and Telegraph Company and Central Telephone Company (collectively, Carolina), MCI Telecommunications Corporation (MCI), BellSouth Telecommunications, Inc. (BellSouth), the Alliance of North Carolina Independent Telephone Company (Alliance).

COMMENTS

NCPA asserted that recent clarification orders issued by the FCC on April 4, 1997, and April 15, 1997, make it plain that LECs must file appropriate cost-based state tariffs for new and existing payphone services and features, to be evaluated by the state commissions utilizing the FCC "new services" test. The "new services" test include a cost study, estimates of traffic and revenues, working papers, and a description of methodologies. The FCC granted a limited waiver to all LECs to May 19, 1997, in which to file cost support data along with revised tariffs, subject to a true-up requirement. Filing these tariffs and information in a timely manner makes the LEC eligible to receive payphone compensation. The extension of time, however, is subject to a true-up requirement. The clarification orders have removed inordinate time pressure on the states to review these tariffs; the states' obligation is to complete a review of these filings "within a reasonable period of time."

Accordingly, the Commission should order all LECs to file cost-based tariffs which comply with the "new services" test for payphone services and unbundled features by May 19, 1997. Existing payphone tariffs should remain effective pending their review subject to refund or credit liability.

As for the subsidy issue, the NCPA urged that this issue should be examined in a separate proceeding from the above. Consolidation of the subsidy issue with the cost-based rate issue would unduly complicate and delay resolution of both proceedings.

The Alliance argued that the proceeding which the NCPA seeks to initiate is unnecessary and its request unfounded. The Alliance argued that North Carolina LECs are neither similarly situated with respect to their legal and regulatory status nor with respect to costs and rate structures for payphone access. Therefore, a generic proceeding would be inappropriate. Furthermore, a generic cost subsidization inquiry is not required by TA96 or the FCC orders. Nowhere has Congress or the FCC mandated the type of comprehensive cost analysis requested by the NCPA. Such analysis for many of the Alliance's members would be more costly than the revenues derived. Moreover, the cost study provision of the FCC rules apply only to LECs making price cap tariff filings in conformity with the FCC regulation. None of the Alliance members fits this description. Furthermore, Section 276 of TA96 contains no provision requiring the universal submission of detailed cost studies for payphone access charges. The Alliance urged dismissal of the NCPA's petition.

BellSouth urged the Commission to dismiss the NCPA's petition. BellSouth noted that, in fact, it had removed all intrastate payphone subsidies from basic exchange and exchange access rates. With respect to cost-based rates, BellSouth noted that the NCPA did not allege that these rates are below their cost but rather they are "artificially high" and "damage competition." This last assertion is belied by the fact that there are 439 certified COCOT providers in this state and the market is highly competitive. BellSouth cited with approval the Public Staff's statement at the March 24, 1997, Staff Conference that it is satisfied with the level of current payphone service and does not interpret any FCC order to require the Commission to revise existing rates.

Concerning specific matters from the Payphone orders, BellSouth asserted that it could certify that it has in effect appropriate intrastate tariffs for basic payphone services as well as for unbundled functionalities associated with those lines, as required by the FCC. Moreover, BellSouth's current payphone services are cost-based, meet the requirements of Section 276 and are nondiscriminatory. The Commission has the authority under Paragraph 103 of the Payphone Order to so find.

With respect to the "new services" test, BellSouth asserted that its rates meet the requirement that such rates be based on direct costs plus an appropriate level of overhead costs. BellSouth also cited language from the Commission's November 17, 1987, Order revising PTAS rates in Docket No. P-100, Sub 84, finding the rates promulgated therein to be revenue-neutral, fully compensatory, and pro-competitive.

BellSouth made a separate filing in Docket No. P-55, Sub 1040. BellSouth defended its payphone subsidy study. BellSouth maintained that MCI offered no factual support for its contention challenging the accuracy of the subsidy amount. As for MCI's contention that the CCL charge ought to be reduced, BellSouth pointed out that, unlike the interstate allocation of payphone station costs where a portion of those costs is recovered by the federal CCL charge, intrastate payphone costs are not recovered through a specific charge. MCI's petition should be dismissed.

MCI filed comments under both dockets but only addressed the subsidy issue. MCI identified two issues--the amount of BellSouth's intrastate payphone subsidy and what service/rate elements should be reduced--and suggested a hearing schedule.

Carolina insisted that the LECs have acted in good faith to meet the FCC requirements, some of which have only recently been clarified. The Commission was correct to allow the payphone tariffs to go into effect by April 15, 1997. LECs should provide the Commission the information necessary to determine if intrastate payphone subsidies exist and 2) whether they payphone tariffs meet the "new services" test. If rates are to be adjusted, they should be retroactively adopted effective April 15, 1997.

GTE argued that it has made the necessary subsidy analysis and it has determined that it does not have any subsidy that requires elimination and thus no further action is required to comply with this aspect of the FCC orders. GTE also noted that the FCC has issued clarification orders, including one on April 15, 1997, granting to all LECs a limited waiver until May 19, 1997, to file intrastate tariffs for payphone services consistent with the FCC's Reconsideration Order. GTE will review its existing payphone services intrastate tariffs to determine if they are cost-based and meet the "new services" test. GTE urged that the NCPA's petition be rejected or that, alternatively, the Commission should defer further action until after May 19, 1997.

ALLTEL argued that no further proceeding is necessary at this time with regard to LEC payphone revisions. ALLTEL noted that intrastate tariff revisions have been filed by it and it argued that intrastate rates should not be adjusted on an individual service basis.

The cost studies described by the NCPA would not be practical for most LECs operating in North Carolina so as to determine if a specific service is subsidized, because intrastate rates are residually determined. ALLTEL stated that it has not conducted a subsidy study but would expect such a study to disclose no or a de minimis amount of subsidy. The costs and burdens of such a proceeding would far outweigh the benefits. LECs should be given an opportunity to transition rates over a period of time with the goal of reducing implicit subsidies by explicit subsidies, as is contemplated by universal service reforms.

AT&T addressed the BellSouth subsidy issue only and reiterated its belief that the BellSouth subsidy study substantially understated the amount of subsidy. The Commission should order an investigation of the tariff and cost studies, permit expedited discovery, and conduct a hearing. Any reductions should be applied to reduce switched access charges. AT&T is willing to flow-through any reductions in switched access charges tó its customers.

REPLY COMMENTS

Public Staff, after reviewing and summarizing the initial comments in Docket No. P-100, Sub 84b, recommended the following alternatives:

1. Require all of the LECs except BellSouth to file a statement of their conclusions regarding the existence of any subsidy for payphone services in their intrastate rates; require GTE, Carolina/Central, and any other LECs that are prepared to do so to file reports outlining the studies that they have done to support their conclusions; and

2. Require all of the LECs to file tariffs consistent with the "new services" test, including cost support data, for all of their intrastate payphone services and schedule public hearings; or

3. In the alternative, require all of the LECs who determine based on their own analyses that any existing PTAS rates do not meet the "new services" test to file revised rates and supporting data with the FCC for review. The existing rates include rates for PTAS lines and trunks, PTAS usage rates, and rates for various PTAS options. LECs who feel compelled to file cost studies for existing rates which they conclude do not meet the "new services" test should also be directed to file those studies with the FCC.

The analysis presented by the Public Staff indicates that, with respect to the compliance of LEC tariffs with the "new services" test, the Public Staff favors the alternative presented in numbered paragraph 3.

Noting that a generic investigation "would be greater in magnitude and complexity than any local telephone rate case the Commission has ever heard,"the Public Staff questioned whether this would be either a wise or necessary deployment of resources. The Public Staff stated that it is satisfied:

1. That LEC rates for PTAS services do, in fact, cover direct costs on the aggregate and include a reasonable level of contribution to overhead costs.

2. That the "new services" test does not require rates to be set at cost or as specifying the amount of contribution. Moreover, to the extent the payphone access rates are above cost, competition can be expected to drive such prices down.

3. That the new rates file by the LECs which have been reviewed by the Public Staff, do in fact meet the "new services" test. To the extent that the LECs determine, based on their own analyses, that any existing PTAS rates do not meet the "new services" test, the LECs should be required to file revised rates and supporting data with the FCC for review.

Concerning intrastate subsidies, the Public Staff noted that the FCC has established no filing requirements or specific guidelines for the states. The Public Staff does not believe that there is either an explicit or implicit subsidy of LEC payphone operations in intrastate rates. In any event, there are adequate measures in place to prevent the subsidization of payphone operations.

Concerning MCI's petition in Docket No. P-55, Sub 1040, the Public Staff recommended that MCI's petition be dismissed. The Public Staff argued that the supposition that a portion of the intrastate costs of providing payphone service is recovered through the CCL rate is completely unfounded.

The NCPA argued that the parties arguing against further review misinterpret the federal requirements. The NCPA suggested that the following are "indisputable facts:"

1. That the FCC is requiring every LEC desiring to receive dial-around compensation from the IXCs to file cost-based payphone tariffs which comply with the new services test.

2. That the FCC is relying on the states to evaluate the compliance of these tariffs with the new services test.

3. That such cannot be done without submission of cost information by each LEC.

4. That no LEC has filed payphone rates complying with the new services test, and

5. That no LEC has filed cost information supporting its payphone rates.

The NCPA therefore recommended that the Commission adopt the review procedures it recommends. The NCPA also endorsed the MCI petition in Docket No. P-55, Sub 1040.

The Alliance argued that the language in the "new services" test--specifically, 47 C.F.R. Section 61.49(g)(2)--states that no specific study data is required nor is any type of cost accounting methodology specified. No generic inquiry is appropriate.

GTE urged that the relief requested by the NCPA is unnecessary and, in certain instances, contrary to the FCC's directives. The FCC has only required LEC certification that subsidies, if present, have been removed.

Carolina took the position that all LECs should provide the Commission the information necessary to determine its intrastate payphone subsidies exist and payphone tariffs meet the new services test. The information should be submitted by May 19, 1997, with all costing information marked "proprietary" and should not be available to other parties. A discovery period and a public hearing would be unnecessary burdens and would delay the competitive market for payphones.

BellSouth recommended that the NCPA's petition be dismissed. No federal or state law, regulation or order requires the review demanded by the NCPA. A case-by-case approach promotes judicial economy and is preferable to the approach recommended by the NCPA. Concerning the subsidy issue in Docket No. P-55, Sub 1040, BellSouth stated that no party has identified probative evidence warranting further proceedings. MCI's petition should be dismissed.

AT&T recommended that the Commission open an investigation of the tariff and accompanying cost studies filed by BellSouth, order an expedited response by BellSouth to certain interrogatories, and determine the amount of BellSouth payphone subsidies. As to certification of the FCC's April 15, 1997, order, AT&T argued that this certification can be made only after appropriate public proceeding.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

NCPA Petition

Concerning Docket No. P-100, Sub 84b, the Commission concurs with the Public Staff's analysis and recommendations in this docket. Since these recommendations are at variance with what the NCPA is recommending, it follows that the NCPA petition should be dismissed. There have been no fewer than four FCC orders touching on the restructuring of payphones--two main orders (the Payphone Order and Order on Reconsideration) and two "clarification" orders issued on April 4, 1997, and April 15, 1997, and their exact meaning in all instances is not altogether clear. However, the Commission concludes that the Public Staff's interpretation is one which balances the requirements of the Act and the FCC orders, the obligations of this Commission, and the practical limitations of time and resources under which the Commission and Public Staff are laboring.

In summary, the essential Public Staff recommendations are as follows:

1. Require all of the LECs who determine, based on their own analyses, that any existing PTAS rates do not meet the "new services" test, to file revised rates and supporting data with the FCC for review. The existing rates include rates for PTAS lines and trunks, PTAS usage rates, and rates for various PTAS options. LECs who feel compelled to file cost studies for existing rates which they conclude do not meet the "new services" test should file these studies with the FCC. (Those filings, pursuant to the FCC's April 15, 1997, Order are due on May 19, 1997).

2. Require all LECs, except BellSouth, to file a statement with the Commission of their conclusions regarding the existence of any subsidy for LEC payphone operations in their intrastate rates. GTE, Carolina/Central and any other LECs that are prepared to do so, should file reports outlining the studies they have done to support their conclusions.

In support of these recommendations, the Public Staff stated that reviewing **existing** payphone tariff rates is a task which would take considerable time and resources. (The existing rates include rates for PTAS lines and trunks, PTAS usage rates, and rates for various PTAS options). The Commission agrees with the Public Staff's analysis of the inordinate time and resources necessary. Moreover, it should be noted that the basic payphone line rate, which is typically set at a 60% discount off of the business individual line rate undoubtedly will be subject to review and change in pending dockets with this Commission (specifically, the prospective generic costing docket as well as to competitive forces in the emerging marketplace).

The Public Staff further stated that, in its opinion, the tariffs for new rates filed by the LECs, which are now effective, meet the "new services" test. The Commission concludes that, based on the Public Staff's statement that these rates do meet the "new services" test, no further review or filings for those rates are necessary.

The Commission agrees with the Public Staff's recommendation that if the LECs determine, based on their own analyses, that any existing PTAS rates do not meet the "new services" test, the LECs be required to file revised rates and supporting data with the FCC for review. This option is specifically authorized in Paragraph 163 of the FCC's