Operations is responsible for field forces which install and maintain the utilities' investments and products. This category includes costs for revising methods and procedures, printing of job aides and training employees. Many of these employees have direct customer contact and must be fully aware of these changes.

Engineering is responsible for the technical design of all services including INC and IW. Costs in this category include changes to methods and procedures, training and the publishing of technical specifications and requirements. These employees also have direct customer contact and must be able to respond to our customers when asked about changes in the demarcation point location.

Marketing is responsible for developing products and services and ensuring these are delivered to customers. Included in Marketing are the service representatives who deal with customers' questions and concerns. These costs include revisions to methods and procedures as well as training of all marketing employees. Marketing employees must be trained on the new demarcation point policies which affect all loop based services. These are costs directly related to the change in regulatory requirements, and are separate from product marketing costs, which will be recovered through established ratemaking processes for Category II products and services.

Communications is responsible for customer notification and education. The implementation costs in this category include those associated with both end user customer and building owner education, directory white page customer guide and other instructional materials.

Systems is responsible for customer records and billing functions, systems related to maintenance, service representatives/customer interface and revenue accounting. Costs will be incurred to redesign and program these systems to reflect the new demarcation point policies. X. RATE ADJUSTMENTS AS A RESULT OF CHANGING THE DEMARCATION POINT POLICY AND THE UNBUNDLING OF INC AND NTW

The changes to demarcation point policy and the unbundling of INC and NTW will go into effect eighteen (18) months after the effective date of a Commission decision adopting this Settlement Agreement.

The parties agree that the following steps are necessary in order to accomplish the rate adjustments that are required if this Settlement Agreement is approved by the Commission. The references to the "IRD proceeding", or "IRD", are to the Implementation Rate Design Phase of I.87-11-033. "New IRD rates" shall refer to those rates which reflect the unbundling of INC and NTW from loop-based products. The references to NTW are to NTW which becomes IW.

A. The utilities have determined the amount of INC costs which must be removed from the costs associated with the local loop. The INC costs are comprised of all of the embedded INC investment, as of December 31, 1990, and all of the recurring INC expenses, determined as of December 31, 1990. These amounts are included in the annual revenue requirement adjustments in Attachment D to this Settlement Agreement. 1. It is not necessary to remove INC costs from the settlement pools with the independent telephone companies.

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B. The utilities have determined the amount of NTW costs which must be removed from the costs associated with the local loop. The NTW costs are the appropriate recurring NTW expenses, determined as of December 31, 1990. This amount is included in the annual revenue requirement adjustments in Attachment D to this Settlement Agreement. 1. It is not necessary to remove NTW costs from the settlement pools with the independent telephone companies.

C. The utilities will recover the expense portions of the INC and NTW costs through new tariffed pricing structures for INC and IW. The tariffs containing these new pricing structures will require 18 months to implement from the effective date of the Commission order authorizing this Settlement Agreement. This 18-month implementation period will allow sufficient time for the utilities to incorporate necessary changes to existing procedures and to allow the building industry, building owners, and end user customers sufficient lead time to adjust to the changes.

D.1 The following will apply if the Commission issues an order regarding this Settlement Agreement anytime before the beginning of evidentiary hearings on rate design in the IRD proceeding. Hearings on IRD rate design issues have been scheduled to begin on January 6, 1992.

The cost studies, if any, submitted by the utilities in IRD may be updated, based on a Commission order regarding this Settlement Agreement, at the discretion of each utility. The updating of cost studies shall be permitted only to the extent necessary to reflect the unbundling of INC and NTW. The utilities will submit revisions to proposed rate designs in the IRD proceeding to reflect any change which may be required as a result of a Commission order regarding this Settlement Agreement. If the Commission approves this Settlement Agreement without any modification whatsoever, the utilities will have 15 days from the effective date of the Commission decision approving this Settlement Agreement to submit these revisions in IRD. If the Commission orders any modifications to this Settlement Agreement, the utilities will have 30 days from the effective date of such Commission order to submit these revisions in IRD.

D.2 If the Commission issues an order regarding this Settlement Agreement after the beginning of evidentiary hearings in IRD, the utilities will not be required to revise their rate design testimony or cost studies, if any, submitted in IRD if the revisions would be submitted after the close of evidentiary hearings, pursuant to Section X.D.1 above.

E. If the new IRD rates go into effect before the implementation of this Settlement Agreement and before the new pricing structures for INC and IW become effective, the utilities will be allowed to establish transitional rates. These transitional rates will be in the form of tariffed customer billing surcharges on a bill and keep basis as set forth in Attachment D. These customer billing surcharge increments are to be applied to total intrastate customer billing and will cease when the new pricing structures become effective.

F.1 The utilities will establish a surcredit to offset the revenue requirement impacts due to the new INC and IW tariffs. This customer billing surcredit is to be applied to total intrastate customer billing as set forth in Attachment D.

F.2 If the implementation of this Settlement Agreement and the new pricing

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structures for INC and IW become effective before the new IRD rates become effective, the utilities will be allowed to establish a surcredit to offset the impact of the new INC and IW rates. The purpose of the surcredit is to eliminate double recovery of the INC and IW since new IRD rates reflecting the changes in the loop-based product rates will not have become effective. This customer billing surcredit is to be applied to total intrastate customer billing as set forth in Attachment D and will cease upon the effective date of new IRD rates.

G. The utilities will be allowed to recover the estimated expenses resulting from the implementation of the Settlement Agreement, as described in Section IX above. This one-time revenue requirement will be set forth in Attachment D of this Settlement Agreement, as an incremental change of limited duration in the customer billing surcharges on a bill and keep basis.

H.1 In order to recover the revenue requirement associated with the INC amortization, the utility will be authorized to apply a customer billing surcharge increment, on a bill and keep basis, for the duration of the five-year amortization schedule. These customer billing surcharge amortization increments are to be applied to total intrastate customer billing as set forth in Attachment D.

H.2 Ad Valorem taxes (also referred to as Property Tax) associated with the INC investment will be reflected through a customer bill and keep surcharge/surcredit by the Utilities over the timeframe of the 5-year amortization period. These ad valorem taxes are reflected in the surcharge/surcredits established in paragraphs E. and F.2 above. At the end of the 5-year amortization, when the Utilities relinquish ownership of the INC investment, the Utilities will no longer recover the ad valorem taxes associated with this investment. The Utilities will establish a customer bill and keep surcredit applied to the total intrastate customer billing as set forth in Attachment D.

I. If the new IRD rates go into effect before the Settlement Agreement implementation, the surcharges/surcredits for the transitional rates (item E), the revenue requirement (item F.1), implementation (item G), amortization (item H.1), and property tax (H.2) will combined. If the new pricing structures for INC and NTW go into effect before the new IRD rates become effective, the surcredits in items F.1 revenues, F.2 transitional rates, and H.2 property tax will be combined with the implementation surcharge (item G), and the amortization surcharge (item H.1). These bill and keep customer billing surcharge/surcredit increments are set forth in Attachment D to this Settlement Agreement. At the end of the recovery of the INC amortization, Pacific and GTEC will incorporate the recurring surcharges into rates via the price cap filing.

The parties agree that the procedure set forth above in this Section X, particularly the agreements regarding the application of the customer billing surcharge/surcredits, shall not be deemed to require a similar application in connection with any other customer billing surcharge/surcredit application in this proceeding, in the IRD proceeding or in any other proceeding. XI. PRICING STRUCTURES

The parties agree that the utilities need not agree to uniform pricing structures. The parties agree to the following general principle regarding tariffed prices for INC and simple IWM services: The prices for the unbundled,

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tariffed, INC and simple IWM services will be based on Category II pricing principles including flexible pricing. The parties agree that Category II is appropriate since the market for INC and simple IW maintenance services is competitive or potentially competitive. XII. NOTIFICATION PLAN

The parties agree that there are three distinct customer bases that will be notified of the changes to the utility's demarcation point due to this Settlement Agreement, as appropriate, and to the extent possible. They are the Building Industry as a whole, the individual Building Owner who will now assume responsibility for the INC, and the End User Customer who is responsible for inside wire, jacks and customer provided equipment. The parties further agree these customers should be notified as follows: The Building Industry and the Building Owner:

The Utility will provide notification that informs both the industry and the individual building owner of the changes in demarcation point policy, identifies the responsibilities and liabilities of building owners for INC, includes technical specifications for industry standards, and outlines options available for INC services. This notification will be informational and will not detail the Utility's service offerings. Notification will be in the form of a brochure. The brochures will be distributed to the building industry 1 year prior to the demarcation point effective date, and mailed to building owners at least 180 days prior to the effective date. The brochure will provide a contact within the Utility for additional information and questions. In addition to the brochure, the Utility will provide press releases for local newspapers and trade journals. This Agreement neither precludes nor requires LECs other than GTEC and Pacific Bell from providing local news releases.

Two months before the effective date, Pacific and GTEC will follow-up with a separate letter to the Building Owners in their respective service territories, reminding them of the changes. The notification will also be distributed to property developers, architects, contractors, local building inspectors, and related building organizations in the respective service territories of Pacific Bell and GTEC.

Pacific and GTEC will collaborate and jointly fund the building industry/building owner notification, based upon their proportionate share of all access lines at the effective date of the decision adopting this Settlement Agreement. This will ensure a consistent message, be more cost effective, and the building industry/owners will not receive multiple mailings. End User Customers:

Pacific Bell and GTEC will notify its customers of the changes in the demarcation point policy and how it will impact their telecommunications services. The notification will also outline the responsibilities of the End User Customer and educate them on their options for wire and cable services. This notification will take the form of a letter mailed first class with a follow-up bill insert. The letter will be mailed at least 120 days before the effective date, and the bill inserts will be sent out in the bill round at least 60 days before the effective date. The utilities other than Pacific Bell and GTEC shall notify their customers of the changes in the demarcation point by bill insert within 30 days following the date the utilities file their respective advice letters and revised tariffs. Utility employees will reinforce the message in their customer contacts.

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Pacific and GTEC will also provide news releases for local newspapers and journals that would reach the target audiences in a timely manner. This Agreement does not preclude or require other utilities from providing news releases.

The above notices shall be subject to review and approval of the Public Advisor's Office. XIII. MATERIAL CHANGES TO PRIOR RULINGS

This Settlement Agreement shall supersede any portions of D.87-01-063, D.90-10-064, D.91-02-018, the Interim Opinion of May 2, 1990, and other Commission decisions which are inconsistent with this Agreement. XIV. REQUIREMENT FOR TRACKING INC AND IW SERVICE OFFERINGS

Pacific Bell and GTEC agree to track financial data for their INC and IW service offerings. They will provide the INC and IW tracking reports to the Commission within 90 days following each quarter ending March 31, June 30, September 30, and December 31 beginning three months after the implementation date of the new INC and IW tariffs. They will provide the INC and IW tracking reports for a period of 1993 (portion of year), 1994, and 1995.

All other Local Exchange Companies will provide an annual tracking report within 90 days after December 31, for the years 1993 (portion of year), 1994, and 1995.

A. Pacific Bell and GTEC will track the following financial data for their INC Service Offerings:

1. INC Volume/Demand

a. Number of Consultation and Design Services

b. Number of Installation and Rearrangement Jobs

c. Number of repairs for subscribers to the INC Service Agreement/Insurance Plan

d. Inward and outward movement for the INC Service Agreement/Insurance Plan

e. Number of INC Service Agreement/Insurance Plan Customers

f. Number of repairs on a per visit basis

2. INC Expenses

a. Total expenses for installation activities (Consultation and Design, Installation, and Rearrangement)

b. Total expenses for maintenance and repair for INC Service Agreement/Insurance Plan

c. Total expenses for repair on time and materials basis

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3. INC Revenues

a. Total revenues for Consultation and Design Services

b. Total revenues for Installation and Rearrangement

c. Total revenues for INC Service Agreement/Insurance Plan

d. Total revenues for per visit repair

4. INC Average Repair Time

a. Average repair time for repair for INC Service Agreement/Insurance Plan

b. Average repair time for per visit service

B. All other Local Exchange Companies will provide the following INC financial data:

1. Total Volume/Demand Number of INC services installed or repaired

2. Total INC Expenses Total of installation and repair expenses for INC services

3. Total Revenues Total of installation and repair revenues for INC services

4. Average Repair Time Average repair time for INC repair services

C. Pacific Bell and GTEC will track the following financial data for their IW Service Offerings:

1. IW Volume/Demand

a. Total number of subscribers to the IW residence, business, and private line per month plans, respectively

b. Total number of IW repairs on the IW residence, business, and private line per month plans, respectively

c. Total number of IW repairs on the per visit basis for residence, business, and private line, respectively

d. Inward and outward movement on the IW residence, business, and private line per month plans, respectively

e. Total number of repairs for CPE trouble isolation only, inside wire repair only, and combination of CPE and inside wire

2. IW Expenses and Revenues

a. For the residence, business, and private line IW per month plans, respectively

b. For the residence, business, and private line per visit IW service,

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respectively, detailed by the first time increment and subsequent time increments

3. IW Average Repair Time

a. Average repair time for the IW residence, business, and private line per month plans and per visit IW services, respectively

D. All other Local Exchange Companies will provide the following IW financial data:

1. Total Volume/Demand Number of IW repairs

2. Total IW Expenses Total of repair expenses for IW services

3. Total Revenues Total of repair revenues for IW services

4. Average Repair Time Average repair time for IW repair services. XV. COUNTERPARTS

This Agreement may be executed in counterparts. (END OF APPENDIX A) FOOTNOTES

n1 All references to Part 68 are to the FCC's Rules and Regulations contained in 47 CFR Sec. 68 et seq.

n2 No party, other than DRA, discussed or shared with respective utilities the development of the terms and conditions and prices in these tariffs prior to the conference convened pursuant to the Commissions' Rules of Practice and Procedure, Section 51.1.(b). "D. 92-01-026 "CALIFORNIA PUB. UTIL. COMM'N "43 CPUC 2d

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18TH OPINION of Level 1 printed in FULL format.

In the Matter of the Deregulation of the Installation and Maintenance of Inside Wiring, based on the Second Report and Order in FCC Docket 79-105 Released February 24, 1986; In the Matter of the Petition of the Residential Utilities Division of the Attorney General's Office Requesting an Investigation of Rates Charged by Northwestern Bell Telephone Company

Docket No. P-999/CI-86-747; Docket No. P-421/C-86-743

Minnesota Public Utilities Commission

1986 Minn. PUC LEXIS 1

December 31, 1986

CORE TERMS: telephone, wiring, subscriber, cable, riser, inside, regulated, demarcation, inside wire, non-regulated, notice, tariff, insert, installation, customer, multi-tenant, accounting, revised, property owner, ownership, tenant, local telephone, advertising, good cause, residential, wire, maintenance expense, rate base, deregulation, removal

PANEL:
[*1]

Harry Seymour Crump, Chair; Barbara Beerhalter, Commissioner; Cynthia A. Kitlinski, Commissioner; Robert J. O'Keefe, Commissioner; Darrel L. Peterson, Commissioner

OPINION:
FINDINGS OF FACT CONCLUSION OF LAW AND ORDER REQUIRING FILINGS OR TO SHOW CAUSE

ORDER CONSOLIDATING DOCKET

INTRODUCTION AND BACKGROUND

In 1981, the Federal Communications Commission (FCC) issued its First Report and Order in FCC Docket 79-105. In that Order, the FCC directed that after October 1, 1981, inside wiring costs should be expensed rather than capitalized and that embedded inside wiring be amortized over 10 years.

In its Second Report and Order, released February 24, 1986, the FCC detariffed the installation of simple inside wiring and the maintenance of both simple and complex inside wiring as of January 1, 1987. It also ordered that states may not impose common carrier tariff regulation on the installation or maintenance of such inside wiring. These actions have the effect of deregulating inside wire as of January 1, 1987. In addition, the FCC initially ordered that telephone companies relinquish the ownership of inside wiring previously expensed to Account 605 (Installation and Repair of Station [*2] Equipment) no later than January 1, 1987; and that ownership of embedded inside

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wiring be relinquished on the date such investment is fully amortized.

In action taken on November 13, 1986, the FCC eliminated the requirement that telephone companies relinquish all claims to ownership of inside wiring and affirmed its previous decision to detariff the installation and maintenance of inside wiring on January 1, 1987. See Memorandum Opinion and Order, FCC Docket No. 79-105, (November 21, 1986). The FCC determined it could accomplish its original purpose of requiring telephone companies to give up claims to ownership of inside wiring by prohibiting particular conduct by telephone companies that would conflict with the FCC's objectives in deregulating inside wiring.

On November 25, 1986, the Minnesota Department of Public Service (DPS) filed a report with the Minnesota Public Utilities Commission (Commission) regarding the FCC's Second Report and Order (FCC's Order). The report was prepared as a result of an investigation conducted by the DPS. The DPS report addressed the location of the demarcation point, ownership of customer premises inside wire, local rates, maintenance plans, [*3] and accounting procedures to implement the FCC's Order.

On December 5, 1986, the Residential Utilities Division of the Attorney General's Office (RUD-AG) filed a petition with the Commission for an investigation into the reasonableness of rates being charged by Northwestern Bell Telephone Company (NWB) as of January 1, 1987. In its petition RUD-AG raised several issues relating to NWB's implementation of the FCC's Second Report and Order in FCC Docket No. 79-105. Docket No. P-421/C-86-743 was assigned to the RUD-AG petition. RUD-AG served its petition on NWB and the DPS.

The Commission has considered the FCC Order, the DPS report, the RUD-AG petition, and now makes the following preliminary findings and conclusions.

FINDINGS AND CONCLUSIONS

Purpose

The basic purpose of this Order is to address the implementation of the FCC orders within the state of Minnesota. How local subscribers and Minnesota exchanges receive telephone service is of great interest and importance to the Commission. In addition, the FCC orders have left certain matters for the state to resolve. In order to address these, the Commission has looked at several specific issues raised by the FCC [*4] order and will require local exchange telephone companies to follow a uniform method of compliance unless they show cause why alternatives are appropriate in their case. Further, the Commission will require certain reporting by local exchange telephone companies in order to measure compliance with the implementation of the FCC orders and to determine whether further state action, including rulemaking, is necessary.

Commission Authority

The Commission finds that it is authorized by Minn. Stat. § 237.081, subd. 1 (1984), to investigate summarily any matter relating to telephone service. Minn. Stat. § 237.081, subd. 4 (1984), authorizes the Commission to make orders regarding the practices and services of telephone companies after affording the affected companies an opportunity to be heard. Upon summary investigation, the

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Commission may follow such appropriate procedures, including the use of a show cause order, to address the issues raised by the investigation, and preserve the right of the telephone companies to a hearing.

Based upon the Commission's preliminary findings and authority to act in this matter, the Commission concludes that it will order each telephone company [*5] as defined in Minn. Stat. § 237.01, subd. 2 (1984), except interexchange long distance carriers, resale carriers, and private coin telephone companies, to comply with the items discussed in this Order, unless good cause be shown not to comply.

The Commission will direct that both compliance filings and filings to show cause why this Order should not be followed be made with both the DPS and the Commission. The DPS will be able to review compliance filings under its statutory authority to enforce the orders of the Commission. So that the Commission can be made aware of how this Order has been carried out and to create a record of compliance, the Commission will require the DPS to file a report of compliance with it after the DPS has reviewed the filings.

The Commission recognizes that a different procedure will be necessary when a telephone company attempts to show cause why it should not comply with this Order. In such a case, the DPS may not be able to act as an advisor to the Commission assuring enforcement. Rather, the response showing cause may precipitate a disputed proceeding which will require the DPS to act in an advocacy capacity. The Commission requests the DPS, as [*6] an advocate, to support the Commission Order to Show Cause whenever possible and to raise such additional arguments as are appropriate for the public advocacy staff. The Commission will review disputed matters upon the pleadings and under its authorities found at Minn. Stat. chs. 14 and 237 and take appropriate decision-making action.

Demarcation Point

Issue: Where should the demarcation point between the telephone company's facilities and the subscriber's facilities be located to implement the FCC Order deregulating inside wiring?

In deregulating inside wiring the FCC needed to establish a distinct point separating regulated local exchange company facilities from deregulated subscriber facilities in order to identify where the telephone company's responsibility for installing and maintaining inside wiring ends and the subscriber's begins. The FCC adopted the concept of a demarcation point in its omnibus rulemaking modifying Part 68, FCC Docket 81-216. In that decision the FCC modified its rules to include the following definition:

Network Interface or Demarcation Point: The point of interconnection between telephone company communications facilities and terminal [*7] equipment, protective apparatus or wiring at a subscriber's premises. The network interface or demarcation point shall be located on the subscriber's side of the telephone company's protector, or the equivalent thereof in cases where a protector is not employed, as provided under the local telephone company's reasonable and nondiscriminatory standard operating practices.

The FCC stated that the demarcation point shall be located on the subscriber's side of the telephone company's protector, regardless of where

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this protector is located. The intent of this, as stated by the FCC, is to allow flexibility to establish an appropriate demarcation point for all building types.

The Commission recognizes that this flexibility raises certain concerns depending on whether telephone service is provided to a single tenant residential or commercial property, a multi-tenant residential or commercial property, or a residential or commercial building complex. A single family dwelling is an example of single tenant residential property. Examples of multi-tenant properties are apartment houses and office buildings. College or university campuses or a large corporation are examples of a commercial [*8] building complex. The Commission finds that in most single tenant residential or commercial properties, the location of the demarcation point is most commonly placed in the basement or some other point where telephone company facilities enter the building or property. It should not be difficult to determine the demarcation point in these circumstances.

Today in multi-tenant buildings, there are multiple demarcation points which are typically near each tenant's office or living space, rather then a single demarcation point where the telephone company wiring initially enters the building or property. Wiring between the initial entry point and the multiple demarcation points is referred to as house riser cable. In multi-tenant buildings, riser cable is owned and controlled by the local telephone company as part of its distribution facilities. In a single-tenant residential or commercial building the wiring from the point of entry to the various points in the building where telephone service is needed is provided by the subscriber or building owner. This wiring is the equivalent of house riser cable in multi-tenant buildings. Therefore, in single tenant buildings house riser cable [*9] is considered deregulated inside wire, while in multi-tenant buildings it is considered regulated distribution facilities.

The Commission finds that the subscribers in single tenant buildings must pay for the riser cable in their buildings separately from local telephone service, while subscribers in a multi-tenant building do not. The cost of house riser cable in multi-tenant buildings is included in the local telephone company's rate base. Therefore, all subscribers pay a portion of the multi-tenant riser cable including single tenant subscribers.

The Commission is concerned that this approach creates confusion and the possibility of rate discrimination. Rate subsidization is also a possibility because the subscriber in a single tenant building must pay for the riser cable separately from local telephone service, while the subscriber in a multi-tenant building does not.

The Commission finds that a single demarcation point should be established for the three situations discussed above, i.e., single tenant residential and commercial buildings, multi-tenant residential and commercial buildings, and residential or commercial building complexes. Establishing a single demarcation [*10] point in these situations will eliminate any inconsistent treatment or possible rate discrimination. This action will also result in uniform treatment of house riser cable and reduce the amount of house riser cable included in the telephone company's rate base to be recovered in rates paid by all subscribers. Additionally, it promotes fairness in the competitive market for intrasystem wiring installation and maintenance. In the

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future all competitors for intrasystem wiring contracts, including the local telephone company, will develop their system proposals using the same demarcation point. The Commission concludes that these matters are best addressed by deregulating both inside wire and house riser cable, and establishing a single demarcation point near the point where the telephone company's facilities enter a buiilding or property.

In a single tenant situation it is relatively easy to separate telephone company wire from subscriber wire because all wire on one side of the demarcation point is telephone company wire and on the other side, a single subscriber's wire. However, the multi-tenant situation presents complications. While it is still relatively easy to identify [*11] the telephone company's wire, it is less clear whether the individual telephone subscriber or the property owner should be responsible for what has been considered house riser cable in the past. The issues involve responsibility for the expense of installing and maintaining house riser cable, the tenant's access to the telephone company if there is a dispute between the telephone company and the property owner, and finally, resolution of disputes.

Currently telephone subscribers are successfully dealing with problems similar to these with electrical wiring. The Commission believes that in the future telephone wiring should be treated like electrical wiring. In the future, telephone wiring needs can be addressed through rental agreements or property law, as electrical responsibilities and rights are currently being addressed. The Commission believes that customers will adapt quickly to the new arrangement. If this proves not to be true, the Commission will then examine this problem through rules or proposed legislation.

The Commission recognizes that the establishment of a single demarcation point for multi-tenant buildings may theoretically cause subscribers to be isolated from [*12] the telephone company's facilities because the wiring between the subscriber's location and the demarcation point is controlled by the property owner. This situation exists under current tariffs which allow the property owner to purchase inside wire and house riser cable from the local telephone company. The Commission is unaware of any service disputes between a property owner who owns the inside wire or house riser cable of a building and a telephone subscriber involving the subscriber's access to the local telephone company. Given the competitive nature of real estate, property owners have great incentives to provide good quality communications wiring as an integral component of office or residential space. The Commission believes that market forces will mitigate the potential problem of subscriber isolation. However, a procedure is needed to handle occasional complaints. If a dispute arises regarding the location of the demarcation point or a subscriber's access to the local telephone company, the dispute can be brought to the Commission through the current complaint process.

In establishing a single demarcation point for all service locations, including multi-tenant buildings [*13] and commercial complexes, the Commission has clarified a telephone company's obligation, pursuant to Minnesota Statutes Chapter 237 to provide telephone service to all locations where it can reasonably be demanded. This Commission and the FCC have determined that it is reasonable for a subscriber or property owner to provide and maintain the telephone wire beyond that demarcation point. This approach will require all customers to pay the actual costs associated with their wiring rather than

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requiring all custsomers to pay average costs through local exchange rates. This will result in the recovery of costs from the cost causers, a more equitable method.

The Commission will order each telephone company to file revised tariff pages with the Commission and the DPS establishing a demarcation point for all locations near the point where the telephone company's facilities enter the building or property. This demarcation point must be mutually agreeable to the telephone company and the subscriber or property owner.

Each telephone company will be ordered to make this filing by February 13, 1987 unless by that date the telephone company can show good cause why a single mutually agreeable [*14] demarcation point for all locations near the point where the telephone company's facilities enter a building or property is not a reasonable method of implementing the FCC's Order.

Ownership

Issue: Should telephone companies transfer ownership of inside wiring to subscribers or property owners?

In its Second Report and Order in FCC Docket 79-105, the FCC ordered that telephone companies relinquish ownership of previously expensed inside wiring no later than January 1, 1987, and on the date that the investment is fully amortized on all previously capitalized embedded investment in inside wire. However, the FCC left it to the individual states to determine under local property laws who will ultimately own the inside wire.

In action taken on November 13, 1986, the FCC, in a Memorandum Opinion and Order released on November 21, 1986, eliminated the requirement that telephone companies relinquish all claims to ownership of inside wiring. The FCC determined it could accomplish its original purpose of requiring telephone companies to give up claims to ownership of inside wiring by prohibiting particular conduct by telephone companies that would conflict with the FCC's objectives [*15] in deregulating inside wiring. The FCC precluded telephone companies from using ownership as a means of restricting the removal, replacement, rearrangement, or maintenance of inside wiring. Telephone companies are also precluded from receiving additional compensation for such wiring after it has been expensed or fully amortized. Further, telephone companies cannot require that such wiring be purchased nor can they impose a charge for the use of such wiring.

The Commission finds that these FCC decisions should be reflected in each telephone company's tariffs. The Commission concludes that it will order each telephone company to file tariff pages reflecting this decision by February 13, 1987, unless the telephone company can show good cause why these requirements should not be reflected in the telephone company's tariffs.

Local Rates

Issue A: Should the rates of telephone companies be reduced because of the deregulation of the installation of inside wiring?

The FCC states that while there may be some shifts of revenue from

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the regulated activity of the telephone companies to unregulated services due to the deregulation of inside wire, it feels that state regulators have [*16] alternatives to make necessary changes in the intrastate rates without creating any threat to universal service.

Regarding the deregulation of installation charges, the Commission finds that installation charges currently generate revenue. The Commission further finds that the costs of installing inside wiring closely approximate those revenues in most instances. Therefore, the Commission finds that eliminating both these costs and revenues will have little impact on a telephone company's overall regulated earnings. The Commission concludes that the rates of telephone companies need not be reduced at this time as a result of the deregulation of the installation of inside wiring.

Issue B: Should the rates of telephone companies be reduced because of the deregulation of the maintenance of inside wiring?

Regarding the maintenance of inside wiring, the Commission finds that there could be a significant impact on the general rates of the telephone companies depending on the level of maintenance expense that will be removed from the Company's regulated expenses, and how house riser cable is removed from rate base and amortized.

In its April 17, 1985 Order in In The Matter of the [*17] Request of Northwestern Bell Telephone Company for Authority to Implement a Premises Maintenance Plan and a Trouble Isolation Charge, Docket No. P-421/M-84-453, the Commission observed:

It is necessary for the Commission to consider the gross revenue increase because the PMP [Preventative Maintenance Plan] is a service that would replace a service already provided for under existing local exchange service rates. In NWB, Docket No. P-421/GR-83-600, the Commission considered the aggregate cost of maintaining premises wiring and, under the residual rate making principle followed there, allowed adequate recovery of those costs through the local exchange service rates. Now, NWB proposes to separately charge for wiring maintenance. Since its costs are already accounted for in the local exchange service rates, the gross revenue effect of the PMP proposal represents an increase in revenues over costs to NWB. Looked at otherwise, NWB will have double recovery for wiring maintenance costs through both its local exchange service rates and the proposed PMP rates. The Commission concludes that such a double recovery is unjust and unreasonable. (Emphasis added.)

The revenue [*18] enhancement from the separate maintenance charge proposed there was approximately 3.7 million dollars which is a material amount when examining the reasonableness of NWB's local service rates.

As the Commission recognized in the PMP Order, removal of maintenance from the service covered by the basic local service rate can result in excessive rates. The rates would continue to cover costs for a service no longer being offered through the rates and possibly being offered outside of regulation for an additional charge. While other changes in the company's costs may have taken place to offset this reduction in the costs covered by the local service rate, without a general review of the company's rates the Commission has no way of knowing this. Based upon the information available to it, the Commission

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concludes that basic service rates which previously included maintenance service will become unreasonable after the removal of maintenance services from regulation. Unless and until the telephone company presents evidence to the contrary, the Commission will direct that basic service rates be lowered to account for the removal of inside wire and riser cable maintenance expense and the [*19] removal of house riser cable from rate base.

The burden of coming forward with the evidence in the face of the presumptions created by the removal of maintenance service from regulation and the removal of house riser cable from rate base may properly be placed upon the telephone company. The telephone company has the factual evidence needed to demonstrate the impact of removal of these costs upon its overall cost of service and whether or not the basic service rates continue to be reasonable. The telephone company can more easily than other parties determine what its inside wire and riser cable maintenance expenses are, and what its rate base adjustments are. While these determinations can be reviewed by state agencies such as the DPS and the RUD-AG, it would be impossible for these agencies to obtain the information without access to the company's books. Thus requiring the telephone company to come forward with this material through a show cause order is necessary and appropriate in these circumstances.

The Commission concludes that it must examine the investment in house riser cable and maintenance expense associated with inside wire and house riser cable for each telephone [*20] company to insure that the rates of all telephone companies are fair and reasonable as required by Minn. Stat. § 237.06 (1984).

Therefore, the Commission will order each local exchange telephone company to file a report with the Commission and the DPS showing the actual amount of 1986 inside wire maintenance expense, the actual amount of 1986 house riser cable maintenance expense, and the amount of house riser cable to be removed from rate base and amortized, a proposal for amortizing house riser cable, and revised local service rates and tariffs reflecting these changes in regulated expenses.

Each telephone company will be ordered to make this filing by February 13, 1987 unless the telephone company can show good cause why local rates should not be reduced as a result of the deregulation of inside wiring and house riser cable. The Commission expects that an effort to show cause will nevertheless present the basic accounting data sought in the report as part of the telephone company's justification why no further action be taken.

Maintenance Plans

Issue: What type of notice is necessary to fully inform telephone subcribers of their responsibility for maintaining their premises [*21] wiring and the options available to them?

As a result of FCC action, local ratepayers will be responsible for the maintenance of inside wiring after January 1, 1987. The Commission finds that after January 1, 1987 what services are offered to telephone subscribers by local telephone companies for the maintenance of inside wire is beyond the purview of this Commission because the FCC deregulatory action preempts further state regulation. However, how the telephone companies obtain subcribers for such services is within the purview of this Commission by virtue of Minn. Stat. § 237.081, subd. 4 (1984) because telephone companies can and do use their

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position as monopoly local service providers to contact subscribers regarding these additional non-regulated service offerings. Further, there is likely to be continuing consumer confusion regarding the role of the telephone company offering non-regulated services.

The Commission is concerned that telephone subscribers may not know that the installation and maintenance of inside wiring is being deregulated and that after January 1, 1987 telephone subscribers will be responsible for those charges. The Commission wants all subscribers [*22] to be aware of the options available to them. Therefore, the Commission concludes that all telephone companies must give each subscriber notice of these changes on or before February 1, 1987. The notice must clearly explain that as of January 1, 1987, installation of inside wire and house riser cable will not be performed as a regulated activity of the telephone company and that maintenance of inside wire and house riser cable is the responsibility of the subscriber or property owner. Further, the notice must explain that customers have several options for maintaining their inside wiring or house riser cable including: repairing the wiring themselves; hiring an electrical contractor; hiring the telephone company on a non-regulated service call basis where offered, or subscribing to a non-regulated telephone company wiring maintenance plan where offered. The notice must also state that information regarding wiring standards is available from the telephone company.

Pursuant to Minn. Stat. § 237.081, subd. 4 (1984) the Commission will order each telephone company give notice to its subscribers on or before February 1, 1987, unless the telephone company can show good cause why such [*23] notice should not be given.

The Commission is aware that certain telephone companies have already notified their subscribers of the pending changes regarding inside wiring. Those companies should review their notices to ensure that they comply with this Order. If those companies believe their notices are in compliance with this Order they should submit their notices to the Commission for review. If those notices are not in compliance with the requirements of this Order, those telephone companies must send a second notice to their subscribers and submit the second notice to the Commission for its review.

Accounting Procedures

Issue: How should the regulated and non-regulated activities of a telephone company be recorded and separated for an interim period until the FCC issues an Order in FCC Docket No. 86-111?

The Commission finds that although the FCC relies on accounting procedures to separate regulated activities from non-regulated activities, other than indicating that all non-regulated activities need to be booked to Account 106, the FCC did not specify any other accounting procedures in FCC Docket 79-105.

The FCC has indicated that prior to the end of 1986, FCC [*24] Docket No. 86-111 will be released which will contain all the requirements telephone companies are to follow for the separation of regulated and non-regulated activities.

The Commission is concerned that without an accounting plan to record and

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separate the regulated and non-regulated activities of a telephone company, the Commission will be unable to thoroughly review a telephone company's books to prevent telephone companies from using revenues from monopoly services to subsidize competitive services. Any such subsidization could undermine the telephone company's competitors and could result in unfair competition with local customers paying higher rates than necessary or reasonable.

Therefore, to ensure that the transition to deregulation occurs smoothly and accurately, the Commission concludes that all local exchange telephone companies should keep "off book" records as of January 1, 1987, of non-regulated activities in such a manner that when new accounting procedures are instituted, a continuous audit trail will be maintained.

The Commission will order each telephone company to establish and keep such records as of January 1, 1987. In order for the Commission to evaluate [*25] the adequacy of these records the Commission will require each telephone company to submit its accounting plan for Commission review and approval. This filing must be made by February 13, 1987 unless by that date, the telephone company can show good cause why it should not adopt this interim system.

RUD-AG Petition.

The Commission finds that RUD-AG raised three main issues in its December 5, 1986 petition. Those issues may be stated as follows:

1. Should NWB's local service rates be reduced when the FCC's Second Report and Order in FCC Docket No. 79-105 is implemented;

2. Should NWB be allowed to establish a separate charge for testing its facilities and locating the source of trouble in the Company's or the subscribers facilities; and

3. Should NWB's non-regulated services compensate the Company's regulated operations for including promotional material for non-regulated services in the monthly bill issued for regulated services.

RUD-AG requested that NWB's rates be investigated. The Commission has previously discussed the necessity of reviewing the general rates of all local exchange telephone companies because of the effects of implementing the FCC's Second Report [*26] and Order in FCC Docket No. 79-105. The Commission finds that the appropriateness of NWB's rates will be examined and determined in the latter stages of this proceeding. Therefore, the Commission need take no further action at this time regarding this issue as a result of the RUD-AG petition.

RUD-AG requested that the appropriateness of a trouble isolation charge be investigated. On November 4, 1986, NWB made a separate filing to change the name of its current maintenance of service charge to trouble isolation charge and to reduce the charge to $30.00. NWB served the filing on the RUD-AG, DPS, the Minnesota Business Utilities Users Council, and the Commission. Docket No. P-421/M-86-660 was assigned to NWB's filing. The Commission finds that the concerns RUD-AG raised in its petition regarding the appropriateness of a trouble isolation charge can be addressed in Docket No. P-421/M-86-660. Therefore, the Commission will separate this portion of the RUD-AG petition and incorporate it in Docket No. P-421/M-86-660 and will further consider this issue

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in that proceeding. RUD-AG and other interested parties may file comments within 10 days of the service of the DPS capsule and recommendation [*27] upon them.

As its third issue, RUD-AG requested that the matter of how the regulated operations of NWB should be compensated for including promotional material in subscriber bills be investigated. This issue arises as a direct result of NWB including promotional material for its non-regulated wire maintenance plan in the monthly bills for regulated services. This issue involves the separation of regulated activities of NWB from non-regulated activities. As previously discussed in this Order, the FCC is expected to release its separation requirements shortly in FCC Docket No. 86-111 and this Commission is requiring temporary "off book" records to preserve a continuous auditing trail. Through these accounting procedures the Commission will be able to analyze a telephone company's books to recognize if a telephone company is using revenue from monopoly services to subsidize its own competitive service offerings. This method of accounting will aid the Commission in assuring fair competition for the telephone company's competitors and reasonable rates for the telephone company's subscribers. These measures may ultimately be adequate to address the concerns raised by RUD-AG.

However, [*28] in order to fully investigate the Commission's and RUD-AG's concerns, the Commission will require NWB to submit a report with its compliance filing in this proceeding regarding the Teleride program n1 and its application to NWB's maintenance plan promotional materials as discussed in the RUD-AG petition. NWB will be directed to include information regarding the amount and terms of any compensation that has been paid to the Company's regulated operations for including non-regulated promotional information in the monthly bills for regulated service. NWB will be directed to file a tariff for this service or show cause why such a tariff should not be adopted. The Commission will provide an opportunity for all interested parties to submit comments regarding NWB's compliance filing. The Commission concludes that this issue should be investigated as part of this proceeding rather than in a separate investigation.

n1 Since 1983, the Commission has asserted its jurisdiction to review advertising inserts for non-regulated businesses included in NWB's bills. See Attachments I and II, (Teleride).

The Commission finds that all issues raised in the RUD-AG petition should be addressed [*29] in this proceeding or in Docket No. P-421/M-86-660. Therefore, the Commission concludes that a separate investigation is not necessary and that the RUD-AG petition should be consolidated with this proceeding except where an issue has been directed into Docket No. P-421/M-86-660.

ORDER

1. Unless good cause is shown not to comply, all telephone companies as defined in Minn. Stat. § 237.01, subd. 2 (1984) except inter-exchange long distance carriers, including resale carriers, and private coin telephone companies, shall comply with ordering paragraphs two through eight below.

2. Effective January 1, 1987, the installation of simple inside wiring and

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house riser cable will be deregulated. By February 13, 1987 all telephone companies shall file revised tariff pages with the Commission and the DPS. The revised tariff pages shall remove all reference to the regulated installation of simple inside wire and house riser cable.

3. Effective January 1, 1987, the maintenance of both simple and complex inside wiring and house riser cable will be deregulated. By February 13, 1987 all telephone companies shall file revised tariff pages with the Commission and the DPS. The revised [*30] tariff pages shall remove all reference to the regulated maintenance of simple wire, complex wire and house riser cable.

4. Effective January 1, 1987, the installation and maintenance of both simple and complex inside wiring and house riser cable beyond the demarcation point shall be the responsibility of the subscriber or property owner. By February 13, 1987, all telephone companies shall file revised tariff pages reflecting this division of responsibility with the Commission and the DPS. The revised tariff pages shall establish a single demarcation point for all locations near the point where the telephone company's facilities enter the building or property. The location of the demarcation point must be mutually agreeable to the telephone company and the subscriber or property owner. Any disputes regarding the location of the demarcation point or a subscriber's access to the telephone company's facilities may be presented to the Commission through the current complaint process.

5. By February 13, 1987, all telephone companies shall file revised tariff pages with the Commission and the DPS that reflect the requirements stated in the FCC Memorandum Opinion and Order released [*31] on November 21, 1986 regarding ownership of inside wiring in FCC Docket No. 79-105 as discussed earlier in this Order.

6. By February 13, 1987, all telephone companies shall file a report with the Commission and the DPS showing the actual amount of 1986 inside wire maintenance expense, the actual amount of 1986 house riser cable maintenance expense, and the amount of house riser cable to be removed from rate base, a proposal for amortizing house riser cable, and revised local service rates and tariffs reflecting these changes in regulated expenses.

7. By February 1, 1987, all telephone companies shall notify their subscribers of the changes regarding the installation and maintenance of inside wire as discussed in this Order. The notice shall explain that:

A. As of January 1, 1987 installation of inside wire and house riser cable will not be performed as a regulated activity of the telephone company.

B. As of January 1, 1987, maintenance of inside wire and house riser cable is the responsibility of the subscriber or property owner.

C. Subscribers have several options for maintaining their inside wiring or house riser cable including:

1) repairing the wiring themselves, [*32]

2) hiring an electrical contractor,

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3) hiring the telephone company on a non-regulated service call basis where offered, or

4) subscribing to a non-regulated telephone company wiring maintenance plan where offered.

D. Information regarding wiring standards is available from the telephone company.

All telephone companies shall file a copy of this notice with the Commission and the Department of Public Service no later than January 15, 1987.

If a telephone company has already notified its subscribers of the changes regarding inside wiring, the telephone company shall review its notice to determine whether it meets the requirements above. If it does not, the telephone company must send its subscribers a second notice that complies with this Order. A copy of the second notice must be filed with the Commission and the Department of Public Service by January 15, 1987.

8. As of January 1, 1987, all telephone companies shall keep "off book" accounting records of regulated and non-regulated activities. The records shall be kept in such a way that when new accounting procedures are established by the FCC in Docket No. 86-111 a continuous audit trail will be maintained for inside [*33] wire and house riser cable installation and maintenance expense. The "off-book" accounting procedures must be filed with the Commission and the DPS no later than February 13, 1987. After the FCC establishes revised accounting procedures in FCC Docket 86-111, all telephone companies shall certify to the Commission that the revised accounting procedures required by the FCC have been implemented. All telephone companies are hereby notified that the Commission may take further action regarding this issue after the FCC decision in Docket No. 86-111 is released.

9. Unless good cause is shown not to comply, Northwestern Bell Telephone Company shall file by February 13, 1987, a report and proposed tariff with the Commission, DPS, and RUD-AG. The report and tariff shall address payment to the Companys regulated operations for including promotional material for the Company's non-regulated activities, or including promotional material for unaffiliated companies, in the monthly bills issued for regulated services. NWB shall also serve its report and proposed tariff on other parties upon request. The report shall include information regarding the amount and terms of any compensation that [*34] has been or will be paid to NWB's regulated operations for including non-regulated promotional materials in monthly bills for regulated services. Any party wishing to submit comments regarding NWB's report and proposed tariff is requested to submit such comments to the Commission, DPS, and RUD-AG no later than February 27, 1987.

10. The issues regarding a possible change of NWB's rates resulting from the deregulation of inside wiring and the possibility of regulated telephone activity subsidizing NWB's non-regulated telephone service raised in the RUD-AG petition in Docket No. P-421/C-86-743 are hereby consolidated into this proceeding. The issue regarding the establishment of a trouble isolation charge raised in the RUD-AG petition is hereby incorporated into Docket No. P-421/M-86-660 as discussed in this Order.

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11. The Minnesota Department of Public Service shall review all filings by telephone companies required by this Order. In matters where the telephone companies filings comply with this Order, the DPS shall submit a report to the Commission no later than March 30, 1987, recommending appropriate action where necessary. If any telephone company attempts to show good [*35] cause why a part of this Order should not be enforced, the DPS shall act as an advocate for the Commission's Order and file a responsive pleading with the Commission and the telephone company no later than March 30, 1987.

12. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen, Executive Secretary

ATTACHMENT I

Mr. Randall Young, Executive Secretary, Minnesota Public Utilities Commission, 780 American Center Building, 160 East Kellogg Boulevard, St. Paul, Minnesota 55101

Dear Mr. Young:

Subject: Teleride

Decisions by the FCC and the Department of Justice will soon provide a business environment that causes dramatic "revenue shortfalls" for our company in Minnesota. Wherever possible, we must find/create opportunities for increased/new revenues for our company - and not solely rely on general rate cases.

One such program, though the revenues and profits are not significant immediately - is "Teleride". Teleride is the selling of advertising inserts to be included with our monthly billing - without increasing the costs of postage.

A successful Teleride program can benefit our ratepayers by:

1. As with "Yellow Pages", the [*36] net profits of Teleride will subsidize local service rates.

2. Advertising inserts will be service oriented with general appeal, ie: money saving coupons.

3. Postage costs will not increase because we will be utilizing available space in our current billing envelopes. A paid advertisement can ride in the same envelope as a rate case notification - without increasing postage costs because advertising inserts will be designed for a weight maximum of "1/8 of an ounce".

Our Twin City metro area would be considered a prime market for such mailing programs and it is estimated that we could receive $355,000.00 in new revenue and $100,000.00 net profit in 1984 for Minnesota with the proposed Teleride program.

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I have attached a copy of a brief executive summary highlighting this program.

Bottomline Question:

Whether one personally favors bill inserts (whatever the purpose) or not - the management of our company must find sources of revenues, besides the dial tone - and we are hopeful that the Commission will be supportive of our efforts to improve revenues which directly benefit the regulated ratepayers served by Northwestern Bell in Minnesota.

If I can be of further assistance [*37] in explaining the Teleride Program - please call me.

Thank you.

EXECUTIVE SUMMARY

History

In 1980, Bozell and Jacobs, advertising consultants, recommended that Northwestern Bell consider selling bill insert space to advertisers. January and April, 1982 news articles in "DM News" described United Telephone Company of Ohio's successful marketing of bill insert space. The Bozell and Jacobs recommendation, as well as these articles, sparked Richard Keim's advertising group's interest in early 1982. Due to concerns about inserts being bumped, as well as limited capacity, the idea never got off the ground. Both the Billing Services and Customer Records L.O.B.'s did identify bill inserts as a potential new product. After talking to Mr. Keim's people, Irene Greene, Customer Records L.O.B., regenerated the idea by capitalizing on a business trip to Ohio and making a feasibility study in Mansfield, Ohio at United Telephone Company in early March, 1983. This feasability study confirmed the significant revenue opportunity for Northwestern Bell.

The VP Marketing at Mansfield, Ohio confirmed in personal interview that their insert program is a success after 1 1/2 [*38] years operation. They are currently considering going system-wide in United with their Tel-a-Mail program. United's 1982 revenue from this sale of insert space was $300,000 on an account base of 380,000 customers. Although they wouldn't reveal the exact profit, based on costs identified, it was approximately $90,000 after taxes.

Business Definition

The "TeleRide" program is a business opportunity that provides revenue potential of $500,000 in the first full year and up to one million dollars the second year. TeleRide is the introductory product of the Customer Record and Billing Services L.O.B. This bill insert program provides clients with information access to our customer. The client's message "rides along" with our telephone bill.

The growing market being entered is the Direct Marketing Services industry. Potential clients range from fast food restaurants such as Burger King and Godfather's to insurance companies, such as Mutual of Omaha.

Market Attractiveness

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Because the Direct Marketing Industry is growing, it makes it an attractive market to enter. Direct mail sales are growing at twice the rate of retail sales. Some other factors that make our entry [*39] favorable are:

High revenue potential first year

Entry barriers low due to low start-up costs and ability to share equipment and resources

The legal/legislative/regulatory climate is favorable as long as we are non-discriminatory in our selection of clients. Most consumerists are concerned about controlling living expenses. We will need to explain that revenues from TeleRide will help keep local service rates down.

Competitive Position

External competitors include oil companies such as Amoco, credit card companies like Visa and American Express. Others include department stores, record/book clubs, the U.S. Postal Service and bulk insert mailers, e.g., Carol Wright.

Internal competition comes from TeleNews, rate change notices and product advertising.

External competitors compete in a growing and open market, which allows wide ranges in pricing and specialization. Some charge per insert ($25 to $50 and up per 1000) and others charge from 15 to 20% of sales dollars obtained from the ads. Credit card companies offer easy ways to buy by allowing customers to charge to credit card. Some use syndicators (brokers) and avoid selling and pre-screening costs.

Overall market [*40] conditions are favorable and financial rewards high because of use of already existing mailing equipment used for main business and ability to share resources and facilities. Market share ranges from bank credit card mailings of 1.5 million a month to Columbia Record and Tape Club mailings of 200,000 envelopes a month. Internal competitors compete based on priority of message as seen by Public Relations/Advertising and Regulatory. TeleRide can compete based on it's unique strengths and values. These include guaranteed delivery to a name, not a resident; guaranteed envelope opening and geographic selection options according to NPA/CO and other demographics.

The growing market will allow successful entry and limited reaction from competitors.

Corporate Strategy

TeleRide Mission Statement

Provide value added access to Northwestern Bell customers.

TeleRide Program Goals

Establish TeleRide as a quality insert business.

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Provide customized solutions for key market segments.

Achieve above average profitability.

Reward employees based on profitability of business.

Pave the way for future customer record/billing services products.

Objectives

Gain long [*41] term contracts in first operational year.

Help customers reach their target markets and achieve desired results.

Attain pay back status within eight months.

Establish employee reward system by second year.

Identify customer needs and develop profitable products for release in second year.

Conclusions

Opportunity exists with the TeleRide program to obtain market exposure on new product and to increase profits. Advantages listed include:
Quick start up
Low start up costs
Minimal investment in people and equipment
Short pay back period
Potential for above average profit

Advertising Age, April 26, 1982

Ohio phone co. ringing in mail service

MANSFIELD, O. -- A direct-mail service has been launched here by the United Telephone Co. of Ohio, a major system of the third-largest phone complex in the nation.

"We're providing a means for businesses to put their mailable ads in the hands of prospective customers at an attractive price," said Robert J. Marino, United Telephone's general marketing manager here. "We put the advertiser's mailings in the same envelopes that carry our monthly phone billings."

-- The program is being tested for the parent company, United [*42] Telecommunications, Kansas City, Mo., which has nine operating companies, including the Ohio unit, furnishing telephone service in 21 states.

"Our direct-mail program substantially cuts the advertiser's direct-mail overhead," Mr. Marino said, "and also offsets a major portion of our own mailing costs.

"Meanwhile, advertisers using Tel-a-Mail can promote their products and services among as many as 1,000,000 consumers," he said.

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