DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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WORKING FILE

FROM:DON HOWELL

CAROLEE HALL

DATE:AUGUST 21, 1997

RE:GTE NORTHWEST’S ADVICE 97-06 REQUESTING APPROVAL TO MODIFY ITS SERVIC PERFORMANCE GUARANTEE PLAN,  CASE NO. GNR-T-97-9.

On June 12, 1997, GTE filed Tariff Advice No. 97-06 to modify its current Service Performance Guarantee (SPG) program.  Currently, when GTE fails to meet a service commitment to a customer, it provides a credit toward the customer’s bill. Service commitments include installation of a new or subsequent service, or repair of existing service as agreed upon between GTE and its customer.  The Company proposed to offer GTE customers a choice between the current credit ($100.00 for businesses or $25.00 for residential) or receiving a prepaid toll calling card of equal value for the same service.  This alternative would also be available if GTE fails to restore its company-owned facilities used to provide services to its customers.(footnote: 1)  This offering will not constitute a waiver of the provisions of Allowance for Interruptions or Service Commitment as set forth in Rule 503 of IDAPA 31.41.01, Repair Service Standards.

Following its submission of the tariff advice, AT&T of the Mountain States and MCI Telecommunications both filed letters objecting to GTE’s proposal.  The Commission suspended the tariff advice and issued its Modified Procedure Order No. 27025 on July 1, 1997, soliciting comments on GTE’s proposal.  Timely comments were filed by AT&T, MCI, and the Commission Staff.  GTE submitted timely reply comments on July 28, 1997.

AT&T and MCI Joint Comments

AT&T and MCI objected to the tariff advice.  They asserted that allowing GTE to offer a toll card establishes a relationship between a service deficiency in GTE’s monopolistic local service market and the provision of monetary credits in the competitive toll marketplace.  This “would uniquely benefit GTE’s service offering, since comparable opportunities would not be available to competing IXCs.” Joint Comments at 5.  Both companies argued that GTE could exploit its monopoly position to disrupt the workings of the competitive markets and lessen consumer benefits associated with competition.  They asserted that if the Commission allowed GTE to provide interrelated local and toll service offerings before local exchange competition becomes a reality, GTE can only be expected to seek future interrelated service arrangements and increasing adverse impacts upon the workings of the competitive toll market.  Id.  The Joint Comments are attached.

AT&T and MCI cautioned that “premature coupling” of local service and toll service could hinder competition.  They proposed a revised  credit arrangement so as to be competitively neutral should the Commission feel that it “cannot deprive” customers of a “potential credit arrangement.”  The new proposed language on 2nd Revised Sheet 207.1 would read: “The customer may choose to apply the appropriate credit toward their bill or toward a prepaid toll calling card for use with GTE or a competing carrier of the customer’s choice.”  Comments at 5 (new language in italics).  With this language, AT&T and MCI pointed out that the italicized phrase would allow a customer a choice and ensure competitive neutrality thereby ensuring that GTE did not utilize its local service monopoly to disadvantage competing toll carriers.

Staff Comments

Staff reviewed the anti-competitive potential of the advice filing and did not believe it to be significantly harmful to other providers.  Staff determined that the per-minute rate for the GTE calling card is $.33.  This equates to approximately 76 minutes of calling for residential customers and five hours of calling for business customers.  Staff felt that the prepaid calling card may be of greater value for certain customers who may prefer the calling card.  Staff also determined that GTE gave 26 business and 79 residential SPGs in 1996, which had a total value of $4,575 in credits.  Staff viewed this number to be insignificant when compared to the total customer base (120,114 lines) in northern Idaho.

Staff viewed the prepaid calling card as a choice for GTE’s customers and a commitment to quality service by GTE.  Staff recommended approval of the prepaid calling card option  considering the pending competition entering all areas of telecommunication.  Staff assumed that both AT&T and MCI could extend such an offer when they enter the local exchange market.

GTE Reply Comments

GTE asserted that AT&T and MCI have the ability and resources to enter the local service and/or intraLATA toll market in Idaho.  GTE also mentioned that AT&T has withdrawn its petition for arbitration under the Telecommunications Act of 1996.  With the recent AT&T action, GTE felt AT&T’s argument to be “disingenuous.”  GTE contended that its customers should not be denied the ability to choose either a credit or prepaid calling card in the event of a service performance problem because of a lack of  “local service” competition.  GTE explained that customers do not have to switch to GTE toll to receive the benefits of the prepaid card.  To use the prepaid card, a customer would dial an 800 number and then enter a special account number and the telephone number they are calling.  When the call is completed, the minutes of use are not shown on the customer’s telephone bill.

GTE requested that the Commission approve the SPG plan.  GTE also requested that the Commission discount the “vacuous arguments” raised by AT&T and MCI.  GTE concluded that the proposed SPG program has been approved in twenty other states without this much controversy.

Commission Decision

1.Should GTE be granted approval for its Service Performance Guarantee Program?

2.Should the proposed language revision by AT&T and MCI be approved and included in the GTE’s tariff?

Don Howell

Technical Staff: Carolee Hall

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**FOOTNOTES**

1:

This credit excludes Public Telephone Service, Toll Service and Wide Area Telephone Service (WATS).