To:Fred Logan1/21/96

From:Lynn Anderson

Re:Recap of Marsha's Reaction, Additional Suggestion, My Plans

GTE's Alternatives A and B for Moscow

-- Doesn't like increases for Basic.

-- Community rates under both alternatives are too high.

-- Small increase from current rates to keep Pullman is OK.

Rates in General

-- Doesn't object to necessary exceptions to a general rate design, e.g. Kellogg, Moscow.

-- Doesn't like unnecessary rate reductions, e.g. Kellogg, Wallace.

-- Need to eliminate the problem of customers in some exchanges being forced to make a

choice between higher rates or losing EAS, e.g. Moscow, Harrison, St. Maries,

Bovill, Deary, others.

Staff Rate Design

-- Doesn't like big increases for Basic absent a compelling rationale.

-- Doesn't like the large number of different rates, many with only small differences.  Penny

rounding is an illusionary level of precision.

Other Issue:  Additional Routes

Marsha had started a list of additional routes longer than 23 miles that she would like to be considered.  I told her it was highly unlikely we could add any more routes and meet the proposed implementation date.

I have sent an e-mail to Commissioners and staff stressing your need to have a decision or at least a verbal commitment to LCP expansion by Feb. 8.

I think a good alternative for resolving the Moscow problem under GTE's rate design is to increase the 2nd tier "large" rate group breakpoint from 20,000 lines to 40,000 lines.  This change would reduce rates for Community Plus in only Moscow, Harrison, Plummer/Worley, Wellesley and Bayview from $16.20 to $15.25 (disregarding any overall small rate changes necessary to maintain revenue).  This change, besides mitigating the Moscow problem, also reduces the built-in instability of the 20,000 line breakpoint (note that Sandpoint and a few others are just under the 20,000 limit, while there are none closer to reaching 40,000 than Moscow's 29,000 calling area.

Meanwhile, I will be working on a dime-rounding alternative rate design with low Premium rates and greater use of the Premium option to mitigate the problem of forcing customers to chose between higher rates or smaller flat rate areas.  Besides dime-rounding I will work to reduce the number of distinct rates through lower "per 100 line rates" and higher option "adders" and/or final rates based on judgment or average between new rate design and current rates.  I've decided such judgment or averaging may be necessary when merging two design concepts into one under the constraints of revenue neutrality and no significant rate changes forced on any exchange for maintenance of its flat rate calling area.