(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF GTE NORTHWEST INCORPORATED’S TARIFF ADVICE NO. 97-06 REQUESTING APPROVAL TO MODIFY ITS SERVICE PERFORMANCE GUARANTEE PROGRAM.  | ))))))) | CASE NO. GTE-T-97-9ORDER NO.  27136 |

On June 12, 1997, GTE Northwest Incorporated filed Tariff Advice No. 97-06 to modify its current Service Performance Guarantee 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 customers.(footnote: 1)  In this tariff advice, the Company proposed to offer GTE customers a choice between the current credit ($100 for businesses or $25 for residential) or receiving a prepaid long-distance calling card of equal value.  GTE sought an effective date of July 16, 1997.

Following GTE’s submission of the tariff advice, AT&T of the Mountain States and MCI Telecommunications both filed letters objecting to GTE’s proposal.  AT&T asserted that allowing GTE to offer a calling card would be “woefully anti-competitive and improper in light of Commission efforts toward opening the local exchange market to competition.  GTE is attempting to gain an unfair advantage with customers.”  MCI expressed a similar concern and noted that under Commission Rule 134.01, the tariff advice process “is appropriate when a utility proposes ‘minor changes’ to existing schedules.  MCI believes that [the proposal] may have competitive implications taking the advice outside the realm of a ‘minor change’ as the phrase is commonly understood.”

Given the objections filed by AT&T and MCI, the Commission issued Order No. 27025 on July 1, 1997, suspending the tariff advice for a period of 90 days from the proposed effective date.  The Commission also concluded that this matter should be processed under Modified Procedure.  Interested parties were directed to file written comments within 14 days of the Commission’s Order. Timely comments were filed by AT&T, MCI, and the Commission Staff.  GTE submitted timely reply comments on July 29, 1997.

THE COMMENTS

1.  AT&T and MCI.  AT&T and MCI submitted joint comments objecting 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 market.  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.

AT&T and MCI cautioned that “premature coupling” of local service and toll service could hinder competition.  They proposed that the Commission revise the credit provision of the tariff to be competitively neutral should the Commission feel that it “cannot deprive” customers of a “potential credit arrangement.”  The new proposed language on Second 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.”  Id. at 5 (new language in italics).  AT&T and MCI concluded that the italicized language would allow a customer a choice and ensure competitive neutrality.  Thus, GTE could not utilize its local service monopoly to disadvantage competing toll carriers.

2.  Staff Comments.  Staff reviewed the tariff advice and concluded that offering a prepaid toll card would not be significantly harmful or anti-competitive 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 credits in 1996, which had a total value of $4,575.  Staff viewed this amount as 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 demonstration of GTE’s commitment to quality service.  Staff recommended approval of the calling card option  considering the emergence of competition in most areas of telecommunications.  Staff assumed that both AT&T and MCI could extend a similar credit offer when they enter the local exchange market.

3.  GTE.  In its 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.  Based upon this withdrawal, 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 the Commission to approve the tariff advice.  GTE also requested the Commission discount the “vacuous arguments” raised by AT&T and MCI.  GTE concluded that the proposed prepaid card option has been approved in twenty other states without this much controversy.

DISCUSSION

Based upon our review of the tariff advice and the comments submitted in this matter, we approve the Company’s Tariff Advice No. 97-06.  We agree with the Staff and the Company that the anti-competitive effects, if any, of allowing GTE to offer customers the additional choice of receiving a prepaid toll calling card are minimal.  We find it fair and reasonable that GTE offer its customers the choice under the Company’s service performance guarantee program.  By using the GTE calling card, customers are not changing their toll carrier.  The card is only used for the preset amount of time and then discarded.  This has no effect on the customer’s preselected toll carrier.

O R D E R

IT IS HEREBY ORDERED that GTE’s Tariff Advice No. 97-06 is approved.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. GTE-T-97-9  may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. GTE-T-97-9 .  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of September 1997.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:GTE-T-97-9.dh2

**FOOTNOTES**

1:

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

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

September 18, 1997