

TC97-006

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TC97-006

DOCKET NO.

In the Matter of **IN THE MATTER OF THE FILING BY U
S WEST COMMUNICATIONS, INC. FOR
REVISIONS TO ITS EXCHANGE AND
NETWORK SERVICES TARIFF**

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
1/15/97	Filed and Packets
1/16/97	T.C. Fax Filing
4/15/97	Letter request for Late Filed Intervention by Gemini Companies, Inc.
5/12/97	Order Denying Late Filed Intervention;
5/19/97	Received Jerry Pagan
7/8/97	Order for and Notice of Hearing and Procedural Schedule;
7/24/97	Confidentiality Agreement
7/28/97	Oral testimony from Resident Attorney William P. Weston;
8/1/97	Manuscript of Hearing held on 7/28/97;
8/5/97	US West Exhibits 1 through 11;
10/17/97	Order approving Revisions to Tariff;
10/17/97	Docket Closed

THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA **RECEIVED**

AUG 06 1997

IN THE MATTER OF THE FILING BY
U S WEST COMMUNICATIONS, INC.
FOR REVISIONS TO ITS EXCHANGE AND
NETWORK SERVICES TARIFF

) SOUTH DAKOTA PUBLIC
) UTILITIES COMMISSION

) TC97-006
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HEARD BEFORE THE PUBLIC UTILITIES COMMISSIONPROCEEDINGS:

July 28, 1997
1:00 P.M.
Room 412, Capitol Building
Pierre, South Dakota

PUC COMMISSION:

Jim Burg, Chairman
Laska Schoenfelder, Commissioner
Pam Nelson, Commissioner

COMMISSION STAFF
PRESENT:

Rolayne Ailts Wiest
Cameron Hoseck
Harlan Best
Dave Jacobson

Reported by:

Lori J. Grode, RMR

A P P E A R A N C E S

For US West: William P. Heaston
1801 California Street, Suite 5100
Denver, CO 80202

Tamara Wilka
P.O. Box 5015
Sioux Falls, South Dakota,
57117-5015

For Gemini: Mr. Roger Specht
3818 S. Western Avenue, #202
Sioux Falls, SD 57105

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P R O C E E D I N G S

CHAIRMAN BURG: Okay. I guess we will get started then. I'll begin the hearing for Docket TC97-006, In the Matter of the Filing by U S West Communications, Incorporated, for the Revisions to it's Exchange Network Services Tariff.

The time is about 1:05 p.m., and the date is July 28, 1997. The location of the hearing is in Room 412 of the Capitol Building here in Pierre, South Dakota.

I am Jim Burg, Commission Chairman. Commissioners Laska Schoenfelder and Pam Nelson are also present. I'm presiding over this hearing.

This hearing was noticed pursuant to the Commission's Order for the Notice of Hearing issued July 8, 1997. The issue at this hearing is U S West's request that the Commission approve Smart PAL on a flat and message rated monthly recurring and nonrecurring basis.

All parties have the right to be present and to be represented by an attorney. All persons so testifying will be sworn in and subject to cross-examination by the parties. The Commission's final decision may be appealed by the parties to the State Circuit Court and the State Supreme Court.

1 Rolayne Wiest will act as Commission
2 Counsel. She may provide recommended rulings on
3 procedural and evidentiary matters. The Commission may
4 overrule its counsel's preliminary rulings throughout
5 the hearing. If not overruled, the preliminary hearing
6 rulings will become final.

7 I'll turn it over to Rolayne at this time.

8 MS. WIEST: I'll take appearance of the
9 parties. U S West.

10 MR. HEASTON: Bill Heaston on behalf of U S
11 West Communications. I'm in-house counsel for U S West
12 located in Denver. And we are in the process of
13 finding a judge over in the Sixth Judicial Circuit to
14 sign my admission papers, and that's on its way back.
15 And I'm also with Tammy Wilka from the Boyce, Murphy
16 Law Firm. She will be with me and also makes an
17 appearance in this case.

18 MS. WIEST: Gemini Companies.

19 MR. SPECHT: I am Roger Specht. I am the
20 general manager of Gemini Companies. I am here alone
21 today.

22 MS. WIEST: Staff.

23 MR. HOSECK: Camron Hoseck on behalf of
24 staff.

25 MS. WIEST: Does anybody have any opening

1 statements?

2 MR. HEASTON: None by U S West.

3 MS. WIEST: Mr. Specht?

4 MR. SPECHT: I would like to just indicate
5 why we're here and why we're concerned.

6 We are a provider of pay telephones based in
7 Sioux Falls, South Dakota. We provide some pay
8 telephones in North Dakota, Minnesota and Iowa, but
9 predominantly in South Dakota. We purchase line
10 service from U S West in all of those states; and in
11 addition to U S West in South Dakota, we purchase line
12 service from eight other companies, obviously, at this
13 point on the rate table for the basic PAL. I know
14 we're here to discuss the Smart PAL today. It closely
15 parallels the basic PAL filing.

16 Our opportunity, I guess, today to ask
17 questions is driven by the fact that in North Dakota,
18 Minnesota, and Iowa, we are able to buy line service
19 from U S West in the range of 40 to \$42.00 per month,
20 including all add-ons for 911 and TRS service and other
21 add-ons. As compared to in those states -- in
22 Minnesota we're allowed to buy flat rated business
23 lines for payphones, and in the other two states the
24 actual payphone line is flat rated. Those charges then
25 are flat based 40 to \$42.00 a month on the average in

1 those states.

2 From U S West in South Dakota we're required
3 to buy line service on a measured or metered rate where
4 it's available, which is primarily -- it's totally the
5 case where we do business in South Dakota. Those
6 charges in the month of May, which is our typical month
7 that most typifies our 12-month average, ran \$54.00 per
8 month from U S West, so a good 12 to \$14.00 higher than
9 in other areas where we buy that service from them.

10 And as compared to the average of the eight
11 other companies that we do business with in South
12 Dakota, those eight other companies for the month of
13 May, their average charges to us with were \$32.00, so a
14 full \$22.00 higher than those.

15 I do recognize that every company's costs are
16 different and that every company may well have
17 different costs in different areas. But discrepancies,
18 if I may use that word, of 30 to 75 percent higher in
19 some areas than others lead us to ask -- to want to ask
20 some questions before we start purchasing Smart PAL
21 lines.

22 I do want you to know that we have also filed
23 a complaint regarding the basic PAL. I know we're not
24 here to discuss that today, but I wanted you to know
25 that.

1 I don't believe that the metered rate or the
2 measured service is really justified, and we're here to
3 find out why. Thank you.

4 MS. WIEST: Staff?

5 MR. HOSECK: No opening.

6 MS. WIEST: Mr. Heaston.

7 MR. HEASTON: Call Barbara Wilcox as a
8 witness.

9 BARBARA M. WILCOX,
10 called as a witness, being first duly sworn,
11 was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. HEASTON:

14 Q. Would you please state your name.

15 A. My name is Barbara M. Wilcox.

16 Q. And by whom are you employed?

17 A. I'm employed by U S West Communications as
18 director for product and market issues.

19 Q. And how long have you been employed by U S
20 West?

21 A. I've been an employee since 1980.

22 Q. Have you testified before this Commission
23 before?

24 A. Yes, I think at least twice before in docket
25 TC96-107, and in Docket TC91-040.

1 Q. What is your experience with U S West?

2 A. I've worked for U S West in the areas of
3 market research and analysis and pricing and product
4 management, and most recently in regulatory matters
5 advocating the company's pricing and product proposals
6 before state regulatory commissions.

7 MR. HEASTON: Before she testifies further,
8 I'd ask that the Commission take official notice of two
9 FCC Orders. Well, first of all, the Telecommunications
10 Act of 1996, and specifically paragraph, or Section 276
11 of the Act.

12 And then two orders: One is the original
13 order in TC Docket Numbers 96-128 and 91-35, and
14 Decision Number 96-388, which was released on September
15 20th, 1996. And then the Order on Reconsideration also
16 to make the record complete, which is in the same two
17 dockets, which is Decision Number TC96-439, which was
18 released on November 8, 1996.

19 And I also would ask that the Commission take
20 notice of the PAL tariff which existed prior to the 1
21 November -- January 15, '97, which is Section 5 --
22 found in Section 5 of the Exchange and Network Services
23 Tariff, specifically Section 5.5.5.7 and the prices in
24 subsection Capital D of that.

25 MS. WIEST: Any objection?

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1 MR. HOSECK: None.

2 Q. Dr. Wilcox, why did U S West file this tariff
3 on January 15, 1997?

4 A. We filed the tariff in South Dakota in
5 compliance with the FCC Order that has just been
6 referenced, which was the FCC's Order implementing the
7 payphone sections of the Federal Telecommunications Act
8 of 1996. And that Act called for deregulation of
9 payphone services, meaning payphone equipment and
10 services, payphone sets, and so forth, and called for
11 some other measures to be taken to assure competitive
12 neutrality in the payphone business.

13 Q. At the time of the Telecommunications Act and
14 this FCC Order implementing a particular section of how
15 was coin service classified in South Dakota?

16 A. South Dakota had already taken a step to
17 classify payphone service as fully competitive, and
18 that came before the Federal Act and the same sorts of
19 steps had been taken in our other states.

20 Q. And what additional action was required then
21 even in light of the state classification of the
22 service to comply with the FCC Order?

23 A. One of the provisions of the FCC Order was to
24 assure the competitive neutrality between the LEC
25 associated payphone providers and the independent

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1 payphone providers was that all of the LEC's, the local
2 exchange carriers, should provide a coin line service
3 tha' was designed for use with so-called dumb coin
4 payphone sets.

5 And I would like to quote one particular
6 sentence from the FCC Order, and this is from FCC
7 96-388, paragraph 146, where they say, "We conclude
8 that incumbent LEC's must provide coin service so
9 competitive payphone providers can offer payphone
10 services using either instrument implemented 'smart
11 payphones' or 'dumb payphones' that utilize central
12 office coin services or some combination of the two in
13 a manner similar to the LEC's." And that closes the
14 quote from the FCC Order.

15 So, in other words, we previously had a
16 public access line, a PAL line, tariffed in each of the
17 states that supported smart payphone sets. And now the
18 FCC has ordered us to add to that a payphone access
19 line, a public access line, that would also support
20 dumb payphone sets. So the intelligence is in the
21 central office rather than in the set itself.

22 Q. Although you've done this a little bit, what
23 is a public access line?

24 A. The public access line services then provide
25 basic exchange access to the payphone sets. The public

1 access lines themselves are not deregulated, but then
2 the payphone sets and the service provided through the
3 payphone sets is what has been deregulated. And so the
4 public access line is provided to the payphone service
5 provider to connect the pay telephones to the switched
6 telephone network.

7 And then the payphones generally are located
8 at locations accessible to the public and the precise
9 locations being determined by the owner of the premises
10 on which they're located. And the PAL service connects
11 the payphone to the network so that the users of the
12 payphone then are able to place local and long distance
13 telephone calls.

14 Q. What additional features does the Smart PAL
15 tariff offer to the coin phone competitor that wants to
16 use a dumb telephone to provide the coin service?

17 A. Okay. Generally speaking, the Smart PAL
18 service offers coin control functions that are provided
19 from the central office. The smart -- these are
20 functions that the smart telephone sets have contained
21 in the set itself, that the dumb sets don't have. So
22 these features can be found listed in the tariff, but
23 the full capability of the Smart PAL then includes
24 these items: The coin signalling, including coin
25 collect and coin return functions.

1 Q. So we're clear, what do you mean by coin
2 collect and coin return functions?

3 A. This means that the central office sends a
4 signal to the dumb payphone set to detect whether or
5 not the coin has been deposited. And then if the coin
6 has been deposited, then there's a connection closed
7 and the intelligence comes back to the central office
8 that the coin has been deposited. That's the coin
9 collection part of it, or the coin signalling part of
10 it.

11 And then when the call is terminated, then
12 there's also a function that detects whether or not
13 it's terminated as a completed call or not as a
14 completed call. And in an example of a call that's not
15 completed, of course, would be a busy signal or a no
16 answer. And then the function in the central office
17 sends a signal to the coin set to either collect the
18 call -- collect the coin at the end of the call,
19 meaning it drops into the coin collection box, or to
20 return the coin to the caller, meaning that the coin
21 then drops into the coin return slot on the set. So
22 that's the coin collect or the coin return function
23 that is performed in the central office.

24 Q. All right. Please continue.

25 A. Then the rest of the functions that are

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1 provided with the Smart PAL service includes company
2 completed and carried local and intraLATA toll calling,
3 both on a sent paid and nonsent paid basis.

4 Q. What do you mean by sent paid and nonsent
5 paid?

6 A. Okay. Sent paid is a term that -- it's been
7 around for a long time in the telephone industry. It
8 means that it's paid for with coins deposited in the
9 payphone itself. And nonsent paid means it's billed
10 otherwise, like to a calling card or to as a collect
11 call or something like that.

12 Then the service also provides company
13 operator services and systems for those intraLATA long
14 distance and local calls. It provides routing to a
15 presubscribed carrier for interLATA calls. It provides
16 for pay-per-call blocking. In other words, blocking of
17 900 calls or 970 calls, that type of thing. It
18 provides incoming and outgoing call screening. And, in
19 general, that's a type of fraud protection. And it
20 also provides, as do all PAL lines, it provides for
21 access to directory assistance, to 911 calls, to all
22 interexchange carriers, to 800 and 950 dialed calls,
23 and to company repair service.

24 Q. How is the Smart PAL priced in this instance?

25 A. In order to be in compliance with the FCC

1 Order which requires competitive neutrality, we have
2 priced the Smart PAL service to provide the same
3 contribution margin as the basic PAL service. This is
4 necessary for competitive neutrality so as not to give
5 an advantage or a disadvantage to U S West payphone
6 services as compared to independent company payphone
7 services, or I should say independent payphone
8 services.

9 And the reason why this becomes an issue is
10 because in South Dakota all of U S West payphones are
11 dumb sets. And so with deregulation and the fact that
12 we have now done the accounting separation between our
13 payphone operation and our regulated business, our
14 payphone operation now pays our regulated company the
15 Smart PAL fee every month, just as an independent
16 payphone provider would pay if they came to us and
17 said, "I want to hook up a dumb payphone to your
18 network and therefore I need to buy a Smart PAL line
19 from you."

20 Now, it happens that at this point in the
21 stage of competition that I believe virtually all of
22 the independent payphone providers in this state are
23 operating with the smart sets. This means they buy --
24 I started to say the dumb PAL, but the basic PAL,
25 which, of course, supports the smart sets. And so in

1 order to make both payphone operations be on an equal
2 footing, then we have built equal contribution margins
3 into the Smart PAL line that already were present in
4 the basic PAL lines. And, therefore, the only
5 difference in price between the Smart PAL and the basic
6 PAL is purely cost based. It's purely a function of
7 the difference in the costs between the two services.

8 And so this was an important part of the
9 pricing plan to achieve the FCC ordered competitive
10 neutrality.

11 Q. So, as I understand it, that there was before
12 -- before we put in the Smart PAL tariff, there was a
13 PAL tariff in effect?

14 A. That's correct. The basic PAL tariff has
15 been in effect since sometime in the mid-eighties. I'm
16 not sure of the exact date.

17 Q. And though the price for the basic PAL did
18 not change with this filing?

19 A. No, it did not.

20 Q. How does the price of the basic PAL and the
21 Smart PAL compare with the price for the basic business
22 service, what we call the 1FB?

23 A. The prices are roughly comparable. They're
24 structured a little bit differently in that I believe
25 there are more rate group variations in the business

1 service prices than there are in the PAL prices. But
2 they fall within the same range for the flat rated
3 service.

4 And for the message rated service you have to
5 account for the fact that the business measured service
6 also includes a call allowance. I believe it's a five
7 dollar call allowance in the monthly rate. But when
8 you adjust for that, then, again, it's in the
9 comparable price range. The monthly rate for the
10 message rated PAL service is in the same price range as
11 the monthly rate for the business measured service.

12 Q. Why is it important that there be
13 contribution from the service like the PAL and Smart
14 PAL?

15 A. There are probably at least two reasons why
16 it's important that there be contribution contained
17 within the prices. The first is that for a firm like
18 U S West, in general, you have to have contribution
19 over and above the direct costs of the service in the
20 pricing or you don't have any recovery of the firm's
21 common costs. So when I say direct costs, I'm
22 generally speaking of TSLRIC and the shared costs
23 associated with that particular product. If that's all
24 that you recovered in the price for the product and if
25 that were true across all other products that were

1 offered by the firm, then we would not be a viable
2 business. We would have no recovery of common costs.

3 Then, secondly, PAL is both a wholesale
4 product and a business product. And it has been
5 traditional and is still the case in South Dakota that
6 wholesale and business products have traditionally been
7 priced with higher contribution levels than some of the
8 other products. And in this way -- this is a matter of
9 public policy -- these products then provide
10 substantial support to cover the general operating
11 costs of the firm to help support residential service
12 and to help support any services that may be priced
13 below their direct costs.

14 Q. What's your recommendation to the Commission
15 with regard to the Smart PAL service?

16 A. My recommendation is that the Commission
17 approve the Smart PAL tariff as filed.

18 MR. HEASTON: I have no further questions.

19 MS. WIEST: Mr. Specht?

20 MR. SPECHT: Thank you. I would like to ask
21 a few questions.

22 CROSS-EXAMINATION

23 BY MR. SPECHT:

24 Q. You said something that I didn't quite
25 totally catch. Go back over a statement regarding the

1 monthly rate for PAL being the same as a business
2 measured service rate and a \$5.00 charge. Go over that
3 again for me, please.

4 A. Yes. They're roughly the same when you
5 consider the fact that the business measured service
6 includes a \$5.00 call allowance. The monthly rate for
7 the business measured service gives you -- before you
8 have to start paying usage charges, you can go up to
9 \$5.00 worth of local calling within that month. And so
10 it's structured differently than the message PAL
11 service in which there is no call allowance. You pay
12 the usage charge for each and every local call that's
13 placed. So when you make that adjustment, recognize
14 that the business measured service automatically would
15 be \$5.00 higher than the message PAL service when you
16 make that adjustment, then the rates are roughly
17 comparably equal to each other.

18 Q. Let me relate it to my own business line. I
19 pay about \$40.00 a month in the month of May -- that
20 includes -- for simplicity sake I'm not subtracting out
21 911 charges in any of my examples or TRS charges. And
22 my business line for my business, including those
23 charges, I pay about \$40.00. In the month of May with
24 the measured service phone bills on the payphone lines,
25 I paid \$54.00 on the average. I don't see that that's

1 the same.

2 A. I don't know what kind of business line you
3 have. When you say you pay \$40.00 --

4 Q. What's the highest business line charge I
5 could have?

6 A. You know, I don't have the precise
7 information on all the business rates here with me
8 right now. But if you had a flat rated business
9 service --

10 Q. I have a flat rated one party business line.

11 A. Okay. Then if you have a flat rated business
12 line, then your monthly rate would be definitely higher
13 than the monthly rate associated with your PAL lines,
14 but the usage is built into your flat monthly rate for
15 your business line and probably the -- if you wanted to
16 do a more apples to apples comparison, you probably
17 should look at your flat rate for your business line
18 and compared to the flat rate for the PAL line that's
19 in the tariff. Those would be comparable.

20 Q. Well, I guess they're not. I mean the tariff
21 for Smart PAL is about 26.50. The business line is
22 higher than that. But the tariff for the Smart PAL
23 includes six cents for every locally connected call.
24 How much of that six cent charge is the direct cost
25 that you were talking about, and how much is the

1 contribution to the common costs that you were talking
2 about?

3 A. When we consider the costs of the service and
4 look at the contribution margins, we're looking not
5 only at the usage rate alone, we're looking at the
6 usage rate together with the monthly rate and then the
7 average usage charges that are collected. So, you
8 know, there's not an easy way to answer your question
9 without considering the monthly rate and the monthly
10 costs as well as the usage rate and the usage costs.

11 Q. It would appear to me that my payphones are
12 being asked to make a \$14.00 per month contribution to
13 your direct costs higher than what my business line and
14 probably anyone else's business line is being asked to
15 make.

16 A. It may or may not be the case because I don't
17 know what the usage is on your regular business line.
18 What I can say is that typically the usage on a PAL
19 line is higher than the average usage on a regular 1FB
20 flat rated business line; and, of course, there are
21 incremental costs associated with each and every call
22 that's placed.

23 Q. What are those incremental costs associated
24 with placing a call?

25 MR. HEASTON: Wo, wo, wo, that would be a

1 proprietary number. And while some of us have signed,
2 as you have signed, a proprietary document, not
3 everybody in the room has. So if you really want that
4 answer, then we need to clear the room of the people
5 who would not.

6 MS. WIEST: It's just Commission staff, isn't
7 it?

8 MR. HEASTON: I wasn't sure of one person
9 back there.

10 CHAIRMAN BURG: She's our summer intern.

11 MR. HEASTON: Okay. Go ahead.

12 A. Then I assume they'll have this part of the
13 record sealed?

14 MR. HEASTON: Sealed, yes, Lori, as far as
15 the number is concerned.

16 A. The numbers are all contained in the cost
17 study that was submitted as a response to a staff data
18 request. And if I can find the right page -- and this
19 was the first set of data requests, question number
20 two. For the measured coin line service, which is the
21 Smart PAL service, the usage costs per month are
22 -----.

23 Q. I'm going to need to ask you about that. Say
24 that again. The usage cost per month is .

25 A. And this is an average figure.

1 Q. For what kind of line?

2 A. For the measured Smart PAL line.

3 Q. For the measured Smart PAL line.

4 A. Yes.

5 Q. Based on basic PAL, I would presume, since I
6 think in your opening comments you said that no one is
7 buying Smart PAL yet, or is that U S West smart lines?

8 A. The usage was calculated based upon the usage
9 characteristics of the basic PAL, yes.

10 Q. So the usage on the basic PAL you're
11 calculating at \$_____ cents on the average?

12 A. Yes. Now, the total cost usage plus the line
13 then is \$_____. And as I said earlier, you really need
14 to look at the total cost compared to the total revenue
15 to evaluate totally the contribution here.

16 Q. So the total cost you just referred to is
17 \$_____?

18 A. And __ cents.

19 Q. __ cents. And I made reference to average
20 charges in the month of May of \$54.00, which included
21 about \$6.00 of 911 and Federal excise tax of a couple
22 dollars. So my fair comparison would be there for
23 \$_____ of costs I'm paying, what would that be, \$48.00,
24 \$46.00 roughly. Okay. That's fine. Of your business
25 functions, what does it cost you to meter service?

1 There must be a cost involved there. What is the cost
2 to U S West of actually metering service, and what are
3 the components of that cost?

4 A. I'm afraid you're getting beyond my limited
5 knowledge of the details of the cost study. And the
6 cost of measuring and metering the calls is included in
7 that cost that I gave you. But, you know, precisely
8 how you break it out, I don't feel competent to try to
9 explain.

10 Q. So I did want to ask you a question if you
11 weren't metering, how much cost would be eliminated?
12 You would not be able to answer that?

13 A. I'm just not sure. I'm sure that some cost
14 would come out, and I'm not sure exactly how much.

15 Q. Generally how much of your costs are due to
16 billing and how much of your costs are due to
17 collection?

18 A. Again, I don't think I can answer it. You
19 know, we do have a billing and collections item in the
20 summary of the cost study results, but I again would
21 not feel competent to try to break that down into the
22 billing versus the collections.

23 Q. Looking at either the Smart PAL, or if you
24 prefer the basic PAL from the historical perspective --
25 looking at the Smart PAL, I guess, costs based on your

1 experience with basic PAL compared to the one party
2 flat rated business lines, what additional costs does
3 the company -- does U S West have in providing PAL line
4 compared to providing a flat rated business line?

5 A. I think I need to break your question into
6 two pieces, if I may.

7 Q. Fine.

8 A. The basic PAL, the primary difference between
9 the basic PAL line and a regular business line really
10 is the usage characteristics of the line. As I said
11 earlier, the -- well, it makes sense. You, as an
12 independent payphone provider, are looking for high
13 traffic locations in which to place your phones. And
14 if you're successful in choosing a good location, then
15 it's going to generate a lot of calls and a lot of
16 traffic. And, therefore -- and this is borne out in
17 our records that the PAL lines do tend to have high
18 usage, higher usage on average than a regular 1FB
19 business line. So that's the primary difference
20 between basic PAL and the business service.

21 Then the Smart PAL adds the coin control
22 functionality to the basic PAL, and there are added
23 costs associated with that and therefore a higher price
24 for the Smart PAL than for the basic PAL.

25 Q. I might just mention, more by way of comment

1 than by way of question, the flat portion of the
2 metered service rate for basic PAL is 22.75. For Smart
3 PAL, I believe it's 26.54 or something like that. We
4 do not have any question regarding that differential
5 because there are features available for that price.

6 Just a few other questions, and maybe you're
7 not the one to answer; maybe someone else is. On my
8 flat rated business line can I get repair service on
9 the weekend?

10 A. I'm not familiar with those kinds of details.

11 Q. Okay. Another one, possibly kind of odd, but
12 could I pay my one party flat rated business line with
13 a credit card?

14 A. I don't know.

15 Q. And, conversely, would I be able to pay my
16 payphone lines with a credit card?

17 A. I don't know. I've never tried paying my
18 phone bill with a credit card.

19 Q. Thank you. If I decided I wanted a payphone
20 in my office instead of the phone that I have on my
21 desk and called and asked U S West to convert my
22 business line to a payphone line so I could hook a
23 payphone up to it, other than the one-time cost I would
24 incur for having you folks do that, would there be any
25 other technology that I would be receiving, any other

1 features that I would be receiving once it was
2 converted to a PAL line as compared to the technology
3 and the equipment and everything else that would be
4 available to me on the one party business line?

5 A. I'm not sure if there is any real specific
6 difference. I do know that there is a different
7 interface, the point at which the phone set itself is
8 plugged into the line. I know that there is a specific
9 interface that is designed for use with payphone sets.
10 Beyond that, I am not aware of any difference in the
11 way the basic PAL functions and a business line
12 functions.

13 Q. There is an interface where U S West line
14 responsibility ends and the payphone providers begins,
15 and that literally is a box that you put a little jack
16 into so, yes, that is correct. Let me ask this final
17 question of you or anyone else that could answer it.
18 Is there any other class of customer that you have in
19 the state of South Dakota that is required to take
20 measured service?

21 A. Yes, and that would be long distance carriers
22 who are required to pay switched access charges which
23 are on a measured basis.

24 Q. Actually, I meant on local calling, which is
25 where the rate applies to at payphones on the local?

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1 A. I don't know.

2 Q. I'm not aware of any.

3 MR. HEASTON: If you're testifying, I'd
4 rather have it be under oath.

5 Q. I mean by saying that to ask the question for
6 information. I'm not aware of any. I was wondering if
7 there were.

8 MR. HEASTON: I would ask the Commission to
9 take notice of the AT&T arbitration decisions where
10 competitive local exchange carriers will be usage based
11 prices for service.

12 Q. Okay. There are no other business users, or
13 collection agencies, telemarketers, households with
14 teenagers that need to make six calls to organize one
15 golfing trip, there's no other user like that that is
16 required -- no collection agencies, no telemarketers,
17 no attorneys that have for the call back messages on
18 their desk when they get back from offices, no other
19 user like that that is required to pay a measured or
20 metered rate in South Dakota?

21 A. I truly don't know. I have not studied the
22 South Dakota tariff in detail to determine that. There
23 may be.

24 Q. Maybe that's something we should ask the
25 staff to research for us rather than you.

1 That's all the questions I have at this
2 time.

3 MS. WIEST: Staff?

4 CROSS-EXAMINATION

5 BY MR. HOSECK:

6 Q. Miss Wilcox, I'm not sure if you're the
7 proper witness to ask these questions. And if you
8 aren't, please let me know in case you're furnishing
9 another witness. What was your role in the embedded
10 cost studies, or any of the other cost studies that
11 were submitted to staff? I have some questions on
12 those cost studies. Did you have a role in the
13 preparation of those cost studies or anything along
14 that line?

15 A. No, I did not. I simply reviewed the results
16 of them.

17 Q. Okay. With regard to this tariff that has
18 been filed, do you have any projection for the
19 Commission as to its anticipated life? In other words,
20 how long is this tariff intended to be used by U S
21 West?

22 A. We don't anticipate an end to the tariff.

23 Q. Just generally, you mentioned earlier the
24 provision of the FCC Orders that talked about
25 discrimination. And I'm wondering if this equal margin

1 that you talked about has met any sort of FCC test or
2 has been approved in any manner that you are aware of?

3 A. Our prices for the PAL services have to be
4 filed with state commissions, not with the FCC. But
5 the pricing has been approved in all of the other
6 states, except for the fact that we're still waiting
7 for an order from the New Mexico Commission. Have I
8 addressed your questions?

9 Q. Has the equal margin concept that you talked
10 about, has that been challenged in any manner in front
11 of the FCC?

12 A. No, I'm not aware of any challenge with the
13 FCC.

14 MR. HOSECK: I don't have any further
15 questions. Thank you.

16 MS. WIEST: Commissioners?

17 COMMISSIONER SCHOENFELDER: I don't have
18 any.

19 CHAIRMAN BURG: I have a couple. The
20 nonrecurring charge you talked to in all cases are
21 \$80.00; is that right?

22 A. That's correct.

23 CHAIRMAN BURG: What is that \$80.00? What's
24 the purpose, or what does it take to establish? Is
25 that for establishment of the service?

1 A. Yes, that's for the installation and of the
2 line establishment of the service.

3 CHAIRMAN BURG: How many states have you
4 filed these tariffs in for the payphone?

5 A. Well, prior to the FCC Order, we had basic
6 PAL tariffs in all 14 states. And then in January, in
7 compliance with the FCC's Order, we filed the Smart PAL
8 tariffs in all 14 states.

9 CHAIRMAN BURG: And there's been some
10 indication that the monthly rates varies from state to
11 state; is that correct?

12 A. That's correct.

13 CHAIRMAN BURG: Is the nonrecurring charge
14 the same in all states?

15 A. You know, I haven't checked that
16 specifically, but I believe it's probably not. We
17 would have state specific cost studies for the
18 nonrecurring as well as for the recurring charges. We
19 do have state specific cost studies.

20 CHAIRMAN BURG: What -- do you know what the
21 rates are -- have you filed in North Dakota?

22 A. Yes.

23 CHAIRMAN BURG: And what are the rates there,
24 do you recall?

25 A. The nonrecurring rates?

1 CHAIRMAN BURG: Both the nonrecurring and the
2 no rate.

3 A. You know, I don't have them right with me,
4 but we can get them for you.

5 CHAIRMAN BURG: And then have you filed with
6 the Smart PAL filing, is that on a measured basis in
7 all states? In all the states you're filing in, are
8 you doing the rates on a measured basis?

9 A. Yes, I believe all states have a measured or
10 message rated service.

11 CHAIRMAN BURG: Mandatory?

12 A. It is not mandatory in all states. U S
13 West's position has been consistently since we started
14 introducing basic PAL, our position has been that it
15 should be on a usage sensitive basis because it is a
16 wholesale service, because there are costs associated
17 with usage and we have a hard time predicting what that
18 usage would be on an individual line. That is, it is
19 reasonable to ask the payphone provider to pay on a
20 usage sensitive basis.

21 CHAIRMAN BURG: Would it be fair to say, or
22 should I say that -- ask it in this way, that in those
23 states that it is a choice that it be usage basis or
24 flat rated, was that because of a Commission order or
25 has U S West filed for an option in any states?

1 A. No. It's as a result of a Commission order
2 in the states where it is optional.

3 CHAIRMAN BURG: Okay. And if you don't have
4 it currently, I would probably like to have a list of
5 those states where it has been approved and what the
6 base is they have in those states.

7 A. Where the optional?

8 CHAIRMAN BURG: Right. Just a list of all
9 the states and whether it's optional or mandatory.

10 A. Okay.

11 CHAIRMAN BURG: I think that's all I have.

12 MS. WIEST: Anything Commissioner Nelson?

13 COMMISSIONER NELSON: No.

14 MS. WIEST: In the features and functions
15 portion in the tariff, are these the same unbundled
16 features and functions provided by U S West to its own
17 payphone operations?

18 A. Yes, it is.

19 MS. WIEST: Have you gone beyond that to
20 provide any additional unbundled features or functions,
21 or are they the same?

22 A. Again, in compliance with the FCC Order, we
23 have provided the same functions both on a bundled and
24 unbundled basis that we use in our own payphone
25 operations. And so the Smart PAL features and

1 functions associated with the Smart PAL are the same
2 features and functions that we always use consistently
3 on a bundled basis with our own dumb payphone sets.

4 And then, additionally, there are some
5 features and functions that we offer on an unbundled
6 basis as well that are associated with -- that can be
7 used with payphone service and often are. And I'm
8 looking for the list of those. They are answer
9 supervision line side, blocking for ten triple X calls,
10 international call blocking, and billed number
11 screening. And those four separate features are also
12 available on an unbundled basis.

13 MS. WIEST: Thank you. Any redirect?

14 MR. HEASTON: No redirect.

15 MS. WIEST: You may call your next witness.

16 MR. HEASTON: I have no other witnesses.

17 COMMISSIONER NELSON: I have a question then
18 since he has no other witnesses. I have some questions
19 if he doesn't have any more witnesses. Apparently
20 there isn't anyone here that will answer some of these
21 questions, so how do we deal with that then?

22 MS. WIEST: Are these the questions that
23 haven't been asked yet?

24 COMMISSIONER NELSON: They were questions
25 that were asked, but there weren't answers for because

1 they didn't feel she was qualified to. I'm interested
2 in knowing the answers to those questions also.

3 MR. WIEST: Do you have any other witnesses
4 that could answer those questions, Mr. Heaston?

5 MR. HEASTON: Well, I guess -- I suppose I
6 would have to know what the questions were. I don't
7 remember which ones she said she couldn't answer. But
8 by the same token, we have the burden here; and we
9 should be allowed to put our case on and rest on the
10 evidence as it sits. That's a little bit of a problem
11 I have. I'm willing -- we're willing to cooperate any
12 way we can to make this, but I don't want to turn this
13 into a bifurcated hearing like we had with the service
14 quality if I can avoid it. I mean, I can't anticipate
15 everybody's questions. I present a case based upon the
16 tariff, the previous tariff in '93, which allowed for a
17 measured -- mandated measured service where it can be
18 measured. The prices have really not changed since
19 that period of time. No one has challenged the costs
20 in any way. So, you know, I'm -- you know, not knowing
21 what people might -- I can't bring witnesses up here
22 for every eventuality.

23 COMMISSIONER NELSON: Well, I guess that you
24 can't necessarily anticipate every question. But, on
25 the other hand, most of the questions that I would like

1 answers to really deal with costs. And the questions
2 were asked by --

3 MR. SPECHT: Specht.

4 MR. HEASTON: Mr. Specht.

5 COMMISSIONER NELSON: -- and he didn't get
6 answers to the questions, and I think they're relevant
7 when we're discussing your tariff.

8 MR. HEASTON: Well, they weren't questions
9 based upon the difference in prices between those that
10 are presumed to be fair and reasonable because they
11 didn't change from the existing tariff. Those are the
12 questions he was asking about, prices which have not
13 changed, the basic PAL prices. And so that's why I did
14 not anticipate, you know, since the Commission had
15 approved those basic PAL prices. And he understood
16 that the Smart PAL, the difference between the basic
17 price. And the Smart PAL and the basic PAL was the
18 features that the Smart PAL now offers, but the
19 underlying basic PAL has not changed. The Commission
20 has approved those prices. The tariff that was in
21 effect four, five years ago had those prices. There's
22 a presumption under law that they're fair and
23 reasonable, and that's what I was relying on. And now
24 if we're going to challenge that, because we didn't
25 change those prices, and the only thing was the

1 incremental price of \$4.00, approximately \$4.00, which
2 is for the features which Mr. Specht realized were
3 justified by the difference between the two PAL lines.

4 COMMISSIONER NELSON: I guess I'm still
5 interested, though. And since I got here in January,
6 I'm still interested in some of the questions relating
7 to costs, and I guess I think they're relevant whether
8 you do or not. And I guess I'm interested in -- and
9 maybe it's somewhere else. If it's somewhere else, you
10 just tell me where I'm supposed to find it. I guess
11 I'm interested in what costs there really are
12 attributed to measuring these services versus not
13 measuring these services. How much of the costs are
14 attributed to the billing and administering operation
15 of those?

16 MR. HEASTON: Those can be provided in a
17 late-filed exhibit if that would work.

18 COMMISSIONER NELSON: That would be
19 acceptable.

20 MR. HEASTON: Okay. Let me make sure we have
21 everything down here. You want the costs of measuring
22 and the cost of --

23 COMMISSIONER NELSON: Of billing.

24 MR. HEASTON: Billing and collecting
25 separated. Is there anything else that we could?

1 COMMISSIONER NELSON: No, that will do.

2 MR. HEASTON: Okay. That can be provided in
3 a late-filed exhibit.

4 COMMISSIONER NELSON: Thank you.

5 MS. WIEST: Anything else?

6 MR. HOSECK: Mr. Chairman, Ms. Wiest, staff
7 thought there was going to be another witness; and
8 perhaps this witness can answer the questions that I
9 had intended to ask on cost studies. And I would like
10 at least an opportunity to ask those questions and see
11 if she is capable of doing that.

12 MS. WIEST: Go ahead.

13 FURTHER CROSS-EXAMINATION

14 BY MR. HOSECK:

15 Q. In the Data Request Number 3 from staff, U S
16 West submitted an embedded cost study on intrastate and
17 on an intra plus interstate basis. And I'm wondering
18 if you can tell the Commission which of those is
19 comparable to the LRIC studies that were also provided?

20 A. Yes, I think I can answer that question. The
21 LRIC studies are on a total non-jurisdictional basis,
22 and so the comparable embedded cost study would be the
23 total state results rather than the intrastate
24 results.

25 Q. Are usage costs included in the embedded cost

1 study that was provided?

2 A. Yes.

3 Q. Under the LRIC cost study, there is a per
4 message charge that's included in this filing. The
5 cost, I believe, is indicated to be 1.592 cents per
6 message. The question I have is does this include a
7 profit or markup factor?

8 A. Does the cost improve a markup factor?

9 Q. Does the cost include a profit or markup
10 factor?

11 A. I'm going to have to answer just in general
12 my understanding of the cost results because I'm not
13 familiar with the number that you just cited. You
14 probably did find it in our cost study. I'm just not
15 familiar with it. It's my general understanding that
16 the TSLRIC costs are directly attributable to the
17 product and they are not considered to include a profit
18 or a markup in them. They are the direct costs only to
19 the extent that they include the cost of capital, but
20 not what we normally think of as profit, and they do
21 not include contribution to the common costs.

22 Q. But they do include costs of capital?

23 A. Yes. But I do not consider that to be
24 profit.

25 Q. And what is the amount of the per message

1 charge that is sought in this filing?

2 A. We are not proposing any change in the per
3 message charge. It's the same as it has been there in
4 the PAL, basic PAL tariff, which is 6 cents per
5 message.

6 Q. Assuming that the figure that I previously
7 quoted to you, the 1.592 cents per message constitutes
8 the cost that's shown in your cost study, if that's the
9 case, and the amount that your tariff seeks is 6 cents,
10 would you explain to the Commission why in your opinion
11 you believe the 6 cents message is deemed to be fair
12 and reasonable?

13 A. Well, first of all, I don't know if the one
14 point five whatever is the correct cost, but I do know
15 that we do have substantial contribution in the message
16 charge. I do believe it is a fair and reasonable
17 charge based on several things. One is that it is the
18 same charge that has been in the basic PAL tariff for
19 some time, and that charge was approved by the
20 Commission at the time it was put in.

21 In addition, when you look at the total
22 service, the total message rated service, the monthly
23 rate for the message PAL service actually is not high
24 enough to cover the monthly costs and so there's no
25 contribution there in the monthly rate. And you need

1 contribution from the usage charges, first of all, to
2 even break even and then to provide contribution for
3 the service as the whole.

4 Then the third point that I would make is
5 that I believe it is a fair and reasonable price
6 because it is, again, roughly comparable to the usage
7 prices that are charged for the business measured
8 service. Now, the prices are structured differently
9 for business measured service. Where you have -- it's
10 a per minute charge where you have 5 cents for the
11 first minute of a call and 1 cent for each additional
12 minute.

13 But when you look at the fact that an average
14 call length tends to be roughly two minutes, then a
15 two-minute call charged at the business measured rates
16 would be 5 cents for the first minute, 1 cent for the
17 second minute, a total of 6 cents for the call. Well,
18 the usage price for the PAL is 6 cents per message, per
19 call, regardless of the length of the call. So it's
20 sort of averages out about the same.

21 And, again, those usage prices for the
22 business measured service have been found to be fair
23 and reasonable prices by the Commission. They have
24 been approved.

25 Q. So, in other words, would it be fair to say

1 that in summarizing what you've just said, that the
2 tariff that's proposed is deemed to be fair and
3 reasonable in your opinion based on this comparability
4 to existing charges for business?

5 A. That's part of it. And then the other part
6 is considering cost versus price for the service as a
7 whole, looking at both the usage prices together with
8 the monthly price.

9 MR. HOSECK: Nothing further. Thank you.

10 MS. WIEST: Any other questions?

11 COMMISSIONER NELSON: Back to something you
12 said earlier, you said that you weren't involved in
13 preparing any of the cost studies; that you simply had
14 reviewed them. Can you tell me what you mean by
15 reviewed them?

16 A. I review the results for reasonableness, and
17 I look at the results of a lot -- the cost studies of a
18 lot of products for the company. So I look for
19 reasonableness. And I discuss the results often with
20 the analyst who conducted the study just to get a
21 little better understanding of some of the assumptions
22 that went into the study. And I did that in this
23 case.

24 COMMISSIONER NELSON: So it means you did
25 more than look at them and decide whether -- just to

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1 familiarize yourself with the information in those
2 reports for today?

3 A. Yes, I did that. And that is generally what
4 I do in the course of my work since the cost studies
5 are the basis for the prices that I then -- the pricing
6 function is really the function that I work with.

7 COMMISSIONER NELSON: I guess did you really
8 analyze whether or not this is an appropriate price, or
9 did you just review them so you're familiar with them
10 so you can give us that information today?

11 A. Are you asking about the price or about the
12 costs?

13 COMMISSIONER NELSON: Well, I guess I'm
14 asking whether or not you made a determination in your
15 own mind whether they were appropriate costs, or if you
16 were familiarizing yourself with the information so
17 that you could testify what those costs were here
18 today?

19 A. I would say both. Because I have reviewed,
20 you know, quite a few cost studies from various states
21 for the same elements. After all, we're dealing with
22 elements here that are very common to telephone
23 service. We're dealing with loop costs, we're dealing
24 with usage costs. And those are common to a lot of
25 different telephone products and services, and so I

1 have some familiarity with kind of the range of
2 reasonableness for how the costs should come out. And
3 in reviewing these particular studies, I'm satisfied
4 that they fall within that range.

5 COMMISSIONER NELSON: Thank you.

6 COMMISSIONER SCHOENFELDER: Miss Wilcox, I
7 simply have one question. The 1.592 cents of cost, is
8 that an increase or decrease over the previously --
9 when you previously filed the tariff? The price has
10 not changed at 6 cents, but is that an increase or a
11 decrease in the cost?

12 A. You know, I can't answer that specifically
13 because I did not try to go back and review the last
14 PAL filing in this state, and so I did not go back and
15 review whatever the cost study would have been that
16 supported that filing.

17 COMMISSIONER SCHOENFELDER: I'm interested to
18 know whether the technology and just as we move forward
19 in this area, whether the cost decreased or increased
20 in that area, the cost to U S West for usage.

21 A. For usage.

22 COMMISSIONER SCHOENFELDER: Could you look
23 that up and just let me know later on?

24 A. I'd be happy to.

25 COMMISSIONER SCHOENFELDER: I'd be interested

1 in the answer to that.

2 A. Yeah. I just have to say I'm --

3 COMMISSIONER SCHOENFELDER: And I don't want
4 you to guess. If you can just look it up and let me
5 know later.

6 A. And are you speaking of comparable costs to
7 the ones we filed today?

8 COMMISSIONER SCHOENFELDER: Yes.

9 CHAIRMAN BURG: Does your basic PAL have a
10 measured service tariff in it?

11 A. Yes. It has the message service structured
12 the same way as the message service that we filed for
13 Smart PAL.

14 CHAIRMAN BURG: And in that case, then, was
15 it optional?

16 A. No, no. We've structured the Smart PAL
17 offerings exactly the same way as the basic PAL
18 offerings were already structured. And there is a flat
19 rate listed in the tariff for basic PAL as there is for
20 Smart PAL, but with the caveat that it is available
21 only in wire centers where we don't have the capability
22 of measuring and rating of the call.

23 CHAIRMAN BURG: And that's exactly like
24 you're filing in the Smart PAL?

25 A. That's correct.

1 CHAIRMAN BURG: And could you tell me today
2 how many messages centers have that capability and how
3 many do not?

4 A. I believe that all the centers in South
5 Dakota have it, but I would have to check that to be
6 certain. And the only reason why I have some
7 uncertainty is because this is message rated rather
8 than per minute.

9 CHAIRMAN BURG: And do you know when basic
10 PAL was implemented, what percentage was it then? Have
11 they changed a lot, I guess, is my basic question? Has
12 the capability then add a lot since basic PAL was
13 initiated?

14 A. I believe so because -- but, again, I'd have
15 to double-check this for accuracy. But basic PAL has
16 been in place for over ten years. And I would believe
17 that at the time it was put in, say, 1984/1985 time
18 frame, that there probably were still wire centers in
19 the state that were not capable of measuring.

20 CHAIRMAN BURG: Do you know if Mr. Specht, if
21 their company, as a Gemini company now, are they paying
22 on a measured -- do you know where their locations are
23 at?

24 A. No, I don't.

25 CHAIRMAN BURG: Okay. So you wouldn't know

1 whether they're paying on basic or flat on their phones
2 currently; right?

3 A. I don't know that specifically.

4 CHAIRMAN BURG: Okay. That's all I have.

5 MS. WIEST: Any redirect?

6 MR. HEASTON: No redirect.

7 MS. WIEST: Any further questions of this
8 witness?

9 MR. SPECHT: I would like to ask one
10 question. We are -- we being our company -- are a
11 customer of U S West. Does U S West presume that we
12 are satisfied and happy just because we've never
13 complained before about the rates that are charged to
14 us? The reason for the question is the implication
15 that Mr. Heaston left, well, this has been in place
16 since 1993. And I would tell you that we are not
17 satisfied that that's an appropriate charge, and we are
18 only now getting around to asking the question.

19 MR. HEASTON: Well, the complaint is as the
20 basic PAL. He doesn't buy the Smart PAL. And to me,
21 that's sort of out of line in this and not relevant to
22 this particular inquiry here. My question was -- and
23 if Mr. Specht wants to testify under oath, that's fine,
24 but my question -- or my inference was is that an
25 approved tariff brings with it a presumption that it is

1 fair and reasonable. And that's the only point I was
2 trying to make with the fact that this was in the
3 previous tariff and why I asked the Commission to take
4 official notice of that tariff.

5 MS. WIEST: Did you have a question, then, of
6 this witness, Mr. Specht?

7 MR. SPECHT: I believe the implication of
8 that comment was that the basic PAL tariff is somehow
9 acceptable. And, as I mentioned in my opening
10 comments, we have filed a complaint regarding the basic
11 PAL tariff because we do not believe, as in Smart PAL,
12 which is -- its, you know, first cousin, that that
13 really is the case. So I just wanted to make sure that
14 that was understood. Not really a question then but
15 comment.

16 MS. WIEST: Any other questions of this
17 witness?

18 MR. SPECHT: No.

19 MS. WIEST: Thank you.

20 MR. HEASTON: Rolayne, before I rest here,
21 you have the application listed as Exhibit 1, and I
22 would move the admission of the application.

23 MS. WIEST: Any objection?

24 MR. HOSECK: No.

25 MS. WIEST: If not, it's been admitted.

1 And you have no further witnesses,
2 Mr. Heaston?

3 MR. HEASTON: No, I do not.

4 MS. WIEST: Mr. Specht, did you have any
5 witnesses, or were you going to testify?

6 MR. SPECHT: No, nothing beyond what we've
7 said. Thank you.

8 MS. WIEST: I would like to make the point,
9 though, any statements that you made in your opening,
10 or any statements that you made when you were
11 questioning Miss Wilcox is not considered to be
12 evidence. So if you want to have any of your
13 statements to be considered evidence, you will have to
14 be sworn and testify to that.

15 MR. SPECHT: I would like to do that.

16 **ROGER SPECHT,**
17 called as a witness, being first duly sworn,
18 was examined and testified as follows:

19 DIRECT EXAMINATION

20 MR. SPECHT: And how do we proceed? Do I
21 have to repeat it all? Or can you go by the record and
22 say that I have said all that under oath?

23 MS. WIEST: I believe you'll have to make
24 your statements under oath at this time.

25 MR. SPECHT: I'm Roger Specht. I'm the

1 general manager of Gemini Companies, which is a
2 payphone provider based in Sioux Falls, South Dakota,
3 primarily with all of our locations in the Sioux Falls
4 and surrounding area. We do have locations in
5 Minnesota, North Dakota, and Iowa. We purchase line
6 service from U S West in all of those states including
7 South Dakota. And, in addition, in South Dakota we
8 purchase line service from eight other companies.

9 Currently we purchase only basic PAL, but
10 Smart PAL is structured identically. And the costs are
11 remarkably different in the areas in which we do
12 business. U S West in Iowa, Minnesota, and North
13 Dakota, charges us on a monthly average 40 to \$42.00
14 per month. In South Dakota, because of a metered or
15 measured service rate, which does not apply in the
16 other states, and using the month of May as an example
17 because the month of May is the actual month that comes
18 closest to the hypothetical 12-month average, U S West
19 charges us \$54.00 for the identical service. And I
20 would note in all cases I have not subtracted the
21 charges for 911 service, TRS service, or federal excise
22 tax, so they're comparable, but those charges are
23 included.

24 The state of South Dakota, from eight other
25 companies that we do business with for the identical

1 service, we are charged an average in the month of May
2 of \$32.00. U S West charges to us in our current
3 business environment, or if we were to purchase the
4 Smart PAL lines would run anywhere from 30 to 75
5 percent higher than they do in these other examples for
6 identical service.

7 I would also note that we have filed a
8 complaint on the Smart PAL, which I know you're not
9 hearing today but I wanted to note that. We think that
10 we are being asked to make a much larger contribution
11 to U S West's overhead, or indirect costs, or
12 headquarters cost, or whatever category that they
13 should be put in as compared to any other customer of
14 U S West in the state of South Dakota. To the best of
15 our knowledge, we are the only customer of U S West
16 which is required to take a measured service. And we
17 would ask that the Commission not approve any measured
18 services for payphone providers in that type of
19 scenario where we are the only ones as customers
20 required to do that.

21 May I ask I question? Do I need to go
22 through the questions I asked her, or those answers
23 part of the record?

24 MS. WIEST: Anything you wanted?

25 MR. SPECHT: Just the comments.

1 MS. WIEST: Right.

2 MR. SPECHT: So that would conclude our
3 comment.

4 MS. WIEST: Do you have any questions,
5 Mr. Heaston?

6 MR. HEASTON: Yes, if I could.

7 CROSS-EXAMINATION

8 BY MR. HEASTON:

9 Q. Mr. Specht, you said you had filed a
10 complaint against the Smart PAL. I think you meant the
11 basic.

12 A. I meant the basic PAL.

13 Q. Okay. What is -- you said \$54.00 comes close
14 to the hypothetical 12-month average. What did you
15 mean by that?

16 A. If I took all 12 months of phone bills from
17 U S West and averaged them out, which I could do for
18 1997 at the end of 1997. I did that at the end of
19 1996, and the actual bill for May is the bill that
20 comes closest to averaging all 12 of them.

21 Q. What was the average for all 12?

22 A. I don't recall that for 1996, I'm sorry. I
23 don't think it changed appreciably.

24 Q. You do understand from the testimony of Dr.
25 Wilcox that U S West does -- Smart PAL service does

1 charge itself the same rate that it would charge you if
2 you took the Smart PAL?

3 A. I understand that.

4 Q. That would include the message charge?

5 A. I understand that.

6 Q. As would basic PAL, I would presume, if you
7 had smart phones?

8 A. If we had smart phones, yes.

9 MR. HEASTON: I have no further questions.

10 MS. WIEST: Staff?

11 MR. HOSECK: No questions.

12 CHAIRMAN BURG: Commissioners?

13 CHAIRMAN BURG: I have a couple. Do you know
14 if Smart PAL is offered in North Dakota and Iowa?

15 Those are the two states you were using at the --

16 A. We have North Dakota, Iowa, and Minnesota. I
17 don't know the status of U S West's Smart PAL filings
18 in those states.

19 CHAIRMAN BURG: So you don't know if you're
20 going to be required to do the same thing there or not?

21 A. I do not know that. I do know that their
22 basic PAL in those states of Iowa and North Dakota is
23 flat rated. And by state law in Minnesota we are
24 allowed to buy a 1FB line and hook it up to a payphone
25 so the effect of that is flat rated as well.

1 CHAIRMAN BURG: How many payphone sites do
2 you have in South Dakota?

3 A. In South Dakota probably about 230.

4 CHAIRMAN BURG: Of those, do they all go
5 beyond the basic and measured service?

6 A. I'm sorry.

7 CHAIRMAN BURG: Well, in measured service you
8 must get a certain amount of time; right?

9 A. Measured service --

10 CHAIRMAN BURG: Without additional cost.

11 A. Measured service in South Dakota, there's a
12 six cent charge for every locally connected call, every
13 one of them. There are not included in the basic
14 amount.

15 CHAIRMAN BURG: What is the -- do you know --
16 and of course I could have asked this before. But the
17 usage charge exceeds the -- okay, that's only if you
18 use enough service. So it goes over \$20 and above \$20
19 you get a 30 percent discount?

20 A. That gives us a discount.

21 CHAIRMAN BURG: That's after you reach \$20 at
22 the six cents per call?

23 A. That's true.

24 CHAIRMAN BURG: So there's no calls included
25 in the basic rate?

1 A. No calls included.

2 CHAIRMAN BURG: So you're saying -- do you
3 have any sites -- I guess the question I was getting
4 at, do you have any sites that would be cheaper under
5 the measured than under the basic because it is a
6 cheaper initial monthly rate?

7 A. Well, maybe this isn't the answer you're
8 looking for, but 10 to 15 percent of our business is in
9 locations that don't generate enough calls to exceed
10 what a flat rate would be. In North Dakota, for
11 example, we provide service in locations that are not
12 strictly in and of themselves economically feasible.
13 So there are instances where that would be true if you
14 were comparing to say North Dakota.

15 CHAIRMAN BURG: Okay. Because under the rate
16 schedules, under rate group B, D and F, for example --
17 I don't know which page of the testimony this is -- and
18 it's got the flat rate is \$32.00 for two-way and the
19 message rate is \$20 for the two-way. So then that's
20 what I was getting at whether -- you know, I imagine
21 you've included those in the average.

22 A. Right, yes, sir. Every phone bill was
23 included in the average. I might also add that in U S
24 West's territories in South Dakota, we do not have --
25 our company does not have any phones in an area other

1 than a metered area. I think you were asking that of
2 the U S West people earlier. Every one of our phones
3 that's a U S West phone is not a -- is on a metered
4 rate.

5 CHAIRMAN BURG: Okay. That's all I had.

6 COMMISSIONER SCHOENFELDER: I don't think I
7 understood. I thought you were -- maybe I'm not
8 understanding this correctly, but I thought you were
9 complaining that you were forced to take the measured
10 rate.

11 A. Yes, we are.

12 COMMISSIONER SCHOENFELDER: But yet if you
13 had flat rated service in some areas, you would not
14 recover the cost of that flat rate; is that not true?

15 A. What I was attempting to answer was I thought
16 a question was are you better off under the metered
17 rate.

18 COMMISSIONER SCHOENFELDER: I mean measured
19 rate.

20 A. Measured is the --

21 COMMISSIONER SCHOENFELDER: I understand
22 that. I thought maybe metered meant something else.

23 A. Measured is maybe the term I should use. I
24 thought the question was are you better off under the
25 metered service.

1 COMMISSIONER SCHOENFELDER: Right.

2 A. Yes, you are, but only if you have a
3 payphone, so "lousy" that it doesn't do any calls. If
4 you don't do have many calls, then you have to do a pay
5 phone there because of a customer requirement. That
6 doesn't do any calls, but are you better off as a
7 business? You can't have many of those.

8 COMMISSIONER SCHOENFELDER: I guess I
9 wondered why you would have any of those.

10 A. Well, you need to serve the customers.

11 COMMISSIONER SCHOENFELDER: I thought you
12 could pick and choose locations if you are a
13 competitive payphone provider?

14 A. We have to be careful who we do business
15 with, but we will have a customer who is of overall
16 average benefit to us who will want a phone in each of
17 their stores. And maybe one of those is real slow
18 moving, and in that real slow moving scenario you end
19 up paying a smaller bill, but those are all averaged
20 in. Those smaller ones are all averaged in with the
21 larger ones to come up with the \$54.00 I was quoting.
22 You're better off -- in the very scenario you're not
23 better off but in the overall business sense of the
24 location has a profit.

25 COMMISSIONER SCHOENFELDER: I think I

1 understand it now. Thank you.

2 MS. WIEST: Any other questions of this
3 witness? Thank you. Staff?

4 MR. HOSECK: Could I move for a ten-minute
5 break?

6 MS. WIEST: Sure.

7 COMMISSIONER NELSON: Before you move for a
8 ten-minute break, Mr. Heaston, I found one more
9 question I want you to prefile, whatever you call it.

10 MR. HEASTON: Late file.

11 COMMISSIONER NELSON: I also want to know the
12 components that are made up into this measured price,
13 whatever it is.

14 MR. HEASTON: The six cents?

15 COMMISSIONER NELSON: Yeah.

16 MR. HEASTON: The cost components.

17 COMMISSIONER NELSON: Right.

18 MS. WIEST: We'll take a ten-minute break.

19 (AT THIS TIME A SHORT RECESS WAS TAKEN.).

20 MS. WIEST: Let's go back on the record.

21 Staff.

22 MR. HOSECK: Staff would call David Jacobson
23 as a witness.

24

25

DAVID JACOBSON,

called as a witness, being first duly sworn,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HOSECK:

Q. Would you state your name for the record,
please.

A. Yes. My name is David Jacobson.

Q. And where do you work?

A. Public Utilities Commission.

Q. What is your job?

A. I'm a utility analyst with the Fixed
Utilities Division.

Q. About how long have you worked with the
Public Utilities Commission?

A. A little over thirteen years.

Q. And are you familiar with this docket that
we're discussing here today, TC97-006?

A. Yes, I am.

Q. And were you assigned to it as a staff
analyst?

A. Yes, I was.

Q. Why is this filing before the Commission?

A. As explained by U S West, this filing is done
to comply with the FCC Orders which mandated that U S

1 West offer this service.

2 Q. And in a general sense, what does the filing
3 ask for?

4 A. Approval of Smart PAL service.

5 Q. I want to go over some definitions here with
6 you today. What does PAL stand for?

7 A. Public access line. The definition of that
8 it provides access line from a subscriber's pay
9 telephone location to the U S West central office.

10 Q. And we've heard discussion about Smart PAL
11 and basic PAL. Would you go over those and just give
12 the Commission your definition of those two services?

13 A. Yes. Well, as discussed by the U S West's
14 witness, Smart PAL service provides access line along
15 with central -- certain central office features which
16 basically relate to coin signalling and acknowledging
17 when coins have been entered, to the extent coins have
18 been entered, that type of thing. Basic PAL service
19 has the actual customer premise equipment, or the
20 telephone set do the coin counting and signalling
21 functions.

22 Q. And would you differentiate these services
23 from those that are provided by U S West in their
24 payphone service?

25 A. Yes. U S West in their deregulated tariff

1 catalog has public telephone service and semi-public
2 telephone service. These are the services that U S
3 West provides to its own pay telephones.

4 Q. And so what is the purpose of your testimony
5 here today?

6 A. To develop a recommendation as to the rate
7 that Smart PAL should be priced at.

8 Q. And in your work on this, did you perform an
9 analysis of this filing?

10 A. Yes. I sent out several data requests
11 regarding cost studies and various other questions, and
12 I compared -- did a comparison with the proposed rates
13 to the basic PAL service now in effect.

14 Q. What was the standard that you used in your
15 analysis? In other words, what were you looking for as
16 you were doing this work?

17 A. Basically the responses that I received that
18 pertain to the cost studies. I used that to determine
19 if the rates seem fair and reasonable. And I also
20 compared it to the service now in effect to see if that
21 comparison resulted in a fair and reasonable rate.

22 Q. I want you to describe for the Commission
23 just briefly the procedure that you used in doing your
24 work. What did you do besides the data requests that
25 you've already described?

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1 A. I and other staff members contacted U S West
2 directly. We spoke with a Mr. Couture, Ms. Wilcox,
3 Mr Lehner, Miss Sevold. We discussed the filing and
4 had questions and spoke with the intervenor in this
5 case. And I also worked with other staff members in
6 developing questions and analyzing responses.

7 Q. And with regard to the data requests, were
8 the responses submitted to you under oath?

9 A. Yes, they were. Actually, I'm not a lawyer
10 so I don't know exactly to what extent they were under
11 oath, but it appeared that Ms. Wilcox had testified
12 that the information was accurate subject to being
13 under her review as opposed to all of the individual
14 people that actually put the data together.

15 (EXHIBIT NO. 2 WAS MARKED FOR
16 IDENTIFICATION.)

17 Q. Dave, I've placed in front of you an Exhibit
18 No. 2, and I would ask you to identify that document.

19 A. This is the affidavit of Barbara M. Wilcox,
20 Ph.D., submitted in this docket.

21 Q. And that was received in the ordinary course
22 of business by you?

23 A. Yes.

24 MR. HEASTON: Ms. Wiest, I will stipulate
25 this is the affidavit of Barbara Wilcox that U S West

1 submitted in this case.

2 MS. WIEST: Okay. That's stipulated.

3 (EXHIBIT NO. 3 WAS MARKED FOR
4 IDENTIFICATION.)

5 Q. Dave, I've placed in front of you an exhibit
6 marked No. 3. Could you identify that document for the
7 Commission, please?

8 A. Yes. This is a letter sent to Miss Sevold on
9 July 9th, and it requested that -- it requested that
10 the data submitted under oath by each of the people
11 that had responded to the data requests, each of those
12 Respondents should provide a statement under oath and
13 notarized with some language contained within this
14 letter.

15 Q. Is this a true and correct copy of a document
16 that you sent out in your official capacity?

17 A. Yes.

18 MR. HOSECK: I would move Exhibit No. 3 into
19 evidence.

20 MS. WIEST: Which one?

21 MR. HOSECK: Three.

22 MS. WIEST: You haven't done two yet. Excuse
23 me, 2 was stipulated in the record.

24 MR. HOSECK: If that's the case, I would move
25 2 and 3 into the record.

1 MS. WIEST: Is there any objection?

2 MR. HEASTON: I have no objection to 3, but I
3 just wonder the relevancy of this whole inquiry at this
4 stage.

5 MS. WIEST: Well, at this point, then,
6 Exhibit 2 and 3 have been offered and admitted. I
7 assume you'll address the relevancy, Mr. Hoseck.

8 MR. HOSECK: Yes.

9 Q. Could you briefly describe for the Commission
10 what was provided to you in response to the data
11 requests that you made?

12 A. I received -- initially I received a long
13 running incremental cost study. Subsequent
14 conversations with U S West resulted in an adjusted
15 long-run incremental cost summary result. And certain
16 definitions were asked for and responded to, other
17 general questions regarding the filing. And finally an
18 embedded cost study was requested and received by
19 myself.

20 Q. Just briefly, I want you to go over the three
21 cost studies that you received and to describe each one
22 of them. In other words, in a general sense, what they
23 provided to you with regard to the long-term
24 incremental cost study, what information did that
25 provide to you?

1 A. The long-run incremental cost study was the
2 initial cost study submitted by U S West, and it's a
3 forward-looking estimated cost over a period of time.
4 And a period of time is distinguished as one as long
5 enough generally to reach an expected volume of
6 output. Long-run incremental cost uses the latest
7 cost, or the cost of replacing components necessary to
8 provide service and not the historic investment cost of
9 the company.

10 Q. Was there another cost study that was
11 provided to you?

12 A. The second data request generally responded
13 to -- adjusted the first cost study by certain inputs
14 that were inherent in the TC96-184 docket, I believe,
15 most notably, the return on equity.

16 Q. And what was the third cost study that you
17 received as a part of your data request?

18 A. Was the embedded cost study which is based on
19 historic investment of the company.

20 Q. As to the data contained in these cost
21 studies, did you confirm any of the inputs that were
22 used in those cost studies?

23 A. The incremental cost studies that were
24 initially done, as I stated, are done on forecasted
25 estimated inputs and as such are not contained within

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1 the books of the company, per se. They're based on
2 certain estimates derived by both engineering and other
3 economic studies done by the company. There really is
4 no book basis to go back and look for. I did not go
5 back and test the inputs for the embedded cost
6 studies. I just used it basically as a comparison tool
7 against the long-run incremental cost studies that were
8 submitted.

9 Q. Have you prepared some exhibits for use here
10 today?

11 A. Yes, I have

12 (EXHIBIT NO. 4 WAS MARKED FOR
13 IDENTIFICATION.)

14 Q. I have given you an exhibit marked No. 4.
15 Can you identify for the record what that document is?

16 A. Yes. This is an exhibit I put together. It
17 just compares the existing basic PAL rate with the
18 proposed Smart PAL rate.

19 Q. And what is the source of that information?

20 A. The many existing tariffs for basic PAL rate
21 and the proposed tariffs for Smart PAL.

22 Q. And this represents a compilation based on
23 the data requests that you received; is that correct?

24 A. Yes, and the filing itself.

25 MR. HOSECK: At this time I would move

1 Exhibit No. 4 into evidence.

2 MS. WIEST: Any objection?

3 MR. HEASTON: No objection.

4 MS. WIEST: If not, it's admitted.

5 Q. And is it true that you have prepared this
6 Exhibit 4 also as an overhead transparency?

7 A. Yes.

8 Q. And that is before the Commission at this
9 time; is that correct?

10 A. That's correct.

11 Q. And would you just generally go over this
12 exhibit and point out to the Commission what it has in
13 terms of information on it?

14 A. Yes. Basically I tried to make it as clear
15 as possible. It's a side-by-side comparison of the
16 basic rate elements of each of the services. As you
17 can see, they're both set out the same way. It should
18 be noted that the two aspects as was discussed earlier
19 that the flat rate elements shown on this exhibit are
20 not of -- I don't even believe exist any more. I think
21 every exchange that U S West serves is subject to the
22 message rate so then will further clarify the exhibit.

23 Also pursuant to the sale of exchanges that
24 actually in the last 121 docket, the base rate area and
25 outside base rate areas were done away with. They have

1 been done away with for basic PAL service except for
2 the exchanges of Morristown, McIntosh, and Timber Lake
3 where the sales are still in dispute somewhat, or at
4 least subject to appeal.

5 Q. And would you tell the Commission exactly
6 what these numbers mean? What relevance they have to
7 this filing?

8 A. What it shows is, as was stated by witnesses
9 before me, it shows that the markup from basic PAL to
10 Smart PAL is close to being a consistent markup
11 throughout all of the charges except for the per
12 message charge which remains the same and the
13 nonrecurring charge which remains the same. It isn't
14 perfectly proportional but it is consistent.

15 Q. And have you prepared a cost study summary in
16 this case also?

17 A. Yes, I have.

18 (EXHIBIT NO. 5 WAS MARKED FOR
19 IDENTIFICATION.)

20 Q. I have given you an Exhibit No. 5. Would you
21 describe for the record what that exhibit is?

22 A. This shows the different costs depending on
23 which type of studies submitted by U S West for in some
24 cases basic PAL service and in some cases Smart PAL
25 service.

1 Q. And is this a document that you prepared?

2 A. Yes, it is.

3 Q. And what was the source of the information
4 that's contained on this document?

5 A. These are data responses provided by U S
6 West.

7 MR. HOSECK: At this time I would move
8 Exhibit 5 into the record.

9 MS. WIEST: Any objection? If not, it's been
10 received.

11 A. I would like to note that the fully embedded
12 cost is for basic PAL service because as such Smart PAL
13 doesn't exist yet. There is no historic information
14 regarding Smart PAL.

15 Q. And would you place the transparency on the
16 overhead projector of this? And the transparency that
17 is presently before the Commission is just a
18 transparency of the exhibit that you prepared; is that
19 correct?

20 A. Yes.

21 Q. Would you describe for the Commission what
22 this summary shows?

23 A. It shows the numbers provided by U S West as
24 being the -- first of all, in the first column, the
25 long-run incremental cost of the Smart PAL service for

1 each of the rate elements that were shown on the
2 previous exhibit. The information that was provided as
3 adjusted for TC96-184, the adjusted results are shown
4 and they only affected the recurring cost element
5 according to the information provided by U S West. And
6 the fully distributed embedded cost, as I just stated,
7 was for basic PAL service as this was the only existing
8 service with historical information and is used as a
9 comparison.

10 Q. So what does this exhibit show the
11 Commission?

12 A. It just shows the results of the cost studies
13 as submitted by U S West, which can be used to compare
14 with a proposed rate that they propose to offer.

15 Q. And there was some prior testimony in this
16 proceeding about comparisons to other states with
17 regard to these costs. Do you have any information
18 from any of those other states?

19 A. I did request from North Dakota a copy of
20 their Smart PAL service. I do have a copy of that.
21 That was faxed to me.

22 Q. And what did that information indicate
23 comparing those rates to South Dakota's?

24 A. Well, it appears that they're not directly
25 comparable because of the different rate groups that

1 may be different than the rate groups we're in.

2 However, there are certainly prices which are lower
3 than what is proposed in South Dakota.

4 Q. And are there any comparable rate groups that
5 you could by way of example show what the difference is
6 on these prices?

7 A. Well, it appears that in the North Dakota, at
8 least the tariff sheets I was provided by the North
9 Dakota Commission, that there is no measured service
10 available there.

11 Q. Generally speaking, what is the comparison of
12 the Smart PAL pricing as in the filing as compared to
13 the costs to U S West?

14 A. Well, generally speaking, the prices are
15 above cost.

16 Q. Okay. And is there a markup or profit factor
17 already included in any of those cost studies that you
18 were provided?

19 A. Well, there is a provision for the cost of
20 capital, yes.

21 Q. And what, to the best of your knowledge, is
22 the number of customers that are presently affected by
23 this filing?

24 A. To the best of my knowledge, there are no
25 Smart PAL customers yet, but I'm not positive about

1 that.

2 Q. And has U S West imposed this rate that is
3 contained in this filing?

4 A. Yes. Their rate was -- the effective date of
5 these tariff pages was April 15th, 1997.

6 Q. Okay. As a final question, what analysis or
7 recommendation would you make to the Commission with
8 regard to this filing?

9 A. This filing is rather unique in a way because
10 it is a noncompetitive filing filed outside of a rate
11 case. And the Commission has made several decisions in
12 the recent past which deviated from the old historic
13 cost of service type analysis. The Commission is
14 really free to price this on any basis. My opinion is
15 that they can price this on any basis that they
16 choose. The traditional cost of service information
17 was requested from the company -- and although it isn't
18 exactly applicable to Smart PAL -- it shows what the
19 basic PAL embedded costs are -- what that was provided
20 by U S West. It also shows the basis of the long-run
21 incremental cost which has been submitted in the more
22 recent arbitration cases, although maybe not totally
23 absolutely comparable, but there are some different
24 methodologies that may be used in this case, but I'm
25 not quite sure of that. The Commission is certainly

1 free to go on another basis other than what the cost
2 studies would depict.

3 I guess one concern of staff other than
4 basing it on the cost study would be the discrimination
5 problem that could be -- if this service was priced
6 significantly other than what basic PAL is available
7 for right now. You know, the last time the rates were
8 set in effect for basic PAL, they were set on a fully
9 embedded cost service basis. And to be consistent with
10 that, I could easily recommend that this rate also be
11 based on a fully embedded cost basis. However, if
12 there is a discrimination problem with that, which is
13 more as I understand historically has been a legal
14 determination, that should be considered by the
15 Commission.

16 Q. Does this conclude your testimony?

17 A. Yes, it does.

18 MR. HOSECK: I would tender the witness for
19 cross-examination.

20 MS. WIEST: Mr. Heaston?

21 MR. HEASTON: No questions.

22 MS. WIEST: Mr. Specht?

23 MR. SPECHT: I don't have any questions.

24 MS. WIEST: Commissioners?

25 COMMISSIONER SCHOENFELDER: I have one,

1 Dave. In your opinion, as you analyze this, I'm having
2 a problem understanding the measured service, like it's
3 mandated in South Dakota but North Dakota doesn't have
4 it. Did you look into that? Is there a reason that
5 it's that way? Do you have an opinion about it?

6 A. I don't have any hard evidence on that. An
7 assumption I made is that the South Dakota facilities
8 are in a more upgraded state and we're able to measure
9 the service more so than other states. I didn't check
10 specifically with any state. And in North Dakota's
11 case, they do not approve or disapprove any such
12 filings, so whatever they get is what they get, as I
13 understand it.

14 COMMISSIONER SCHOENFELDER: Okay. Thank
15 you.

16 CHAIRMAN BURG: Dave, what goes into the
17 monthly rate beyond the per call rate? Do you know
18 what that covers?

19 A. The cost study itself breaks all of that, but
20 the long run incremental cost study, I have briefed
21 that out in quite a bit of detail.

22 CHAIRMAN BURG: Okay. We can look at that.

23 A. I have a copy of that cost study and could
24 introduce as evidence but it's somewhat marked up. If
25 that's your wish --

1 CHAIRMAN BURG: If I have any questions I'll
2 check with it. I think that's the only question I had
3 at this time.

4 COMMISSIONER NELSON: No.

5 MS. WIEST: You said the Commission is free
6 to price on any basis besides LRIC and fully embedded
7 or fully distributed. What other basis would the
8 Commission go on?

9 A. Any kind of a public interest standard, fair
10 and reasonable standard that they may deem
11 appropriate. I don't know. You're getting kind of
12 into a legal question there what they would base --
13 what the statutes allow them to base the rates on, but
14 certainly I've heard those two items mentioned.

15 CHAIRMAN BURG: I have one other one that I
16 forgot. Who would constitute a customer for PAL
17 service?

18 A. Basically a payphone service provider other
19 than of a location or somebody that will go out and
20 solicit to offer a payphone at a location, for
21 instance, truck stop, any place like that.

22 CHAIRMAN BURG: Would the actual customer be
23 the payphone owner and provider?

24 A. Yes. I mean, that's the way I would
25 understand it. It could either be the actual location

1 owner or it could be somebody that goes to locations
2 and solicits payphones.

3 CHAIRMAN BURG: How would the owner be if
4 they weren't providing the phone?

5 A. Well, I would imagine that they would provide
6 the phone.

7 CHAIRMAN BURG: So it would be the provider
8 of the phone, technically that would be the customer?

9 A. Yeah.

10 CHAIRMAN BURG: An owner of a site that did
11 not provide their own phone, they would not be a
12 customer; right?

13 A. That's correct. In that case it would be
14 somebody like Mr. Specht, I would believe.

15 CHAIRMAN BURG: Right. Or in the case of U S
16 West, you know, they can solicit U S West to provide a
17 phone?

18 A. That's true. And that's under the
19 deregulated rate.

20 CHAIRMAN BURG: Okay. Thank you.

21 MS. WIEST: Another question: I believe
22 Ms. Wilcox testified that the monthly rate has no
23 contribution so we needed contribution from the usage.
24 Is that your understanding that the monthly rate has no
25 contribution?

1 A. It would appear so for message service.

2 MS. WIEST: For messages. And which numbers
3 are you looking at in the tariff?

4 A. I'm looking -- actually I'm looking at my two
5 exhibits, the cost study summary where it shows all the
6 recurring costs, the lowest one is _____. And I'm
7 looking at the recurring costs or the proposed charges
8 for Smart PAL and all of those are for message service,
9 all of those are below _____. That's considering all
10 the cost study.

11 MS. WIEST: Okay. Thank you. Any other
12 questions?

13 CROSS-EXAMINATION

14 BY MR. SPECHT:

15 Q. If I could, Dave, take you back to Exhibit 4,
16 did you tell us that the initials BRA and OERA, which
17 of those really no longer exists?

18 A. Well, actually pursuant to the Docket 121,
19 neither of them exist in any exchange except -- in
20 other words, the only exchanges located in rate groups
21 B and D are Morristown, McIntosh and Timber Lake; and
22 those are under a proceeding in which U S West tried to
23 sell them. And that is why -- because of the
24 provisions of the sale and the status of that sale,
25 that's why they're, I believe, still rated with base

1 rate area and outside base rate area.

2 Q. So a flat rate outgoing only of _____ in the
3 one case or _____ in the other would be the rate if it
4 were a flat rate scenario, or is that not correct to
5 say that?

6 A. Well, if -- yeah, as I understand it, there
7 are no -- in those rate groups A, C, E, G and I, there
8 are no areas that do not offer measured service. So,
9 in essence, there is no flat service offering. To the
10 best of my knowledge, that's the case. And so that
11 flat rate really doesn't exist.

12 Q. If it did, comparing Exhibit 4 to Exhibit 5,
13 that flat rate would be adequate to cover U S West's
14 costs?

15 A. Well, yes. But under a fully distributed
16 embedded cost scenario, yes, because usage was included
17 in that.

18 MR. SPECHT: Thank you.

19 MS. WIEST: Any other questions? Thank you.

20 Do you have any other questions, Mr. Hoseck?
21 Witnesses?

22 MR. HOSECK: No other witnesses. I would
23 rest. Thank you.

24 MS. WIEST: Any rebuttal?

25 MR. HEASTON: No.

1 MS. WIEST: Any closing statements by any of
2 the parties? Mr. Heaston?

3 MR. HEASTON: What's going to be the
4 procedural schedule? I guess that would be my first
5 question.

6 MS. WIEST: Let's go off the record and talk
7 about it.

8 (A DISCUSSION WAS HELD OFF THE RECORD.).

9 MS. WIEST: Okay. We'll go back on the
10 record. Any closing statements?

11 MR. HEASTON: Yes. Thank you. On behalf of
12 U S West, as Ms. Wilcox pointed out in her testimony,
13 the Smart PAL filing is in effect an incremental filing
14 to the basic PAL, P-A-L, the public access line. This
15 is for the operation of coin phone service, competitive
16 phone coin service, either through the use of a smart
17 pay phone or a dumb payphone that U S West
18 traditionally provides its payphone service using a
19 dumb payphone with all of the smarts in the central
20 office.

21 And what the FCC has done in its Order -- one
22 of the things it has done in its Order has ordered U S
23 West also to provide the ability for competitors to
24 have a dumb payphone rather than have to pay for the
25 smarts in the phone itself. And that in order to

1 encourage competition in that area, or at least to make
2 sure competition can exist, it's required that we
3 provide the same smarts we provide in the switch to our
4 competitors on the same basis that we provide it to
5 ourself.

6 And that's what this filing is all about. We
7 are providing the smarts that are in the switch to the
8 competitor so they can -- they only have to buy the
9 same telephone that U S West normally buys and can
10 compete because the cost of doing that will be the same
11 both for the competitor and for U S West.

12 Now, U S West has had on file for a long time
13 a tariff that provides the basic PAL service. And that
14 service has -- and if you look in 5.5.7(a)(2), which
15 this Commission took notice of, of U S West's tariff,
16 there is a statement in there that's been in there for
17 some time in which the Commission has looked at and
18 approved before.

19 And that statement is that where measured
20 service is available, where the central office that
21 provides the service can measure this on a message
22 basis, then it requires that the service provider buy
23 measured service measured by message.

24 That includes not only Mr. Specht in his
25 operation, but it also means that U S West, in

1 providing its service through its dumb payphones, has
2 to buy the same service under the same pricing scheme.
3 That it has to pay the same costs, it has to pay the
4 same prices to include the message charge.

5 So there is no difference, no discrimination
6 here. The Commission has in the past approved the
7 prices of this service knowing full well that this
8 service, as Ms. Wilcox testified, provides substantial
9 contributions to the costs of the business. This is
10 just like business service provides a substantial
11 contribution, and other services do the same thing and
12 that is because other services that we provide don't.

13 And as she testified, we've had a public
14 policy consideration, which rightfully so, was made by
15 this Commission on many indications that that's how
16 service would be priced mainly to encourage universal
17 service. That's all part of this same scheme. Now, we
18 are slowly unraveling that scheme, but it shouldn't
19 happen in this filing. This filing with the Smart PAL,
20 we should leave the same pricing intact.

21 This Commission is going -- as it well knows,
22 is going to be working on a universal service fund.
23 It's going to be working on setting the cost for that
24 universal service fund and is going to be looking at
25 affordability and is going to be looking at just what

1 we do in the new competitive environment for all
2 service to say eliminate subsidies so that the services
3 compete then and that competition can enter for all
4 services and they don't have the lingering effects of
5 the former public policy regime.

6 There's a new public policy that's been
7 announced by the '96 Federal Act and which is working
8 its way in the last legislative session and probably in
9 the next and the one after that and one after that and
10 in the Commission's decisions on all these cases on all
11 the arbitrations, on all of this, that that's going to
12 work out how services are going to contribute to the
13 overall well-being of a company. And that is an
14 evolutionary process.

15 I don't think it starts with this filing. I
16 think this is a very minor, very small filing. I don't
17 mean to belittle Mr. Specht's business. He's a
18 businessman, an entrepreneur. He's trying to make a
19 living with this. But, by the same token, he's not
20 disadvantaged by this because his biggest competitor is
21 U S West. And his business competitor pays the same
22 price for the same services he pays in providing those
23 same services.

24 So there should be no reason why this isn't
25 approved, and we would ask -- respectfully ask the

1 Commission approve this filing. Thank you.

2 MS. WIEST: Mr. Specht.

3 MR. SPECHT: Well, thank you. I'd like to
4 thank the Commission for hearing us today and thank the
5 people from U S West for their kindnesses and
6 courtesies they showed us as we were discussing things
7 with them by telephone.

8 I think that it is in the public interest to
9 keep the cost of payphone services low. In some
10 respects I think you can consider payphone services to
11 be at least tangentially a portion of universal
12 service. Increasingly, our customers are people that
13 do not have phones of their own; certainly, customers
14 that do not have cell phones, and the payphone provides
15 their method of communication. So I think it is in the
16 public interest to keep the cost of payphone service
17 low.

18 I understand from a previous meeting here we
19 could simply raise the prices if we felt the need to.
20 We don't want to do that if at all possible. I don't
21 see the reason why the payphone owner should provide
22 such a dramatically larger contribution to U S West's
23 overhead costs that some of the other business users
24 do.

25 Mr. Heaston is right, we are in business. We

1 hope to make a living at it, and we certainly don't
2 have any objection to keeping U S West healthy. We get
3 good service from U S West. We like working with
4 them. We have no problems in that regard. We just
5 think the margin is too high.

6 I would respectfully ask that the Commission
7 impose a flat rate for Smart PAL which would have the
8 effect of lowering the cost as compared to the
9 historical costs of the measured service that has been
10 associated with basic PAL and which is reflected in the
11 Smart PAL tariff. Thank you very much.

12 MS. WIEST: Staff.

13 MR. HOSECK: Thank you. Mr. Chairman,
14 Members of the Commission: In handling this case it
15 was somewhat unique in that we really weren't sure
16 whether this was a true price cap filing or a rate of
17 return case. And whatever it is, maybe it's some
18 combination of both, but the ultimate test that I would
19 submit that the Commission has to use in determination
20 of the final outcome is whether or not the proposed
21 rate is fair and reasonable, as that seems to be a
22 standard under either approach.

23 Staff has analyzed this. I think that the
24 analysis is something that the Commission can use in
25 terms of looking at whether or not there is a

1 correlation between what is asked for here and the
2 costs that U S West has incurred, and whether or not on
3 the per message charge there is a significant
4 difference between the charge and the long term
5 incremental costs. It's your decision as to whether or
6 not this is fair and reasonable.

7 Finally, one thing that I do want to bring up
8 the relevance of and that is the Exhibits No. 2 and 3,
9 the affidavits. And this is submitted to the
10 Commission solely for the purpose that the Commission
11 can see what staff has had to work with in this
12 particular case.

13 We have asked for a specific oath; that the
14 data be referred to us using that oath, and it has not
15 been used by U S West. In fact, Exhibit 2 is what U S
16 West has supplied. I would ask the Commission to read
17 that oath, because as it is signed by Barbara Wilcox,
18 in my opinion, it indicates that she does not have
19 personal knowledge of the facts that were furnished to
20 staff. And given that fact, she has gone on to say
21 that the information is to the best of her knowledge
22 and true.

23 And this, quite frankly, if we're going to
24 have this type of a relationship that continues with
25 U S West our data requests are going to prove

1 unworkable. And for no other reason, I just want the
2 Commission to be aware of what staff has gone through
3 in it's dealings with U S West in this particular case.
4 Thank you.

5 MS. WIEST: Anything else?

6 MR. HEASTON: Well, I would just like to make
7 a comment on the oath thing. I'm sorry to see this get
8 escalated into this formal hearing. I just have two
9 observations for the Commission.

10 You have a power under 49-31-7 that gives you
11 the power to collect information, which my reading of
12 that says the Commission in that and includes the
13 Commission staff. That is not a formal interrogatory
14 process set up under the Civil Rules of Procedure.
15 There is no requirement in 49-31-7 that the information
16 be provided under oath. There is no requirement under
17 any of your rules that information provided as a part
18 of 49-31-7 be provided under oath.

19 This is the information that's provided to
20 the staff to be able to work with us so we can
21 communicate with one another, as was indicated by
22 Mr. Jacobson. And that, you know, when he would call
23 people and ask them, you know, to revise a study, to do
24 certain things, we work together to do this. There
25 isn't one person in U S West that can do all this.

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1 There are a number of people that can wreak into the
2 tens of people, tens, twenties, thirties, that it takes
3 to respond to a Commission data request to pull all
4 that information together to get it to you.

5 Now, if we want to treat this as a 15-6 type
6 of interrogatory under 15-6-33 of the South Dakota
7 statutes, that's a whole different ball game. Then I
8 become the discovery lawyer, and I start nitpicking
9 what they're asking for, and I start dealing with
10 relevance, and I start dealing with all kinds of things
11 that I deal with when AT&T starts to ask me questions
12 like this, or MCI, or anybody else. Then I get into a
13 battle because then we get into the whole different
14 process set up under the Civil Rules of Procedure
15 that's applicable to Commission hearings, but is
16 intended for parties in order to do discovery. And I
17 don't view this as Commission discovery.

18 So that's the first observation. The second
19 observation is that if it is discovery, the rules don't
20 require that everybody who is involved in the discovery
21 process sign an oath, especially with a corporation.
22 If you take a look at 15-6, if you took a look at the
23 law that surrounds 15-6 in various publications, a
24 corporate body can designate an agent who responds, who
25 signs the oath, and who says that this information is

1 to the best of my belief, which is the same as
 2 Mr. Hoseck's drafted affidavit only we're to take it
 3 applies to everybody. But it binds the corporation
 4 that the corporation's whatever information it provided
 5 is the truth. These are the documents the corporation
 6 has, and this is the information that we have, and that
 7 to the best of the ability of the person who gathered
 8 it and provided the response, that's the truth.

9 And that's all we think we need to do, and
 10 that's all Dr. Wilcox did. She swore that it was the
 11 truth to the best of her knowledge, which is what Mr.
 12 Hoseck's affidavit says, to the best of that person's
 13 knowledge. But we have one -- the way we do this and
 14 as we have a group that handles South Dakota, and it's
 15 one person really. And she then -- when we get a staff
 16 data request or an interrogatory from a party, she
 17 determines who the best person is to research that and
 18 to help provide the answer.

19 And that person then gets the data request,
 20 and that person then goes back to whatever group he or
 21 she works with and then consults with a number of
 22 people in pulling the data together. And then getting
 23 that data together, then getting it up to that one
 24 person in Omaha right now named Diana Massey, who then
 25 gathers the information. There are 12 or 14 different

1 questions here. It went out to a number of different
2 people. She gathers that information together.

3 And since Dr. Wilcox was going to be the
4 witness, she reviewed those responses and then was able
5 to attest to the veracity of those to the best of her
6 knowledge. And I think that's the way it should
7 happen.

8 So we've had these discussions, Mr. Hoseck.
9 I don't know. I mean, we can resolve it here, you
10 know, if the Commission wants to change its rules on
11 how the staff gathers data and its function under
12 49-31-7. That's fine if they want to change that. I
13 just think that the way we've been working all along
14 until very recently in providing this information under
15 49-31-7, instead of an interrogatory process under the
16 Civil Rules of Procedure, I think was much more
17 productive. And I don't -- I just think since
18 Mr. Hoseck brought it up and wants the Commission to
19 think about it, I think that's what you have to think
20 about. There isn't a rule right now that you have.

21 COMMISSIONER NELSON: Can I ask him a
22 question?

23 MS. WIEST: Go ahead.

24 COMMISSIONER NELSON: Are you saying the
25 Commission has to change its rules if we want to swear

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1 people in under oath?

2 MR. HEASTON: No, no.

3 COMMISSIONER NELSON: I'm a little confused
4 here. These people take oaths. We swear them in right
5 away at the beginning of our meetings.

6 MR. HEASTON: No. What we're talking about
7 here is the information gathering that goes on before
8 the hearing.

9 COMMISSIONER NELSON: Right. But in the end,
10 that information, that's brought forward and we use in
11 our deliberation.

12 MR. HEASTON: That's what the rules and due
13 process and administrative procedure call for is before
14 a witness testifies in a contested case, that witness
15 is sworn. And that's not what I'm objecting to.

16 COMMISSIONER NELSON: I know what you're
17 objecting to. What I'm asking you is do you think we
18 need to change our rules in order to do what you
19 suggested that we might want to do would be a change in
20 our process about swearing to things by oath? Because
21 it seems necessary as I got here, we never have the
22 people who really make this stuff and put it together.
23 We have somebody who reviews it and gives us an answer
24 and to the best of their knowledge. That's probably
25 true. But I don't think they're necessarily the most

1 informed people, in my own opinion, about whether it's
2 accurate, whether it's not accurate and.

3 You have a right to go to court based on the
4 record that you present in this case. My decision then
5 will be turned up or down based then on the record that
6 you created. And I think I have every expectation to
7 believe that somebody who really did this stuff and is
8 testifying to it, whoever did it, is here.

9 MR. HEASTON: Well, when you represent a
10 corporation as a party, and as big a one as I
11 represent, and from that standpoint when you present
12 evidence, the fact that the person didn't necessarily
13 do everything themselves, but it was done under their
14 guidance or direction and they have the expertise to
15 understand what was done and have reviewed it and have
16 assured themselves that it's accurate and are willing
17 to get on the stand here and stand up and raise their
18 right hand under oath and say, "I will tell you the
19 truth," that that's no different than the person that
20 actually did it coming in here and doing the same
21 thing.

22 That's a normal way an expert testifies.
23 That's the normal way somebody who has a multifaceted
24 job like Dr. Wilcox has to do it. We can't -- it
25 shouldn't be necessary to bring every single person in

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1 that's involved in the process in order to make every
2 little piece. That's traditionally the way you do
3 that, not only in front of this Commission, but in a
4 courtroom. I mean, if I were going to a court in front
5 of a judge, I would do it somewhat the same way because
6 I would qualify Dr. Wilcox as an expert. And in her
7 expertise she hasn't done all of this, but she has
8 reviewed it as an expert. She has assured herself this
9 is accurate and is willing to get on the stand and
10 swear that it is the truth.

11 CHAIRMAN BURG: The only comment I would make
12 is we've heard comments about future -- the way we
13 handle things in the future. I don't think we can
14 decide that in this case. I don't think we can decide
15 it here. But I think the comments from both sides we
16 should evaluate and determine if we should make any
17 change in procedure.

18 COMMISSIONER SCHOENFELDER: As long as
19 everyone is making comments -- and I am not sure it's
20 proper procedurally right now. But I share with
21 Commissioner Nelson a little bit of the frustration of
22 having a witness that says "I don't know" and "I didn't
23 review that." And I think they're being totally honest
24 that they didn't. And I know you can't anticipate
25 every question we're going to ask.

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1 that really honestly prepare them. So I do agree with
2 Commissioner Nelson, where she's going. I'm aware that
3 you can't bring everyone, but at least I'd like
4 verified information. And if we have to change the
5 rules to do that, I'm willing to do that. Just so you
6 know that. We got into this discussion. I'm not sure
7 this is the proper way to do it. And I'm sure Rolayne
8 is having a spurt down there because we're probably
9 doing some something out of procedure, but she's used
10 to us. But I think it's important that we have things
11 clear between us. And I do sort of agree with staff,
12 with Commissioner Nelson. That's the direction I'd
13 like to go in. So however that can be done, I'd
14 appreciate it.

15 CHAIRMAN BURG: I think we need to do that
16 though in a procedures for hearing that we use.

17 COMMISSIONER SCHOENFELDER: You're probably
18 very right.

19 MS. WIEST: I think that closes the hearing.

20 (THE HEARING CONCLUDED AT 3:30 P.M.)
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25

1 STATE OF SOUTH DAKOTA)
2)
3 COUNTY OF HUGHES)
4

5 I, Lori J. Grode, RMR, Notary Public, in and
6 for the State of South Dakota, do hereby certify that
7 the above hearing, pages 1 through 93, inclusive, was
8 recorded stenographically by me and reduced to
9 typewriting.

10 I FURTHER CERTIFY that the foregoing
11 transcript of the said hearing is a true and correct
12 transcript of the stenographic notes at the time and
13 place specified hereinbefore.

14 I FURTHER CERTIFY that I am not a relative or
15 employee or attorney or counsel of any of the parties,
16 nor a relative or employee of such attorney or counsel,
17 or financially interested directly or indirectly in
18 this action.

19 IN WITNESS WHEREOF, I have hereunto set my
20 hand and seal of office at Pierre, South Dakota, this
21 6th day of August, 1997.

22 
23 _____
24 Lori J. Grode, RMR
25

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY)
U S WEST COMMUNICATIONS, INC.) TC97-006
FOR REVISIONS TO ITS EXCHANGE AND)
NETWORK SERVICES TARIFF) SEALED PAGES:
21, 22, 76, 77

HEARD BEFORE THE PUBLIC UTILITIES COMMISSION

PROCEEDINGS: July 28, 1997
1:00 P.M.
Room 412, Capitol Building
Pierre, South Dakota

PUC COMMISSION: Jim Burg, Chairman
Laska Schoenfelder, Commissioner
Pam Nelson, Commissioner

COMMISSION STAFF
PRESENT: Rolayne Ailts Wiest
Camron Hoseck
Harlan Best
Dave Jacobson

Reported by: Lori J. Grode, RMR

1 proprietary number. And while some of us have signed,
2 as you have signed, a proprietary document, not
3 everybody in the room has. So if you really want that
4 answer, then we need to clear the room of the people
5 who would not.

6 MS. WIEST: It's just Commission staff, isn't
7 it?

8 MR. HEASTON: I wasn't sure of one person
9 back there.

10 CHAIRMAN BURG: She's our summer intern.

11 MR. HEASTON: Okay. Go ahead.

12 A. Then I assume they'll have this part of the
13 record sealed?

14 MR. HEASTON: Sealed, yes, Lori, as far as
15 the number is concerned.

16 A. The numbers are all contained in the cost
17 study that was submitted as a response to a staff data
18 request. And if I can find the right page -- and this
19 was the first set of data requests, question number
20 two. For the measured coin line service, which is the
21 Smart PAL service, the usage costs per month are
22 \$6.05.

23 Q. I'm going to need to ask you about that. Say
24 that again. The usage cost per month is \$6.00.

25 A. And this is an average figure.

1 Q. For what kind of line?

2 A. For the measured Smart PAL line.

3 Q. For the measured Smart PAL line.

4 A. Yes.

5 Q. Based on basic PAL, I would presume, since I
6 think in your opening comments you said that no one is
7 buying Smart PAL yet, or is that U S West smart lines?

8 A. The usage was calculated based upon the usage
9 characteristics of the basic PAL, yes.

10 Q. So the usage on the basic PAL you're
11 calculating at \$6.05 cents on the average?

12 A. Yes. Now, the total cost usage plus the line
13 then is \$36.71. And as I said earlier, you really need
14 to look at the total cost compared to the total revenue
15 to evaluate totally the contribution here.

16 Q. So the total cost you just referred to is
17 \$36.00?

18 A. And 71 cents.

19 Q. 71 cents. And I made reference to average
20 charges in the month of May of \$54.00, which included
21 about \$6.00 of 911 and Federal excise tax of a couple
22 dollars. So my fair comparison would be there for
23 \$36.71 of costs I'm paying, what would that be, \$48.00,
24 \$46.00 roughly. Okay. That's fine. Of your business
25 functions, what does it cost you to meter service?

1 A. It would appear so for message service.

2 MS. WIEST: For messages. And which numbers
3 are you looking at in the tariff?

4 A. I'm looking -- actually I'm looking at my two
5 exhibits, the cost study summary where it shows all the
6 recurring costs, the lowest one is 31.05. And I'm
7 looking at the recurring costs or the proposed charges
8 for Smart PAL and all of those are for message service,
9 all of those are below 31.05. That's considering all
10 the cost study.

11 MS. WIEST: Okay. Thank you. Any other
12 questions?

13 CROSS-EXAMINATION

14 BY MR. SPECHT:

15 Q. If I could, Dave, take you back to Exhibit 4,
16 did you tell us that the initials BRA and OBRA, which
17 of those really no longer exists?

18 A. Well, actually pursuant to the Docket 121,
19 neither of them exist in any exchange except -- in
20 other words, the only exchanges located in rate groups
21 B and D are Morristown, McIntosh and Timber Lake; and
22 those are under a proceeding in which U S West tried to
23 sell them. And that is why -- because of the
24 provisions of the sale and the status of that sale,
25 that's why they're, I believe, still rated with base

1 rate area and outside base rate area.

2 Q. So a flat rate outgoing only of 34.75 in the
3 one case or \$35.00 in the other would be the rate if it
4 were a flat rate scenario, or is that not correct to
5 say that?

6 A. Well, if -- yeah, as I understand it, there
7 are no -- in those rate groups A, C, E, G and I, there
8 are no areas that do not offer measured service. So,
9 in essence, there is no flat service offering. To the
10 best of my knowledge, that's the case. And so that
11 flat rate really doesn't exist.

12 Q. If it did, comparing Exhibit 4 to Exhibit 5,
13 that flat rate would be adequate to cover U S West's
14 costs?

15 A. Well, yes. But under a fully distributed
16 embedded cost scenario, yes, because usage was included
17 in that.

18 MR. SPECHT: Thank you.

19 MS. WIEST: Any other questions? Thank you.

20 Do you have any other questions, Mr. Hoseck?
21 Witnesses?

22 MR. HOSECK: No other witnesses. I would
23 rest. Thank you.

24 MS. WIEST: Any rebuttal?

25 MR. HEASTON: No.

TC97-006

[illegible]

TC97-006

125 South Dakota Avenue, 8th Floor
Sioux Falls, South Dakota 57194

January 15, 1997

U S WEST
COMMUNICATIONS 

Mr. William Bullard, Executive Director
Public Utilities Commission
State Capitol Building
Pierre, South Dakota 57501

FAX Received JAN 15 1997

RECEIVED
JAN 17 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Dear Mr. Bullard:

U S WEST Communications has enclosed for filing with the Commission the following pages from our Exchange and Network Services Tariff:

<u>Section</u>	<u>Page</u>	<u>Release</u>
5	92	2
5	93	2
5	94	2
5	95	4
5	95.1	1

This filing proposes to introduce the Smart Public Access Line (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis. The introduction of Smart PAL is intended to meet the requirements in the FCC Order 96-388 (Paragraphs 146 and 147) as modified in FCC Order 96-439 (Paragraph 163) to provision a coin line for use by all Payphone Service Providers who wish to place a "dumb" payphone set on the line. The coin line has traditionally been used only by U S WEST Public Services.

In addition, this filing proposed withdrawing language in the tariff which regulates the operational characteristics of Payphone Service Provider pay telephones. The effective date requested for this filing is April 15, 1997

We would appreciate acknowledgment of receipt of this filing. A duplicate copy of this letter is attached for your convenience.

Sincerely,



Colleen E. Sebold
Manager-Regulatory Affairs

Attachment

EXHIBIT

/

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5

Page 92

Release 2

Effective:]

State of South Dakota
Issued: 1-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE

(T)

A. Description

1. Public Access Line (PAL) Service will apply for use with Payphone Service Provider (PSP) pay telephones at locations accessible to the public, e.g. stores, business places, including boarding or rooming houses and school or college buildings, where desired by the owner of the premises. (T)
2. In exchanges where neither measuring or metering capabilities exist, service will be offered on a flat rate basis with no usage. A customer shall be required to convert to the measured/metered service when the central office is converted to accommodate measured/metered service. (T)
3. Directory listings may be provided under the regulations governing the furnishing of listings for business main line customers. However, listings (not indicating a business or profession) provided in connection with PAL Service furnished at boarding or rooming houses or at other locations where the party desiring the additional listings resides, are furnished under the regulations covering the furnishing of listings in connection with residence main line service. (T)
4. Basic PAL consists of a basic flat or message access line without screening. (N)
5. Smart PAL Service is a flat or message, two-way or outgoing only line which utilizes central office coin control features. This service provides:
 - Coin signaling, including coin collect and coin return.
 - Company completed and carried local and intraLATA toll messages, both sent paid and non-sent paid.
 - Company operator services/systems for all 0-, 0+ and 1+ intraLATA toll calls, and 0+ local calls.
 - Routing to the presubscribed carrier for all 0+ and 00- interLATA calls.
 - Pay-per-call blocking (e.g. 900 and 976).
 - Incoming and outgoing call screening.
 - Access to:
 - Directory assistance,
 - 911 emergency code,
 - All interexchange carriers,
 - 800/800-type service and 950 telephone numbers,
 - Company repair service.

(N)
(M)

(M) Material moved to Page 93.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5

Page 93

Release 2

State of South Dakota

Issued: 1-15-97

Effective:]

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS
5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

B. Responsibility of the Customer

1. The customer shall be responsible for the installation, operation and maintenance of any PSP pay telephones used in connection with this service.
2. The customer shall be responsible for the payment of a Trouble Isolation Charge as provided in the Premises Wiring Section for visits by a Company employee to the customer's premises when a service difficulty or trouble report results from the use of PSP pay telephones. The owner of the pay telephone or responsible party will be contacted prior to sending an employee out to find the problem.
3. The customer shall be responsible for payment of charges for all toll messages originating from or accepted at this type of service, unless due to Company error.

C. Terms and Conditions

1. The Company is not liable for shortages of coins deposited and/or collected from the pay telephones used on PAL Service.
2. The Company is not liable for end-user fraud associated with failure of the customer's pay telephones to perform correctly.
3. The following terms and conditions are specific to Smart PAL Service:
 - a. Separate lines are used for each pay telephone instrument installed. Off premises extensions are not permitted.
 - b. Until other carriers can provide sent-paid InterLATA coin service, all direct dialed InterLATA and International (1+, 10XXX+1, and 011+) calls will be forwarded to AT&T for coin rating and completion.
 - c. The customer must insure that the telephone sets used with Smart PAL Service are capable of rating sent-paid local calls and are compatible with, and cause no harm to the Company's network.

(M) Material moved from page 92.

(T)

(T-M)

(T)

(T)

(T-M)

(D)

(N)

(N)

U S WEST COMMUNICATIONS, INC.
Exchange and Network
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Issued: 1-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS
5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

(T)
(D)

D. Rates and Charges

1. The "local message" from PAL Service served by a given exchange is a completed local call, originating at such service and terminating at any service which may be called, without toll charge, from all other service served by the exchange concerned.

2. Charges for Basic PAL Service are as follows:

(D)
(T-M)

- (a) Rate Groups A, C, E, G and I

	USOC	NONRECURRING CHARGE	MONTHLY RATE	
• Flat				
- Two-way	1KY	\$80.00	\$34.75	(T)
- Outgoing only	1GY	80.00	34.75	(T)
• Message[1]				
- Two-way	17Q	80.00	22.75	(T)
- Outgoing only	16Q	80.00	22.75	(T-M)

[1] Usage charges exceeding \$20.00 per line within a monthly billing period will be discounted 30%.

(M) Material moved from Page 95.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5
Page 95
Release 4
Effective:]

State of South Dakota
Issued: 1-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE

D.2. (Cont'd)

(T)
(T)
(M)

(b) Rate Groups B, D and F[2]

	USOC	NONRECURRING CHARGE	MONTHLY RATE	
• Flat				(T)
- Two-way				(T)
- BRA	1KY	\$80.00	\$32.00	
- OBRA	1KY	80.00	35.00	
- Outgoing only				(T)
- BRA	1GY	80.00	32.00	
- OBRA	1GY	80.00	35.00	
• Message[1]				(T)
- Two-way				(T)
- BRA	17Q	80.00	20.00	
- OBRA	17Q	80.00	23.00	
- Outgoing only				(T)
- BRA	16Q	80.00	20.00	
- OBRA	16Q	80.00	23.00	

(M1)

[1] Usage charges exceeding \$20.00 per line within a monthly billing period will be discounted 30%.

[2] See rates and charges specified in 5.4.2 for applicable touch-tone charges.

(T)

(M) Material moved to Page 94.

(M1) Material moved to Page 95.1.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5

Page 95.1

Release 1

Effective:]

State of South Dakota

Issued: 1-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

D. Rates and Charges (Cont'd)

3. Smart Public Access Lines will be provided at the following rates and charges:

(N)

(a) Rate Groups A, C, E, G and I

	USOC	NONRECURRING CHARGE	MONTHLY RATE
• Flat			
- Two-way	5FP	\$80.00	\$40.13
- Outgoing only	5FO	80.00	40.13
• Message[1]			
- Two-way, per line	1NH	80.00	26.54
- Outgoing only, per line	14C	80.00	26.54

(b) Rate Groups B, D and F[2]

• Flat			
- Two-way			
- BRA	5FP	80.00	37.38
- OBRA	5FP	80.00	40.38
- Outgoing only			
- BRA	5FO	80.00	37.38
- OBRA	5FO	80.00	40.38
• Message[1]			
- Two-way			
- BRA	1NH	80.00	23.79
- OBRA	1NH	80.00	26.79
- Outgoing only			
- BRA	14C	80.00	23.79
- OBRA	14C	80.00	26.79

4. Usage Rates

(N)

	RATE PER CALL
• Message charge, per message	\$0.06

(M)

(T-M)

[1] Usage charges exceeding \$20.00 per line within a monthly billing period will be discounted 30%.

(N)

[2] See rates and charges specified in 5.4.2 for applicable touch-tone charges.

(N)

(M) Material moved from Page 95.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY)
U S WEST COMMUNICATIONS, INC.) DOCKET No. TC97-006
FOR REVISIONS TO ITS EXCHANGE)
AND NETWORK SERVICES TARIFF)

AFFIDAVIT OF BARBARA M. WILCOX, PH.D.

BARBARA M. WILCOX, being first duly sworn, deposes and says that she is a Director - Product and Market Issues at U S WEST Communications, Inc. and is an authorized agent of U S WEST Communications for the purposes of answering Data Requests submitted by the Staff of the Public Utilities Commission, that she does not have personal knowledge of the facts recited in the foregoing answers, but the information has been gathered by and from employees or representatives of U S WEST Communications, Inc. that the answers are true to the best of her belief based on the information supplied by such employees or representatives, and that the foregoing answers are verified by her as agent for U S WEST Communications, Inc.

Barbara M. Wilcox
Barbara M. Wilcox, Ph D

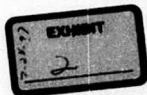
STATE OF COLORADO)
CITY AND) ss
COUNTY OF DENVER)

Subscribed and sworn to before me on this 10th day of July, 1997, by Barbara M. Wilcox,
Ph D

Witness my hand and official seal

My commission expires May 8, 2000

Marya Beck
Notary Public





South Dakota Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070



July 9, 1997

Colleen E. Sevold
Manager - Regulatory Affairs
USWEST Communications
125 South Dakota Avenue, 8th Floor
Sioux Falls, South Dakota 57194

Dear Ms. Sevold:

To date in Docket TC97-006, USWEST has responded to data requests from Staff dated January 28, 1997 and April 9, 1997. There is also a pending data request submitted July 8, 1997. It is necessary that responses to all data requests be submitted under oath. For each of the respondents submitting responses to all of the above data requests, please provide a statement, under oath and notarized, using the following language:

"[NAME], being first duly sworn, states he/she is the [title] for the responding party, that he/she has read the foregoing response to the data request dated____, and the same is true to his/her own best knowledge, information and belief."

If you have any questions regarding the above, please contact me at the Commission.

Sincerely,

Dave Jacobson

cc: Camron Hoseck

Capitol Office
Telephone (605) 773-3201
FAX (605) 773-3809

Transportation/
Warehouse Division
Telephone (605) 773-5280
FAX (605) 773-3225

Consumer Hotline
1-800-332-1782

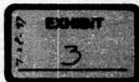
TTY Through
Relay South Dakota
1-800-877-1113

Internet
billb@puc.state.sd.us

Jim Burg
Chairman
Pam Nelson
Vice-Chairman
Laska Schoenfelder
Commissioner

William Dillard Jr.
Executive Director

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Lewis Hammond
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Camron Hoseck
Dave Jacobson
Bob Knadlie
DeLaine Krohn
Terri J. Lester
Jeffrey P. Lorenson
Terry Nicum
Gregory A. Rislov
Tammi Stangor
Steven M. Wegman
Rosalynne Alito West



		Basic PAL	Smart PAL
<u>Non-Recurring charge</u>		\$80.00	\$80.00
<u>Recurring charge</u>			
Rate Groups A,C,E,G and I			
Flat	two-way	\$34.75	\$40.13
	outgoing only	\$34.75	\$40.13
Message	two-way	\$22.75	\$26.54
	outgoing only	\$22.75	\$26.40
Rate Groups B and D (Morristown, McIntosh, Timber Lake)			
Flat	two-way	BRA \$32.00	\$37.38
		OBRA \$35.00	\$40.38
	outgoing only	BRA \$32.00	\$37.38
		OBRA \$35.00	\$40.38
Message	two-way	BRA \$20.00	\$23.79
		OBRA \$23.00	\$26.79
	outgoing only	BRA \$20.00	\$23.79
		OBRA \$23.00	\$26.79
<u>Per message charge</u>		\$0.06	\$0.06



Cost Study Summary

Long Run Incremental Cost (LRIC) of SmartPAL	LRIC Adjusted for TC96-184	Fully Distributed Embedded Intrastate/Interstate Cost
<u>Non Recurring Cost</u>		
\$70.50	---	---
<u>Recurring Cost</u>		
Flat \$32.74	\$32.14	\$31.05
Measured \$36.71	\$36.11	
<u>Per Message Cost</u>		
\$0.015922	---	---



TC97-006	Application by U S WEST Communications to introduce Smart Public Access Line (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis to its Exchange and Network Services Tariff. (Staff: DJ/CH) The introduction of Smart PAL is intended to meet the requirements in the FCC Order 96-388 (Paragraphs 146 and 147) as modified in FCC Order 96-439 (Paragraph 163) to provision a coin line for use by all Payphone Service Providers who wish to place a "dumb" payphone set on the line. The coin line has traditionally been used only by U S WEST Public Services. In addition, this filing proposed withdrawing language in the tariff which regulates the operational characteristics of Payphone Service Provider pay telephones. The effective date requested for this filing is April 15, 1997.	01/15/97	01/31/97
FULLY COMPETITIVE TELECOMMUNICATIONS FILINGS			
NA	ICC Long Distance, Inc. filed to reduce Switched Access rates and to revise Employee Concession language. The changes are effective January 15, 1997.	01/14/97	NA

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by E-mailing it to Terry.Nelson@icd.state.sd.us. Filing the address to the Commission at: 605-773-3809

PAGE 2 OF 2

South Dakota Public Utilities Commission State Capitol 500 E. Capitol Pierre, SD 57501-5070 Phone: (605) 332-1782 Fax: (605) 773-3809		TELECOMMUNICATIONS SERVICE FILINGS These are the telecommunications service filings that the Commission has received for the period of: 01/10/97 through 01/16/97 If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.	
DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC97-003	Application by Sprint Spectrum L.P. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TH/KC) Applicant proposes to offer basic 1+ long distance services and eventually will expand its services offerings to include calling card, prepaid calling card and toll free service products.	01/13/97	01/31/97
TC97-004	Application by BellSouth Long Distance, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TH/CH) Applicant proposes to initially offer proprietary cards for calls made primarily by the Company's customer base residing outside South Dakota when they travel into South Dakota for business or pleasure. In the future, the Company plans to expand its customer base to include South Dakota residential and business customers.	01/13/97	01/31/97
TC97-007	Application by Heartland Telecommunications Company of Iowa for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: HB/KC) Applicant has purchased two exchanges, the Hawarden exchange and the Akron exchange, from U S WEST Communications that extend into South Dakota.	01/16/97	01/31/97
THE TELECOMMUNICATIONS ACT OF 1996 FILINGS			
TC97-005	Application by U S WEST Communications, Inc. requesting the Commission to allow U S WEST to implement an Interconnection Cost Adjustment Mechanism (ICAM) for a defined 36-month period. The ICAM is limited to one time, extraordinary or start-up costs for systems modifications or development, network rearrangements and business office processes effectively mandated by The Act for the convenience and use by U S WEST's competitors, and to facilitate U S WEST's existing customers' ability to choose a different local exchange service provider. Because no current or proposed rate or charge will provide an opportunity for U S WEST to recover all of these extraordinary, one-time or start-up costs, U S WEST proposes the ICAM to recover the totality of such costs. U S WEST requests expeditious Commission treatment of this application. (Staff: HB/KC)	01/14/97	01/31/97
NONCOMPETITIVE TELECOMMUNICATIONS FILINGS			

PAGE 1 OF 2



Gemini Companies, Inc.

GCI PAYPHONES
Roger Specht, General Manager
3818 S. Western Ave., #202
Sioux Falls, SD 57105

Telephone (605) 335-6762
Fax (605) 335-1018

April 15, 1997

Mr. William Bullard, Executive Director
Public Utilities Commission
State Capitol Building
Pierre, SD 57501
via Fax: 16057733809

re: Docket # TC 97-006

Dear Mr. Bullard:

This letter is a request to file a late intervention on the tariff proposal from US West regarding the provision of SMART PAL in South Dakota. We just learned of this filing in the course of gathering information about another US West tariff. We believe we can provide information on SMART PAL which will be useful to the commission.

Sincerely,

Roger Specht

Affiliated with Gerlach Communications, Inc.
Member, Sioux Falls Chamber of Commerce
Member, American Public Communications Council

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE FILING BY U S) WEST COMMUNICATIONS, INC. FOR) REVISIONS TO ITS EXCHANGE AND) NETWORK SERVICES TARIFF)	ORDER GRANTING LATE FILED INTERVENTION TC97-006
---	---

On January 15, 1997, U S WEST Communications, Inc. (U S WEST) filed for approval by the Public Utilities Commission (Commission) Smart Public Access Line service (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis to its Exchange and Network Services Tariff.

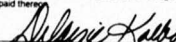
On January, 16, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of January 31, 1997, to interested individuals and entities. On April 15, 1997, the Commission received a letter for intervention from Gemini Companies, Inc. (Gemini).

On April 28, 1997, at its regularly scheduled meeting, the Commission considered this matter. The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-31 and ARSD Chapter 20 10 01.

The Commission, pursuant to ARSD 20 10 01:15 02, found that denial of Gemini's petition would be detrimental to the public interest and that Gemini should be allowed to intervene.

ORDERED that Gemini's Petition to Intervene is granted.

Dated at Pierre, South Dakota, this 12th day of May, 1997.

CERTIFICATE OF SERVICE	
<small>The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.</small>	
By	
Date	<u>5/13/97</u>
<small>(OFFICIAL SEAL)</small>	

BY ORDER OF THE COMMISSION:



JAMES A. BURG, Chairman



PAM NELSON, Commissioner



LASKA SCHOENFELDER, Commissioner

SUBJECT: **South Dakota** Tariff Material
SD96-053

TC 97-006

RECEIVED

MAY 19 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

May 12, 1997

Dear Bookholder:

Attached are Exchange & Network Services Tariff pages which are revised to introduce the Smart Public Access Line (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis. Language is also withdrawn which regulates the operational characteristics of Payphone Service Provider pay telephones.

<u>Section</u>	<u>Page</u>	<u>Release</u>
5	92	2
5	93	2
5	94	2
5	95	4
5	95.1	1

The effective date of these pages is April 15, 1997.

This material should be filed in the appropriate binder on its effective date and the sheet superseded should be destroyed.

Sincerely,

Cathy Walker
South Dakota Regulatory Department

Attachments

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5

Page 92

Release 2

State of South Dakota
Issued: 1-15-97

Effective: 4-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE

(T)

A. Description

1. Public Access Line (PAL) Service will apply for use with Payphone Service Provider (PSP) pay telephones at locations accessible to the public, e.g. stores, business places, including boarding or rooming houses and school or college buildings, where desired by the owner of the premises. (T)
2. In exchanges where neither measuring or metering capabilities exist, service will be offered on a flat rate basis with no usage. A customer shall be required to convert to the measured/metered service when the central office is converted to accommodate measured/metered service. (T)
3. Directory listings may be provided under the regulations governing the furnishing of listings for business main line customers. However, listings (not indicating a business or profession) provided in connection with PAL Service furnished at boarding or rooming houses or at other locations where the party desiring the additional listings resides, are furnished under the regulations covering the furnishing of listings in connection with residence main line service. (T)
4. Basic PAL consists of a basic flat or message access line without screening. (N)
5. Smart PAL Service is a flat or message, two-way or outgoing only line which utilizes central office coin control features. This service provides:
 - Coin signaling, including coin collect and coin return.
 - Company completed and carried local and intraLATA toll messages, both sent paid and non-sent paid.
 - Company operator services/systems for all 0-, 0+ and 1+ intraLATA toll calls, and 0+ local calls.
 - Routing to the presubscribed carrier for all 0+ and 00- interLATA calls.
 - Pay-per-call blocking (e.g. 900 and 976).
 - Incoming and outgoing call screening.
 - Access to:
 - Directory assistance,
 - 911 emergency code,
 - All interexchange carriers,
 - 800/800-type service and 950 telephone numbers,
 - Company repair service.

(N)
(M)

(M) Material moved to Page 93.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

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State of South Dakota

Issued: 1-15-97

Effective: 4-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS
5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

B. Responsibility of the Customer

1. The customer shall be responsible for the installation, operation and maintenance of any PSP pay telephones used in connection with this service.
2. The customer shall be responsible for the payment of a Trouble Isolation Charge as provided in the Premises Wiring Section for visits by a Company employee to the customer's premises when a service difficulty or trouble report results from the use of PSP pay telephones. The owner of the pay telephone or responsible party will be contacted prior to sending an employee out to find the problem.
3. The customer shall be responsible for payment of charges for all toll messages originating from or accepted at this type of service, unless due to Company error.

C. Terms and Conditions

1. The Company is not liable for shortages of coins deposited and/or collected from the pay telephones used on PAL Service.
2. The Company is not liable for end-user fraud associated with failure of the customer's pay telephones to perform correctly.
3. The following terms and conditions are specific to Smart PAL Service:
 - a. Separate lines are used for each pay telephone instrument installed. Off premises extensions are not permitted.
 - b. Until other carriers can provide sent-paid InterLATA coin service, all direct dialed InterLATA and International (1+, 10XXX+1, and 011+) calls will be forwarded to AT&T for coin rating and completion.
 - c. The customer must insure that the telephone sets used with Smart PAL Service are capable of rating sent-paid local calls and are compatible with, and cause no harm to the Company's network.

(M) Material moved from page 92.

(T)

(T-M)

(T)

(T)

(T-M)

(D)

(N)

(N)

U S WEST COMMUNICATIONS, INC.

Exchange and Network
Services Tariff

SECTION 5

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Effective: 4-15-97

State of South Dakota

Issued: 1-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

(T)

(D)

D. Rates and Charges

1. The "local message" from PAL Service served by a given exchange is a completed local call, originating at such service and terminating at any service which may be called, without toll charge, from all other service served by the exchange concerned.

2. Charges for Basic PAL Service are as follows:

(D)

(T-M)

- (a) Rate Groups A, C, E, G and I

	USOC	NONRECURRING CHARGE	MONTHLY RATE	
• Flat				
- Two-way	1KY	\$80.00	\$34.75	(T)
- Outgoing only	1GY	80.00	34.75	(T)
• Message[i]				
- Two-way	17Q	80.00	22.75	(T)
- Outgoing only	16Q	80.00	22.75	(T-M)

- [1] Usage charges exceeding \$20.00 per line within a monthly billing period will be discounted 30%.

- (M) Material moved from Page 95.

U S WEST COMMUNICATIONS, INC.

Exchange and Network Services Tariff

SECTION 5

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Release 4

State of South Dakota

Issued: 1-15-97

Effective: 4-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE

D.2. (Cont'd)

(T)

(T)

(M)

(b) Rate Groups B, D and F[2]

	USOC	NONRECURRING CHARGE	MONTHLY RATE	
• Flat				(T)
- Two-way				(T)
- BRA	1KY	\$80.00	\$32.00	
- OBRA	1KY	80.00	35.00	
- Outgoing only				(T)
- BRA	1GY	80.00	32.00	
- OBRA	1GY	80.00	35.00	
• Message[1]				(T)
- Two-way				(T)
- BRA	17Q	80.00	20.00	
- OBRA	17Q	80.00	23.00	
- Outgoing only				(T)
- BRA	16Q	80.00	20.00	
- OBRA	16Q	80.00	23.00	
				(M1)

[1] Usage charges exceeding \$20.00 per line within a monthly billing period will be discounted 30%.

[2] See rates and charges specified in 5.4.2 for applicable touch-tone charges.

(T)

(M) Material moved to Page 94.

(M1) Material moved to Page 95.1.

U S WEST COMMUNICATIONS, INC.
Exchange and Network
Services Tariff

SECTION 5

Page 95.1

Release 1

State of South Dakota

Issued: 1-15-97

Effective: 4-15-97

5. EXCHANGE SERVICES

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS

5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

D. Rates and Charges (Cont'd)

3. Smart Public Access Lines will be provided at the following rates and charges:

(N)

(a) Rate Groups A, C, E, G and I

	USOC	NONRECURRING CHARGE	MONTHLY RATE
• Flat			
- Two-way	5FP	\$80.00	\$40.13
- Outgoing only	5FO	80.00	40.13
• Message[1]			
- Two-way, per line	1NH	80.00	26.54
- Outgoing only, per line	14C	80.00	26.54

(b) Rate Groups B, D and F[2]

• Flat			
- Two-way			
- BRA	5FP	80.00	37.38
- OBRA	5FP	80.00	40.38
- Outgoing only			
- BRA	5FO	80.00	37.38
- OBRA	5FO	80.00	40.38
• Message[1]			
- Two-way			
- BRA	1NH	80.00	23.79
- OBRA	1NH	80.00	26.79
- Outgoing only			
- BRA	14C	80.00	23.79
- OBRA	14C	80.00	26.79

4. Usage Rates

(N)

	RATE PER CALL	(M)
• Message charge, per message	\$0.06	(T-M)

[1] Usage charges exceeding \$20.00 per line within a monthly billing period will be discounted 30%.

(N)

[2] See rates and charges specified in 5.4.2 for applicable touch-tone charges.

(N)

(M) Material moved from Page 95.

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE FILING BY U S WEST)	ORDER FOR AND NOTICE
COMMUNICATIONS, INC. FOR REVISIONS TO)	OF HEARING AND
ITS EXCHANGE AND NETWORK SERVICES)	PROCEDURAL SCHEDULE
TARIFF)	TC97-006

On January 15, 1997, U S WEST Communications, Inc. (U S WEST) filed for approval by the South Dakota Public Utilities Commission (Commission) of Smart Public Access Line service (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis.

On January 16, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of January 31, 1997, to interested individuals and entities. On April 15, 1997, the Commission received a late filed Petition to Intervene from Gemini Companies, Inc. (Gemini). On April 28, at its regularly scheduled meeting, the Commission granted Gemini's late filed Petition to Intervene.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, and ARSD Chapter 20.10.01. The Commission may rely upon any or all of these or other laws of this state in making its determination.

The issue at this hearing is U S WEST's request that the Commission approve Smart PAL on a flat and message rated monthly recurring and non-recurring basis.

The procedural schedule for the hearing shall be as follows:

The hearing on U S WEST's request shall be held on July 28, 1997, at 1:00 p.m., in Room 412 of the Capitol Building, Pierre, South Dakota.

The public is invited to participate by testifying at the hearing. All persons so testifying will be subject to cross-examination by the parties. The order of the proceeding will be in the following sequence: (1) Applicant; (2) Intervenors; and (3) Staff.

The hearing is an adversary proceeding conducted pursuant to SDCL Chapter 1-26. All parties have the right to attend and represent themselves or be represented by an attorney. However, such rights and other due process rights shall be forfeited if not exercised at the hearing. If you or your representative fail to appear at the time and place set for the hearing, the Final Decision will be based solely on testimony and evidence provided, if any, during the hearing or a Final Decision may be issued by default pursuant to SDCL 1-26-20.

The Commission, after examining the evidence and hearing testimony presented by the parties, shall make Findings of Fact, Conclusions of Law, and a Final Decision. As a result of the hearing the Commission may either approve or reject the request for approval of Smart PAL on a flat and message rated monthly recurring and non-recurring basis. The Final Decision made by the Commission may be appealed by the parties to the Circuit Court and the South Dakota Supreme Court as provided by law. It is therefore

ORDERED that a hearing shall be held on U S WEST's request for approval of Smart PAL filing at the time and place specified above.

Pursuant to the Americans with Disabilities Act, this hearing is being held in a physically accessible location. Please contact the Public Utilities Commission at 1-800-332-1782 at least 48 hours prior to the hearing if you have special needs so arrangements can be made to accommodate you.

Dated at Pierre, South Dakota, this 8 day of July, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list: by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By

Date

Delaine Kalbo

7/8/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:
Commissioners Burg, Nelson and
Schoenfelder

William Bullard, Jr.
WILLIAM BULLARD, JR.
Executive Director

U S WEST, Inc.
1801 California Street, Suite 5100
Denver, Colorado 80202
303 672-2810
Facsimile 303 295-7066

William P. Heaston
Senior Attorney

USWEST

RECEIVED

JUL 25 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA OVER NIGHT DELIVERY

July 24, 1997

FAX Received JUL 24 1997

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol Avenue
Pierre, South Dakota 57501

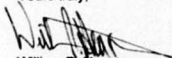
**Re: In the Matter of the Filing by U S WEST Communications, Inc. for
Revisions to its Exchange and Network Services Tariff
Docket No. TC97-006**

Dear Mr. Bullard:

Enclosed for filing in the above-referenced docket is an original
CONFIDENTIALITY AGREEMENT executed by Gemini Companies, Inc. and U S
WEST Communications, Inc.

Please file stamp an extra copy of this letter, enclosed, and return to me in the
enclosed self-addressed stamped envelope. Thank you.

Yours truly,



William P. Heaston

Enclosures
WPH:mob

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

JUL 25 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)
U S WEST COMMUNICATIONS, INC.)
FOR REVISIONS TO ITS EXCHANGE AND)
NETWORK SERVICES TARIFF)

DOCKET NO. TC97-006

CONFIDENTIALITY AGREEMENT

FAX Received JUL 24 1997

This Confidentiality Agreement is made as of the 24th day of July, 1997, by and between U S WEST Communications, Inc. ("U S WEST") and the GEMINI COMPANIES, INC. ("GEMINI").

RECITAL

1. U S WEST hereby states and agrees that it will, under the terms of the following Confidentiality Agreement, allow inspection and review of certain data and information claimed by U S WEST to be of a confidential nature to the signators of this Agreement. The information sought to be reviewed are responses filed by U S WEST to three sets of Data Requests submitted by the Public Utilities Commission of South Dakota to U S WEST in the above docket.
2. In connection with this case, GEMINI desires to have access to and to review certain documents of U S WEST.
3. U S WEST submits that many, if not all, of the documents GEMINI wishes to review contain confidential information, trade secrets, proprietary information and/or other information which, if disclosed to competitors of U S WEST or others, could result in irreparable damage and injury to U S WEST.

4. U S WEST and GEMINI desire to provide a means by which the documents described in Recital No. 3. can be provided to GEMINI for review, but, at the same time, protected from disclosure which could result in irreparable damage or injury to U S WEST.

THEREFORE, U S WEST and GEMINI agree as follows:

1. For purposes of this Agreement, the following terms shall be defined in the following manner:

(a) "Documents" shall mean and include all documents data, information, studies, computer programs, and other matters furnished in any for in response to any interrogatories or requests for information, subpoenas, depositions, or other modes of discovery that are claimed to be a trade secret or confidential in nature shall be furnished under the terms of this Agreement, as constituting trade secret, confidential, commercial, and financial information (here referred to as 'confidential'), and shall neither be used or disclosed except for the purpose of this proceeding, and solely in accordance with this Agreement. Any and all documents recorded or graphic matters of any kind of a nature whatsoever shall extend to any subsequent compilation, summary, quotation, precise, or reproduction thereof prepared at any subsequent time in any subsequent form or proceeding, in whole or in part.

To the extent there may be information which a party believes requires extraordinary protection beyond that provided for in this Agreement, the party shall file the information with the Commission, only, under seal together with a Motion seeking such extraordinary protection. The Motion shall state the grounds for seeking the relief and advise all other parties of the request and the subject matter of the material at issue.

(b) "Confidential Information" shall mean and include any documents and all contents thereof which are marked "CONFIDENTIAL", "PROPRIETARY" or in some similar manner by U S WEST.

(c) "Use of Confidential Information and Persons Entitled to Review." All confidential information made available pursuant to this Agreement shall be given solely to the Commission or counsel for the parties and shall not be used or disclosed except for purposes of this proceeding; provided, however, that access to any specific confidential information may be authorized by counsel, solely for the purpose of this proceeding, to those persons indicated by the parties as being their experts or advisors in this matter. For purposes of this Agreement, disclosure shall be strictly limited to persons employed by GEMINI who are directly involved in this case as an attorney, expert or witness. Disclosure shall not be made to any person who is in any manner whatsoever involved in the provisioning, marketing, pricing, or management of any switched access, long distance, or local exchange services by GEMINI, or any affiliated enterprise.

(d) "Disclose", "make disclosure of", or "disclosure" shall mean and include the dissemination to any person, firm, corporation or other entity of the contents of a document, whether that dissemination is by means of the transmittal or transfer of the original or a copy of that document or any verbal or other dissemination of the contents of said document. No access to confidential information shall be authorized under the terms of paragraph (c) of this Agreement until the person and/or authorized persons, authorized by counsel to have access signs a Nondisclosure Agreement in the form that is attached and incorporated as Exhibit A. The Nondisclosure Agreement shall require the persons to whom disclosure is to be made to certify in writing that they have read this Agreement, agree to be bound by its terms, and certify that they are not involved in any manner

whatsoever in the provisioning, marketing, pricing, or management of any switched access, long distance, or local exchange service by GEMINI, and that if they should become involved in the future, they will not disclose or otherwise use any information provided under this Agreement. The Nondisclosure Agreement shall contain the signatory's full name, permanent address, and employer, and the name of the party with whom the signatory is associated. This Nondisclosure Agreement shall be delivered to counsel for the providing party and the Commission at the time of review of the documents, or as soon thereafter as practicable.

2. All Confidential Information and the disclosure thereof shall be subject to the following restrictions:

(a) GEMINI shall not disclose any Confidential Information to anyone other than an Authorized Person(s) for the sole purpose of GEMINI's review and analysis of the case.

(b) Whether U S WEST has provided Confidential Information to GEMINI in hard copy or in some other form, GEMINI shall make no copies or reproductions of any kind or nature whatsoever of the Confidential Information so supplied.

(c) The foregoing notwithstanding, GEMINI may not disclose Confidential Information to an Authorized Person(s) unless, prior to the disclosure of such Confidential Information, said Authorized Person(s) has signed a Non-Disclosure Agreement.

3. Delivery of Documentation. Where feasible, Confidential Information will be marked as such and delivered to counsel. In the alternative, the Confidential Information may be made available for inspection and then reviewed by counsel, experts and authorized persons, as defined in paragraph (c), in a place and time mutually agreed on by the parties.

4. In the event GEMINI objects to U S WEST's designation of a document or its contents as Confidential Information, the materials shall be treated as Confidential Information until a contrary ruling by the Commission or, if appropriate, a Court of competent jurisdiction. Prior to the time any objection to a designation of Confidential Information is brought before the Commission or a Court of competent jurisdiction for resolution, GEMINI and U S WEST shall attempt to resolve the objection by agreement. If GEMINI and U S WEST are unable to reach an agreement, then either of them may bring the objection before the Commission or Court of competent jurisdiction in accordance with the applicable rules of that forum. The party bringing the objection before the Commission or Court of competent jurisdiction has the burden of satisfying the Commission or Court of the need for protection or production.

5. In the event GEMINI desires to disclose Confidential Information to a person, firm, corporation or entity other than an Authorized Person, GEMINI shall designate the Confidential Information it wishes to disclose, identify the persons or entities to whom it wishes to make disclosure and advise U S WEST in writing of its desire to make such disclosure. If, after U S WEST's receipt of such communication from GEMINI, U S WEST and GEMINI are unable to agree on the terms and conditions of such disclosure, such disclosure may be made only on such terms and conditions as the Commission or, if appropriate, a Court of competent jurisdiction may order.

6. Nothing in this Agreement shall preclude U S WEST from using or disclosing any Confidential Information for any purpose or to any person.

7. Nothing in this Agreement shall preclude U S WEST from refusing to make any disclosure of any Confidential Information to GEMINI even if GEMINI agrees that such disclosure shall be in accordance with the terms of this Confidentiality Agreement.

8 All persons who are afforded access to any confidential information by reason of this Agreement shall neither use nor disclose the confidential information for purposes of business or competition, or any other purpose other than the purposes of preparation for and conduct of this proceeding, and then solely as contemplated here, and shall take all reasonable precautions to keep the confidential information secure and in accordance with the purposes and intent of this Agreement. No party receiving confidential information pursuant to this Agreement may copy, microfilm, microfiche, or otherwise reproduce such confidential information without the written consent of U S WEST.

9 The parties and non-parties further retain the right to question, challenge, and object to the admissibility of any and all data, information, studies, and other matters furnished under the terms of this Agreement or a Commission issued Protective Order on the grounds of relevancy or materiality.

10 This Agreement shall in no way constitute a waiver of the rights of any party or person to contest any assertion or finding of trade secret, confidentiality, or privilege, or to appeal any determination of the Commission or assertion by a party.

11 The provisions of this Agreement are specifically intended to apply to information supplied by any party to this proceeding, and any nonparty that supplies documents, testimony, or other information pursuant to process issued by this the Commission.

12 Within ten (10) days after the final disposition of the case, including any and all appeals therefrom, all hard copy, other originals and any reproductions of all documents containing Confidential Information subject to this Confidentiality Agreement shall be returned to U S WEST.

13 The provisions of this Confidentiality Agreement, insofar as they restrict the disclosure and use of Confidential Information governed by this Confidentiality Agreement, shall, without the written permission of U S WEST or further order of the Commission or, if appropriate, a Court of competent jurisdiction, continue to be binding after the conclusion of the case.

WHEREFORE, the undersigned have set their hands and seals as of the date set forth above.

U S WEST COMMUNICATIONS, INC.

By:  _____

Date: July 24, 1997

GEMINI COMPANIES, INC.

By:  _____

Date: July 23, 1997

EXHIBIT ANONDISCLOSURE AGREEMENT

I hereby agree that I have read the CONFIDENTIALITY AGREEMENT and agree to be bound by the terms thereof. I hereby certify that I am not involved in any manner whatsoever in the provisioning, marketing, pricing, or management of any switched access, long distance or local exchange service by GEMINI COMPANIES, INC. and that if I should become involved in the future, I will not disclose or otherwise use any information provided under this Agreement.

Gemini Companies, Inc.

Name of Employer or Firm

Roger Specht

Individual's Name (Print Please)

Roger Specht is Secretary of the corporation

and General Manager of the corporation's business.

Detailed Description of Position and Responsibilities with Employer or Firm

813 E. 61st St.

Sioux Falls, SD 57108

Business Address

July 23, 1997



Signature

STATE OF SOUTH DAKOTA)
COUNTY OF HUGHES)

IN CIRCUIT COURT
SIXTH JUDICIAL CIRCUIT

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY
U S WEST COMMUNICATIONS, INC.
FOR REVISIONS TO ITS EXCHANGE AND
NETWORK SERVICES TARIFF


) TC97-006
) ORDER ADMITTING
) NON-RESIDENT ATTORNEY
)

It is hereby

ORDERED that the Motion for Admission for William P. Heaston, a non-resident attorney, to appear on behalf of U S WEST Communications, Inc., before the Public Utilities Commission and this Court relating to this matter is granted:

Dated: July 28, 1997.

BY THE COURT:


Honorable James W. Anderson
Circuit Court Judge
Sixth Judicial Circuit

ATTEST:

Mary L. Erickson
Clerk of Courts

BY: Sharon McEnteffe
Deputy

(SEAL)

STATE OF SOUTH DAKOTA
CIRCUIT COURT, HUGHES CO.

FILED

JUL 28 1997

Mary L. Erickson CLERK
By _____ Deputy

U S WEST, Inc.
1801 California Street, Suite 5100
Denver, Colorado 80202
303 872-2810
Facsimile 303 295-7069

USWEST

William P. Heaston
Senior Attorney

RECEIVED

AUG 08 1997

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

VIA OVER-NIGHT DELIVERY

August 7, 1997

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol Avenue
Pierre, South Dakota 57501

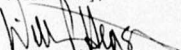
RE: Commission Requested Exhibits - TC97-006

Dear Bill,

Enclosed for filing in the record of the above-referenced docket are U S WEST Communications, Inc.'s Exhibits 6 through 11, which are responsive to the Commission requests at the hearing held in this matter in Pierre on July 28, 1997.

If you have any questions, please contact me. Thank you.

Yours truly,


William P. Heaston

Enclosures
WPH:mob

U S WEST COMMUNICATIONS, INC.
Exchange and Network Services
Price Schedule

State of North Dakota
Effective: 4-15-97

SECTION 5
Page 124.1
Release 1

5. EXCHANGE SERVICES

RECEIVED

5.5 PUBLIC COMMUNICATION SERVICE - COIN AND COINLESS
5.5.7 PUBLIC ACCESS LINE SERVICE (Cont'd)

AUG 08 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION (M)

D. Rates and Charges

1. A "local message" from PAL Service served by a given exchange is a completed local call, originating at such service and terminating at any service which may be called, without toll charge, from all other service served by the exchange concerned.
2. See Section 3 for applicable Service Charges.
3. See 5.1.1 for EAS increments.
4. Flat Basic PAL will be provided at the following rates and charges.

(D)
(T)
(T)
(C)

	USOC	MONTHLY RATE PER RATE GROUP		
		I	II	III
• Out only, per line	1GY	\$26.70	\$29.49	\$32.18
• Two-way, per line	1KY	26.70	29.49	32.18

(M)

- * 5. Flat Smart Public Access Lines will be provided at the following rates and charges:

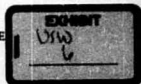
(N)

	USOC	MONTHLY RATE PER RATE GROUP		
		I	II	III
• Out only, per line	5FO	\$31.81	\$34.61	\$37.28
• Two-way, per line	5FP	31.81	34.61	37.28

(N)

(M) Material moved from Page 124.

NOTICE
THE INFORMATION CONTAINED IN THIS DOCUMENT IS SUBJECT TO CHANGE
ND96-036



U S WEST Communications, Inc.

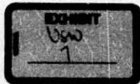
Public Access Line Service (Basic and Smart)
Availability of Flat, and Message or Measured Service

State	Message or Measured Available?	Flat Available?
Arizona	yes	yes
Colorado	yes	yes
Idaho - south	yes	yes *(S-PAL only)
Idaho - north	no	yes
Iowa	yes	yes
Minnesota	yes	yes
Montana	yes	no *(S-PAL only)
Nebraska	yes	yes
New Mexico	yes	no **
North Dakota	no	yes
Oregon (see note)	yes	yes *(S-PAL only)
South Dakota	yes	no
Washington	no	yes
Wyoming	yes	yes

Note. Oregon law recently enacted requires the availability of flat rated service by October 4, 1997.

* Flat service available only in exchanges where measuring capability is not available.

** Smart PAL tariff not yet in effect in New Mexico. Commission has not released its Smart PAL order.



SOUTH DAKOTA

LOCAL EXCHANGE SERVICE

MESSAGE PUBLIC ACCESS LINE

1996 Monthly Usage Cost

	(A) TSLRIC	(B) SC	(C) TSLRIC + SC	11/7/96
1. Number of Calls per Month (Interconnect Service Center Special Study) (C-3, LINE 14A-COL C)	388.02	388.02	776.04	1,488.02
2. Cost per Call Set-Up (ELRIC Study) (C-7, LINE 18-21)	\$ 0.11290	\$.002101	\$.11500	\$ 0.11300
3. Total Set-Up Cost per Month (L41 + L42)	\$4.29	\$0.80	\$5.09	\$5.09
4. Average Length of Call (Interconnect Service Center Special Study) (C-3, LINE 14B-COL C)	1.54	1.56	1.56	1.56
5. Total Minutes of Use per Month (L41 + L42)	597.83	597.83	1,195.66	592.83
6. Cost per Minute of Use (ELRIC Study) (C-3, LINE 18-21)	\$.001009	\$.000540	\$.001549	\$.001529
7. Total Minutes of Use Cost per Month (L43 + L44)	\$0.65	\$0.32	\$0.97	\$0.97
8. Total Usage Cost per Month (L41 + L42)	\$4.93	\$1.12	\$6.05	\$6.05
9. Cost per Message (Lin. W/L41)	\$ 0.12979	\$.002944	\$.13273	\$ 0.13202

Summary

Note:

Usage data from 1996 Interconnect Service Center Special Study
Cost data from July 1996 TSLRIC Study

TSLRIC = Total Service Long Run Incremental Cost
SC = Shared Cost
SLIC = Subscriber Line Usage Study

NOTICE

The information contained herein is confidential and proprietary and should not be disclosed to unauthorized persons. It is subject to use by authorized representatives of U.S. WEST Communications, Inc. only.

EXHIBIT
V33
8

Basic Service : US WEST Cost Results With Admin Factor Only

Study year : 1996

@ 11.4% COM

10:30:44 AM

Business Primary Line

Description

	TSLRIC	Shared	TSLRIC + Shared	Common
Account processing				
Total cost per account/month	\$0.000022	\$0.000002	\$0.000024	
Customer billing				
Total cost per account/month	\$0.295172	\$0.030613	\$0.325785	
Treatment outputs				
Total cost per account/month	\$0.010192	\$0.001262	\$0.011455	
Remittance				
Total cost per account/month	\$0.040192	\$0.000900	\$0.041092	
Bill inquiry				
Total cost per account/month	\$0.054196	\$0.000629	\$0.054825	
Live collections				
Total cost per account/month	\$0.121769	\$0.013337	\$0.135106	
Final collections				
Total cost per account/month	\$0.010054	\$0.002469	\$0.012523	
Collection commissions				
Total cost per account/month	\$0.072943	\$0.007364	\$0.080307	
Subtotal thru admin				
Total cost per account/month	\$0.421340	\$0.066161	\$0.487501	
Product Group Expenses:				
Product Management	\$0.009144		\$0.009144	
Sales Expense (C-12, Line 17 * Line 11)	\$0.010019		\$0.010019	
Subtotal: (Line 11 + Line 12 + Line 13)	\$0.040003	\$0.066161	\$0.106164	
Sales Compensation (C-12, Line 18 * Line 14)	\$0.001425		\$0.001425	
Subtotal: (Line 14 + Line 15)	\$0.047928	\$0.066161	\$0.114089	
Business Fees (C-12, Line 19 * Line 16)	\$0.000454	\$0.000000	\$0.000454	
Total (Line 16 + Line 17)	\$0.040003	\$0.066161	\$0.106164	
Common (C-12, Line 15 * (Line 18 - Line 17))			\$0.000000	
Business Fees (C-12, Line 19 * Line 19)			\$0.000000	
TSLRIC + Shared Costs + Common (Line 18 + 19 + 20)				\$0.714589

Glossary: TSLRIC = Total Service Long Run Incremental Cost; SC = Shared Cost

Business Primary Line
is used as a surrogate
for P&L.

P&L product specific
costs are added
below.

EXHIBIT

D-9
9

NOTICE

The information contained herein is confidential and proprietary and should not be disclosed to unauthorized persons. It is meant for use by authorized representatives of U.S. WEST Communications, Inc.

SD
12:18 PM

Costs

App 05 - 7

SOUTH DAKOTA

LOCAL EXCHANGE SERVICE
MEASURED - PUBLIC

1996 SET-UP COST PER CALL
All Types of Day and Length of Hand

	TSI BIC	+	SC	=	TSI BIC + SC	
End Office Switching (C-4, LINE 1)	\$ 001407		\$ 000998		\$ 002405	1
Tandem Switching (C-4, LINE 2)	\$ 000004		\$ 000004		\$ 000008	2
Measurement (C-4, LINE 3)	\$ 000003		\$ 000049		\$ 000051	3
Facilities (C-4, LINE 4)	\$ 000000		\$ 000000		\$ 000000	4
Terminations (C-4, LINE 5)	\$ 000001		\$ 000000		\$ 000001	5
Other Expenses						6
Billing & Collections (C-4, LINE 4)	\$ 000360		\$ 000884		\$ 009724	7
Intercept (C-4, LINE 7)	\$ 000010		\$ 000017		\$ 000027	8
Operator Assistance (C-4, LINE 8)	\$ 000279		\$ 000016		\$ 000315	9
Measurement Polling (C-4, LINE 9)	\$ 000619		\$ 000071		\$ 000690	10
Subtotal (SUM Line 1 - Line 10)	\$ 0107738		\$ 0020994		\$ 0128732	11
Product Management (C-4, Line 14* Line 11)	\$ 00001712				\$ 00001712	12
Sales Expense (C-4, Line 17* Line 11)	\$ 0002999				\$ 0002999	13
Subtotal (Line 11 + Line 12 + Line 13)	\$ 0112449		\$ 0020994		\$ 0133443	14
Sales Compressions (C-4, Line 18* Line 14)	\$ 00000637				\$ 00000637	15
Subtotal (Line 14 + Line 15)	\$ 0112716		\$ 0020994		\$ 0133710	16
Business Fees (C-4, Line 19 + Line 14)	\$ 00000079		\$ 00000015		\$ 00000094	17
Total (Line 14 + Line 17)	\$ 0112795		\$ 0020999		\$ 0133794	18
						19
						20
						21

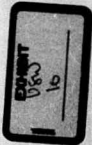
Billing for measurement

measuring the call

TSI BIC + Shared Costs + Common (Line 18 + 19 + 20)
Gross TSI BIC = Total Service Long Run Incremental Cost, SC = Shared Cost

NOTICE

The information contained herein is confidential and proprietary and should not be disclosed to unauthorized persons. It is subject to audit by authorized representatives of U.S. WEST Communications, Inc.



01429.138

SOUTH DAKOTA
1993 TOTAL STATE FDC RESULTS
Analysis of PAL Service Access and Usage Costs
per Access Line per Month

	PAL CONN (A)	PAL USAGE (B)	PAL Total (C=A+B)
Direct/Attributable Costs:			
Expenses:			
Plant Related Cost of Service	\$5.87	\$2.38	\$8.25
Property and Other Taxes	1.11	0.63	1.75
Depreciation and Amortization	4.82	3.33	8.25
Customer Operations	7.30	0.48	7.78
Corporate Operations	4.60	1.27	5.87
Uncollectibles	0.18	0.18	0.32
Misc. Revenue Reimbursement	1.11	0.48	1.59
Total Expenses	\$25.08	\$8.73	\$33.81
Investment Costs:			
Central Office Equipment	\$8.89	\$35.08	\$43.97
Return	\$0.90	\$3.56	\$4.46
Gross-Up	0.34	1.33	1.67
Total	\$1.24	\$4.89	\$6.13
Cable and Wire Facilities	\$74.60	\$0.95	\$75.56
Return	\$7.57	\$0.10	\$7.66
Gross-Up	2.84	0.04	2.87
Total	\$10.40	\$0.13	\$10.54
All Other	\$12.38	\$8.41	\$20.79
Return	\$1.26	\$0.85	\$2.11
Gross-Up	0.47	0.32	0.79
Total	\$1.73	\$1.17	\$2.90
Other Plant, Depr. Reserve, Accumulated Deferred Taxes	(\$52.54)	(\$18.89)	(\$71.43)
Return	(\$5.33)	(\$1.92)	(\$7.24)
Gross-Up	(2.00)	(0.72)	(2.72)
Total	(\$7.33)	(\$2.63)	(\$9.96)
Total Investment Costs	\$6.04	\$3.56	\$9.61
Total Costs	\$31.12	\$12.29	\$43.42

NOTE: Return = Investment Amount x USWC Embedded Cost of Capital
Gross Up = Invest. Amt. x Weighted Equity Cost x [(1/(1-Gross-Up Tax Rate))-1]

State Authorized Rate of Return =	0.101410
Weighted Equity Cost =	0.068860
Gross-Up Tax Rate =	0.355790

EXHIBIT

BSW
11

Explanatory Memorandum

As discussed and requested at the South Dakota Smart PAL hearing on July 28th, the attached worksheet (USW Ex. 11) shows the 1993 embedded costs, on a per access line monthly basis, of the connectivity (access) and usage components of PAL Service. This analysis was done on a total state (interstate + intrastate) basis and is comparable to the 1996 total state PAL embedded cost analysis submitted in response to PUC Interrogatory 0001, of Set No. 03 (dated July 8, 1997).

Please note that there were two cost assignment methodology changes occurring between 1993 and 1996 which affects the comparability of PAL results between the two years' analyses:

1. Prior to 1996, the investment and associated expenses for the entire COE Main Distribution Facility (MDF) were assigned to the usage component of each product. In 1996, the non-traffic sensitive portion of the MDF was assigned to the connectivity (access) component. This did not impact the PAL product costs in total, but did result in changes in the connectivity - usage cost split.
2. In 1993, all coin customer operations costs, including coin collections and public advertising, were assigned to all the public products, including PAL, based on line quantity counts. Subsequent to that time, it was determined that the majority of the coin related customer operations expenses were associated only with USWC's public coin products and not PAL, since it is a wholesale product sold only to coin providers and not the general public. This change in methodology significantly reduced the PAL Customer Operations expenses and associated secondary costs (i.e., Corporate Operations and support investment and expenses).

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CERTIFICATE OF SERVICE

I hereby certify that an original and ten copies of a Letter forwarding U S WEST Communications, Inc.'s Exhibits 6 through 11 was sent via overnight delivery on the 7th day of August, 1997, to the following:

William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol Avenue
Pierre, SD 57501

In addition, a true and correct copy was deposited into the United States mail, postage prepaid, addressed to the following:

Roger Specht
General Manager
Gemini Companies, Inc.
3818 S. Western Ave., No. 202
Sioux Falls SD 57105

Colleen E. Sevold
Manager-Regulatory Affairs
U S WEST Communications, Inc.
125 S. Dakota Ave., 8th Fl.
Sioux Falls SD 57194

Tamara A. Wilka
Boyce Murphy McDowell & Greenfield
P.O. Box 5015
Sioux Falls SD 57117-5015



U S WEST Communications, Inc.

01429.1441

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE FILING BY U S WEST)	ORDER APPROVING
COMMUNICATIONS, INC. FOR REVISIONS TO)	REVISIONS TO TARIFF
ITS EXCHANGE AND NETWORK SERVICES)	
TARIFF)	TC97-006

On January 15, 1997, the South Dakota Public Utilities Commission (Commission) received a filing by U S WEST Communications, Inc. (U S WEST) regarding revisions to its exchange and network services tariff. The filing introduces the Smart Public Access Line (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis. This filing is intended to meet the requirements in FCC Order 96-388 to provide a coin line for use by all Payphone Service Providers who wish to place a "dumb" payphone set on the line. The coin line has traditionally been used only by U S WEST Public Services.

The following tariff sheets were filed with regard to the Exchange and Network Services Tariff.

<u>Section</u>	<u>Page</u>	<u>Release</u>
5	92	2
5	93	2
5	94	2
5	95	4
5	95 1	1

On January 16, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of January 31, 1997, to interested individuals and entities. On April 15, 1997, the Commission received a late filed Petition to Intervene from Gemini Companies, Inc. (Gemini). On April 28, 1997, at its regularly scheduled meeting, the Commission granted Gemini's late filed Petition to Intervene.

By order dated July 8, 1997, the Commission set the hearing on this matter for July 28, 1997. The hearing was held as scheduled.

At its duly noticed meeting on September 25, 1997, the Commission considered this matter. The Commission unanimously voted to approve the above-listed revisions to U S WEST's Exchange and Network Services Tariff.

The Commission, having reviewed the evidence of record, makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

I

On January 15, 1997, the South Dakota Public Utilities Commission (Commission) received a filing by U S WEST Communications, Inc. (U S WEST) regarding revisions to its exchange and network services tariff. The filing introduces the Smart Public Access Line (Smart PAL) on a flat and message rated monthly recurring and non-recurring basis. Exhibit 1.

II

Smart PAL is intended to meet the requirements in the Federal Communications Commission's (FCC) Order implementing the payphone sections of the federal Telecommunications Act of 1996. Tr. at 9. The FCC ordered incumbent local exchange company's to "provide coin service so competitive payphone providers can offer payphone services using either instrument-implemented "smart payphones" or "dumb" payphones that utilize central office coin services, or some combination of the two in a manner similar to the LECs." In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, et. al, FCC 96-388, paragraph 146.

III

Smart PAL supports dumb payphone sets so the intelligence is in the central office rather than in the telephone. Tr. at 10. A public access line connects the pay telephone to the switched telephone network. Tr. at 11.

IV

Smart PAL service offers the following features: coin signaling, including coin collect and coin return; company completed and carried local and intraLATA toll messages, both sent paid and non-sent paid; company operator services/systems for all 0-, 0+, and 1+ intraLATA toll calls, and 0+ local calls; routing to the presubscribed carrier for all 0+ and 00- interLATA calls; pay-per-call blocking; incoming and outgoing call screening; and access to directory assistance, 911 emergency code, all interexchange carriers, 800/800-type service and 950 telephone numbers, and company repair service. Exhibit 1, Section 5, Page 92, Release 2, 5.5.7(A)(5)

V

U S WEST priced Smart PAL to provide the same contribution margin as its basic PAL service. Tr. at 14. The only difference in price between the Smart PAL and basic PAL is the difference in the costs between the two services. Tr. at 15. The monthly rate

for the message Smart PAL service does not cover costs so it provides no contribution. Tr. at 39. The usage charges provide the contribution for the service as a whole. Tr. at 39-40.

VI

Gemini requested that the Commission not approve any measured services for payphone providers. Tr. at 50. The Smart PAL tariff contains flat and measured rates, however, flat rates are available only in exchanges where neither measuring or metering capabilities exist. Exhibit 1, Exchange and Network Service Tariff, Section 5, Page 92, Release 2, 5.5.7 A(2).

VII

The Commission finds that the prices and terms and conditions contained in the Smart PAL tariff are fair and reasonable. The Commission further finds that measured rates are appropriate since there are incremental costs associated with each call. Tr. at 20.

VIII

The Commission approves U S WEST's proposed tariff sheets as follows:

<u>Section</u>	<u>Page</u>	<u>Release</u>
5	92	2
5	93	2
5	94	2
5	95	4
5	95 1	1

CONCLUSIONS OF LAW

I

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31.

II

U S WEST is required by the FCC to offer Smart PAL services. In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, et al. FCC 96-388, paragraph 146.

III

The Commission finds that the rates, terms, and conditions contained in the Smart PAL tariff are fair and reasonable.

It is therefore

ORDERED that the Commission approves U S WEST's revisions to its Exchange and Network Services Tariff as described above.

NOTICE OF ENTRY OF ORDER

PLEASE TAKE NOTICE that this Order was duly entered on the 17th day of October, 1997. Pursuant to SDCL 1-26-32, this Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

Dated at Pierre, South Dakota, this 17th day of October, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By

Nelaine Kelko

Date

10/20/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner