

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

IN THE MATTER OF THE INVESTIGATION OF U S WEST COMMUNICATIONS, INC. SERVICE QUALITY PERFORMANCE)))))	ORDER FOR AND NOTICE OF HEARING; NOTICE OF CONSIDERATION OF EX PARTE COMMUNICATION TC97-016
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IN THE MATTER OF THE FILING BY U S WEST COMMUNICATIONS, INC. FOR REVISIONS TO ITS EXCHANGE AND NETWORK SERVICES TARIFF AND EXCHANGE AND NETWORK SERVICES CATALOG)))))	TC97-049
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On February 20, 1997, the Public Utilities Commission (Commission) opened docket TC97-016 to review U S WEST's service quality performance pursuant to the Commission's Order Approving Stipulation and Addendum in Docket TC94-121. In that docket, the Commission approved a rate increase for residential and business basic local exchange service. The Commission further decided that a proposed second increase may be implemented at the end of 18 months from the first increase depending on U S WEST's service quality performance. The Commission directed the Commission staff to review U S WEST's service quality performance at the end of 12 months following the effective date of the increase. The Commission set an intervention deadline of March 7, 1997, for this docket. MCI Telecommunications Corporation (MCI) and AT&T Communications of the Midwest, Inc. (AT&T) filed timely Petitions to Intervene. By Order dated April 28, 1997, the Commission granted both Petitions to Intervene.

On April 30, 1997, the Commission received a filing by U S WEST that reflects the second phase of increase which is docket TC97-049. On June 3, 1997, at a duly noticed meeting, the Commission decided to consolidate dockets TC97-016 and TC97-049.

On May 20, 1997, the Commission issued its Amended Order and Notice of Procedural Schedule and Hearing in docket TC97-016 scheduling a hearing for June 12-13, 1997. The hearing was commenced as scheduled. The Commission continued the hearing so that the parties and the Commission could identify any outstanding issues once the June 12, 1997, transcript became available. The procedure established by the Commission permitted U S WEST to draft a list of the issues and witnesses it believed were relevant to complete the hearing based upon concerns and questions raised by the Commission during the June 12, 1997, hearing. On July 1, 1997, U S WEST filed a letter setting forth its additional witnesses and the issues to be addressed by those witnesses.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26, 49-13 and 49-31. The Commission may rely upon any or all of these or other laws of this state in making its determination.

The issue is whether based upon the Commission's investigation of U S WEST's service quality performance from February 12, 1996, to February 11, 1997, a second rate increase, scheduled to be implemented at the end of 18 months from the first increase, may be implemented (in whole or in part), delayed or rejected.

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 implement (in whole or in part), delay, or reject the second increase pursuant to its decision in TC94-121. 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.

The Commission finds that the letter dated June 30, 1997, as submitted by U S WEST identifying additional witnesses and issues should be adopted and these matters shall be heard at the hearing.

PLEASE TAKE NOTICE that pursuant to SDCL 1-26-26, the Commission hereby gives notice that the attached Quality of Service Data, marked as Exhibit A, has been received by the Commission. It may be considered by the Commission in these proceedings commencing on July 16, 1997, in LCR-1, State Capitol Building, Pierre, SD, beginning at 8:30 a.m. All parties shall have an opportunity to participate and present witnesses relative to the attachment.

It is therefore

ORDERED that all parties shall be afforded the opportunity to participate in the consideration of Exhibit A by the Commission as provided by SDCL 1-26-26; and it is

FURTHER ORDERED that a hearing shall commence on July 16, 1997, in LCR-1, State Capitol Building, Pierre, SD, beginning at 8:30 a.m.; and it is

FURTHER ORDERED, that the letter dated June 30, 1997, as submitted by U S WEST identifying additional witnesses and issues shall be adopted. The letter is hereby incorporated by reference.

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 7th 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:	<u>Alaine Kaebo</u>
Date:	<u>7/7/97</u>
(OFFICIAL SEAL)	

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

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

The National Regulatory Research Institute



1080 Carmack Road
Columbus, Ohio 43210-1002

Phone: 614/292-9404
FAX: 614/292-7196

To: Jim Burg
Pam Nelson
Laska Schoenfelder

From: Ray Lawton

Date: June 25, 1997

Subject: Quality-of-Service Data For South Dakota

Per your request, two items are submitted for your use. The first is a memo from Mike Clements that should be helpful in your assessment of the trend line for service quality in South Dakota. Mike's memo uses federal ARMIS data. The data cover six ARMIS service quality variables. The big picture is that South Dakota has declined on four of the six measures.

The second item was filed in the Ohio Public Utility Commission's price cap proceeding. The part most useful to you may be Chapter Four, which lays out the linked logic of service quality and price caps and why you should have a reasonable expectation that service quality should either remain the same or improve under price caps.

EXHIBIT

A

- **Recently issued 1996 service quality results exhibit a similar trend.** In 1996, the FCC adopted a yearly, versus quarterly, service quality filing. Thus, the 1996 results are not strictly comparable to the 1991 to 1995 data. However, calculating average quarterly values from the annual data permits some rough comparisons. Compared with the 1991 second quarter, the 1996 results show lower service quality levels in total customer commitments met, total repeat trouble reports, switched downtime, and total customer complaints. Improvements are apparent in total trouble reports and trunk blockage.
- **South Dakota's service quality results closely track US West's aggregate results.** Figures 15 to 28 illustrate South Dakota's and US West's service quality records on the previous measures. As the figures illustrate, the South Dakota and US West results move in tandem. These results are consistent with other studies that identify the holding company as a significant factor influencing state-level activity. That is, the holding company's corporate strategy appears to influence state-level results.
- **Compared to Ohio, South Dakota has a generally lower service quality level.** Recently, the NRRI published an in-depth report identifying the telecommunications service quality preference and experiences of Ohio residential and business consumers. Even though Ohio generally has higher net service quality levels (Table 2), the NRRI survey indicates that a significant number of consumers of Ohio local exchange companies still have significant service quality problems. This suggests that a similar survey done in South Dakota could show that even large proportions of South Dakota consumers would also be concerned about the quality of the telecommunications services that they receive.

As state commissions increasingly adopt alternative regulatory policies, service quality remains an important consideration. Technology, legislation, and commission action are fostering competition. This newly emerging competition should improve economic efficiency. However, incipient competition has not resolved the present service quality problems. Results from the preceding six year period indicate a general service quality degradation.

FIGURE 1: Residential Customer Commitments Met (FCC ARMIS 43-05)

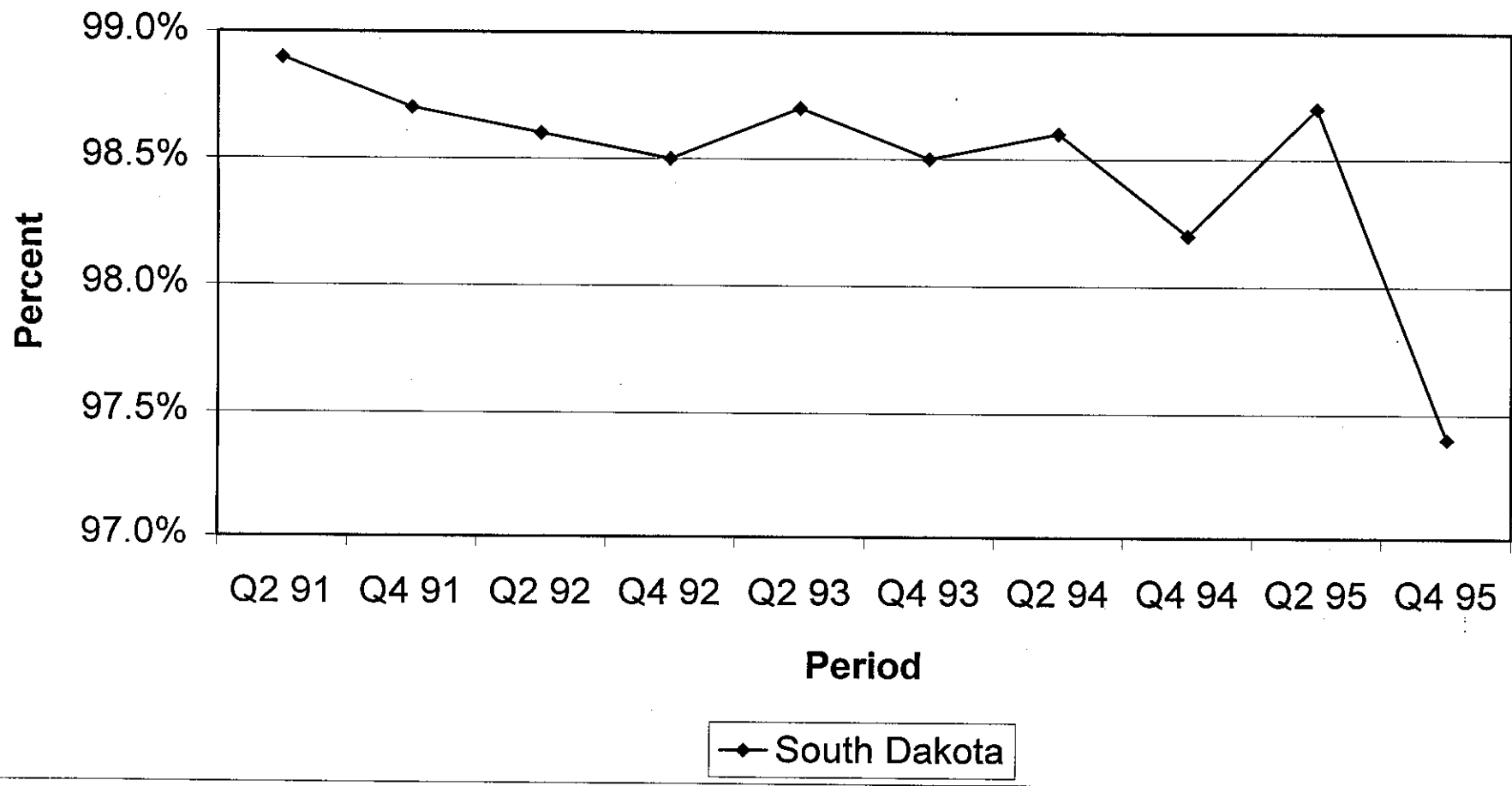
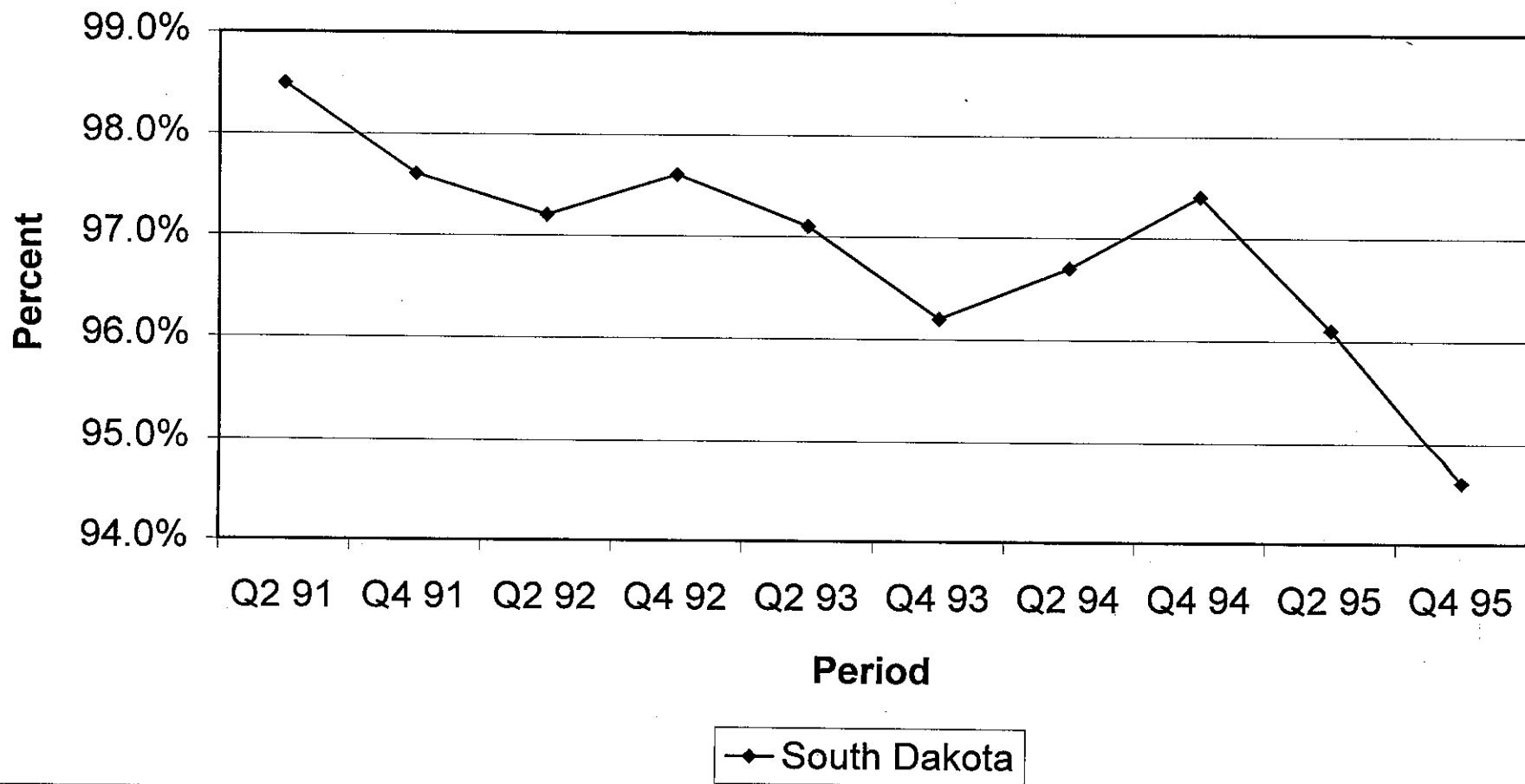
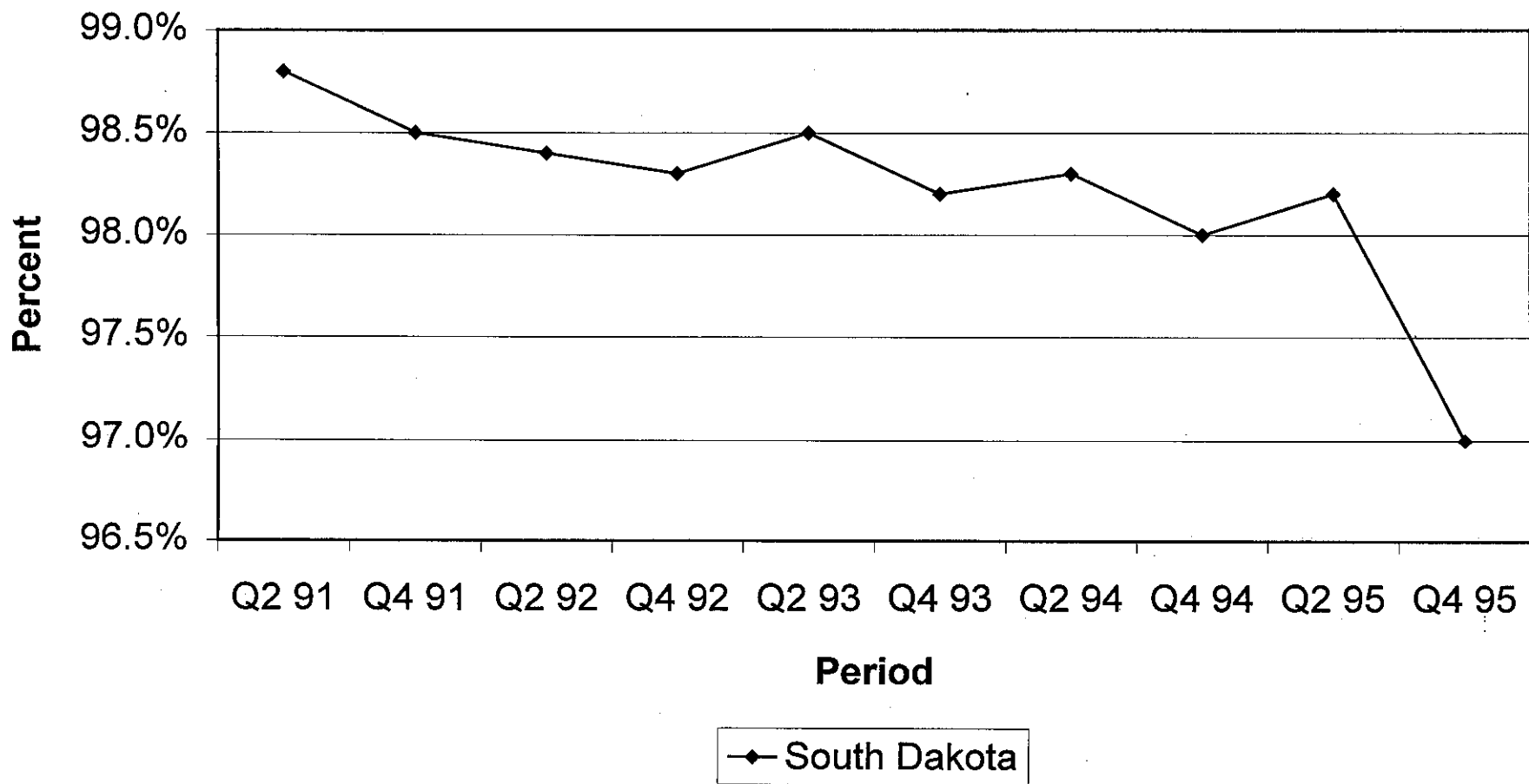


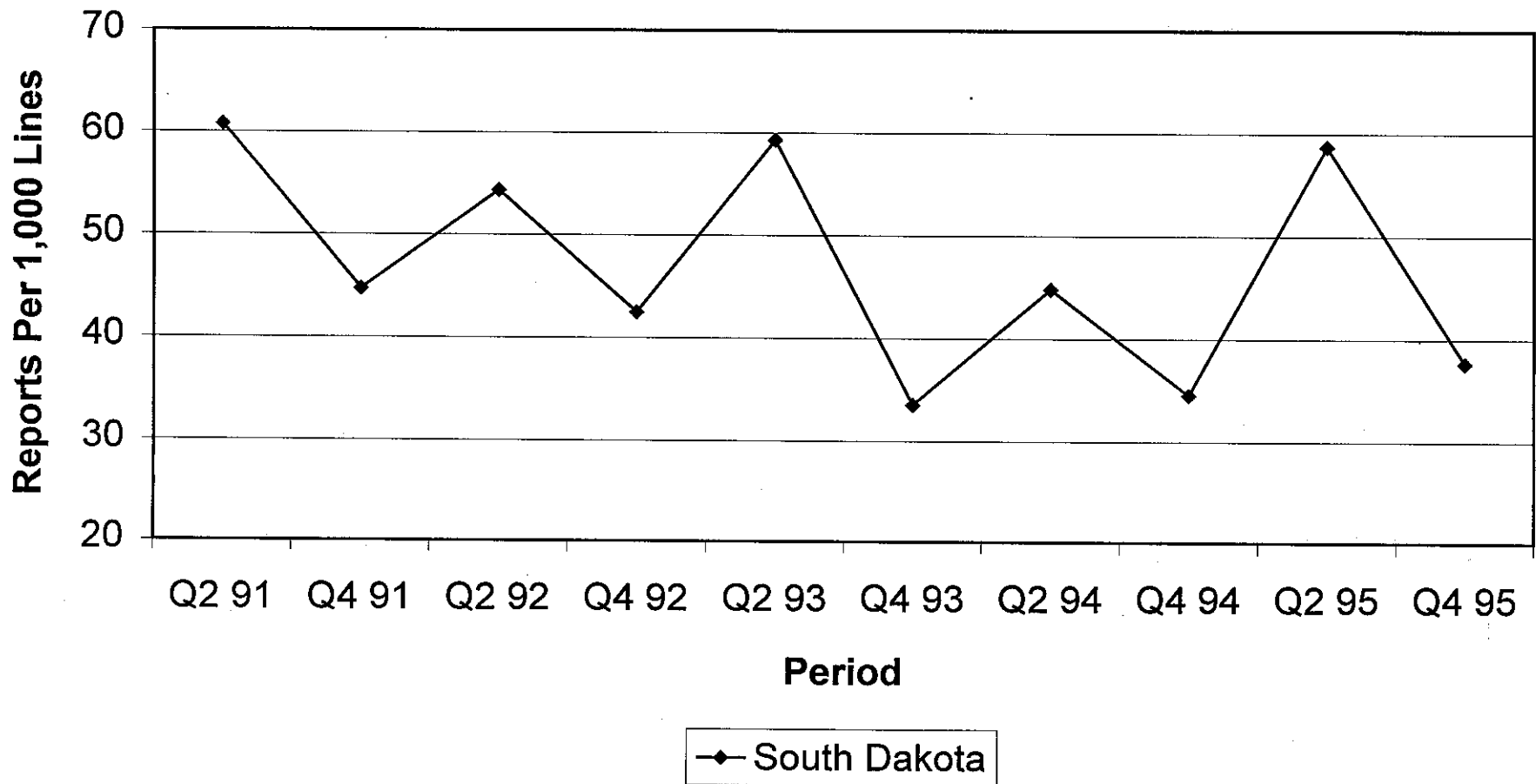
FIGURE 2: Business Customer Commitments Met (FCC ARMIS 43-05)



**FIGURE 3: Total Customer Commitments Met
(FCC ARMIS 43-05)**



**FIGURE 4: Residential Trouble Reports
(FCC ARMIS 43-05)**



**FIGURE 5: Business Trouble Reports
(FCC ARMIS 43-05)**

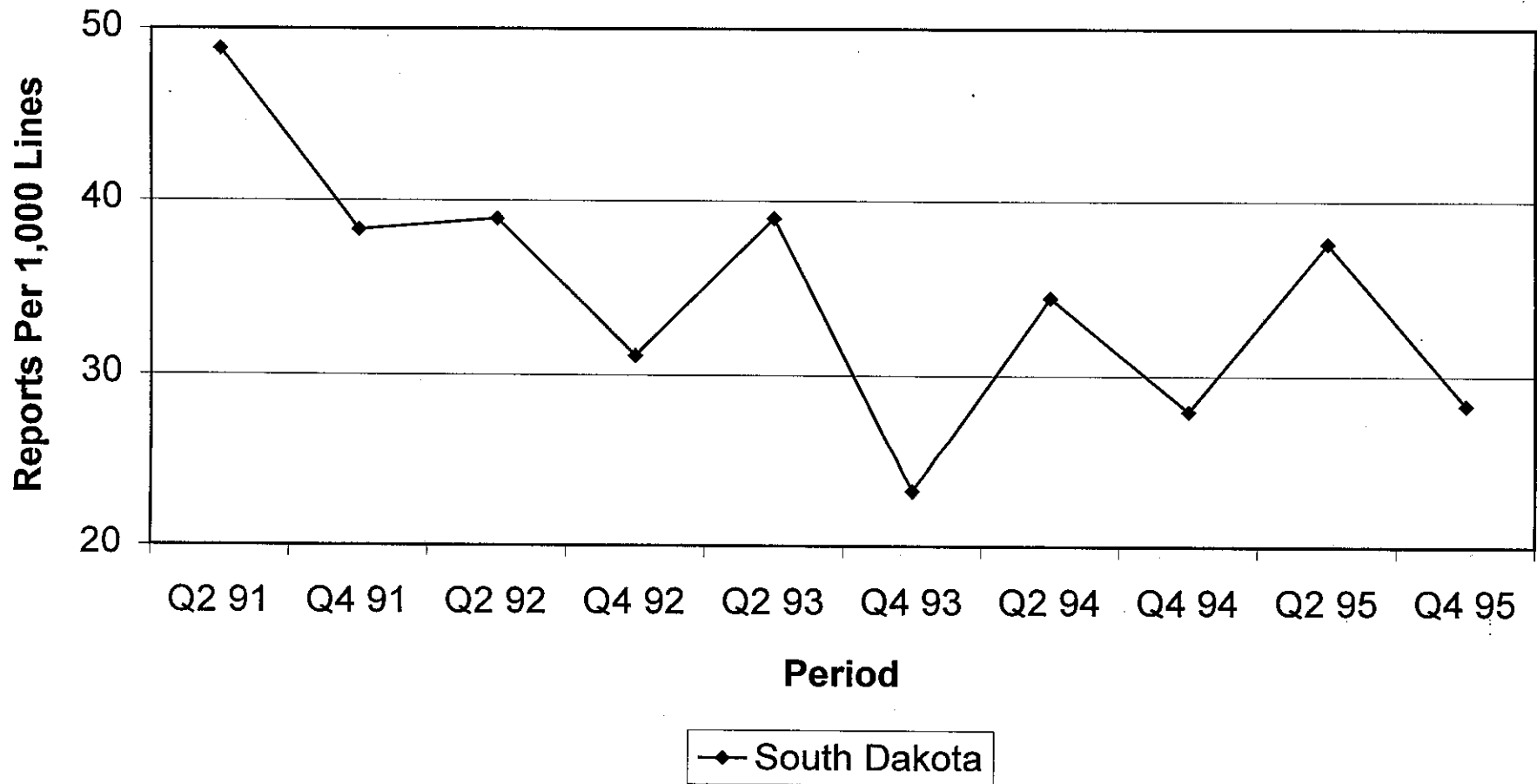
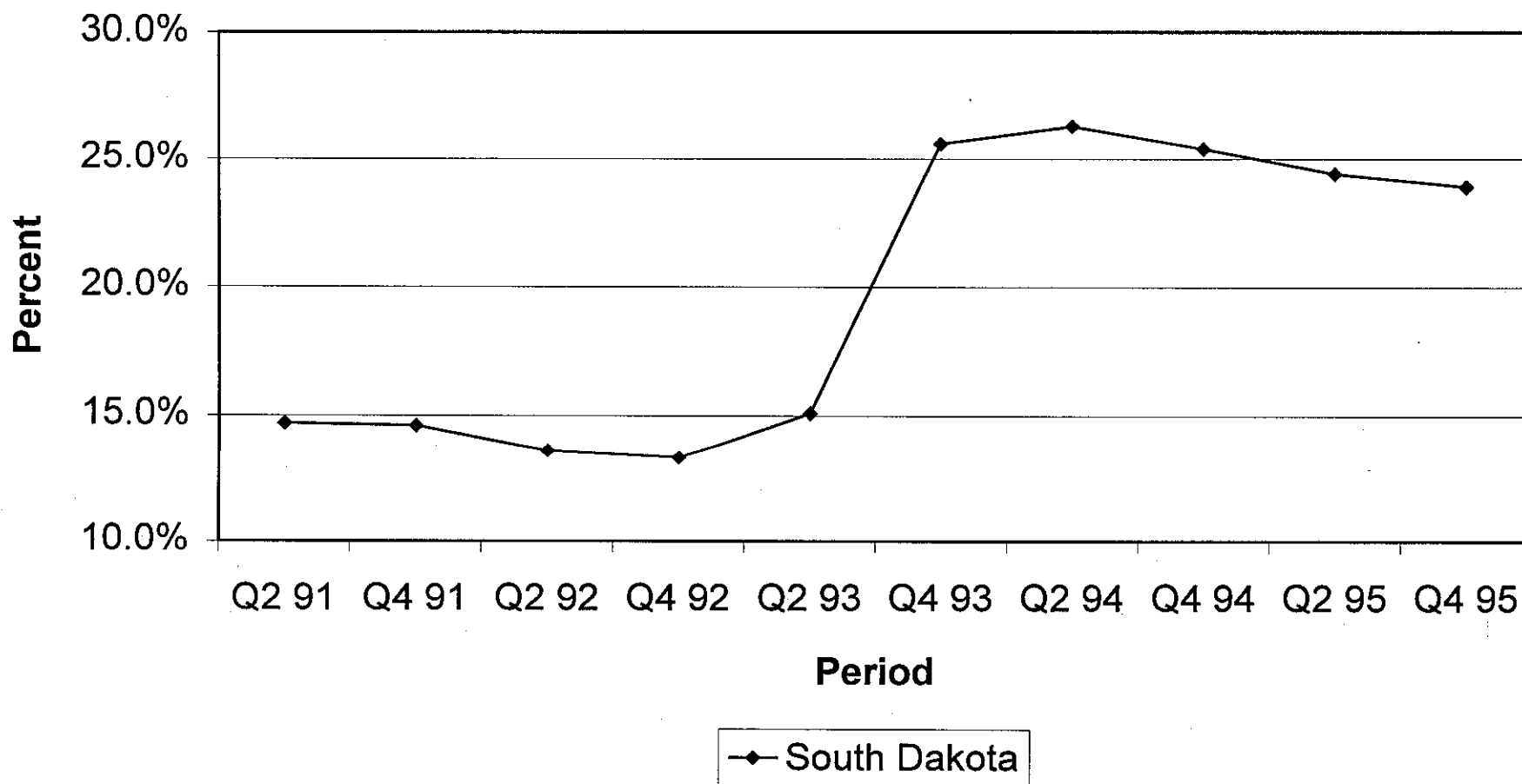
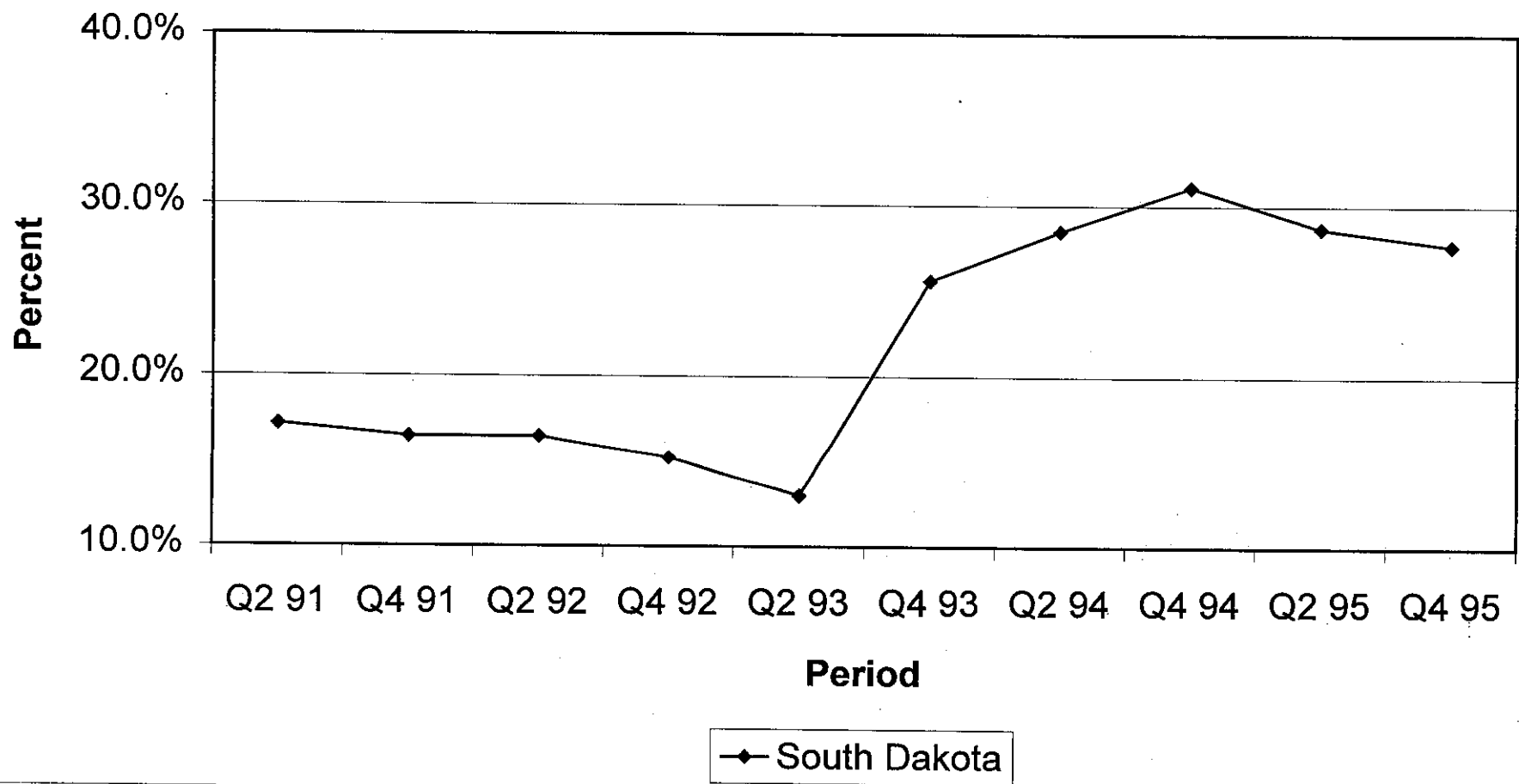


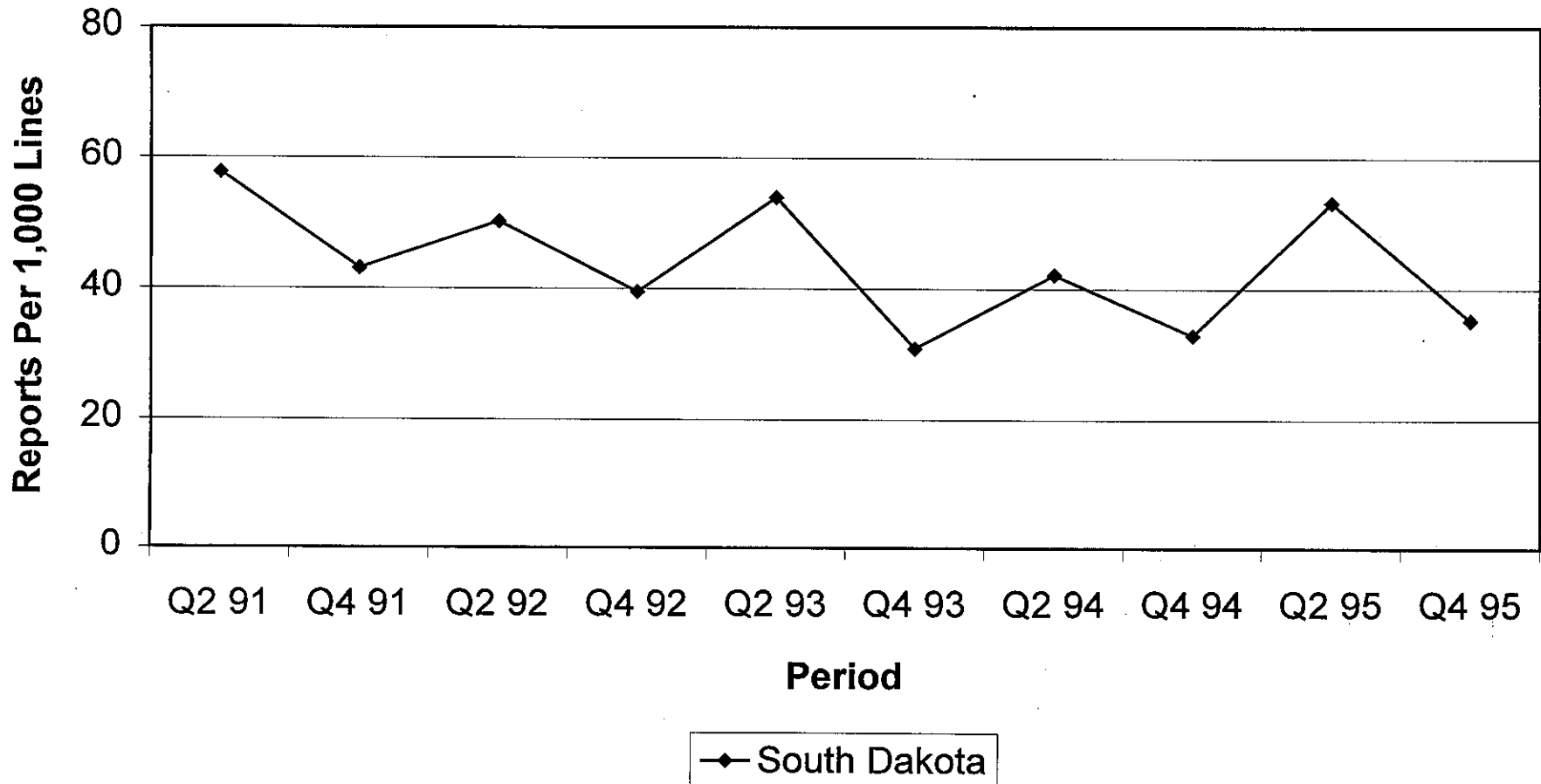
FIGURE 6: Residential Repeat Trouble Reports (FCC ARMIS 43-05)



**FIGURE 7: Business Repeat Trouble Reports
(FCC ARMIS 43-05)**



**FIGURE 8: Total Trouble Reports
(FCC ARMIS 43-05)**



**FIGURE 9: Total Repeat Trouble Reports
(FCC ARMIS 43-05)**

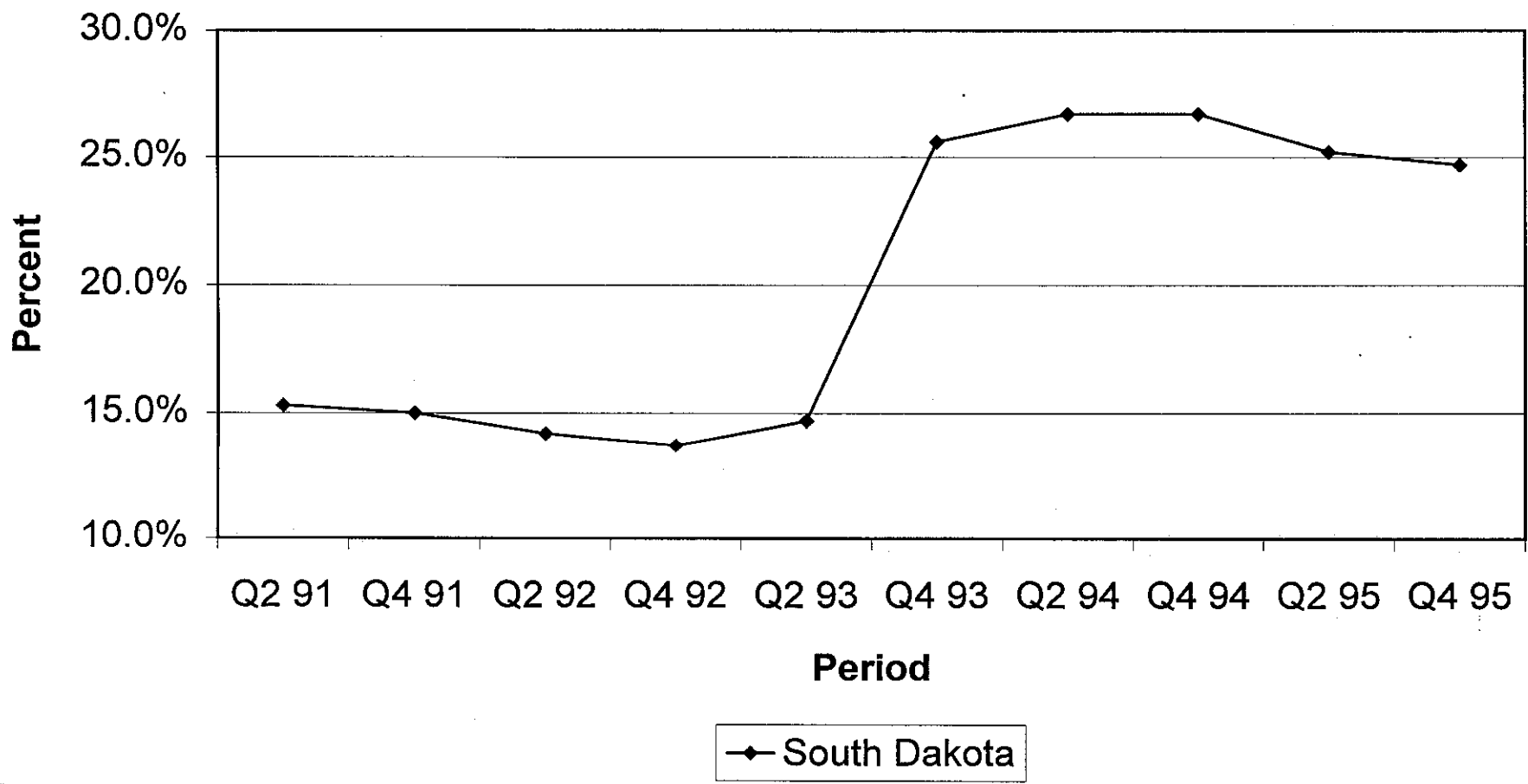
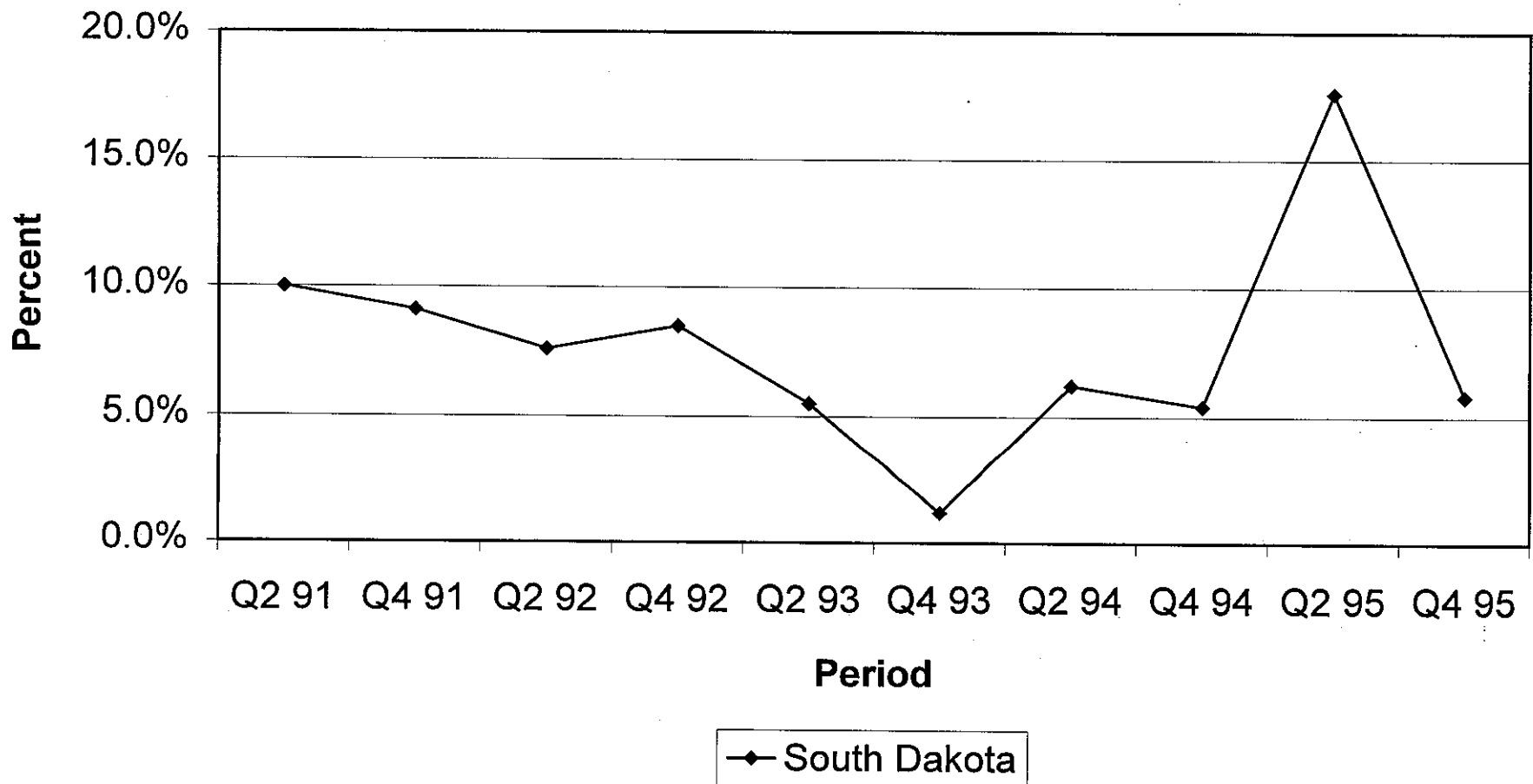
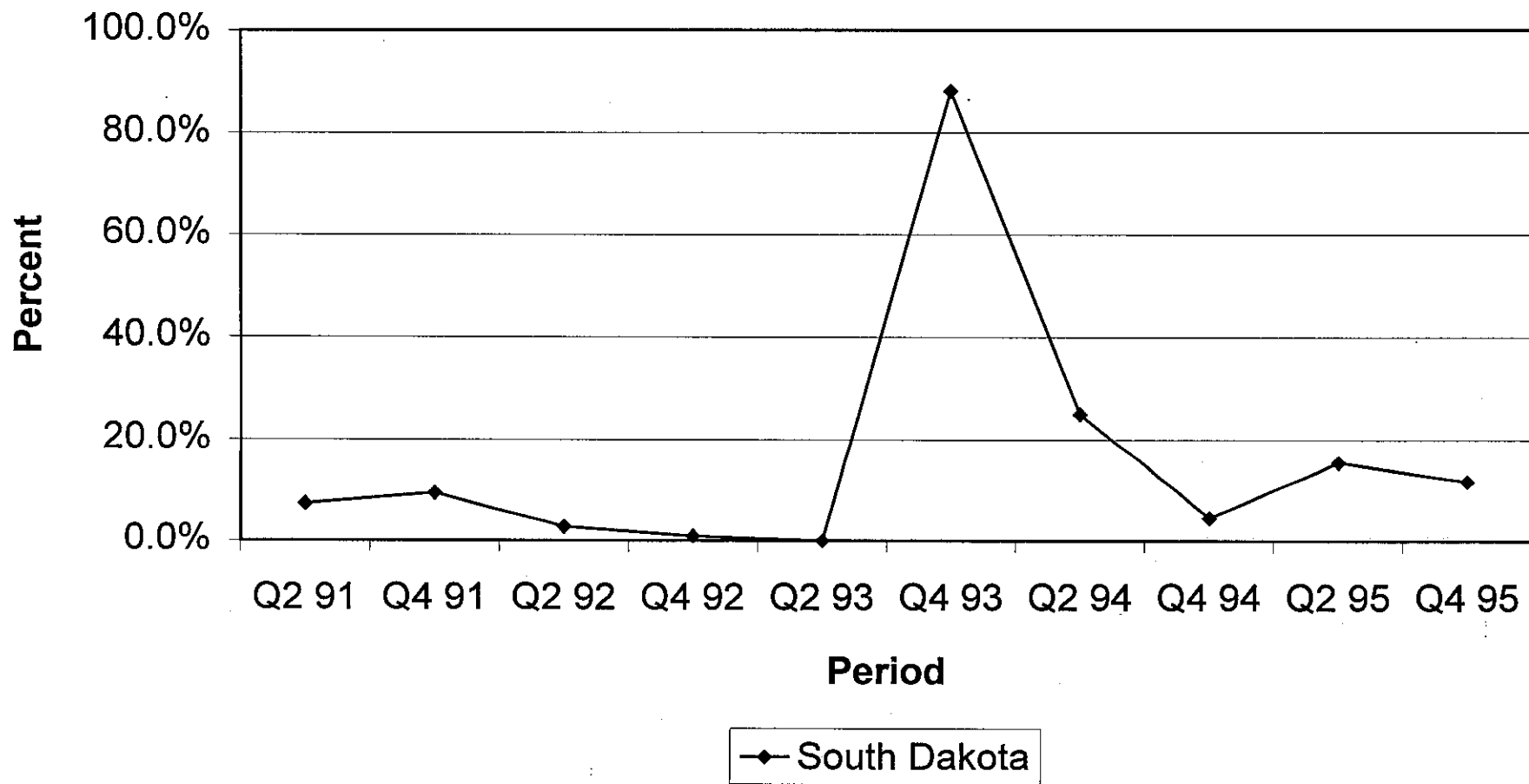


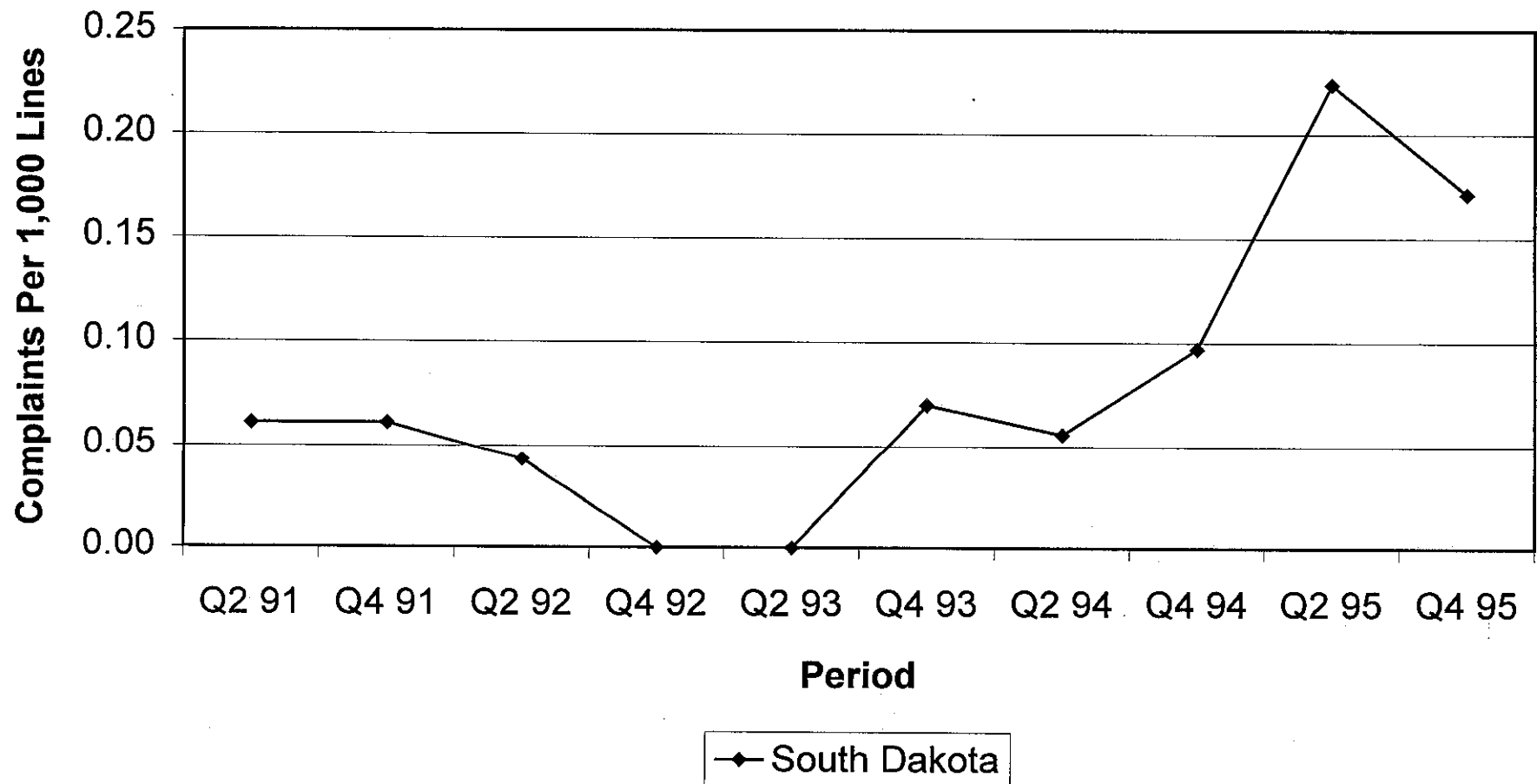
FIGURE 10: Trunk Blockage - Exceed Threshold One Month (FCC ARMIS 43-05)



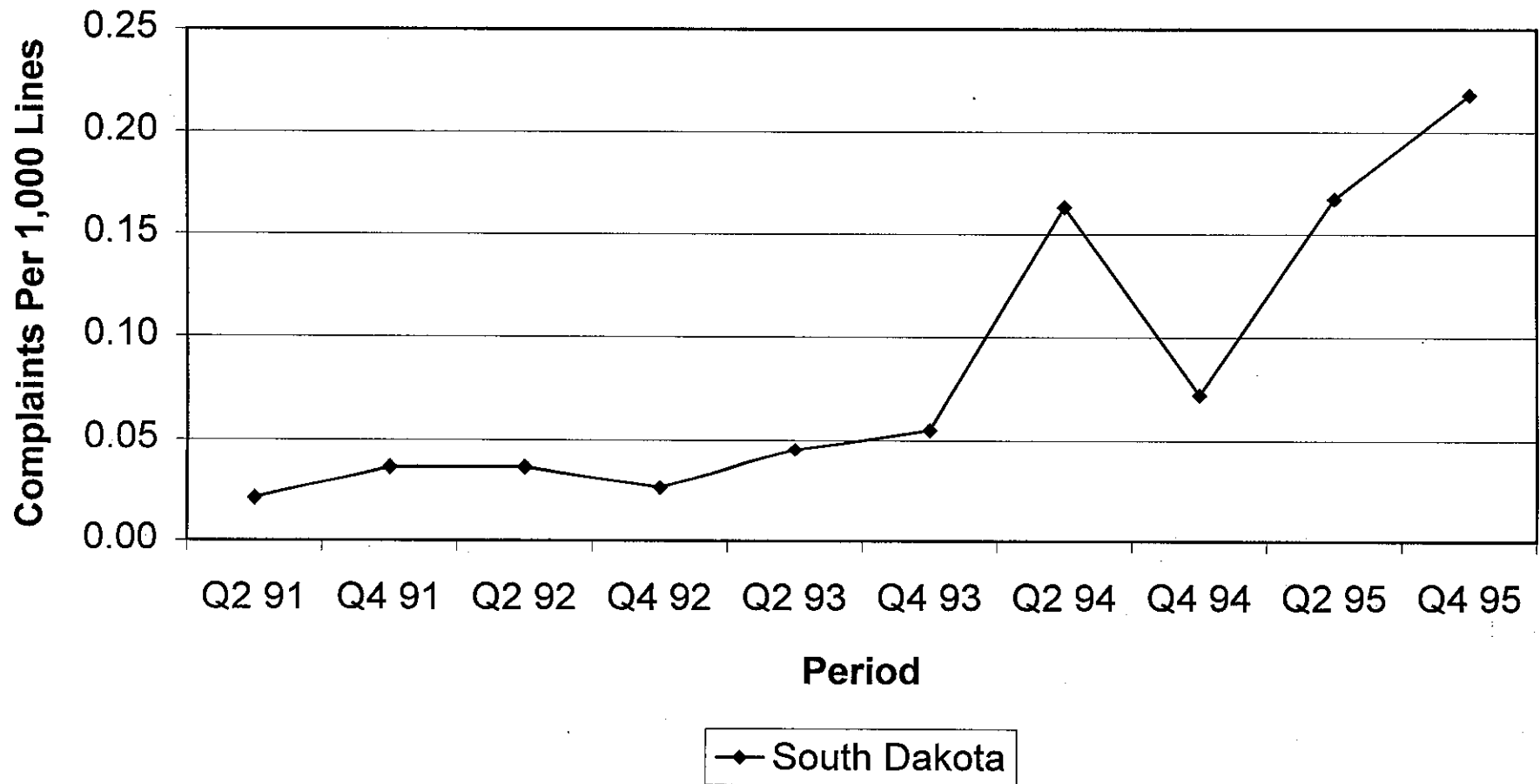
**FIGURE 11: Switched Downtime
(FCC ARMIS 43-05)**



**FIGURE 12: Business Customer Complaints
(FCC ARMIS 43-05)**



**FIGURE 13: Residential Customer Complaints
(FCC ARMIS 43-05)**



**FIGURE 14: Total Customer Complaints
(FCC ARMIS 43-05)**

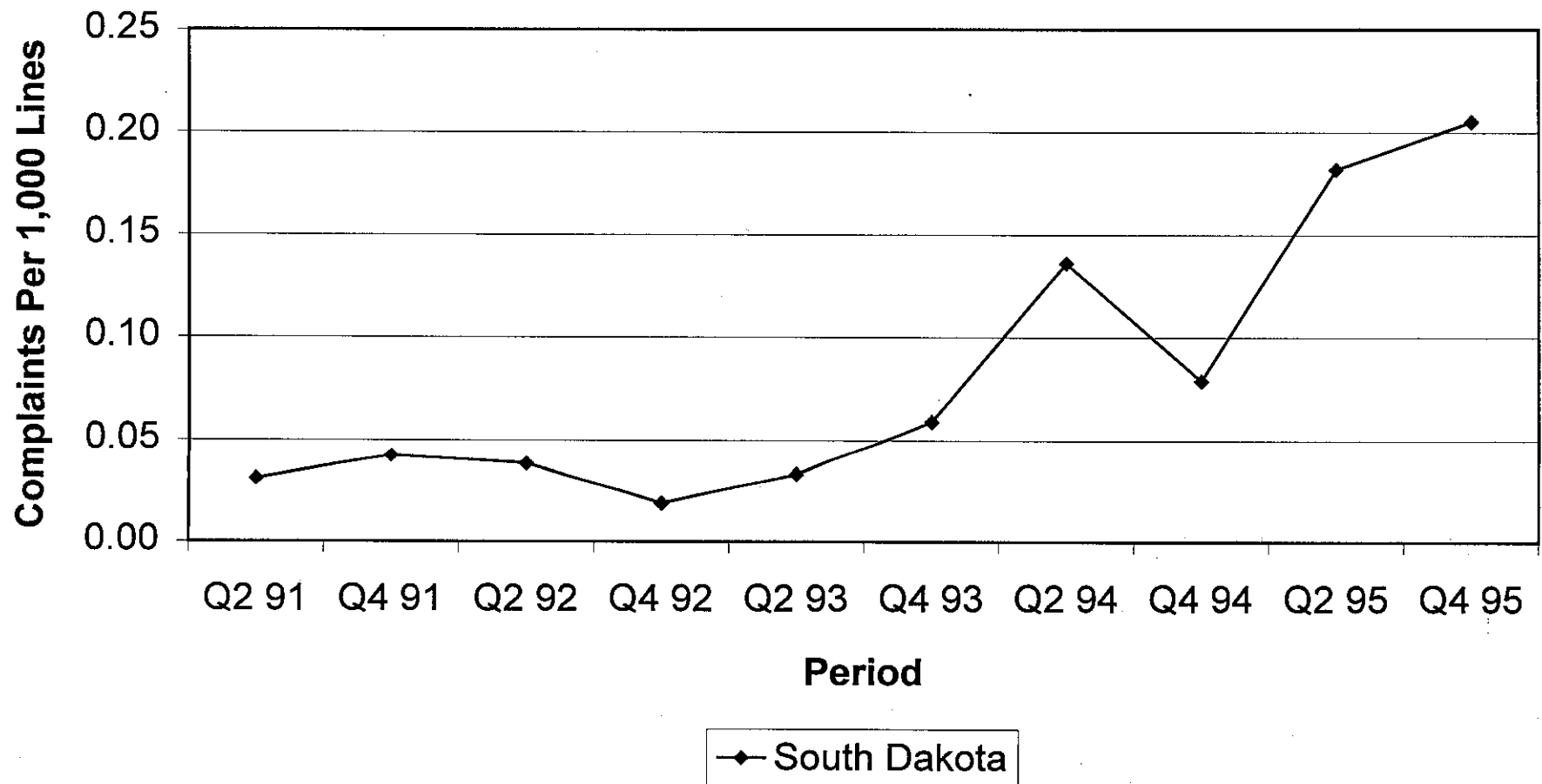


TABLE 1

SOUTH DAKOTA SERVICE QUALITY RANKINGS

Period (Quarter/Year)	Commitments Met	Trouble Reports	Repeat Trouble Reports	Trunk Blockage	Switched Downtime	Complaints
Q2 1991	31	18	32	48	25	28
Q4 1991	30	4	34	48	28	36
Q2 1992	43	8	34	47	7	34
Q4 1992	32	8	27	48	3	21
Q2 1993	33	17	26	42	2	31
Q4 1993	34	3	31	28	48	39
Q2 1994	33	13	34	46	37	43
Q4 1994	31	4	32	45	12	34
Q2 1995	36	25	38	48	35	44
Q4 1995	40	6	29	44	31	39

Scale: 1 Highest, 48 Lowest

Source: FCC ARMIS 43-05.

FIGURE 15: Residential Customer Commitments Met (FCC ARMIS 43-05)

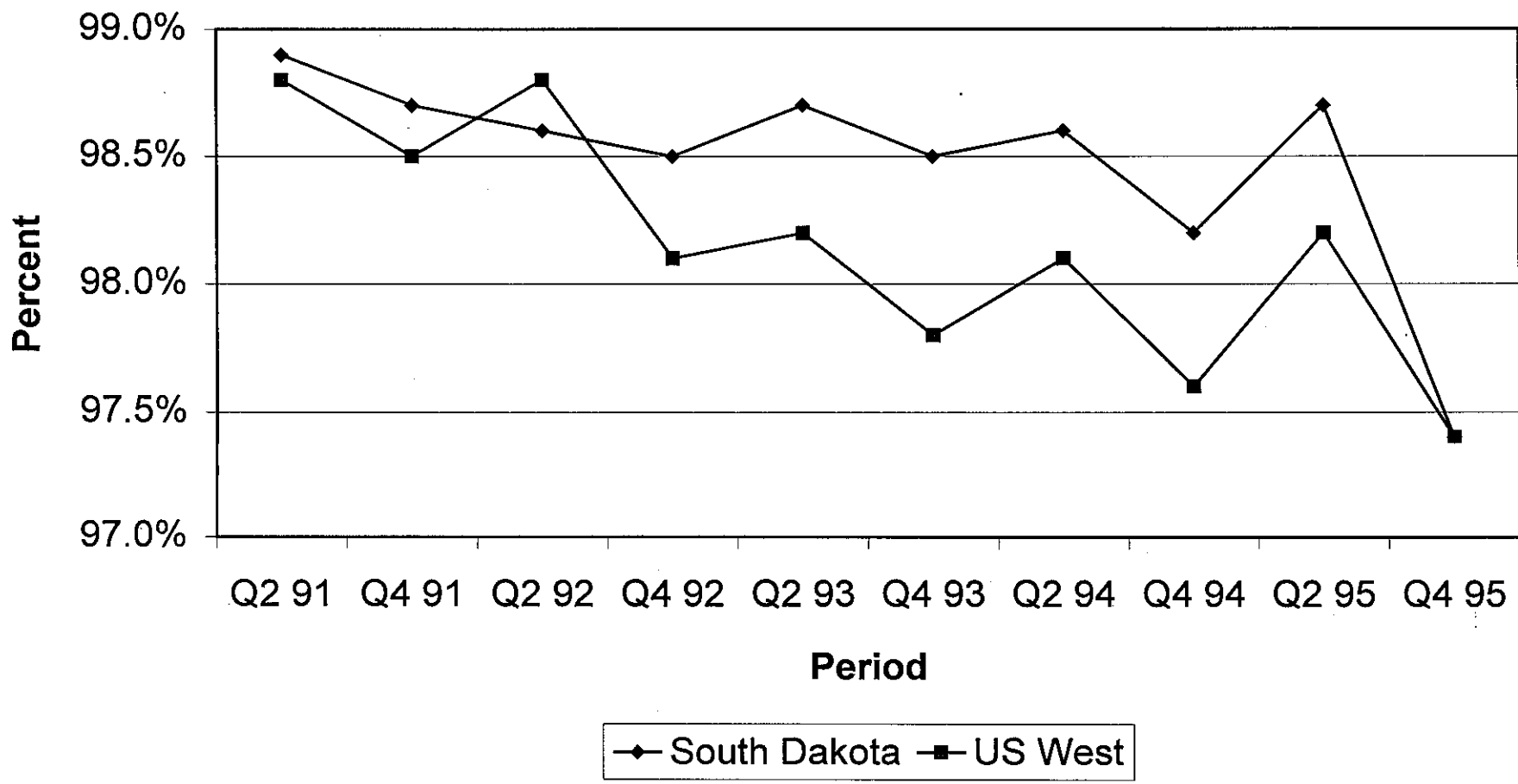


FIGURE 16: Business Customer Commitments Met (FCC ARMIS 43-05)

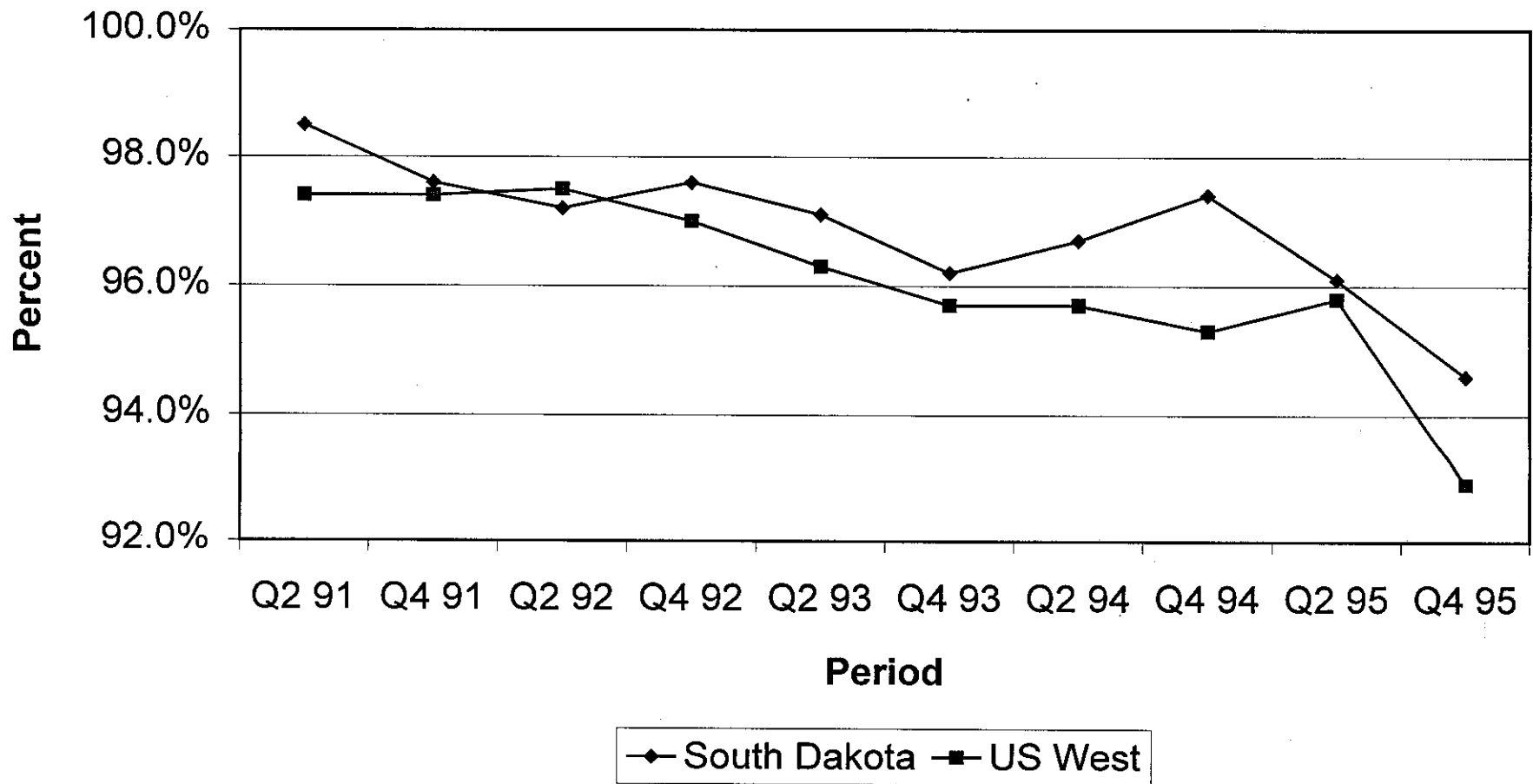
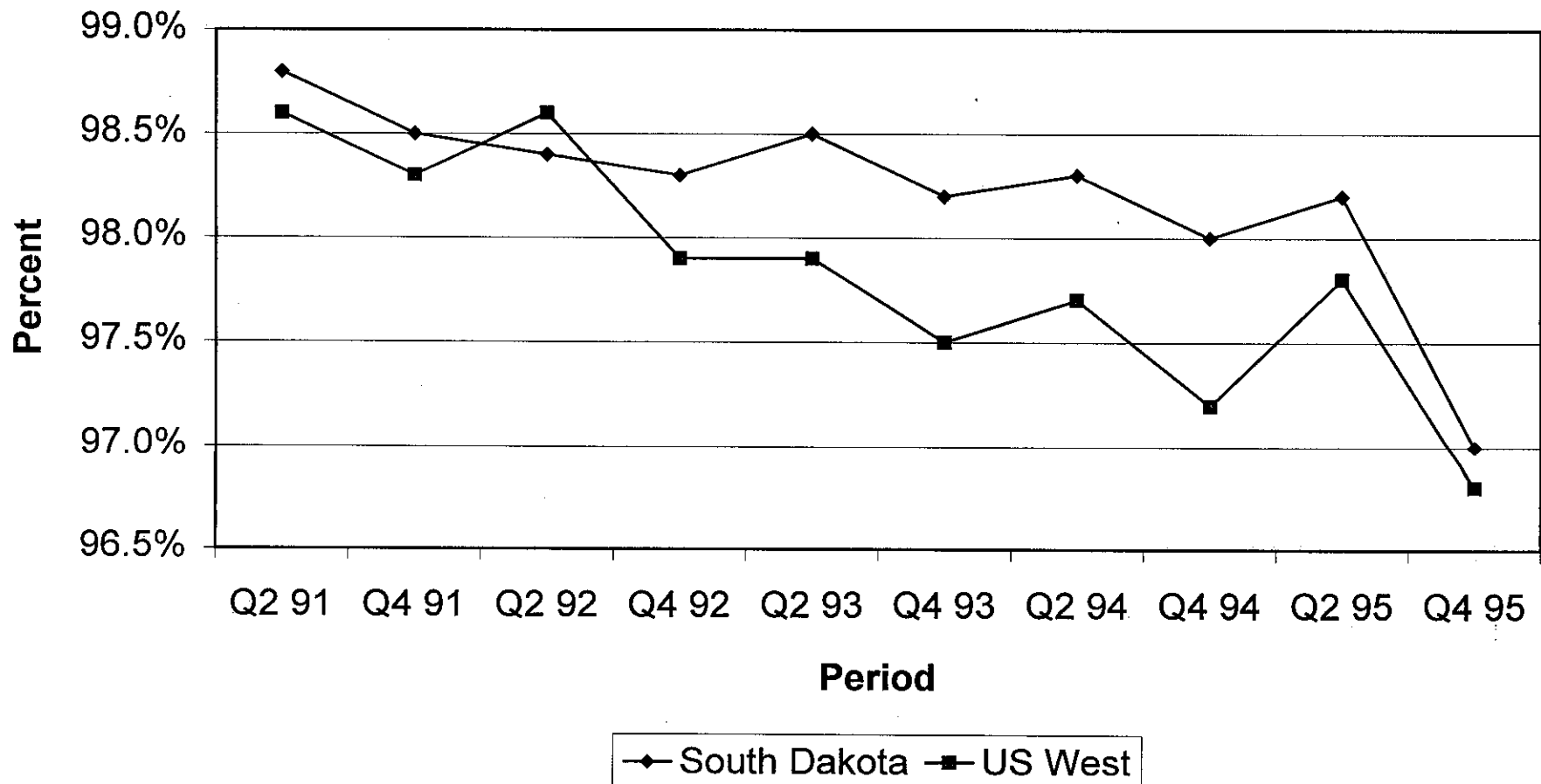
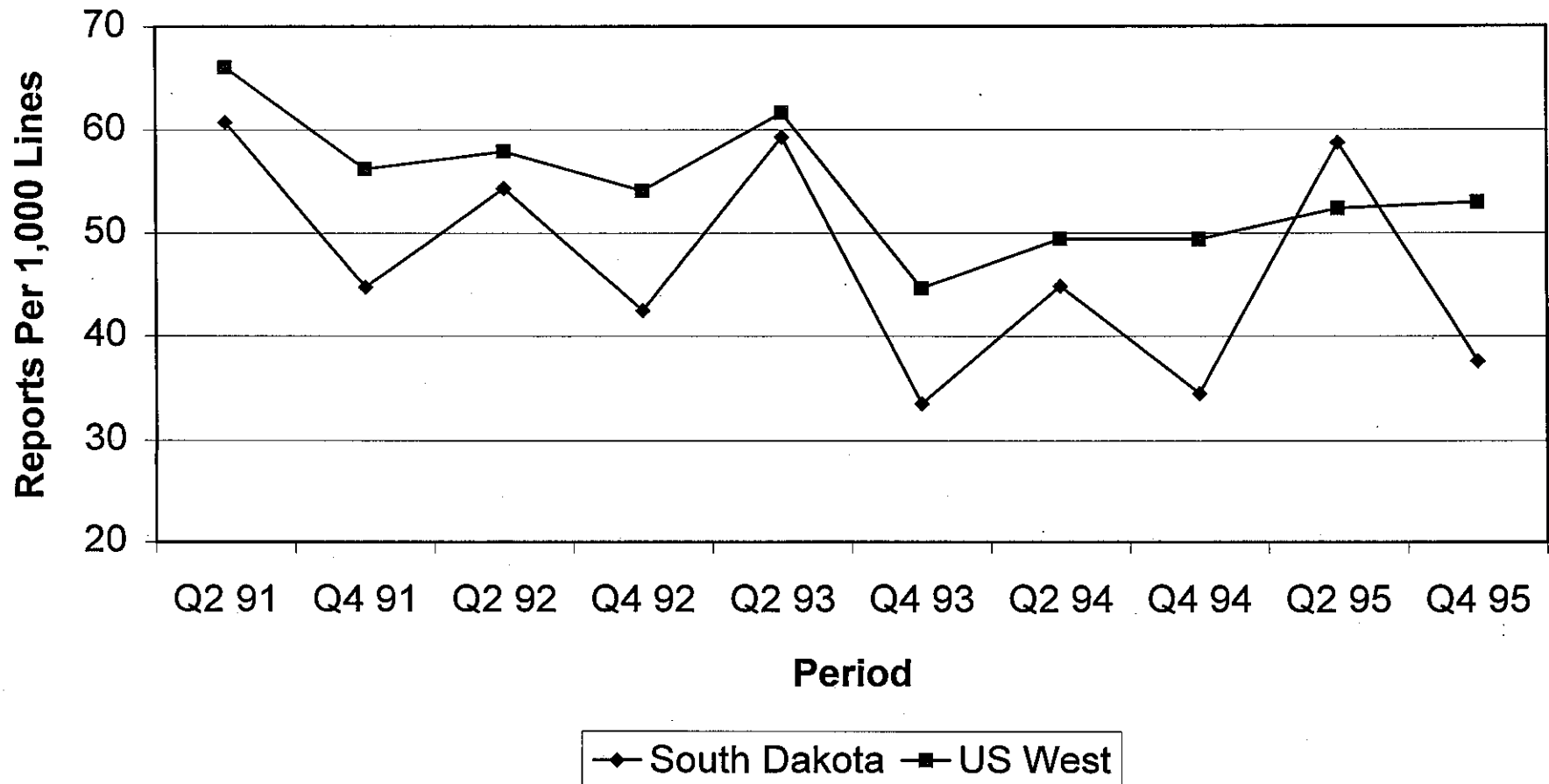


FIGURE 17: Total Customer Commitments Met (FCC ARMIS 43-05)



**FIGURE 18: Residential Trouble Reports
(FCC ARMIS 43-05)**



**FIGURE 19: Business Trouble Reports
(FCC ARMIS 43-05)**

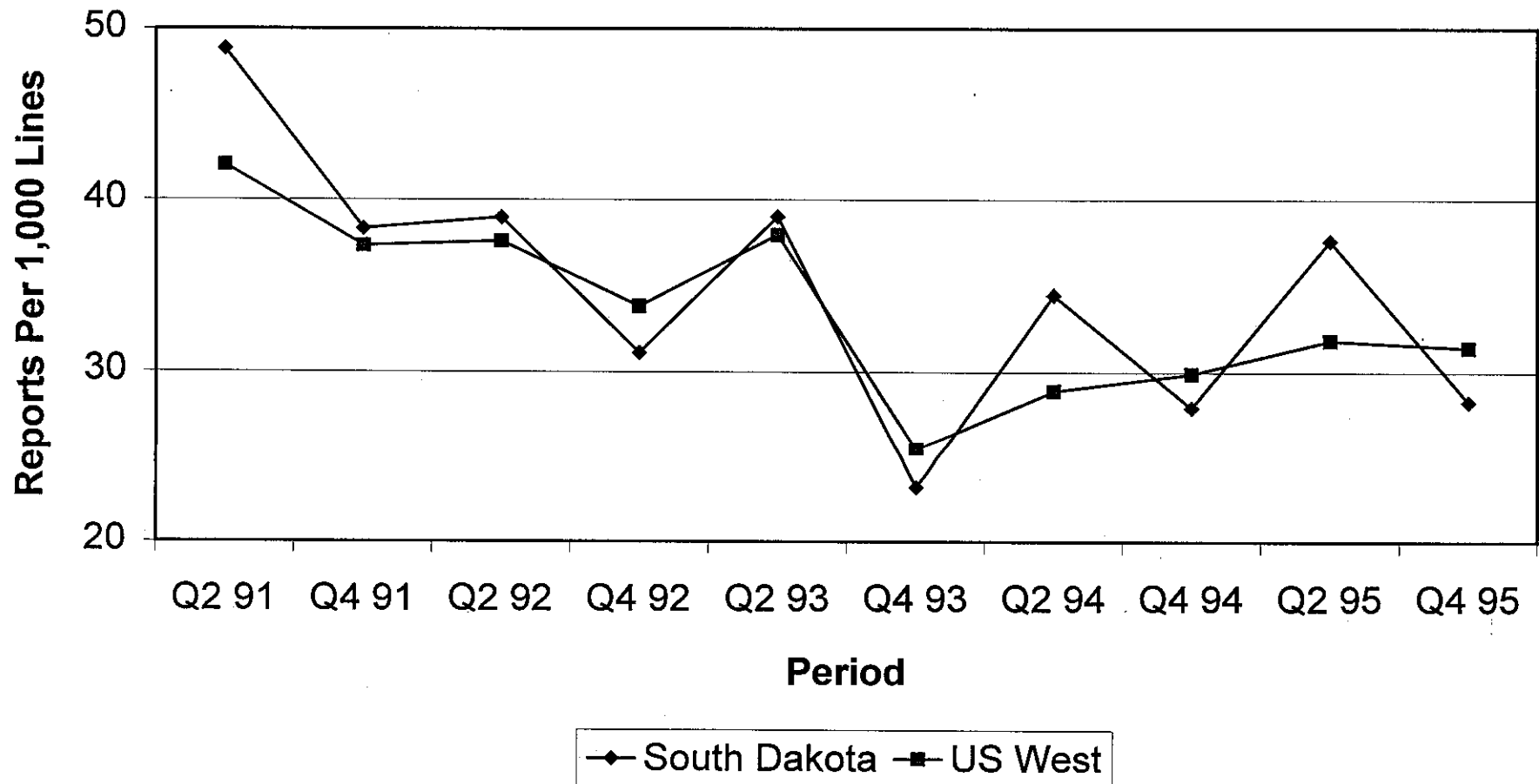


FIGURE 20: Residential Repeat Trouble Reports (FCC ARMIS 43-05)

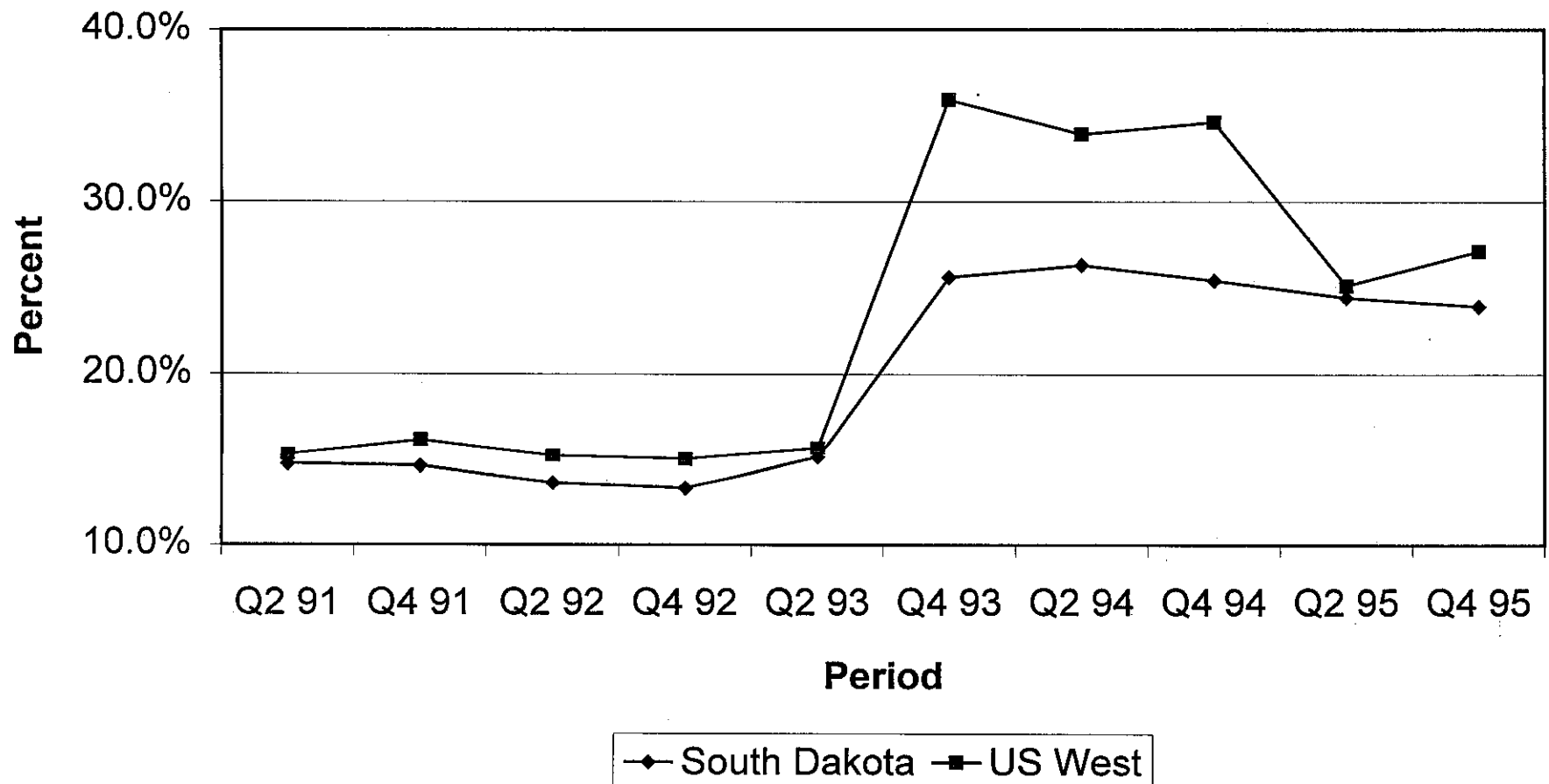
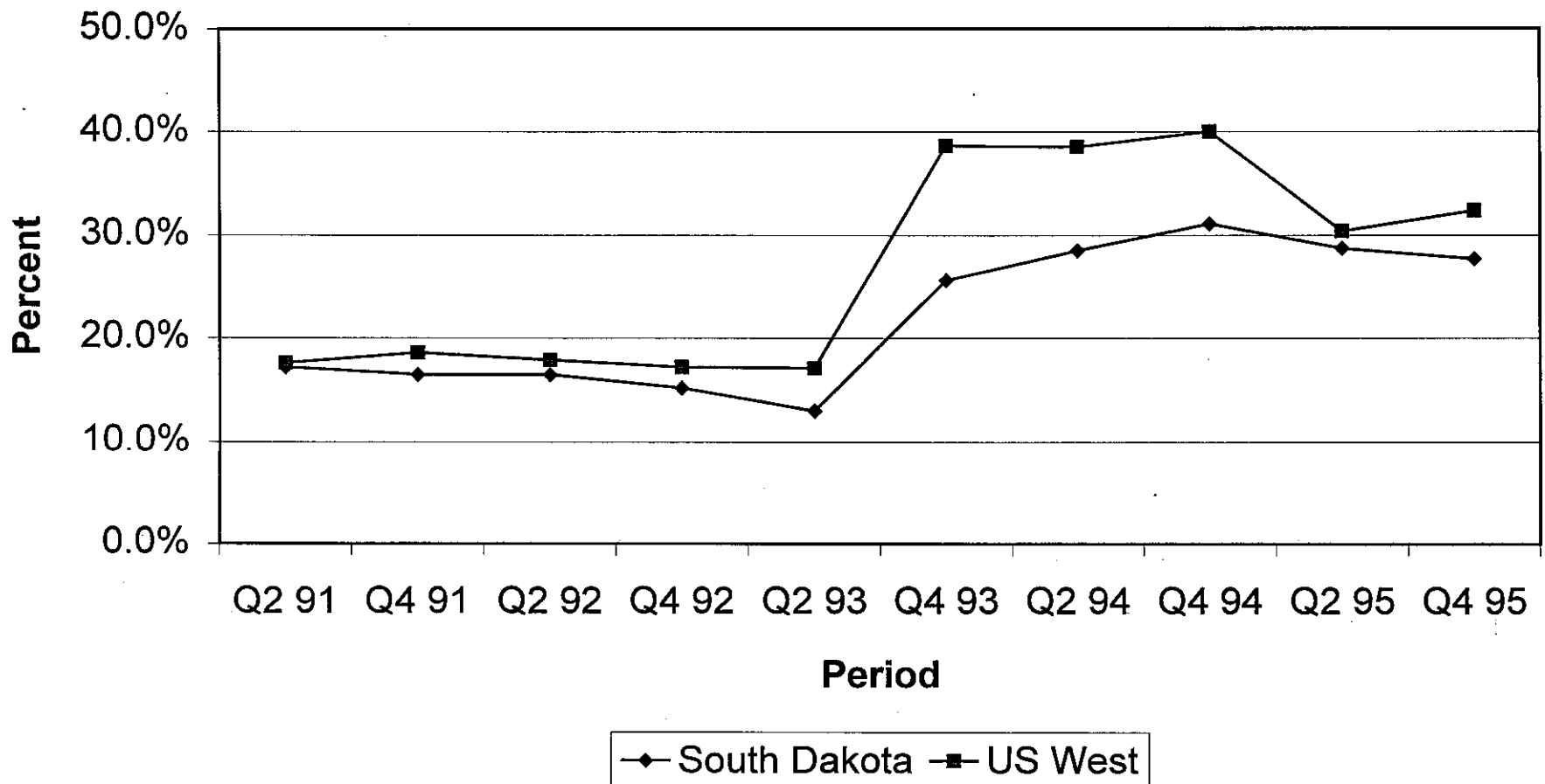
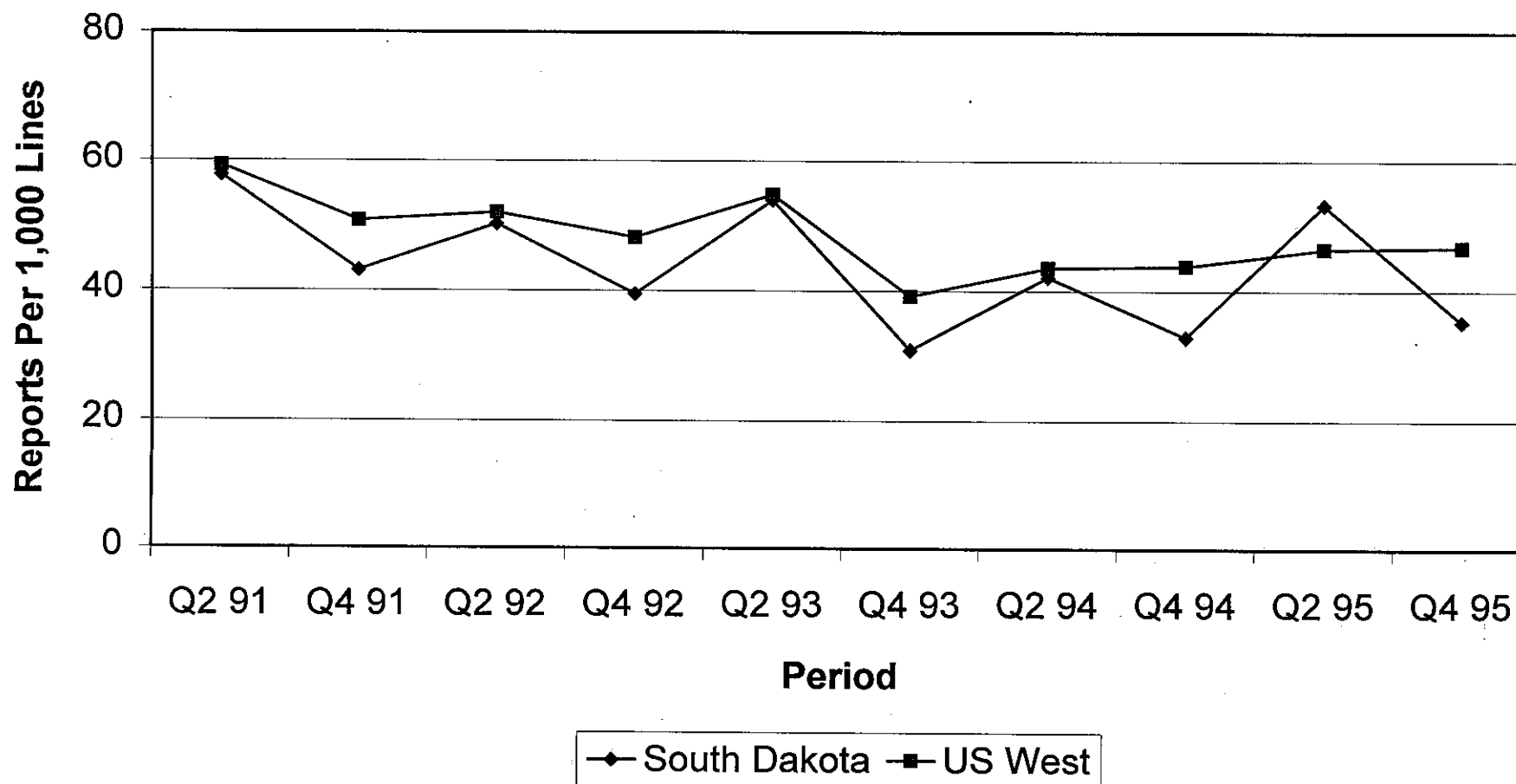


FIGURE 21: Business Repeat Trouble Reports (FCC ARMIS 43-05)



**FIGURE 22: Total Trouble Reports
(FCC ARMIS 43-05)**



**FIGURE 23: Total Repeat Trouble Reports
(FCC ARMIS 43-05)**

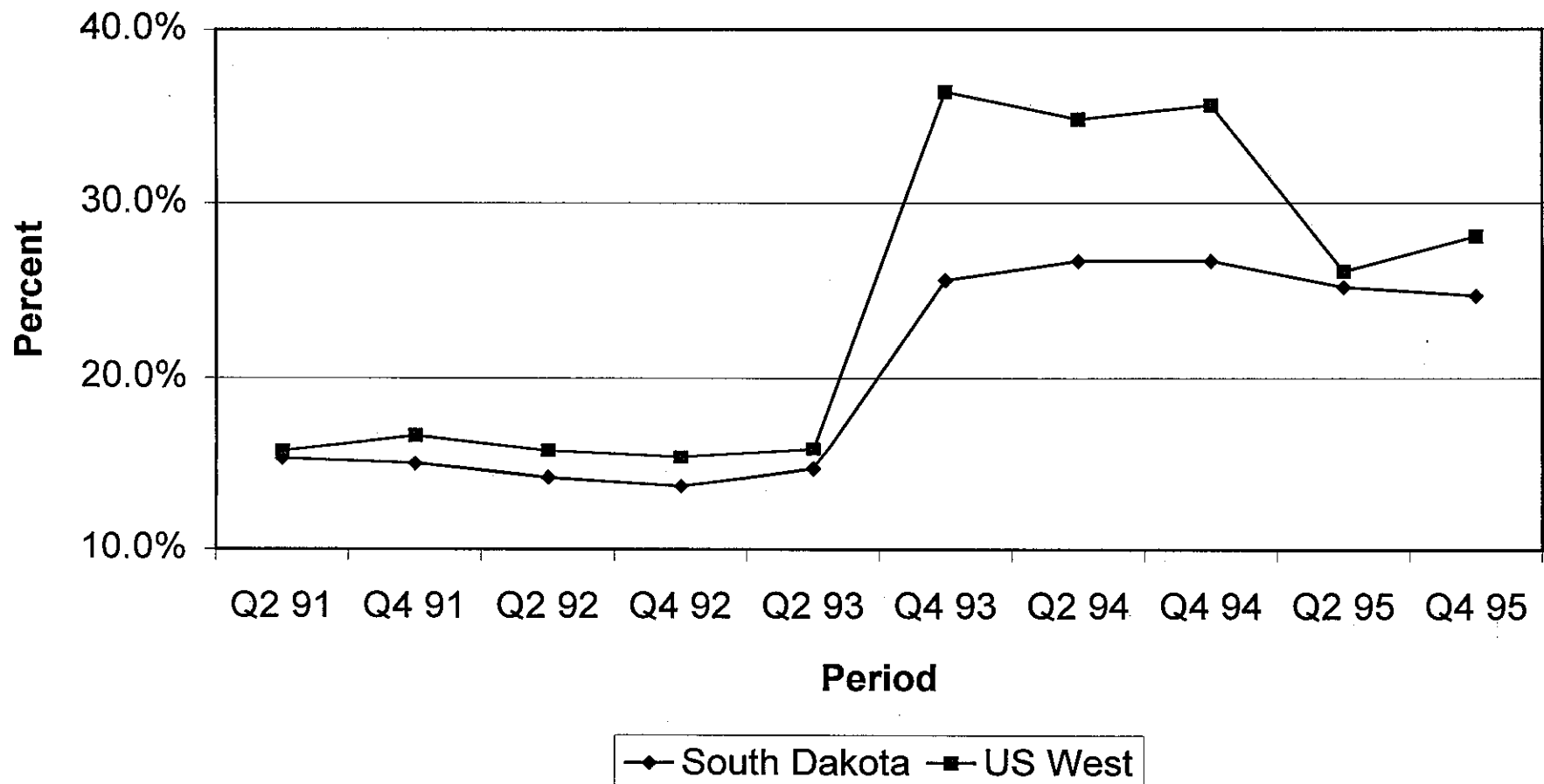
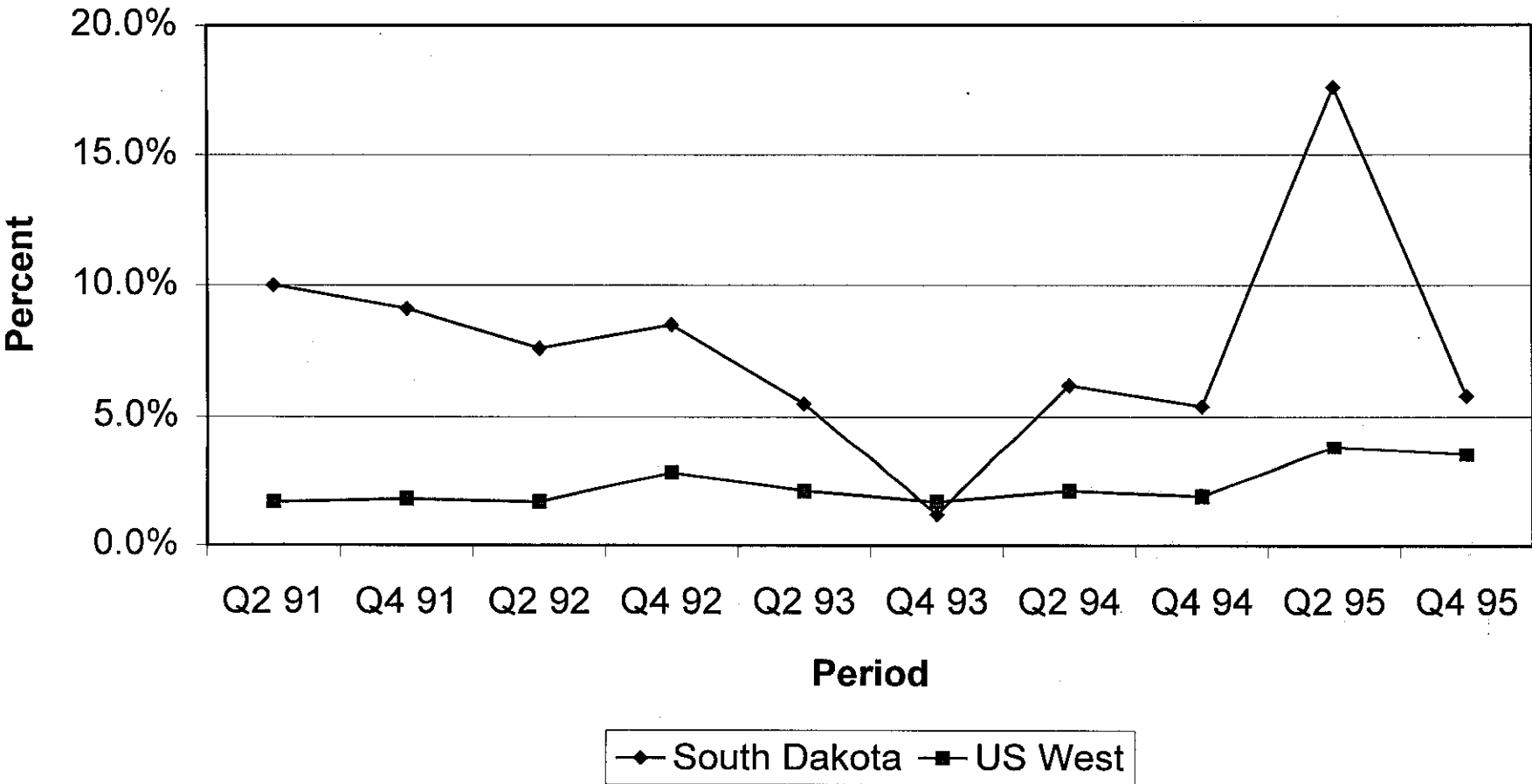
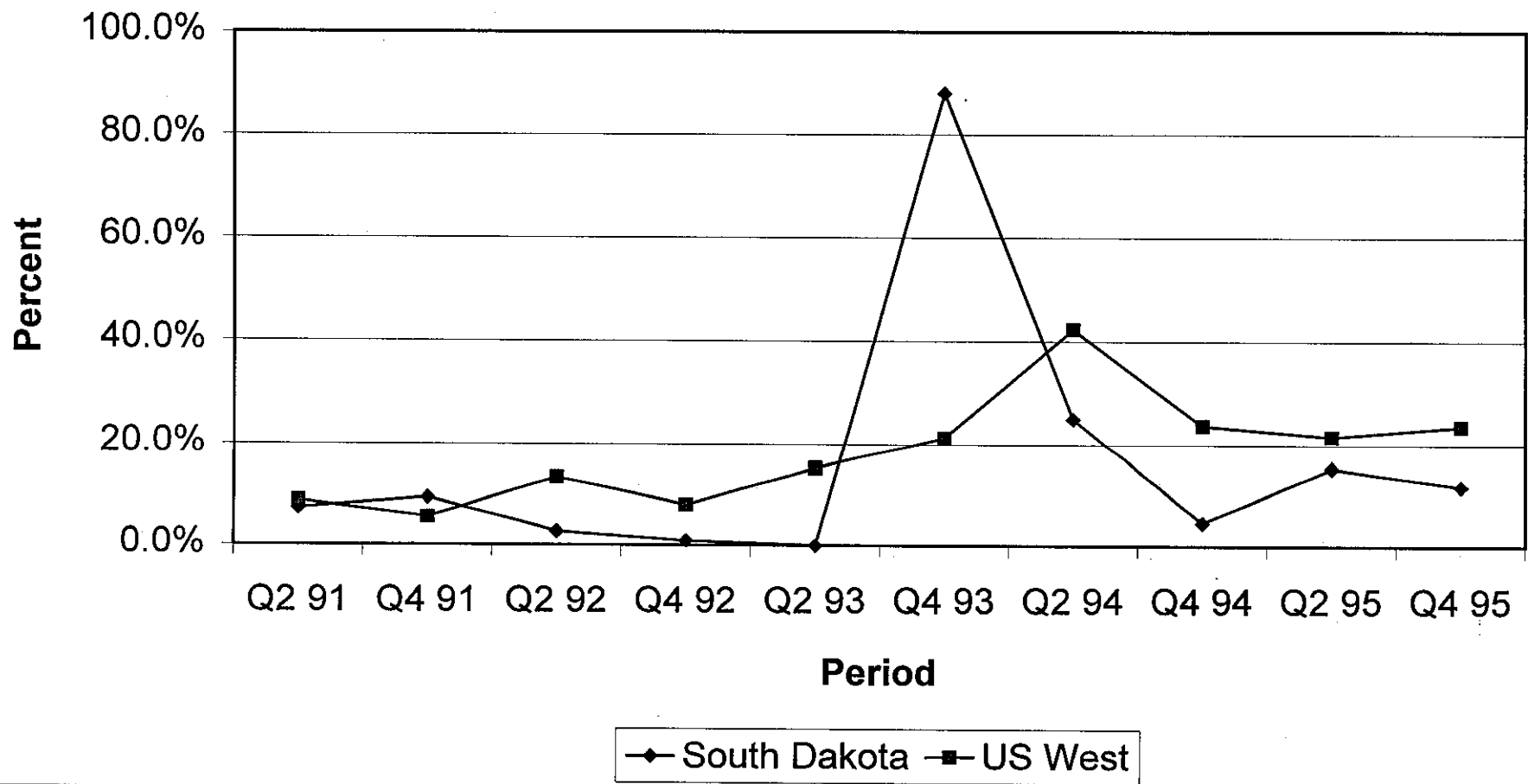


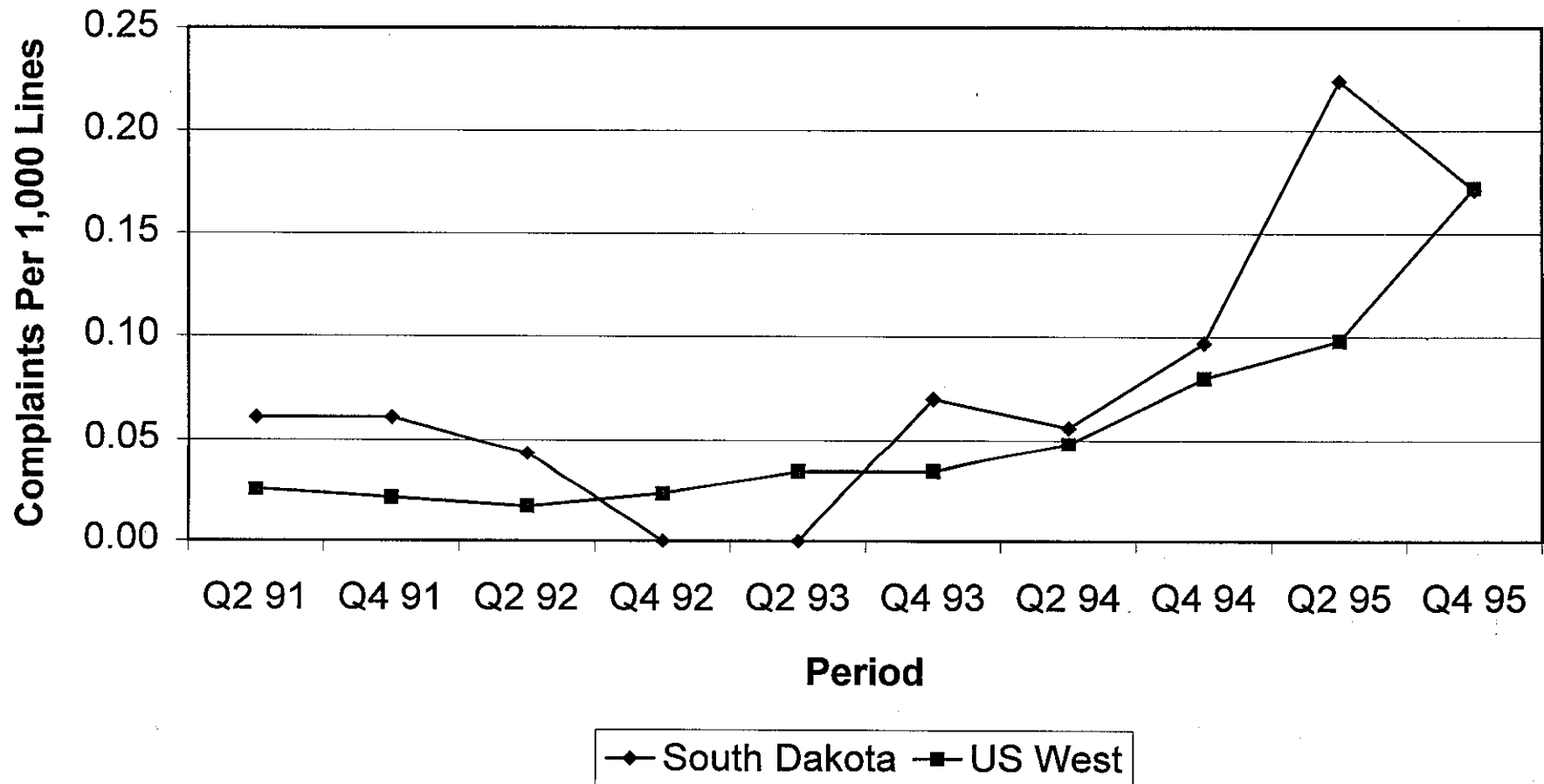
FIGURE 24: Trunk Blockage - Exceed Threshold One Month (FCC ARMIS 43-05)



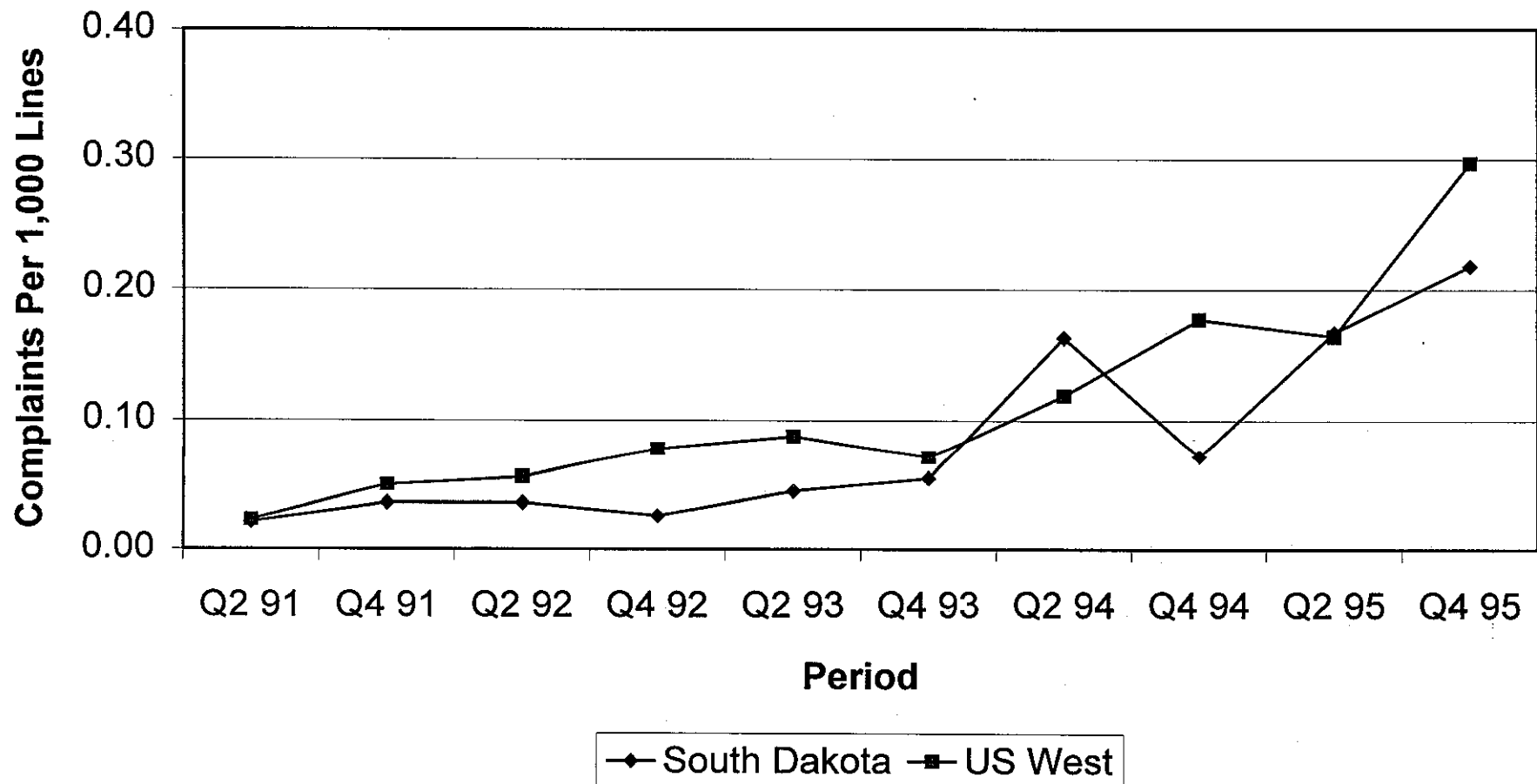
**FIGURE 25: Switched Downtime
(FCC ARMIS 43-05)**



**FIGURE 26: Business Customer Complaints
(FCC ARMIS 43-05)**



**FIGURE 27: Residential Customer Complaints
(FCC ARMIS 43-05)**



**FIGURE 28: Total Customer Complaints
(FCC ARMIS 43-05)**

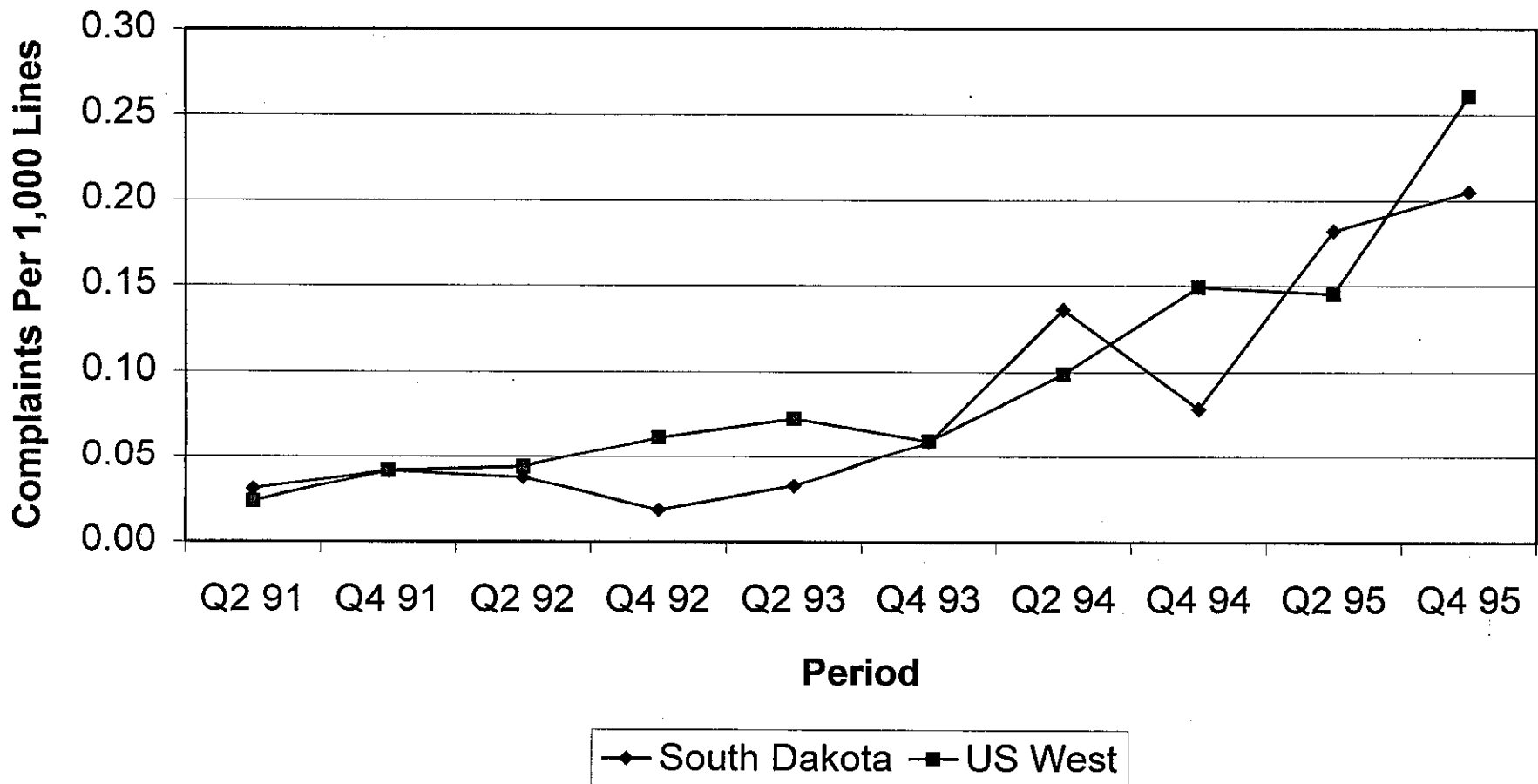


TABLE 2

SOUTH DAKOTA, OHIO, AND US WEST AVERAGE
SERVICE QUALITY PERFORMANCE
(Q2 1991 to Q4 1995)

Service Quality Measure	South Dakota	Ohio	Aggregate US West
Total Customer Commitments Met	98.2%	99.3%	97.8%
Total Trouble Reports	43.9	60.2	48.5
Total Repeat Trouble Reports	20.2%	19.7%	24.1%
Trunk Blockage	7.7%	5.2%	2.3%
Switched Downtime	16.5%	15.3%	18.3%
Total Customer Complaints	0.08	0.01	0.10

Source: FCC ARMIS 43-05.