

Docket UT-990259

April 28, 1999

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Agenda Date: April 28, 1999

Item Number:

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Company Name: U S WEST Communications, Inc.

Staff: Kathy Folsom, Utilities Rate Research Specialist
Glenn Blackmon, Assistant Director - Telecommunications
Penny Hansen, Public Involvement Coordinator

Recommendation:

Issue an order approving the petition filed by U S WEST Communications, Inc., for competitive classification of Directory Assistance Services in Docket UT-990259 to become effective April 29, 1999.

Discussion:

On March 3, 1999, U S WEST Communications, Inc. (USWC) filed a request for competitive classification of its directory assistance services pursuant to RCW 80.36.330.

On April 23, 1999, USWC filed an amendment to its petition. In its letter, USWC requests price listing of only those directory assistance services that are currently billed. Non-billed directory assistance services include the existing one free call allowance per month for residential direct dialed calls to directory assistance service, free directory assistance service to persons incapable of using a published telephone directory because of a physical or functional disability, and calls that originate from hospitals.

RCW 80.36.330 authorizes the Commission to "classify a telecommunications service provided by a telecommunications company as a competitive telecommunications service" if it finds that the service is "subject to effective competition." "Effective competition" is defined to mean that "customers of the service have reasonably available alternatives and that the service is not provided to a significant captive customer base."

In determining whether a service is competitive, the Commission should consider, among other factors, the following:

- (1) the number and size of alternative providers of services;

- (2) the extent to which services are available from alternative providers of services;
- (3) the ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions; and
- (4) other indicators of market power, which may include market share, growth in market share, ease of entry, and the affiliation of providers of service.

With its petition, USWC submitted a list of telecommunications companies that provide directory assistance services in the state of Washington which illustrates the number and size of alternative service providers. Many of these alternative service providers are of sufficient size to be capable of offering similar directory assistance services. Alternatives to USWC's directory assistance services currently exist in the form of direct access from the customer's chosen long distance provider and "dial around" access to other providers of directory assistance. The current rates for USWC's directory assistance services were supported by cost studies demonstrating rates are above the costs of providing the service. With functionally equivalent or substitute services readily available in the marketplace, Staff believes that directory assistance services satisfy the factors stated above and should be classified as competitive services by the Commission.

Customer Comments

The Commission received 262 customer letters opposed to and one letter in favor of classifying directory service as competitive. To date, the Commission has heard from 456 customers regarding this issue. Customers stated that the customer notice was confusing and that they did not understand exactly how it would affect them. To add to the customer frustration and confusion, the 800 number provided in the notice for questions of USWC was the general information number (800-244-1111) and when customers asked questions they either received wrong information or the company was unable to provide an answer. Most customers believe that the company is being deregulated by the Commission and that this proposal would allow USWC to increase or decrease any rate upon ten days notice. Some customers are not aware of their choices regarding directory service and believe that it is a monopoly service. Customers believe that the company should provide at least thirty days notice for rate increases and stated that ten days notice is not long enough. Customers believe that if approved, competitive classification of directory assistance gives USWC a "blank check" to increase rates and to remove the free call allowance. Some customers believe that the company should not receive approval of the competitive classification for directory services until it improves its customer service.

Staff recognizes that some customers may be unaware that once a telecommunications service has been determined to be competitive, the Commission may permit the service

to be provided under a price list effective on ten days notice to the Commission and customers. Because of the concern that some customers may not be aware of alternatives, Staff recommends that the notice period be extended should USWC file a price increase. This extended notice would apply only for the first time that USWC files a price increase and would give all customers an opportunity to enhance their awareness of directory assistance choices and inform customers that future increases may take effect upon ten days notice.

Therefore, Staff recommends that the petition for competitive classification of directory assistance services by USWC be granted subject to the following: (1) USWC shall continue offering directory assistance at no charge to persons incapable of using a published telephone directory because of a physical or functional disability and to calls that originate from hospitals; (2) USWC shall continue to provide one free call allowance per month for residential direct dialed calls to directory service; and (3) USWC shall provide thirty days notice of the first rate increase for directory assistance services and provide a bill message warning of such increase for two full billing cycles.

Conclusion

Staff believes that this petition should be granted so that the appropriate level of regulation and consumer protection is applied to USWC's directory assistance services. Staff recommends that the Commission issue an order approving the filing consistent with the above in Docket UT-990259 to become effective April 29, 1999.