ALJ/MJG/rmn

Item 6
Agenda 6/6/90

Decision 90 06 018 JUN 06 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Investigation instituted on the Commission's own motion into the operations, practices and regulation of coin and coinless customer-owned pay telephone service.	I.88-04-029 (Filed April 13, 1988)
And Related Matters.	(I&S) Case 85-02-051 (Filed February 21, 1985) Case 85-07-048 (Filed July 17, 1985)

(For appearances see Decision 88-11-051 and Appendix C.)

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OPINION

Summary

This decision adopts consumer safeguards applicable to all pay telephones (phones) within Pacific Bell's (PacBell), GTE California, Inc.'s (GTE), and Contel of California, Inc.'s (Contel) service territory. It standardizes service from pay phones and requires uniform signage. All pay phones will be required to give customers coin-fee, cost-free access to 911 emergency, 411 directory assistance, 611 repair, pay phone provider's facilities for service, trouble, complaints, refunds and general assistance, utility operator for 0- dialing, 950-XXX, 800 XXX-XXXX, 10-XXX, and access to all coin and non-coin calling and local intraLATA toll and interLATA calling.

Each pay phone will be required to have legible, understandable, and clearly displayed signs indicating cost, dialing instructions, and identification. Public policy pay phones will be subsidized by all pay phone providers.

The decision requires the Customer Owned Pay Telephone (COPT) providers to reduce their currently authorized 25-cent charge for a local call placed from a COPT to 20 cents. The Local Exchange Company's (LEC) local coin charge of 20 cents will remain the same. This 20-cent local coin charge will remain in effect for five years.

COPTs will be allowed to operate store and forward pay phone sets in PacBell's, GTE's, and Contel's service territory and be allowed to provide limited intraLATA operator and billing services. The current pay phone service charge on intraLATA non-sent-paid calls of 10 cents will be capped at 25 cents.

COPT instruments will be connected to PacBell's and GTE's network on an unbundled basis to the extent feasible. This

unbundling provision is expected to improve the quality of COPT service.

Although we are closing this proceeding, workshops pertaining to pay phone enforcement procedures, public policy pay phones and tests of store and forward pay phones will take place under the direction of the Commission Advisory and Compliance Division (CACD).

Background

The Commission first authorized PacBell and other LECs to interconnect COPT to the public switched network in November 1985. Decision (D.) 85-11-057 determined that many providers of COPT service would be providing telephone service only as an incidental part of their principal business and would not be "holding themselves out" as providers of a public utility service. Therefore, COPT operators were not classified as public utilities.

D.85-11-057 authorized PacBell to implement COPT service based on PacBell's costs of providing the service. PacBell was also required to adopt certain terms of service in its COPT tariff which were designed primarily to meet the public's expectations of consistency in pay phone service and to protect the interests of general ratepayers and consumers of pay phone service.

Since 1985 numerous complaints, both informal and formal, have been received from consumers confused about the absence of uniform standards for pay phone service. Many COPT providers have complained because they believed that the existing regulatory framework for COPTs gave the LECs an unfair competitive advantage. LECs also complained. The LECs believed that COPT providers targeted the profitable end of the pay phone market, substantially reducing of the LECs' ability to sustain the current local coin rates and the Commission-mandated provision of public policy pay phones.

Public policy pay phones are pay phones installed by the LECs in unprofitable locations to serve the health and safety needs

of the public. Such pay phones must be located free of charge at the requests of public agencies.

The numerous consumer complaints about COPT service and the dissatisfaction of both COPT providers and the LECs with the current regulation of COPTs resulted in this investigation to evaluate COPT regulation. Investigation (I.) 88-04-029 was opened on April 13, 1988 to address COPT service in three phases. Phase I was to address cross-subsidization, Phase II customer service and public policy pay phones, and Phase III market structure and regulation. PacBell, GTE, and Contel were named respondents to the investigation.

Cases 85-02-051 and 85-07-048, pertaining to COPT operations, practices, and regulation were consolidated into the investigation.

On June 1, 1988, a prehearing conference (PHC) was held to address interested parties' recommendations for changes to the three phases identified in the investigation. PacBell recommended that workshops be held on all issues in each of the three phases prior to the commencement of evidentiary hearings. All parties attending the PHC concurred that the use of workshops was in the interest of all parties and would result in more efficient use of resources. Accordingly, by a June 8, 1988 Administrative Law Judge (ALJ) ruling, Phase II and Phase III issues were consolidated with Phase I issues being addressed through workshops.

The workshops resulted in the issuance of a August 19, 1988 report by the workshop participants. The report, among other matters identified issues that have been resolved by workshop participants. Some of the issues resolved were standardized coin-free, cost-free access to 411, 911, 800, 950-xxx, etc., and standardized signage and standardized basic telephone features.

These workshop evolved into settlement negotiations and workshop participants continued to discuss settlement throughout the latter part of 1988 and early 1989. On March 21, 1989, the

Division of Ratepayer Advocates (DRA) filed a motion for adoption of a settlement agreement.

March 21, 1989 Settlement Agreement

The March 21, 1989 settlement agreement proposed standardized service from pay phones, required uniform signage, promoted competition in the public[1] and semi-public[2] pay phone service markets and in intraLATA operator and billing services serving pay phones, stabilized local coin rates, and raised some operator surcharges while lowering others. This agreement also established the framework for an enforcement program and adopted an interim method to cap LEC-commission payments in order to prevent cross-subsidization.

The agreement was signed by AT&T Communications of California, Inc. (AT&T), California Payphone Association (CPA), Com Systems, Inc. (Com Systems), Consumer Action, Contel, DRA, GTE, several of the smaller independent telephone companies, and TURN (Toward Utility Rate Normalization). PacBell was not a signator to the agreement.

Rule 51 of the Commission's Rules of Practice and Procedure (Rules) allows parties who do not expressly join in a settlement, 30 days from the date of mailing of the settlement to file comments contesting all or part of the settlement, and 15 days thereafter to file reply comments.

A series of meetings ensued to address PacBell's concerns in an effort to incorporate terms which would be acceptable to PacBell. As a result of these subsequent meetings, CPA requested

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1 Public pay phones are placed on location at no charge. Commission payments are made to station agents who own or control the property where the pay phones are placed.

2 Semi-public pay phones are installed at the request of the property owner. The property owner does not receive any commissions.

that comments be postponed until May 1, 1989. The parties were expecting to achieve a revised settlement agreement. This postponement resulted in a second agreement, dated May 11, 1989, being filed with the Commission on May 17, 1989. All parties which signed the March 20, 1989 agreement, except for TURN and the smaller independent companies, signed the second agreement. PacBell was the only new signator of the agreement.

May 11, 1989 Settlement Agreement

The May 11, 1989 agreement addressed all of the major issues raised in the investigation, as shown in Appendix A. It sets uniform service standards from all pay phones, expands business opportunities for COPT vendors by creating a new source of revenue and lowering the charges COPT providers must pay to the LECs for COPT lines, affirms the ban on intraLATA competition within PacBell's service area, allows limited competition for Contel and the smaller independents, and permits more competition in GTE's area. It also addresses consumer concerns by setting rate caps and establishing mechanisms to enforce these caps.

This second agreement differs from the first agreement in that it excludes competition in operator and billing services in exchange for a payment to COPT providers of 10 cents for every completed non-sent-paid call originating from a COPT instrument. It also requires calls routed to an external alternate operator service (AOS) for billing and collection purposes to be routed over intrastate tariffed feature group connections and requires the call to be returned over similar facilities to the central office to which the AOS is connected to GTE's network.

Article III of the second agreement provides that if either the ALJ or the Commission rejects or changes the agreement or individual terms of portions of it, the agreement shall be null and void and shall be withdrawn from the proceeding, unless all parties to the agreement agree otherwise.

Evidentiary hearings on the first agreement were scheduled to take place on May 30, 1989. They were taken off the calendar by ALJ ruling on May 23, 1989. Parties were requested to file comments on the second agreement within 30 days of the filing of the motion to adoption of the second agreement, with reply comments due 15 days thereafter (Rule 51.4). Parties were also requested to comment on whether informational public participation hearings would be beneficial and/or necessary in light of possible rate increases resulting from the agreement.

Comments to the Second Agreement

Comments and reply comments to the second agreement were received on June 16, 1989 and July 3, 1989, respectively. Of the 15 parties which filed comments and reply comments with the Docket Office, 9 parties opposed and/or identified the need for clarification of the agreement.

The American Public Communications Council (APCC) asserts that the agreement needs to be clarified to specifically state that nothing in the agreement precludes the development of fair compensation for COPT providers in future proceedings or negotiations, that COPT providers should retain the option of processing intraLATA non-sent-paid calls themselves, and that approval of the agreement doesn't preclude subsequent consideration of specific complaints regarding discriminatory or anticompetitive practices by the LECs.

Betson Pacific et al.[3] opposed the provision which precludes Betson Pacific et al. from engaging in competitive billing services through the use of "smart" telephones for

3 Betson Pacific Distributing, Central Telecom, Coastline Communications, Far West Pay Telephone, Inc., Own-A-Phone, Pacific Western Cointel of Sacramento, Inc., Universal Pay Phone Inc., and Winslow Ventures.

automated and call completion billing service, Part IV(1)(b) and Appendix E.

City and County of San Francisco (City) opposed only the placement of pay phones on City sidewalks in a manner inconsistent with City regulation of the use of sidewalks.

Although CP National et al.,[4] signed the first agreement it opposed the second agreement for two reasons. First, it objected to the provision which required that any revenue decrease sustained by a LEC as a result of the 10 cents paid by PacBell for compensation to COPT operators not be recovered from the California High Cost Fund (CHCF), Part V(D)(10). Second, it objected to the provision which allows AOS companies in the GTE service area to pick up COPT traffic at one location in a LATA and to complete the call by returning the traffic to a different location nearer to the point of termination of the call.

Intellicall, Inc. (Intellicall) opposed the provision that requires all COPT providers in PacBell's territory to use PacBell's automated call completion and billing services in exchange for PacBell's agreement to compensate COPT providers 10 cents for each non-sent-paid intraLATA call they originate in PacBell's territory. Intellicall asserted that an evidentiary record needed to be developed prior to Commission action on the agreement.

International Telecharge, Inc. supported the agreement. However, it believed that clarification is needed on three points. First, that LECs should be required to instruct callers who reach

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4 CP National, Citizens Utilities Company of California, Evans Telephone Company, GTE West Coast Incorporated, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, Sierra Telephone Company, Inc., The Siskiyou Telephone Company, Tuolumne Telephone Company, The Volcano Telephone Company, and Winterhaven Telephone Company.

the LEC operator on a 0- (local) basis to dial interLATA calls on a 0+ basis, Part V(B)(10) of the agreement. Second, the maximum 20-second response time that an operator has to respond to a call placed from a private pay phone be measured from the first ring, Part V(B)(11)(b). Third, that the mechanized rate for calling cards not be applicable in those calls for which live operators are necessary, Part V(B)(11)(h).

Roseville Telephone Company et al.[5] (Roseville) took a neutral stand on the agreement. From Roseville's perspective, it believes that the terms of the agreement should be applied only to those utilities that signed the agreement and since Roseville and other independents did not sign the agreement, the agreement is not applicable to them.

The State of California Department of General Services (General Services) opposed the entire concept of public policy pay phones unless and until the LECs are able to substantiate that such phones exist in definitive numbers.

TURN objected to only one aspect of the agreement. It opposed the provision which excludes competition in operator and billing services in exchange for a LEC payment to COPT providers of 10 cents for every completed non-sent-paid call originating from a COPT instrument. It objected because the LEC payments to COPTs would remain on the LECs regulated books, the cost of which could be passed on to ratepayers in future years.

Withdrawal of March 21, 1989 Agreement

At the August 9, 1989 PHC held to discuss comments filed on the second agreement, DRA moved to withdraw the first agreement, which it sponsored into the record on March 21, 1989. Parties

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5 Roseville Telephone Company, Calaveras Telephone Company, California-Oregon Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, and the Ponderosa Telephone Company.

concurred that a majority of the parties which signed both the first and second agreement were no longer bound by what they agreed to in the first agreement. There was no objection to DRA's motion. The March 21, 1989 agreement was withdrawn.

Public Participation Hearings

Parties which filed comments on the second agreement either agreed that public participation hearings should be held or did not oppose them. Therefore, public participation hearings were scheduled and held in San Francisco, Sacramento, Santa Monica, and San Diego during September 1989.

To encourage public participation at the hearings, PacBell and GTE sent out timely bill inserts to inform their customers of the terms of the agreement and the dates and locations of the public participation hearings. The bill insert also informed ratepayers that the proposed May 11, 1989 agreement would provide:

a. A price of 20 cents per call for all local calls from pay phones for the next five years.

b. Free access to emergency, repair, directory assistance, "800" numbers, and the local exchange operators.

c. All pay phones will have clear signs and instructions giving rate information, dialing directions, free access, the name of the pay phone vendor, and the long-distance carrier serving that pay phone.

d. Prices approved by the Commission will be enforced.

e. A new pay station charge will be applied to collect and credit card calls, in addition to the surcharge that already apply (30-cent pay station charge).

There were 763 individual ratepayers who responded to the bill insert by sending letters to the Commission's Public Advisor's

Office. Because of the substantial number of letters received from ratepayers, the ALJ requested CACD to prepare a late-filed exhibit (Exhibit 65) summarizing the ratepayer responses. Of the 583 responses addressing the proposed agreement 317 opposed the 30-cent surcharge. The predominant reason for opposition to the surcharge is the belief that credit card calls are less costly for the telephone company to handle.

Of the total letters received, 711 ratepayers, or 93%, complained about COPT providers and their equipment. Complaints were specific and included complaints about inferior service quality and equipment, difficulty in getting a refund, broken equipment and poor maintenance, difficulty or inability to access long-distance carrier of choice, and don't allow incoming calls.

The public participation hearings resulted in approximately 100 persons who commented on the proposed agreement in person. They were comprised of COPT vendors and ratepayers predominately in favor of the agreement. Several of the ratepayers who spoke complained about COPT providers and their equipment, and about the 30-cent surcharge, similar to those who sent letters to the Commission.

Evidentiary Hearings

Evidentiary hearings were held on September 28 and 29, and October 2 and 3, 1989 to receive evidence on whether the public interest is best served at this point in time by adopting the agreement as presented, or whether the public interest is best served by modifying the agreement to allow Intellicall to use its own pay phones for automated call completion and billing services in PacBell's territory. Evidence was also received on whether the 30-cent pay station charge on non-sent-paid calls placed from COPTs should be implemented.

DRA, CPA, Com Systems, GTE, and PacBell offered testimony in support of the agreement. Intellicall and Far West Pay Telephone offered testimony opposing the agreement. Briefs were

filed on October 25, 1989 and reply briefs on November 3, 1989. The proceeding was submitted upon the receipt of late-filed Exhibit 65, summary of customer response to pay phone bill insert, on November 6, 1989.

Pay Station Charge for Non-Sent-Paid Calls

The additional surcharge of up to 30 cents for non-sent-paid calls from pay phones resulted from the settlement of two different issues. The first was that calling card customers and collect customers making calls from pay phones were getting a "free ride" in terms of costs of pay phones not being included in the expenses that were used to develop the costs or the charges for those calls.

The second was the parties' desire to reduce the maximum 25-cent charge for a local call to 20 cents for a five-year period. However, in order to agree to a 5-cent cost reduction for local calls for a five-year period, CPA testified that it was necessary to provide some compensation to the pay phone operators.

An analysis of calls placed from pay phones by O'Keefe of CPA showed that, on the average, there are nine local calls placed for every 0-plus intraLATA call. Of the nine local calls, a customer pays the full 25 cents 60% of the time even though the customer is only required to pay 20 cents. O'Keefe explained that COPTs currently do not apply the full 25-cent charge for a local call from the remaining 40% of pay phones because of negative customer reaction to COPT service. O'Keefe factored these two differences to arrive at a break even point of 27 cents. He acknowledges that his calculations excluded the 10-cent charge that COPTs can currently impose for billing and collection charges. Therefore, the increase is only 20 cents per call above the current authorized charge.

If we eliminate the 30-cent pay station service charge, PacBell's Ruiz asserts that there are only two options left for PacBell. The first option is to back out of the agreement although

the surcharge impacts the cross subsidy formula of the agreement, and the other option is to renegotiate the settlement. However, in PacBell's reply brief, it concedes that it is willing to charge zero cents, the full 30 cents, or the current service charge.

TURN, in its November 1, 1989 opening brief pertaining to the agreement concurred that, from the information provided at the agreement hearings, there was sufficient support for a 25-cent surcharge. It argued that any further reduction to the surcharge would require either workshops or hearings to resolve this issue.

Consumer Action (CA) asserts that the outpouring of letters from end users summarized in the late-filed exhibit substantiates that the end user is not satisfied with COPT service. CA believes that the 30-cent surcharge would be an unjustified reward for poor service. Alternatively, CA recommends that we consider a lesser surcharge of 20 to 25 cents or make the 30 cents surcharge effective only after the consumer safeguards specified in the agreement are in place.

Based on an analysis of the late-filed exhibit, DRA also acknowledges that the end user is overwhelmingly opposed to the 30-cent pay station surcharge. However, DRA believes that once the agreement is implemented, service conditions will improve and resolve most of the end users' concerns. Further, it points out that any change in the pay station surcharge will create problems for other portions of the agreement. For example, commission caps for GTE and Contel which are set on revenues derived from the pay station service charge will be impacted and may result in further cross-subsidization concerns.

Automated Call Completion and Billing Services

The agreement provides for three distinct approaches to intraLATA operator and billing services for the signatory LECs. Contel would offer operator-in-the-box (voice store and forward) competition, GTE operator-in-the-box and limited operator service provided intraLATA competition, and PacBell would not offer any

intraLATA operator and billing services. Instead, PacBell would pay COPT providers the 10 cents per completed non-sent-paid call identified above.

During the course of the hearing, PacBell testified that it was going to introduce its own store and forward COPT, known as Automated Alternate Billing System (AABS), in the very near future. By reply brief, PacBell stipulated that its AABS would be implemented in the mid-1990's. The AABS disclosure resulted in signators of the agreement, such as DRA, to seek modification of the agreement so that limited intraLATA AOS could take place in PacBell's territory.

The AABS disclosure also resulted in GTE requesting limited modification to the agreement. The agreement, as written, requires the two LECs offering AOS to work with DRA and other interested parties to develop a monitoring plan for their AOS tariffed offerings, and requires GTE to provide a report to DRA and other interested parties. However, in light of PacBell's disclosure of AABS, GTE opposes the data gathering requirement of the agreement. GTE asserts that because PacBell plans to offer AABS, the data gathering requirement is moot and should not be provided to DRA, PacBell, or other interested parties.

CA disagrees with GTE's request to eliminate the reporting requirement. CA argues that whenever a radically different technology such as voice store and forward technology is proposed, that a Commission supervised trial should be required to ensure that consumers are adequately protected.

On March 19, 1990, approximately four months after this proceeding was submitted, PacBell and Intellicall filed a motion to reopen the proceeding.

Motion to Reopen the Proceeding

PacBell and Intellicall sought to reopen the proceeding so that it could present to the Commission a Memorandum of Understanding (MOU) which reflects a new and jointly-formulated

position of these parties with respect to the May 11, 1989 agreement.

PacBell and Intellicall represented that after the proceeding was submitted, they resumed negotiations in an effort to narrow the differences between their positions on the provision of intraLATA operator and billing services within PacBell's territory.

The terms of the MOU provide for:

a. A grandfather provision allowing COPT operators currently utilizing set-based store and forward technology to continue providing intraLATA operator assistance and billing services in PacBell's territory.

b. Manufacturers of set-based technology to market an additional number of units during the period prior to the "official" commencement of intraLATA competition.

c. Consumer safeguards to resolve concerns raised about the store and forward sets at the evidentiary hearings.

d. An increase of PacBell's $41 million commission cap to the extent that PacBell faces competition from store and forward technology, based on a specific formula.

By a March 26, 1990 ALJ ruling, the proceeding was reopened to address the motion. Interested parties intending to answer the motion were ordered to file their answers by April 3, 1990. An evidentiary hearing to address the motion was set for April 3, 1990.

Answers to the Motion

DRA, TURN, and Com Systems opposed the motion to reopen the proceeding. Opposition consisted of procedural concerns and the need for clarification of the MOU.

Elcotel, Inc. (Elcotel), a manufacturer of instrument-implemented store and forward technology, mailed a letter to the ALJ stating that it opposed the motion to reopen the proceeding.

Elcotel did not file an answer to the motion because it was not an appearance of record. However, subsequent to the letter, Elcotel filed a petition to intervene on the grounds that the MOU would discriminate against Elcotel and other manufacturers of store and forward technology.

Elcotel asserts that the MOU, which allows Intellicall to grandfather 4,660 Intellicall store and forward units compared to only 400 units of all other manufacturers, is anticompetitive. This is because Elcotel would be required to reduce its 3,500+ store and forward units currently in California so that Elcotel and all other manufactures will not exceed 400 store and forward units required by the MOU. Going forward, the MOU provides for manufacturers to increase their grandfathered units by 80%. However, since Elcotel is restricted to a total of 400 units with all other manufacturers, Elcotel will be required to share a total of 320 additional store and forward units with all other manufacturers.

Elcotel entered an appearance at the April 9, 1990 evidentiary hearing which was set to address the MOU, making its petition to intervene moot. It need not be addressed further.

Although GTE and Contel did not oppose the motion to reopen the proceeding, they asserted that the MOU, if adopted, would require additional modification to the agreement. Specifically, the provision for GTE's and Contel's commission caps and the requirement that GTE and Contel monitor COPT pay phones which use store and forward technology needs to be revised.

Evidentiary Hearing on the Memorandum of Understanding

Evidentiary hearings on the MOU were held on April 9, 10, and 23, 1990. Procedural opposition to the motion was addressed at the April 9th hearings. All parties at the hearing, except for the signatories of the MOU, agreed that the substance of the MOU needed to be clarified. A concern was also raised as to whether the MOU

is a change in position of the two parties or whether the MOU is a new agreement.

Rule 51.2 of the Stipulation and Settlement Procedures specifically require that parties to a proceeding propose a stipulation or settlement for adoption any time after the first prehearing conference and within 30 days after the last date of hearing.

Pursuant to Rule 51.2, the MOU cannot be construed as a stipulation or settlement because the MOU was consummated and offered to the Commission on March 19, 1990, more than 30 days after the November 6, 1989 submittal of the proceeding.

However, Rule 84 allows for a party to a proceeding to petition to set aside submission and to reopen a proceeding for the taking of additional evidence. By ALJ ruling the proceeding was reopened for the taking of evidence pertaining to the MOU.

Intellicall's Presson and PacBell's Ruiz explained the process that they went through to arrive at their MOU. Although CPA was aware of the contents of negotiation, only Intellicall and PacBell participated in the negotiations that led to the MOU.

Presson explained that the number of grandfathered units was based on the number of store and forward sets that Intellicall had in PacBell's territory as of January 31, 1990. The going forward number of additional grandfathered units negotiated between PacBell and Intellicall was based on providing an opportunity for modest growth of store and forward sets in PacBell's territory.

Presson concurred with PacBell that Intellicall's grandfathered sets would be subject to the same testing procedure required of store and forward units identified in the agreement. Presson also acknowledged that the grandfathered units would be subject to the consumer safeguards and with the positive option features identified in the agreement (RT 4202).

Intellicall made no effort to determine the number of store and forward units that manufacturers other than Intellicall

have located in PacBell's territory and that the 400 ceiling for all other manufacturers was based on PacBell's estimate of the number of non-Intellicall sets located in PacBell's territory.

Ruiz testified at length concerning the process used to arrive at the negotiated number of store and forward sets and the growth factor at RT 4243 et seq.

Ruiz also explained that he developed the number of store and forward sets which manufacturers other than Intellicall could grandfather by asking COPT vendors if there were manufacturers other than Intellicall providing similar equipment and reviewing billing records of all COPT accounts.

Subsequent to negotiating the MOU, Ruiz called and wrote to several manufacturers of store and forward units. During the first day of hearings on the MOU, Ruiz learned that two manufacturers of store and forward sets had a total of 5,700 sets either in place, in inventory, or ordered for PacBell territory as of January 31, 1990. Protel had 2,000 sets and Elcotel 3,700.

Intellicall sponsored a stipulation between Intellicall, Elcotel, and PacBell into the record as Exhibit 66. This new stipulation dated April 23, 1990 modifies the MOU to resolve the issue of grandfathered units discussed at the earlier MOU hearings. This modification provides Elcotel up to 1,412 of grandfathered units and Protel up to 471. It also allows for Intellicall, Elcotel, and Protel to place into operation by COPT operators in any twelve-month period a maximum of 2,000 units, 1,500 units, and 500 units, respectively.

All parties present at the April 23, 1990 hearing concurred that oral arguments and briefs were not necessary. Parties also concurred that the comment period on the ALJ proposed decision on this matter should be shortened to ten days and reply comments be due five days later.

Pursuant to Rule 311(d), a reduction of the time period for acting after publication of an ALJ proposed decision can only

be granted upon the stipulation of all parties to the proceeding. To reconcile this statutory requirement, the ALJ issued a ruling requiring any party who opposes the shortening of the 30-day period to file a written objection with the Docket Office by May 7, 1990. No objection has been filed. Therefore, comments on the ALJ's proposed decision are due ten days from the date that the proposed decision is mailed and reply comments five days later. The matter will be on the Commission's June 6, 1990 agenda.

Conclusion

Although the agreement is not a perfect agreement, it does represent the results of good faith negotiations and compromises on the part of the parties that signed the agreement. The MOU modified to reflect the subsequent agreement between Intellicall, Elcotel, and PacBell, attached to this decision as Appendix B, is a reasonable compromise to provide store and forward pay phone technology in PacBell's territory. Absent this MOU and subsequent agreement California ratepayers would not receive store and forward technology in PacBell's territory.

However, the agreement does not just affect the parties that signed the agreement. It also affects the end user, as evidenced by the 763 letters incorporated into late-filed Exhibit 65 and the end users who testified at public statement hearings. Any decision of the issues identified in this investigation should result in a balance of interests between consumers and utilities/COPT providers.

We recognize that the agreement was signed by AT&T, CPA, Com Systems, CA, Contel, DRA, GTE, and PacBell on the premise that if the ALJ or Commission rejects or changes the agreement or individual terms of portions of it, the agreement will be null and void and withdrawn from the proceeding, unless all parties to the agreement agree otherwise. We also recognize that a similar condition was imposed on the MOU signed by Intellicall and PacBell. However, we cannot accept the agreement by itself, without minor

modification to reflect consumer input. To balance consumers interest with utilities and COPT providers' interest we will adopt the agreement identified in Appendix A and Appendix B modified to include specific minor modifications identified below.

We invite parties to review the modifications to see if they can accept them. We will expect parties to explain in their comments to the proposed decision whether they can accept such minor revisions to the agreement and if not why not. If a party cannot accept any of the changes they should explain why the modification is not acceptable and be prepared to support their position at a hearing.

MOU and Subsequent Modification

We recognize that the MOU and subsequent agreement do not resolve all issues regarding competitive store and forward technology in PacBell territory, however, it does provide customers the opportunity to use such technology in PacBell's territory. No party has offered any reason why such technology should be deferred pending PacBell's offering of AABS. Therefore, we propose to adopt the MOU as modified by the subsequent agreement.

Pay Phone 30-Cent Service Charge

Although we concur with the signatories to the agreement that customers making calls from pay phones should not get a free ride, we cannot overlook the substantial negative response from end users on the 30-cent surcharge. With the implementation of consumer safeguards identified in the agreement, this negative reaction and poor service should to be resolved. Therefore, to balance end user concerns and to provide COPT providers an incentive to implement consumer safeguards quickly, we will adopt TURN's and CA's recommendation that the 30-cent surcharge be reduced to 25 cents. Upon the implementation of monitoring guidelines to be developed from the enforcement workshops identified in the agreement and upon a period of experience that demonstrates full compliance of the guidelines, we will entertain a request for increasing the 25-cent surcharge to 30 cents.

We will require CACD to hold workshops within 90 days after this decision is signed to develop the enforcement guidelines identified in the agreement, Article V of Appendix A. CACD shall provide a report to the Commission and file a copy of the report in this proceeding within 90 days from completion of the workshops. Utilities should submit advice letter filings for authority to implement the workshop results.

GTE's and Contel's Store and Forward Monitoring Program

The original intent of GTE's and Contel's store and forward monitoring program was to determine whether such service was feasible in PacBell's territory, Article IV of Appendix A. However, with the adoption of the MOU and subsequent agreement this program is moot. It now becomes an evaluation program to insure that the program operates as intended. Since GTE has a maximum of 500 store and forward sets in its territory and Contel has even less, it is reasonable to require PacBell to monitor its projected 4,000 plus store and forward sets for evaluation. Rather than requiring a report be provided to DRA and other interested parties we will direct CACD to hold workshops within 90 days from the date of this order to develop the monitoring program. We will also require PacBell to provide a report based on the monitoring criteria established in the workshops to CACD one year from the date the criteria is established.

If the report shows a need to modify the regulation of store and forward pay phone sets, CACD should prepare an order instituting investigation into the operations and practices of store and forward pay phone sets for Commission consideration.

GTE's and Contel's Commission Cap

Although the agreement caps GTE's and Contel's pay phone commissions, the MOU lifts PacBell's maximum commission level. PacBell's pay phone commissions are now based on a formula attached to the MOU as Exhibit A. Also, with our adoption of a 25-cent pay phone surcharge, GTE's and Contel's commission cap is obsolete.

Therefore, we propose to require GTE and Contel to calculate their pay phone commission cap on an equivalent basis with PacBell's formula.

Applicability of Consumer Safeguards to Independents

Although we only named PacBell, GTE, and Contel as respondents to this proceeding, the independent telephone companies, such as Roseville Telephone Company, have participated in this proceeding. The independent telephone companies have not signed the agreement, MOU, or subsequent agreement. And, since we did not name the independent telephone companies respondents, we will not impose the requirements of this decision on them at this time. However, we strongly encourage the independent telephone companies to adopt the pay phone consumer safeguards set forth in this decision with any advice letter or application that they may file to provide COPT service. If they decide to provide COPT service without adopting the consumer safeguards in this decision, we will expect them to substantiate in their filing why the specific consumer safeguard procedures are not appropriate for them.

Request for Finding of Eligibility

On July 1, 1988, CA filed a request for finding of eligibility for compensation, pursuant to Article 18.7 of the Commission's Rules of Practice and Procedure. No party has filed a response to CA's request.

Article 18.7 contains the requirements to be met by intervenors seeking compensation "for reasonable advocate's fees, reasonable expert witness fees, and other reasonable costs to public utility customers of participation or intervention in any hearing or proceeding of the commission initiated on or after January 1, 1985, to modify a rate or establish a fact or rule that may influence a rate." This proceeding was opened to examine the current offering of coin and coinless COPT service and to consider market structure and regulation of COPT service. Therefore, this

proceeding clearly falls within the definition of applicable proceedings.

Rule 76.54 requires that any filing of a request for eligibility be filed within 30 days of the first prehearing conference or within 45 days of the close of the evidentiary record. CA's request was filed within 30 days after the June 1, 1988 prehearing conference and, therefore, meets the filing date requirement.

Rule 76.4(a) requires that a request for eligibility include four items:

1. A showing that participation would pose a significant financial hardship. Also a summary of the party's finances distinguishing between grant funds committed to specific projects and discretionary funds.

2. A statement of issues the party intends to raise.

3. An estimate of the compensation that will be sought.

4. A budget for the party's presentation.

Significant Financial Hardship

Rule 76.52(f) defines the first of these requirements, "significant financial hardship," to mean both of the following:

"(1) That, in the judgement of the Commission, the customer has or represents an interest not otherwise adequately represented, representation of which is necessary for a fair determination of the proceeding; and

"(2) Either that the customer cannot afford to pay the costs of effective participation, including advocate's fees, expert witness fees, and other reasonable costs of participation and the cost of obtaining judicial review, or that, in the case of a group or organization, the economic interest of the individual members of the

> group or organization is small in comparison to the costs of effective participation in the proceeding."

The first element of a demonstration of significant financial hardship is a showing that "the customer has or represents an interest not otherwise adequately represented, representation of which is necessary for a fair determination of the proceeding." "Customer" is defined in Rule 76.52(e) as any participant representing consumers, customers, or subscribers of any electrical, gas, telephone, or water corporation subject to our jurisdiction, any representative who has been authorized by a customer, or any representative of a group or organization authorized pursuant to its articles of incorporation or bylaws to represent the interest of residential customers.

CA, a 501(c)(3) non-profit organization with 2,600 members throughout California, asserts that it represents an interest of residential ratepayer that would not otherwise be adequately represented in this proceeding. Although TURN is also representing residential customers in this proceeding, CA points out that the two organizations have unique perspectives and different members. Further, CA believes that because of the vital role that the Commission Advisory and Compliance Division (CACD) COPT workshop will play in this proceeding, it is important to have two different organizations participate.

CA has played an active role on private pay telephones since July 1987 when it released the results of a survey detailing widespread consumer complaints and problems with the existing COPT tariff. CA has also been active in informal COPT workshops set up by the Commission.

We conclude that CA represents an interest that, although it overlaps with parts of TURN's interest, is an interest not otherwise adequately represented. We also conclude, as substantiated by the 763 ratepayer complaints identified in Exhibit

63, that the representation of an organization like CA is necessary for a fair determination of this proceeding. CA has met the first prong of the significant financial hardship test.

The second prong of the significant hardship test requires CA to provide a summary of finances distinguishing between grant funds committed to specific projects and discretionary funds. In response to this requirement, CA attached its year ended March 31, 1988 financial statement and its budget for the year ending March 31, 1989 to its request. The financial statement shows that CA has $18,429 of discretionary funds as of March 31, 1988. However, $84,500 of CA's $135,000 projected income for the year ending March 31, 1989 is committed to specific projects.

CA's limited discretionary income supports membership and general public services such as eight yearly issues of CA news, four state-wide banking fee and service surveys, two long-distance rate surveys, research and printing of guides to complaint-handling agencies, and staffing of a complaint and information switch board. We conclude that CA has met the requirements of Rule 76.54(a)(1) and has shown that participation in this proceeding would pose a significant financial hardship, and that the economic interest of the organization is small in comparison to the costs of effective participation in this proceeding.

Statement of Issues

Rule 76.54(a)(2) requires a statement of issues that the party intends to raise. In its request, CA states that it intends to address each of the issues raised in the investigation, and to raise other issues related to consumer complaints and problems associated with both AOS and COPTs. CA, therefore, meets this requirement.

Estimate of Compensation

Rule 76.54(a)(3) requires CA to provide an estimate of the compensation it will seek to recover. At the time CA's request was filed CA represented that although it intends to seek "full

compensation" for work on issues to which it substantially contributes, however, it is too early to know what these issues will be and difficult to estimate. CA has provided a budget for its proposed participation in this proceeding.

Budget

Pursuant to Rule 76.54(a)(4), CA provided the following budget for its proposed participation in this proceeding:

Advocates Fees @ $125 hour	$50,000
Consultant Fees @ $100 hour	5,000
Other Reasonable Fees and Expenses @10% of expenses	5,500
TOTAL BUDGET	$60,500

Common Legal Representation

Rule 76.54(b) allows other parties to comment on the request, including a discussion of whether a common legal representative is appropriate. Pursuant to Rule 76.55, our decision on CA's request may designate a common legal representative. CA does not believe that it is appropriate to designate a common legal representative. No other party filed any comment on this issue. Therefore, we find no current need to designate a common legal representative in this proceeding.

CA is placed on notice that it may be subject to audit or review by CACD; therefore, adequate accounting records and other necessary documentation must be maintained by the organization in support of all claims for intervenor compensation. Such record keeping systems should identify specific issues for which compensation is being requested. The actual time spent by each employee, the hourly rate paid, fees paid to consultants, and any other costs incurred for which compensation may be claimed.

Section 311 Comments

The ALJ's proposed decision on this matter was filed with the Docket Office and mailed to all parties of record on May 11,

1990, pursuant to Rule 77 of the Commission's Rules of Practice and Procedure.

Comments on the ALJ's proposed decision were properly filed by CA, Contel, CPA, CP National and other independent telephone companies, DRA, GTE, Intellicall, PacBell, and TURN. Reply comments were properly filed by CA, CPA, GTE, Intellicall, and PacBell.

Of the seven signatories to the agreement, three signators accept the ALJ's proposed modifications to the agreement. They are CA, CPA, and DRA. The remaining four signatories to the agreement, AT&T, Com Systems, Contel, and GTE do not specifically state whether they concur with the proposed modifications. Of the five remaining active parties to this proceeding, PacBell and Intellicall concur with the proposed modifications.

We have carefully reviewed the comments and reply comments filed by the active parties to this proceeding, but have not summarized them in this order. To the extent that they required discussion, or changes to the proposed decision, the discussion or changes have been incorporated into the body of this order.

Findings of Fact

1. Consumer complaints about COPT service and the dissatisfaction of both COPT providers and the LECs with the current regulation of COPTs resulted in the opening of this proceeding.

2. PacBell, GTE, and Contel were named respondents to this proceeding.

3. DRA filed a motion for adoption of a settlement agreement which was negotiated during workshops held in 1988.

4. A second agreement dated May 11, 1989 was filed with the Commission on May 17, 1989.

5. The first agreement was withdrawn on August 9, 1989.

6. Hearings were held on the second agreement to receive evidence on whether the public interest is best served by adopting

the agreement as presented or whether the public interest is best served by modifying the agreement to allow Intellicall to use its own pay phones for automated call completion and billing services in PacBell's territory.

7. Evidence was also received on whether the 30-cent pay station charge on non-sent-paid calls placed from COPTs should be implemented.

8. In response to a bill insert, 763 individual ratepayers sent letters to the Commission's Advisor's Office regarding COPT service and the agreement. Of the letters received over 93% complained about COPT providers and their equipment.

9. More than 40% of the ratepayer who sent letters opposed the 30-cent surcharge on non-sent-paid calls.

10. Most of the 100 people who commented on the agreement at public participation hearings held throughout the state were in favor of the agreement.

11. The agreement requires PacBell and GTE to offer COPTs intraLATA billing and collection service for the pay station service charge.

12. PacBell is going to introduce AABS, its own AOS in the very near future.

13. CA believes that the 30-cent surcharge would be an unjustified reward for poor service.

14. Any change to the 30-cent surcharge will impact other aspects of the agreement.

15. PacBell and Intellicall negotiated a MOU after the proceeding was submitted.

16. PacBell's and Intellicall's motion to reopen the proceeding to address the MOU was granted.

17. The MOU grandfathers a specific number of store and forward sets so that Intellicall and other manufacturers can provide store and forward pay phones in PacBell's territory. In return, PacBell's commission cap would be increased.

18. The MOU requires Elcotel to reduce it 3,500+ store and forward sets to less than 400.

19. Subsequent to the MOU, PacBell learned that manufacturers other than Intellicall had 5,700 store and forward sets in PacBell's territory.

20. Intellicall sponsored a supplemental agreement, which modified the MOU, to resolve the issue of grandfathered store and forward sets. Signators of the supplemental agreement agreed to comply with the terms of the settlement agreement and to provide positive acceptance of collect calls.

21. All parties to the proceeding believe that the consumer safeguards should be implemented as soon as possible.

22. No party objected to reducing the 30-day minimum period of time between the issuance of the ALJ proposed decision to the date that the Commission can act on the decision by 10 days, to 20 days.

23. CA's request for eligibility was timely filed and addresses all four elements required by Rule 76.54(a) of the Commission's Rules of Practice and Procedure.

24. CA represents the interest of its 2,600 members residing in California, and itself as an organization. These interests are not otherwise adequately represented in this proceeding, and representation of these interests is necessary for a fair determination of this proceeding.

25. The economic interests of CA's individual members is small in comparison to the costs of effective participation in this proceeding.

26. CA has demonstrated that its participation in this proceeding will pose a significant financial hardship under Rule 76.52(f).

27. It is not necessary at this time to designate a common legal representative for the interests CA represents in this proceeding.

Conclusions of Law

1. The stipulated agreement, MOU, and subsequent modification to the MOU should be adopted only if parties to the proceeding agree to the minor modifications identified in the decision.

2. This decision should only apply to the utilities named as respondents to the proceeding.

3. The independent telephone companies should be strongly encouraged to adopt and implement the consumer safeguards identified in the agreement.

4. CA should be ruled eligible to claim compensation for its participation in this proceeding.

O R D E R

IT IS ORDERED that:

1. The May 11, 1989 Settlement Agreement (Agreement) modified to incorporate the Memorandum of Understanding (MOU) and Supplemental Agreement appended to this decision as Appendixes A and B are hereby approved subject to the following minor modifications discussed in this decision:

a. The additional surcharge of up to 30 cents for non-sent-paid calls from pay telephones provided in the Agreement shall be reduced to a maximum of 25 cents.

b. GTE California, Inc. (GTE) and Contel of California Inc. (Contel) shall not be required to develop a monitoring plan for their Alternate Operator Service (AOS) tariff offerings as provided for in Article IV of the Agreement.

c. Pacific Bell shall be required to develop a monitoring plan for its store and forward COPT tariff offerings.

d. The calculation of GTE's and Contel's commissions cap provided for in Article V

of the Agreement shall be modified to be calculated on an equivalent basis with PacBell's formula identified in the MOU. GTE and Contel shall provide to the Commission Advisory and Compliance Division within 30 days from the effective date of the decision a worksheet which calculates their revised commission cap for approval and in accordance to the formula in Appendix A to this decision.

2. The Commission Advisory and Compliance Division (CACD) shall hold workshops within 90 days after this decision is signed. The CACD shall notify all appearance of record to this proceeding of the date, time, location, and agenda of workshops at least 20 days prior to the date of the first workshop, and shall provide a report on the results of the workshops to the Commission within 90 days of completion. The workshops shall be held to address:

a. Pay telephone enforcement as discussed in Articles V(B)(1) and V(B)(12) of the Agreement.

b. Public policy pay telephone as discussed in Article V(C) of the Agreement.

c. The development of a store and forward monitoring program discussed in Article IV of the Agreement for PacBell.

3. PacBell shall prepare a report based on the monitoring criteria developed in the workshops required in Ordering Paragraph 2(c) of this decision, and shall provide a copy of the report to CACD one year from the date that the monitoring criteria is established. If the report shows a need to modify the regulation of store and forward pay phone sets, CACD shall prepare an order instituting investigation for Commission consideration.

4. Utilities shall submit advice letter filings for authority to implement the workshop results identified in Ordering Paragraph 2 of this decision.

5. Although the Independent Telephone Companies are not named respondents to this proceeding, the Independent Telephone Companies are strongly encouraged to implement all of the consumer safeguards set forth in this decision. If any Independent Telephone Company decides to provide COPT service without adopting the consumer safeguards in this decision, we shall require them to substantiate in their filing why the specific consumer safeguard procedures are not appropriate for them.

6. PacBell, GTE, and Contel shall prepare a bill insert to notify their customers and COPT vendors of the rate changes authorized by this order. The bill inserts shall be approved by the Commission's Public Advisor Office and shall be mailed to customers within 60 days from the effective date of this order.

7. PacBell, GTE, and Contel shall also file separate advice letters within 60 days of the effective date of this order, with service to all parties of record, containing revisions of all tariffs affected by this order. These utilities shall file a draft advice letter with the Commission Advisory and Compliance Division, Chief of Telecommunications Branch at least 20 days prior to the filing of the advice letter.

8. Consumer Action is eligible to claim compensation for its participation in this proceeding.

9. All terms and conditions of this decision shall be implemented 60 days from the effective date of this order.

10. This proceeding is closed.

This order is effective today.

Dated JUN 06 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY

Neal J. Shulman

NEAL J. SHULMAN, Executive Director

pB

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation instituted on the Commission's own motion into the operations, practices and regulation of coin and coinless customer-owned pay telephone service.	I. 88-04-029 (Filed April 13, 1988)
In the Matter of the Investigation and Suspension on the Commission's own motion of tariffs authorizing the network connection of customer-owned instrument-implemented coin telephones, and the sale by Pacific Bell of such telephones and of booths and associated equipment, under Advice Letter No. 14876.	(I&S Case 85-02-051) (Filed February 21, 1985)
National Pay Telephone Corp., Complainant, Pacific Bell (U 1001 C), Defendant.	Case 85-07-048 (Filed July 17, 1985)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into on May 11, 1989, by and among the several parties to the Commission's Order Instituting Investigation I. 88-04-029 as are indicated on the signatory pages at the end of this document, as follows:

RECITALS

WHEREAS, on April 13, 1988, the California Public Utilities Commission (the "Commission") issued an Order Instituting Investigation I. 88-04-029, a copy of which is attached to this Agreement as Appendix A, to consider numerous issues concerning the operation of pay telephones by Local Exchange Carriers ("LECs") and by operators of Customer Owned Pay Telephones ("COPTs"); and

WHEREAS, the parties hereto have participated in a series of workshops in which they have considered the issues raised in I. 88-04-029 and desire to submit to the Commission a proposed settlement for Commission approval, adoption of which would settle all issues; and

WHEREAS, the parties have arrived at an agreement which, they believe, is reasonable in light of the whole record, is consistent with the law of the State of California, and is in the public interest;

NOW, THEREFORE, the parties agree as follows:

ARTICLE I - TERM AND SCOPE OF THE AGREEMENT

The terms and conditions contained in this Settlement Agreement shall remain in effect for a minimum period of three (3) years from the date this Agreement is adopted by the

Commission, except as where otherwise provided in this Agreement, including, without limitation, Appendix E.

This Settlement Agreement shall apply to the provision of pay telephone service within the serving territory of the LECs that are signatories to this Agreement and is proposed to apply to the remaining LECs that offer connection of COPT within their serving territories.

ARTICLE II - PRECEDENT USE OF THE AGREEMENT

This Settlement Agreement represents a compromise among the parties who sign it or subsequently adopt it. Accordingly, it shall not be construed as a precedent or policy statement for or against, or an admission by, any of the parties in any current or future proceeding. Further, the parties recognize that the issues resolved by this Settlement Agreement should not be construed as reflecting any of the parties' views or positions concerning the underlying principles applicable to this investigation.

The parties have entered into this agreement to avoid the expense and delay of litigation. A party's decision to sign this Agreement does not necessarily constitute its endorsement of all or any provision of the Agreement. Signing this Agreement does not affect the rights that any party may have under any

federal or state laws regulating trade and commerce or unfair competition.

ARTICLE III - COMMISSION APPROVAL

The binding force of this Settlement Agreement is expressly contingent upon Commission approval and adoption of both this Agreement and the resulting modifications to the tariffs of the LECs as may be required to bring this Agreement into effect. In the event that the Administrative Law Judge or the Commission rejects or changes this Agreement or individual terms of portions of it, this Agreement shall be null and void and shall be withdrawn from the proceeding, unless all parties to the Agreement agree otherwise. If changes are proposed, such changes shall not become effective unless the undersigned parties agree in writing to accept the modifications.

ARTICLE IV - UNDERLYING PREMISES TO THE SETTLEMENT

The parties agree that the framework under which pay telephone service is provided should be based on the following underlying premises, which incorporate differences in the ways that COPT connection is permitted in the serving territory of the various LECs within this State:

1. Except as provided in subparagraphs 1.a and 1.b below, competition in intraLATA 0 plus operator and

billing services for 0 plus intraLATA calls generated from pay phones shall be authorized, provided that any such call shall be routed from any such pay phone through the LEC's originating central office for completion by the LEC over the intraLATA message toll network and for billing by the LEC to the provider of any such pay phone under the intraLATA message toll tariff. Although the parties agree that competition is currently an issue in I. 87-11-033, the parties request that the Commission consider it in this proceeding, only as necessary, to facilitate this settlement. Other issues concerning competition in other intraLATA services shall be deferred to the Commission's Alternative Regulatory Frameworks proceeding, I. 87-11-033. Contel of California agrees to maintain monitoring information in a format specified by DRA.

a. As applied to GTE of California, Inc. ("General" or "GTEC"), competition among independent firms and General within General's serving area for intraLATA 0 plus operator and billing services for 0 plus intraLATA calls generated from pay phones shall be authorized as follows:

(1). Instrument implemented operator services and billing functions which are performed by the COPT instrument without use of an external AOS shall be permitted, provided calls are routed from any such pay phone through General's originating central office for completion by General over the intraLATA message toll network and for billing by General to the provider of any such pay phone under the intraLATA message toll tariff.

(2). Calls routed to an external AOS for billing and collection purposes must be routed over intrastate tariffed feature group connections and must be returned over similar facilities to the central office to which the AOS is connected to General's network. Initiation of competition for billing and collection under such arrangements is conditional pending development, approval and implementation of systems for identifying and separating General's costs and revenues associated with access-type arrangements from General's cost and revenues from other intraLATA services and amendment of General's

intrastate access tariffs for application to the billing and collection services permitted in this section.

(3). General's offering of intraLATA 0 plus operator and billing services described above shall be a tariffed trial offering. The tariff filed to implement this trial shall only become effective upon specific Commission authorization by Commission resolution or Commission order. General shall work with DRA and other interested parties to develop a monitoring plan for this trial, and General shall provide a report to DRA and other interested parties one year following the date a tariff is filed by General implementing this trial.

b. As this Settlement Agreement applies to Pacific and with the exception noted in subparagraph 1. below, it provides that no intraLATA competition of any kind shall be permitted in Pacific's serving area until intraLATA competition is approved by the Commission in its Alternative Regulatory Frameworks proceeding, I. 87-11-033, except that pending the availability of the billing service provided for in

Section V.F.3.d.1 below, a COPT operator may continue to provide, to the extent, if any, authorized or permitted by the Commission, operator and billing services on intraLATA calls but will not, for such interval, be entitled to the compensation provided for in Section IV.3.a. below; provided, further, that when Pacific commences billing under Section V.F.3.d.1, the right, if any, of a COPT operator or OSP to provide operator or billing services on intraLATA calls shall cease, and such calls shall be directed to Pacific for operator handling and billing. The above restriction on intraLATA competition encompasses any form of intraLATA competition not expressly authorized by the Commission, including, without limitation, competition in intraLATA operator (be it "0+" or otherwise) and billing services, the billing and collection of any intraLATA operator services charges or Message Telephone Service ("MTS") charges through store and forward technology (or by any other means) contained in a pay telephone set, or MTS calling; provided that COPT operators will be permitted to process customer-dialed "0+" intraLATA commercial credit or

bank card calls (but not telephone company calling cards of any kind); provided, further, that no COPT operator or OSP will be deemed to be in violation of this provision for the completion of incidental 10XXX intraLATA calls completed solely for the reason that Pacific's central office equipment failed to block such calls, so long as neither the COPT operator nor the OSP either holds itself out as offering 10XXX intraLATA service or programs its equipment to override Pacific's central office blocking of such calls, but OSPs shall not compensate any COPT operator for the delivery of such intraLATA calls.

1. As an exception to paragraph b above, competition for intraLATA operator services and billing services can be permitted in Pacific's serving area after, but only after, the Commission evaluates General's trial described above, and the experience in Contel of California's serving area, and determines that such competition should apply to Pacific. To assist the Commission in evaluating and determining whether to permit such competition described in paragraphs 1 and

2 above, Pacific shall prepare and submit to DRA and other parties a feasibility study on implementing that competition in its serving area two months after receipt of General's report. DRA shall evaluate the General report, Pacific's feasibility study and the experience in Contel's serving area and shall hold workshops to evaluate implementation in Pacific's serving area. The parties shall submit a workshop report to the Commission, and any party objecting to the workshop report and the workshop's recommendation can file comments within fifteen days of its receipt of such report or recommendations. The parties recommend that the Commission determine, based on the workshop report and comments filed by the parties, the extent that intraLATA operator and billing services competition will be allowed in Pacific's serving area, to the extent that such competition has not been addressed by any decision in I. 87-11-033.

c. As this Settlement Agreement applies to General, pending the availability of the billing

services provided for in Section V.F.3.d below, a COPT operator may provide, to the extent, if any, authorized or permitted by the Commission, operator and billing services on intraLATA calls .

2. All 0 minus calls should be directed as dialed by the end user to the appropriate LEC.

3. Except as provided in subparagraph a. below, local exchange carriers shall not be required to compensate operators of Customer Owned Pay Telephones for intraLATA non-sent-paid calls. The LEC may, however, bill and collect the Pay Station Service Charge on behalf of COPT operators as provided for in Section F of Article V.

a. As applied to Pacific, this Settlement Agreement provides that Pacific shall pay COPT operators compensation of $.10 per call for intraLATA revenue producing non-sent paid calls directed to Pacific for completion and billing by Pacific. Pacific and CPA will cooperate to develop procedures to allow for compensation of $.10 per call, and the recovery of the Pay Station Surcharge to the extent it is returned to Pacific as revenue, for such non-sent paid calls for which Pacific

receives operator services or MTS revenues but does not bill the call itself, less Pacific's reasonable costs of collecting such revenue and the cost of establishing such procedures, said reasonable cost not to exceed $.01 per message; Pacific acknowledges that CPA desires this feature as soon as technically possible, and Pacific will exercise reasonable good faith efforts to implement it quickly. Such compensation for calls not billed by Pacific will be effective upon implementation of the procedures which allow the payment of compensation. Nothing herein shall require the payment of any compensation for intraLATA calls placed through 800, 950, or 10XXX calling, or for verify/interrupt. Pacific shall file an advice letter and place in a tariff the $.10 in compensation. Pacific will not seek to increase rates in the Supplemental Rate Design Phase of its rate case or any other proceeding to recover the $.10 in compensation. All parties reserve the right to contest any other form of recovery by

Pacific, if any, of the $.10 in compensation from basic rate payers.

4. This settlement agreement will apply in all exchanges. In exchanges in which only flat-rate service is provided, when a conflict arises between terms of this settlement and the tariff provisions governing connection of COPT instruments in flat-rate areas, the conditions of service of the LEC's flat-rate tariff shall govern, including Pacific's flat-rate tariffs. The principal differences concern the charge for local directory assistance (which shall be on a per-call basis to the COPT operator at the tariffed business customer rates), the inclusion of a charge for local usage in the access line charge, and the provisions for blocking and screening (where the provisions of the flat-rate tariff shall control).

5. Except as provided in Article I above, in order to reach a consistent regulatory structure, whatever issues that do not require specific attention or resolution within the scope of the public telephone sector will be deferred to the Commission's broader investigation into Alternative Regulatory Frameworks for Local Exchange Carriers, I. 87-11-033. The parties are not prohibited by this Agreement from taking positions in that other

proceeding which are not fully consistent with the terms of this Agreement, but the parties agree that, except as provided in Article I above, the terms and conditions established herein shall govern for the term of this Agreement or such other period of time as is specified in the Agreement.

6. Regulation of public telephones shall promote minimum standards which meet end user expectations for public telephone service, but which allow for flexibility and innovation on the part of the pay telephone provider. The standards set for the operation of COPT instruments shall be the minimum required to meet public safety and welfare needs, and the competitive marketplace shall govern the balance. In the event of a material change in market conditions affecting pay telephones, any party may seek modifications to this Agreement in I. 87-11-033 or any other appropriate proceeding should the public's interest require.

ARTICLE V - SETTLEMENT TERMS

A. Definitions applicable to this Settlement Agreement are contained in Appendix B.

B. Customer Safeguards.

The parties to this settlement agree to accept the following standards. The parties recommend that these standards be promulgated in a General Order applicable to all providers of pay telephone service, LEC and COPT alike. The LECs will also incorporate these provisions in tariffs applicable to connection of COPT instruments and will themselves meet the standards.

1. Provide end users with free access to the following:
   a. The LEC operator for 0 minus dialing, as dialed by the end user.
   b. 950-XXXX dialing, as dialed by the end user, where LEC facilities permit.
   c. 800-XXX-XXXX dialing, as dialed by the end user.
   d. 10XXX dialing. (This requirement shall be implemented only where FG-D service is available and after a procedure is implemented to address the fraud problem associated with use of this dialing pattern for domestic calling over pay phones. The parties commit to finding and implementing such a solution as soon as reasonably possible, and agree to participate in workshops to reach a solution in conjunction with industry efforts. Notwithstanding anything to the contrary herein, COPT providers shall be required to implement free access to 10XXX

calling where FG-D service is available not later than 12 months following the effective date of the Commission decision approving this Settlement Agreement, unless a waiver is first obtained from the Commission and, if necessary, the FCC.)

e. The pay phone provider's facilities through which callers can report service trouble or complaints, and request refunds or general assistance. Signage on the pay telephone will provide instructions for the end user as to the number to dial for assistance. If the number is available from Bellcore, all private pay phone providers shall use the digits "211" to allow callers to reach the pay phone provider's facilities. If the number is not available, the parties will agree on a standardized dialing approach to reaching the repair facility. If the caller dials O-minus and reaches the LEC operator with an inquiry or complaint, the LEC operator shall inform the caller to dial the assistance number shown on the phone's signage.

f. 911-Emergency.

g. 611-Repair.

h. 411-Directory Assistance.

2. Access to sent-paid and non-sent-paid calling, and local, intraLATA toll, and interLATA calling, requirements by type of pay phone (see matrix below):

	LOCAL		INTRALATA	TOLL/INTERLATA
	Sent Paid	Non-Sent Paid	Sent Paid	Non-Sent Paid
Coin-Single Denomination	X	X		X
Coin-Multiple Denomination	X	X	X	X
Non-Coin		X		X
Universal Coin/Credit	X	X	X	X

3. The rates and charges for intrastate calling and services from all pay phones shall be in accordance with applicable tariffs and any rate caps authorized by the Commission.

4. Providers of a pay telephone may limit the length of a sent-paid local call by requiring the deposit of additional money. The minimum time period before cut-off of a local coin call shall be 15 minutes. Pay phone providers who impose any time limit on local coin calls must provide the caller with a voice-over instruction or "beep" warning at the end of the time period to afford the caller the opportunity to deposit more money before the call is terminated.

5. All pay telephone providers shall return the coins deposited by an end user on an attempted but uncompleted

call. This coin return shall be made immediately after the end user hangs up. An attempted but uncompleted call refers to a call which results in, for example, the end user encountering (1) a busy signal, (2) a ring no answer, or (3) a network recording (for example, informing the caller that the number dialed has been disconnected).

6. Intrastate/interLATA directory assistance shall be available to the end user at the same (or lower) rate the pay phone provider is charged by AT&T for intrastate interLATA directory assistance calling from pay phones.

7. Coin-free access to intraLATA and interLATA 0 plus dialing shall be required.

8. Pay phones and enclosures shall be installed in compliance with California handicap access requirements. In addition, all LECs and all COPT operators doing business in California and operating 100 or more pay telephones shall ensure that at least 5 per cent, including at least one accessible telephone, of pay telephones in high traffic areas will be equipped with volume controls (amplified handsets) and appropriate indentification signage. (See D. 87-04-027).

9. All pay phone providers shall observe the signage requirements as recommended by the workshop in its August 19, 1988 report to the ALJ.

10. If a caller dials "0" (zero) from any pay phone to make an intraLATA non-sent-paid call and reaches the LEC operator, the LEC operator shall advise the caller to dial 0 plus. If the caller, after being advised by the LEC operator to dial 0 plus, expresses a preference to complete the intraLATA call utilizing 0 minus operator assistance service, then the LEC operator shall provide what the customer requests.

11. LEC and IEC operator services serving pay phones in the intraLATA and/or intrastate/interLATA 0 plus operator services market shall adopt the following provisions which shall be incorporated in the Commission's decision in this proceeding as applicable to all operator service providers under the Commission's jurisdiction, and which the parties agree to incorporate into their applicable tariffs:

    a. Non-sent-paid charges for calls originating from pay phones shall comply with applicable tariffs and rate caps authorized by the Commission.

    b. Operator response time for private pay phones shall not exceed 20 seconds after the called number is

dialed by the customer. The LEC shall continue to observe the operator response times contained in General Order 133A.

c. The operator service shall identify itself to the caller at least once during the contact before any charges are assessed to the caller (e.g., "XYZ operator, may I help you" or "Thank you for using XYZ").

d. Operator service personnel shall quote the appropriate rates for their services at the customer's request for the call as placed.

e. In the interLATA 0 plus operator services market serving pay phones, operator service personnel shall instruct the caller to dial the 950-XXXX, 10XXX, or 800-XXX-XXXX number, if the caller prefers to use the operator service company/inter-exchange carrier of his/her choice to make a non-sent-paid interLATA call, and the operator services personnel shall not be required to provide to the caller the specific number for reaching the caller's preferred carrier. Determination of the number shall be a caller responsibility.

f. In the intraLATA "0+" and "0-" operator services market serving pay phones, operator service personnel shall refer the caller to the appropriate dialing pattern, if the caller prefers to use the LEC operator services (on a "0+" or "0-" basis, effectively) to complete an intraLATA "0+" or "0-" call.

g. A 150-day back-billing period shall be imposed for non-sent-paid calls originating from pay phones (i.e., the billed party must be billed for non-sent-paid calls originating from pay phones within 150 days from the date the calls are made, if they are to be billed at all).

h. The "mechanized rate" shall be applied to calling card and commercial credit card calls unless the caller requests that the operator complete the call using 0 minus procedures.

12. Enforcement.

a. The enforcement program recommended by the workshop in its August 19, 1988 report to the Commission shall be adopted. The workshop report is attached to this Settlement Agreement as Appendix C.

b. The parties acknowledge that some additional compliance monitoring mechanism is needed to

accomplish the following: (1) to monitor the rates charged by inter-exchange carriers and alternate operator services providers to detect instances of rating above the allowed caps, (2) to deny billing for overcharged calls, (3) to return the overcharged calls to the submitting agency for repricing, and (4) to provide information to the Commission Advisory and Compliance Division ("CACD") for other action as appropriate.

c. The parties recognize that LECs which have billing and collection agreements with carriers and operator service providers may be in a position to accomplish the monitoring through these arrangements. The parties believe that those LECs could develop a program for those LECs to scan the billing tapes submitted under the LEC's applicable tariff and/or contract for intrastate billing and collection arrangements, to determine which calls are rated above the applicable rate cap, not to bill such calls, and to return those calls, with a statement of the apparent discrepancy in rating, to the submitting agency for repricing. Such a process would protect the customer from being charged more than is allowed under the applicable

cap and would give the agency submitting the billing tape an opportunity to correct its rating of the call.

d. The parties agree that the LEC should not be placed in an enforcement role vis-a-vis the rates charged by carriers and operator services.

e. The LECs referred to in (c) above agree to develop a scanning proposal to accomplish the objectives noted above and to present the results, along with costs, proposed prices and suggested implementation details in a workshop within sixty days of adoption of this Settlement Agreement by the Commission.

f. The parties agree to participate in workshops to work out the details of the entire enforcement program. CACD shall chair these workshops. The parties recognize that the issue of reparations for ratepayers arising out of past AOS and COPT-related overcharges will also be resolved in these workshops.

g. The LECs referred to in (c) above further agree to determine the feasibility and costs of making available to alternate operator service providers the LEC's call rating system so that the AOS provider could have the capability to check the

rate it applies to its calls against the rate as would be determined by the LEC. The system would include the V and H pricing module for intra and interLATA calls and the V and H exceptions to the Transmission Point Master (TPM) tape, provided on a suitable electronic medium, and supplied to the subscriber whenever updated by the LEC. The system would be offered on a tariffed or individually priced basis, priced at or above the LEC's direct embedded cost.

h. Notwithstanding anything to the contrary herein, in the event in any month a COPT operator is responsible for billing five or more intraLATA calls more than 20% in excess of applicable rate caps, or is responsible for the misrouting of five or more intraLATA calls, incidental or otherwise, so as to deprive Pacific in any way of intraLATA operator service or MTS charges, Pacific shall have no obligation to provide compensation for any non-sent-paid intraLATA calls for the COPT operator's next following monthly billing period, subject to the provision of 30 days advance written notice to the COPT operator; provided the foregoing provision shall not apply unless a COPT vendor

experiences either such overcharging or such misrouting on 5% or more of its stations. When the foregoing conditions are present, Pacific shall, in subsequent billings to the COPT operator, be permitted to adjust its charges to the COPT operator so as to eliminate compensation for non-sent-paid intraLATA calls in months when the aforementioned overcharging or misrouting occurs, and shall have no obligation to resume the payment of compensation until the problem is corrected. Provided, further, in determining whether cross-subsidy has occurred as described in paragraph V (D) (6) below, the amount of intraLATA operator service and MTS charges deprived Pacific as a result of such misrouting shall be taken into account by the Commission.

13. The provider of the phone may charge up to the rate applicable for a local call for 811-XXXX dialing.

C. Public Policy Pay Phones.

1. This Agreement adopts the definition of public policy pay telephones as described in the August 19, 1988 workshop report. As an additional caveat, pay telephones which are provided under a no commission contract, and which are not part of a broader contract

made under competitive arrangements, shall not be excluded from being public policy pay telephones, if the phones otherwise qualify under the workshop report definition. This additional provision is included to recognize that the LEC may have placed public policy phones under a contract which governs performance obligations, liabilities and other such matters, without paying any commission. This Agreement also adopts the provision concerning new public policy pay telephones described in the August 19, 1988 workshop report.

2. The parties acknowledge that the LEC, as a public utility, has placed and will continue to place, at the direction of the committee which will be established to evaluate applications for connection, certain telephones, known as public policy pay telephones, as a public service, and acknowledge that the revenues from these phones do not cover their cost of installation and operation. Because the losses from these public policy pay phones have traditionally been covered by the revenues received from more profitable stations, the parties agree to the general provisions set out in this Section C as a method for continuing the support for these public policy pay phones.

3. All private pay phone providers agree to share in the burden to sustain the LEC's existing (as defined in the August 22, 1988 Division of Ratepayer Advocates ("DRA") memorandum, a copy of which is attached as Appendix D) and new public policy pay phones (as defined in the August 19 workshop report).

4. Public policy phones shall be funded through a monthly rate charged to subscribers of the access line connecting the COPT instrument to the network, to the line serving an instrument provided by other non-LEC operators of pay telephones, and by appropriation by the utility for its lines serving the utility's semi-public and competitive sector pay telephones. The same amount will apply to each of these types of phones.

5. This Section C is intended as a broad policy statement that the public telephone sector, as opposed to the general body of ratepayers or other source of funding, shall bear the burden of paying for the losses incurred through placement and operation of public policy pay phones. The parties agree to work out details of the incremental rates and how to administer the program in workshops to be headed by CACD of the Commission Staff.

6. The annual amount to be funded pursuant to this Section C shall be the difference between the average annual

total company cost of operations for the line and the station apparatus and the average total annual billings and collections collected from the public policy pay telephones. This amount shall be determined each December and the monthly incremental rate shall then be determined for application over the subsequent calendar year. Pending determination of the initial surcharge amount, the $9.00 cap specified in Section V (E) (5) shall apply.

D. Protection Against Cross-Subsidies.

1. Subject to the terms and conditions set forth herein, the LECs agree not to subsidize their competitive public pay telephone operations with billings and collections from other LEC services not related to ownership of the pay telephone instrument and/or enclosure.

2. Except as provided in subparagraph (a) below, the protection against the occurrence of cross subsidy shall be a cap on the total commissions to be paid annually by the LEC to the total of its pay phone station agents, with said cap to be either 20 percent of total coin in box billings and collections from calls placed from the LEC's competitive sector pay phones, or 15 percent of total coin in box billings and collections plus 25

percent of the Pay Station Service Charge billings and collections, whichever is greater. In providing this study, Pacific may also show an analysis showing incremental costs. This cap establishes a gross total which may be paid in varying amounts to individual station agents at the discretion of the LEC, which may describe its commission payment to such agents in whatever terms and on whatever basis the LEC determines as appropriate to its business. This cap may be increased by the net earnings from advertising at the public phone enclosure and through other non-network, pay telephone related activities, with the prerequisite that before the LEC may utilize any revenues from such services for commission payments, the LEC must first notify the DRA, CACD and other parties to this proceeding, and any use of the network shall be paid for at the tariffed rates.

a. As applied to Pacific, this Settlement Agreement provides that the commission cap shall be $41 million per calendar year, which cap shall apply throughout the life of the Agreement; provided, for each 12 month period following the effective date of this Agreeent, Pacific shall provide a cross subsidy study to DRA or CACD of the Commission

staff if, but only if, Pacific's average Pay Station Service Charge (as described in paragraph V(F)(3)(b)) for the previous 12 months is less than $.10 per intraLATA non-sent paid call; provided further, the form of the study shall satisfy that set forth in Appendix F hereto. In providing this study, Pacific may also submit an analysis based on incremental costs. This cap establishes a gross total for the LEC within its service area. This gross total amount may be paid on a state-wide basis in varying amounts to individual station agents (without regard to sub-markets) at the discretion of the LEC, which may describe its commission payment to such agents in whatever terms and on whatever basis the LEC determines is appropriate to its business.

3. Semi-public Pay Phones.

The LEC's semi-public pay phones shall not be included in the base of LEC pay phones subject to the subsidy prevention described above and shall not be considered as part of the LEC's competitive pay telephone business until (1) the semi-public service has been unbundled into set placement and access line elements, and (2) the LEC has been afforded a reasonable opportunity (up to

three years) after such unbundling to bring the rates and charges for its semi-public set placement service up to cost. The access line element shall be priced at the same level as the line provided to service a COPT instrument, adjusted to include the cost of any central office features provided to the LEC's phone and not made available to the COPT line, and to exclude any feature required to be provided as part of the service to the COPT instrument, except to the extent such features are part of the semi-public line.

4. Public Policy Pay Phones.

   a. Separate accounting treatment for existing (Category A and Category A Prime) and new public policy pay phones shall be required. Public policy pay phones are not part of the base of the LEC pay phones subject to the subsidy prevention described above and are not considered as part of the LEC's competitive pay telephone business.

   b. Accounting treatment of public policy pay phones shall utilize fully allocated cost (total company, not separated).

5. The calculation of the total station agent commission payment shall be documented by the LEC and submitted each year to the CACD and to the DRA for review and

verification. This report and the subsidy prevention procedures set out in this Section D shall be subject to audit by the CACD and the DRA to insure that the commission payment totals set out above are not exceeded. The Commission shall issue a resolution as notice of the LEC's compliance and parties shall be given thirty (30) days for comments on the resolution.

6. Establishment of the caps set out above shall be accepted by the parties as eliminating the issue of cross-subsidization. The caps are established as an administrative measure intended to prevent improper cross-subsidies. Exceeding the applicable cap shall not be deemed as conclusively demonstrating that the LEC has improperly subsidized its pay telephone business. Should the Commission find that the LEC has exceeded the applicable cap cap on commissions as described above, the LEC shall be required to submit to DRA and CACD within sixty (60) days a complete cross-subsidy study, using embedded direct cost analysis in the form shown in Appendix F, for appropriate review. If the Commission determines from review of this study that the LEC has improperly cross-subsidized its commission payments, the improper amount of payment shall be applied as an expense against the following year's commission cap.

Notwithstanding anything to the contrary herein, in considering whether a LEC has improperly subsidized its placement of pay telephones the LEC shall be permitted to also submit a study based on incremental costs.

7. In order to protect the competitive pay telephone business of the LEC, the data and reports required by the preceding two subparagraphs shall be considered confidential and proprietary information subject to the protections of General Order 66C. In each instance, however, the LEC shall prepare a summary report for release to the public which summarizes the results of the audit or study without disclosing proprietary or confidential material. In addition, the LECs agree that a neutral consumer advocacy group such as TURN, upon executing an appropriate protection agreement with respect to proprietary and confidential material, may have access to the audit results of any audit conducted by DRA or CACD.

8. Should the Commission establish standards in the Alternative Regulatory Frameworks proceeding to prevent a LEC from cross-subsidizing its competitive services, those standards shall be adopted for the LEC's competitive pay telephone business at the termination of this Agreement so long as the Commission considers,

through workshops or hearings, the impact of such standards on the pay telephone market.

9. The LECs' tariffs shall be modified to permit the DRA and/or CACD to audit the commission payments and revenues of the 10 COPT operators that own or manage the largest number of COPT stations in California. The data collected and the results of this audit shall be deemed confidential and proprietary, except that the auditing agency (DRA and/or CACD) shall provide a summary report for public release which contains summary information comparable to that released in the public report covering LEC commissions.

10. During the period of no competition in Pacific's serving area, as provided for herein, but not thereafter, the tariffed $.10 in compensation to COPT operators for non-sent paid intraLATA calls will be an allowable expense in intercompany settlements. However, no revenue decrease sustained by any LEC as a result of allowing the $.10 as an expense in intercompany settlements can be claimed for recovery from the High Cost Fund. Any other impacts of LEC competitive pay telephone operations on the intercompany settlement process should be addressed in Phase III of the Alternate Regulatory Frameworks proceeding, and if for

unforeseen reasons the matter is not treated there, the parties agree to reopen this pay telephone OII to consider this issue.

E. Interconnection.

1. Subject to the satisfaction of legal, technological, and regulatory requirements, and the other requirements stated below, the LECs that provide for the connection of COPT instruments (other than Contel, which the parties agree to exempt from this provision due to the relatively small number of COPT phones connected within Contel's serving territory) shall diligently pursue offering additional products, services and opportunities for COPT operators. The parties recognize that there may be legal, regulatory and technological requirements which interfere with making some services available, and the parties agree to work together to solve such problems; provided nothing herein shall be construed as requiring any LEC to support the removal of legal restrictions, including, without limitation, restrictions in Part 68 of the FCC's rules. Insofar as the services can lawfully be provided and are technically and economically feasible, the LECs shall make available (on a tariffed basis) to all customers, including private pay phone providers, the following

services on an unbundled basis to the extent technically feasible, and otherwise on a bundled basis (Note: To the extent feasible, these are additional services and do not replace existing COPT lines):

a. The coin access line (or its equivalent) used by LEC phones.

b. The central office based intelligence and/or operator service that enables the LEC currently to operate its "dumb" pay phones.

c. Coin collect and return.

d. Call rating at the LEC rate.

e. Call rating at COPT rates.

f. Trouble reporting services (provided, for example, through the LEC operators, and/or through the 611 repair service).

g. Answer supervision.

h. The "coin refund service" of mailing refunds to customers for a variety of refund events as currently available to the LEC's pay phone operations or otherwise as may be developed.

i. A calling card phone line.

2. So long as other Commission and published tariff rules are observed, private pay phone providers may purchase any tariffed LEC service for use with COPT instruments

except those services which, when used with the pay phone, will endanger public health and safety, or alter the calculation of rates charged to the end user (for example, foreign exchange service).

3. All access lines which are designated for pay phones shall, where the technology permits, include the following protections at no additional charge to prevent or minimize fraud:

   a. Blocking of secondary dial tone.

   b. Blocking of intrastate direct dialed 976 and 900 calls.

4. All "new" network-related services made available strictly to serve pay phones shall be priced at or above the direct embedded cost associated with providing the services.

5. Except as provided in Article IV.4, and except as provided in subparagraphs (f) and (g) below, the monthly rates for various COPT pay phone access lines shall be the rate the LEC charges other business customers for a business line, plus the following, which additional charges shall in the aggregate not exceed nine dollars ($9.00) per month per line:

   a. A rate to support public policy pay phones.

b. A rate of $3.50 for local directory assistance calling from pay phones, which shall replace the present charge of two cents per local call.

c. A rate for screening of billing to the COPT station of collect or third party calls or any other network service which is required by the Commission to be included with the access line for connection of COPT instruments (this incremental rate shall be based on fully allocated cost). Should any other service be mandated by the Commission, the appropriate tariff rate shall be charged and added to the aggregate $9.00 cap set out above.

d. A rate for the handling of nonrevenue producing 0 minus operator assisted calls originating from COPT pay phones which are handled by LEC operators. The rate shall be based on a forecast of occurrences and the direct embedded costs of handling. The forecast shall be documented and offered for review in a workshop setting. This rate shall be implemented no earlier than six months after this Settlement Agreement is adopted by the Commission, with the rate to be based on a cost study conducted prior to implementation and reviewed in a workshop.

e. A rate to pay an appropriate portion of the cost of the enforcement program other than the costs associated with any scanning function adopted for monitoring the rates charged by carriers and alternate operator services (parties to this Agreement propose that this cost be incorporated into the rates charged by the LEC under its tariffs and contracts for billing and collection). This rate shall be determined based on a cost study for performing the enforcement function ordered by the Commission and shall be based on the LEC's fully allocated cost.

f. As applied to Pacific, this Settlement Agreement shall provide for the following line rate for measured COPT lines: the line rate now in effect shall be reduced by $2.00. Upon determination of the public policy line charge amounts, pursuant to subparagraphs a, d, and e above, these amounts shall be separately stated but the combined charges for the line and these amounts for measured COPT lines shall not exceed $15.20. Provided, in the event monthly rates for public policy, enforcement and the handling of "0-" as described in sub-paragraphs (a), (d) and (e) above do not equal

at least $1.50, the combined line charge of $15.20 for measured COPT lines shall be further reduced by the difference between the total of public policy, enforcement and "0-" handling rates and $1.50, provided such reduction shall not exceed $1.50. Provided further, nothing herein shall be construed to limit Pacific from recommending in either its Supplemental Rate Design or I. 87-11-033 that downward pricing flexibility apply to the COPT line rates. Provided further, in the event the Commission adopts Pacific's recommendation in I. 87-11-033 that business line rates be raised to cost, and in the event at any time in the future such business line rates exceed the COPT line rates established herein, the higher business line rate shall apply in place of the COPT line rate, and the public policy funding rate shall also apply in addition to the business line rates. The interstate EUCL shall be in addition to all of the charges described herein.

g. As applied to Pacific, this Settlement Agreement provides that Pacific's existing directory assistance rate applicable to COPT lines of $.02 per local message shall be reduced to $.01 per

message. Provided, that in I. 87-11-033, or Pacific's Supplemental Rate Design, Pacific shall be permitted to establish that directory assistance costs applicable to COPT lines exceed this reduced rate, and, if adopted by the Commission, a higher rate shall be applicable for the recovery of such directory assistance costs.

6. The LEC shall apply policies and procedures in processing COPT service orders and in performing installation, maintenance, repair and disconnection functions with respect to COPT service consistent with the policies and procedures applied in the case of connecting other customers. The LEC shall take all reasonable steps to prevent the anti-competitive use of information concerning COPT service customers in connection with the LEC's own pay phone operations.

7. The LEC shall install the Standard Network Interface for the connection of COPT instruments in a location reasonably protected from access by unauthorized persons. A Maintenance Test Unit will be installed only with the permission of the COPT operator. Provided, that in the event a COPT operator declines to accept a Maintenance Test Unit, such operator shall be required to certify to the LEC and CACD of the Commission staff

that its equipment meets all requirements of Part 68 of the FCC's rules. In addition, in the case that a site visit is required by the LEC to test for trouble in a COPT line and the trouble exists in the set, applicable tariff charges for such visit shall apply.

F. Rate Caps.

The following rates and rate caps shall apply to calls placed from pay telephones for intrastate calls:

1. Local coin calls.

   a. The rate for local coin calls from any pay telephone shall be twenty cents. This rate cap shall remain in effect for a minimum period of five years after the date the Commission adopts this Settlement Agreement.

   b. The length of a local coin call may be limited to fifteen minutes, at the discretion of the provider of the pay telephone. Such time limits may be established on an instrument by instrument basis. If such a time limit is imposed, the provider of the phone will inform the user prior to the expiration of the time in order to afford the user an opportunity to deposit additional coins. Additional time may be provided at the same twenty

cent rate per fifteen minutes as applies to a new call.

2. Non-local IntraLATA coin calls.

a. Except as provided in subparagraph c. below, the rates for non-local intraLATA coin calls made from both COPT and LEC instruments shall be the same as the rates for such calls if placed from an LEC's public telephone, to include any surcharge applicable to the call if placed from an LEC phone.

b. The charge for these calls shall be made on a prepaid basis for an initial three minutes. Additional minutes may be charged on a prepaid basis, priced on two minute increments rounded to the nearest $0.05, with announcement of additional charges and pending termination of the call made at least five seconds before expiration of the current calling period, or charged on a post-pay basis in incremental periods (e.g., each five minutes of overtime used beyond the initial three minutes).

c. COPT operators may charge end users an additional coin surcharge of ten cents per call.

3. Non-sent-paid IntraLATA calls.

a. Non-sent-paid intraLATA calls will be placed over the LEC's local exchange network as provided for in

subparagraph IV. 1 above and the rates charged to end users will be the same rates applicable to such calls if placed from LEC public telephones.

b. All pay phone providers shall be authorized, but not required, to charge end users a non-sent-paid "Pay Station Service Charge" of up to thirty cents per non-sent-paid intraLATA call made over their pay telephones. This permitted charge shall be established in the tariffs of Pacific Bell and concurred in by the other LECs; provided that no payphone provider shall be required to impose this charge. Private pay telephone providers may no longer charge the ten cent coin surcharge previously authorized for non-sent-paid calls. When imposed, this new charge shall be an incremental rate applicable for pay stations in addition to the utility's presently tariffed surcharges for revenue producing "0+" and "0-" intraLATA calls, adjusted as noted in the following subparagraphs.

c. Concurrently with establishment of the Pay Station Service Charge, the present surcharges and surcredits will be reduced/increased by an amount calculated to result in an overall revenue decrease

equal to the estimated net increase in billings and collections LECs will collect from their pay telephones through the Pay Station Service Charge. These surcharges and surcredits, as established in the tariffs of Pacific and concurred in by the other LECs, include the present operator serivces surcharge for non-sent paid intraLATA calls and the present surcredit applicable to intraLATA MTS service. In making this adjustment, if the required decrease equals at least a $.05 reduction in the tariffed operator service surcharges of Pacific, as concurred in by other LECs, such amount will be reflected in reduced operator services surcharges, and any remaining portion in MTS surcredits; if the required decrease is equal to an amount less than a $.05 reduction in operator service surcharges, the reduction shall be implemented by adjusting only the MTS surcredit. The LECs shall work together to develop a tariff proposal which may be filed by advice letter to reflect such changed rates, and appropriate settlement adjustments involving Pacific and independent telephone companies. Before the advice letter is filed, the LECs shall inform all parties

to this Agreement of the proposed tariff changes. The resulting surcharges and surcredits shall be adjusted as is necessary to reach an aggregate neutral result in billings and collections. The impact of these changes shall be tracked for a period of six month, at which time any necessary adjustments shall be made to true-up the surcharges and surcredits to a revenue neutral level.

d. Except as provided in subparagraph i. below, the LECs which allow the connection of COPT instruments (except Contel, which is covered in the following subparagraph) agree to develop a mechanism to bill on behalf of COPT operators the Pay Station Service Charge for those calls for which the LEC bills the paying party, unless the demonstrated cost of such billing on a per call basis proves to exceed the Pay Station Service Charge. The LECs also agree to explore means to bill the Pay Station Service Charge for those calls for which the LEC serving the COPT instrument does not directly bill the paying party. The billing service shall be priced at the LEC's fully allocated or direct embedded cost of setting up and operating this billing function. The costs of establishing the system

shall be amortized for recovery over a three-year period. The LEC will develop a prospectus for this billing service and will present its proposal and intended rates to CPA for evaluation prior to implementation. Also, DRA or CACD shall provide to CPA a summary report of its review of the proposed tariff and cost information supporting the intended rate, and shall provide a complete and detailed description of the methodology by which the tariffed rate is calculated, without furnishing the cost data itself. The LEC agrees to implement the billing service if one or more COPT operators request the service, the service can be provided, and the service is approved by the Commission. The LECs agree to have this billing system developed within ninety days of adoption by the Commission of this Settlement Agreement and to have a cost estimate developed on a per message basis no later than April 17, 1989. The cost estimate will be prepared on the basis of 100 percent COPT subscription to the service, with comparative prices for less than such full subscription.

(i) As applied to Pacific, this Settlement Agreement provides that Pacific shall offer

billing services to COPT operators for non-sent-paid intraLATA calls billed by Pacific at a rate of $.03 per non-sent paid intraLATA message; provided, however, that nothing herein shall be construed to limit Pacific from recommending in its Supplemental Rate Design that a higher rate be adopted so long as it is cost-based. Pacific shall exercise all reasonable efforts to make this billing service available as soon as possible, recognizing that CPA anticipates the availability of such service 90 days following submission of the Settlement Agreement for the Commission's approval. In addition, Pacific shall begin work on such billing service upon the parties written acceptance of the Settlement Agreement with the changes as proposed by Pacific herein. The billing service described in this sub-paragraph is available only for COPT operators who bill the full $.30 Pay Station Service Surcharge, and Pacific is not obligated to bill for COPT operators charging any different amount.

e. Within ninety days of adoption by the Commission of this Settlement Agreement, Contel shall develop an estimate of the cost to bill the Pay Station Service Charge on behalf of COPT operators, to Contel customers using Contel calling cards for calls made on COPT phones served by Contel digital central offices. Contel will provide this estimate to CPA, together with proposed rates for the service. The billing service shall be priced at Contel's fully allocated or direct embedded cost of setting up and operating this billing function. The costs of establishing the system shall be amortized for recovery through a uniform monthly charge from all COPT operators in Contel's service area over a three year period. Contel agrees to implement the billing service if a sufficient number of COPT operators request the service, the service can be provided, and the service is approved by the Commission, with implementation to be accomplished within 180 days of such request and/or Commission approval, whichever is later.

4. Sent-paid and Non-sent-paid InterLATA Calls.
The rates for interLATA calls placed from COPT instruments shall be as determined by the Commission.

G. Other Matters.

1. The parties agree that the present market structure for the operation of pay telephones, as modified by this Settlement Agreement, is acceptable for this market segment. The parties agree that additional requirements are not needed at this time, either to provide a mutually satisfactory competitive environment for LEC and COPT operators, or to protect the public's interests in just and reasonable rates and services provided through pay telephones.

2. The Commission's order directing the LECs to pay COPT operators interim compensation of six cents per non-sent-paid intraLATA call, as expressed in Decision 88-11-051, issued on November 23, 1988, shall be terminated with respect to the LECs that are signatories to this Settlement Agreement, effective upon implementation of the LEC's billing service for billing the Pay Station Service Charge for COPT operators, or ninety (90) days following the date the Commission decision adopting this Settlement Agreement becomes final, whichever is sooner.

3. The Commission agrees as part of this Settlement that the LEC is entitled to recover through other rates the cost of administering and paying compensation to COPT

operators of six cents per non-sent-paid intraLATA call, as ordered in the Commission's interim decision on compensation, D. 88-11-051. Each LEC that was directed to pay compensation shall be authorized to maintain a memorandum account of these expenses until the interim compensation program is terminated as set out in the preceding paragraph. The amount accumulated in the memorandum account shall then be recovered over a twelve month period as part of the adjustment to other tariffed rates made to offset the net increase in billings and collections to the LEC for the Pay Station Service Charge. This authorization for recovery of the costs of the interim compensation program shall settle the issues raised in the petition submitted by GTE California to modify the interim decision in order to provide for a recovery mechanism.

4. All other issues raised in the Commission's Order Instituting Investigation in this proceeding are deemed settled by the parties hereto, and the parties agree that hearings are not needed and shall not take place.

H. Settlement Terms Applicable to Smaller Independent LECs.

1. For purposes of this Agreement, the "Smaller Independent LECs" are those LECs which do not presently have COPT tariffs on file with the Commission.

2. Those Smaller Independent LECs which are parties to this settlement agree to provide non-utility pay phone providers with access to their facilities in those exchanges where a bona fide request for interconnection has been received. A bona fide request is defined as a request for interconnection in a specific exchange by a non-utility pay phone service provider registered with the Commission's Advisory and Compliance Division who has paid the local exchange carrier a $500 deposit in connection with a specific service order. Upon receipt of such service order and deposit, the LEC shall within 120 days file with the Commission an advice letter for authorization of its COPT service offering, in the manner and upon the terms hereinafter described in this Section H. The COPT tariff provisions in the advice letter shall become effective upon issuance of a Commission resolution. In the event the LEC fails to file the advice letter within such 120-day period, it shall refund the deposit to the pay phone service provider with interest at a rate of 1.5% per month, and it shall further submit to the Executive Director a request for extension of the 120-day period for filing such advice letter and shall proceed to file such advice letter within any extension of time granted by the

Executive Director. Upon issuance of the Commission resolution approving the COPT tariff provisions, the $500 deposit shall be applied against service charges incurred in installing the COPT service associated with the bona fide request and in satisfying any deposit requirements for such service which are applicable under the utility's tariffs. Any excess of such $500 deposit shall be returned to the party making the deposit. In the event the party making the deposit does not proceed with the COPT service order, the utility shall retain the deposit as compensation for its administrative expenses associated with the COPT advice letter filing.

3. The COPT advice letter for a small independent LEC shall include a proposal for a COPT pay phone access line which includes such protections to prevent or minimize fraud as are technologically available through the LECs serving central office(s) and shall propose recurring and non-recurring charges for such features. To the extent possible, service order and other non-recurring charges applicable to COPT service shall utilize the LECs existing business service rates and service categories. The monthly rate for the COPT pay phone access line shall be proposed in the advice letter filing and shall be based upon the factors described in

paragraph E.5 of this Article V, except that the rate to support public policy pay phones shall only be included if the LECs' own pay phone operations are included within the public policy pay phone program, and except that the Smaller Independent LECs shall not be required to follow the provisions applicable to Pacific in sub-paragraphs E (5)(f) and (g).

4. The settlement terms contained in Article V of the Settlement Agreement shall be applied to the Smaller Independent LECs only to the extent set forth below under each subheading:

   a. Definitions - fully applicable.

   b. Customer Safeguards - fully applicable except that:

      i. tariff filings will not be required of LECs which have not filed COPT tariffs;

      ii. variation from the standards shall be allowed where required by technological limitations of the serving facilities or by network configuration affecting particular pay telephones;

      iii. participation by the Smaller Independent LECs in the enforcement program described in subparagraph B.12 shall be voluntary on the part of each Smaller Independent LEC.

c. Public Policy Pay Phones - The Smaller Independent LEC pay telephones shall be included within the Commission's public policy pay phone program only following issuance of a Commission resolution issued after the LEC files an advice letter which includes a tariff incorporating the public policy pay phone increment in the LEC's COPT pay phone access line charge. Such an advice letter filing shall also include a description of the LEC's pay phone operations which fit the criteria for public policy pay phones then existing under Commission policies.

d. Protection Against Cross-Subsidies - This section shall not be applicable to the Smaller Independent LECs, except that a Smaller Independent LEC which files an advice letter which proposes its participation in the Commission's public policy pay phone program shall also be required to address the issues described in Section D of the Settlement Agreement in a manner consistent with the existing and anticipated extent of the LEC's pay phone operations.

e. Interconnection - Subparagraph 1 shall not be applicable to the Smaller Independent LECs.

Subparagraphs 2, 4, 6, and 7 shall apply. Applicability of subparagraphs 3 and 5 is discussed in Paragraph H.3, above.

f. Rate Caps - Shall be applied to the Smaller Independent LECs in the following manner:

(i) the local coin call rate cap shall apply to the Smaller Independent LECs unless the Commission shall later authorize a different local coin call rate with respect to a particular LEC;

(ii) the Smaller Independent LECs shall continue to concur in the rates and charges of Pacific Bell's intraLATA toll tariff; provided, however, the Smaller Independent LECs shall not be required to offer the additional billing services and compensation for non-sent paid calls which Pacific will offer pursuant ot this Agreement even should those services be reflected in Pacific Bell's toll tariff.

(iii) Subparagraphs, F.3.D and E shall not apply to the Smaller Independent LECs. Any billing by the Smaller Independent LECs for the pay station service charge on behalf of a COPT operator shall be a matter of mutual agreement

between a COPT provider and a particular LEC. The Smaller Independent LECs agree not to discriminate among COPT providers with respect to such agreements.

G. Other Matters - fully applicable.

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the date as indicated below:

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For AT&T COMMUNICATIONS

By Randolph W Deutsch

Name Randolph W. Deutsch

Title Attorney

Date 3/9/89

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For CALIFORNIA PAYPHONE ASSOCIATION

By _____

Name Martin A. Mattes

Title Attorney at Law

Date May 11, 1989

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, In San Francisco, on the dates as indicated below:

For COM SYSTEMS, INC.

By _____

Name Ronald F. Evans

Title Vice President

Date May 9, 1989

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For CONSUMER ACTION

By Ken McEldowney

Name KEN McELDOWNEY

Title EXECUTIVE DIRECTOR

Date 5-10-89

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For CONTEL

By Robert J. Glastetter

Name Orrick, Herrington & Sutcliffe

Title Attorneys

Date May 11, 1989

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For THE DIVISION OF RATEPAYER ADVOCATES

By [signature]

Name JANICE GRAY

Title ATTORNEY

Date May 14, 1991

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For GTE CALIFORNIA, INC.

By _____

Name Keith M. Kramer

Title Area Vice Pres. - Regulatory & Governmental Affairs

Date 5/8/89

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement pertaining to the issues raised in the Commission's Order Instituting Investigation Number 88-04-029, in San Francisco, on the dates as indicated below:

For PACIFIC BELL

By

Name John A. Gueldner

Title Vice President

Date May 11, 1989

INTRODUCTION

This report represents the consensus views and recommendations of the Customer Owned Pay Telephone(COPT) Workshop participants in response to the questions set forth in the Commission's Order Instituting Investigation (OII or I) 88-04-029.

The Workshop attempted to reach consensus on each question. Where consensus was not reached, objections are noted. For some questions the Workshop did not have the data to respond. The COPT Workshop met seven days (April 26, May 26, 27, July 18, 19, July 27, 28, 1988) and spent extensive time outside of the workshop meetings gathering data for this report. Subsequent Workshop meetings are scheduled on August 4, 16, 31, September 8, 19, 20, and October 6, 7, 19, 20, 1988, to address issues that the Workshop did not complete and the remaining issues to be addressed.

GTE California's philosophy is one of minimal regulation. Such regulation should focus on public safety and consumer protection, rather than on features to be offerred over the pay telephone or prices to be charged.

The participants represented Local Exchange Companies(LEC)s, COPT vendors, an Inter Exchange Carrier(IEC) the California Payphone Association(CPA), Consumer Groups, Commission staff from Consumer Affairs Branch(CAB), Operator Service Provider(OSP), the Division of Ratepayer Advocates(DRA) and the Commission Advisory and Compliance Division(CACD).

PHASE IIA

CUSTOMER SERVICE ISSUES

Question 1.

What is the basic set of features that the public should be able to expect from any pay phone?

The Workshop recommends that a General Order be adopted covering the basic requirements, including signage, for all pay telephones. This would clarify and simplify the current situation where there is no single place that reflects the requirements. The Workshop recommends that any Commission order requiring a replacement of signage for COPT vendors consider any changes from the Federal Communications Commission (FCC) mandated equal access requirements.

BASIC FEATURES FOR ALL PAY TELEPHONES

1. The following matrix shows which types of pay telephones should be able to complete which types of calls:

	LOCAL		TOLL (LONG DIST)	
	Sent Paid	Non Sent Paid	Sent Paid	Non Sent Paid
Coin--single denomination	x	x		x
Coin--multiple donomination	x	x	x	x
Noncoin		x		x
Universal coin/credit	x	x	x	x

2. Coin telephones shall accept single or multiple denomination coins as long as tariffed rates are not exceeded.

3. Single denomination coin telephones must "round down" if the correct tariff cannot be charged.

4. "Local only" and "credit only" restricted telephones will be permitted as long as basic features required by tariff are met (such as 911, 411, 0-).

5. Coins must be returned on all uncompleted calls.

6. Market forces will govern the availability of calling card use on telephones. (CPA concerned that not all cards can be accepted for billing yet.)

7. International calling shall be optional from any telephone at the discretion of the telephone owner. (CPA concerned about removing network blocking--must be adequate notice and confirm technical aspects of fraud protection.)

8. Uniform pricing of access to intraLATA Directory Assistance from both LEC and COPT instruments.

9. InterLATA Directory Assistance should be available at the same cost that is billed to the telephone owner. AT&T does not charge for InterLATA Directory Assistance from pay telephones.

10. Coin-free cost-free access to 611 LEC repair service (home, business, pay telephones) where available.

11. Coin-free cost-free access to 911.

12. Optional to include coin-free cost-free access to LEC business office(811xxxx for Pacific Bell).

13. Dial 0- to reach LEC operator (CPA will not oppose until intraLATA competition issues resolved).

14. Dial 00- to reach IEC operator or OSP in Equal Access areas.

15. Coin-free cost-free use of 800 numbers (including Directory Assistance). (CPA is opposed to this being compulsory unless there is revenue sharing with the LEC on these calls.)

16. Coin-free cost-free use of 950xxxx where available from all telephones. (CPA feels that this should not be mandatory unless COPT owners participate in access charge revenues; FCC may require free access).

17. Coin-free cost-free use of all 10xxx access numbers. (ComSystems and CPA oppose since there is no control over cost of call billed to telephone and fraud potential is high).

18. All intrastate calls to be priced at the LEC, COPT or AT&T/C tariff rates and surcharges as appropriate.

19. Calling card and other credit rates to be priced at the "mechanized rate" surcharge, unless assistance is specifically requested by the caller without claiming "trouble" with the mechanized procedure or claiming a relevant handicap.

20. Operator services are to be available in English whenever instrument is available for use.

21. Voice-over instruction or "beep" warning near end of 15 minutes on local call (if so restricted) to deposit more money, unless restriction posted on signage.

22. Voice quality standard. (Workshop clarified that Part 68 is only concerned with effects on the network of instruments. Possible Committee of trade associations, consumers and Commission staff to develop a standard for internal workings of the telephones.)

23. Coin-free cost-free method of reaching the COPT office for assistance, complaints, refunds and etc. must be available and posted.

24. There is a need to improve customer service interface on COPT. A universal method of obtaining help is desirable. The Commission should note that many COPT owners are now using 211 for their trouble reporting. The Commission should encourage universal adoption and request Bellcore to reserve (not assign) 211 in the North American Numbering Plan. LECs will continue to refer customers to 211 or to the sign on the telephone, and if none, to their recording or customer service office for forwarding to the COPT vendor on behalf of the end-user.

25. Pay telephones and enclosures must comply (for the percent required) with the California handicap requirements (ANSI).

SIGNAGE REQUIREMENTS FOR ALL PAY TELEPHONES

The following is a set of basic telephone features and functions which must be communicated to a caller through a visual means (signage or screen). A voice command or referral to another number may be used as an alternative where specified. These requirements may be met by a combination of instructions within the owner's discretion, unless otherwise specified. (Example: "For dialing assistance, refunds or repairs dial_____.")

COST INFORMATION

1. Cost of sent paid local call. (Prominent)

2. Time limit on local call, if any.

3. "For long distance rates dial ____."

DIALING INSTRUCTIONS

1. Dialing sequence (coin or dial first).

2. Dial 0 to reach LEC operator(CPA will not oppose until intraLATA competition issues are resolved).

3. How to reach long distance operator (00 where available).

4.* 1+ and 0+ instructions.

NO CHARGE TELEPHONE NUMBERS

1. 911 Emergency. (Prominent)

2. Owner/operator of telephone .

3.* Refunds, repairs, complaints.

4.* IntraLATA Directory Assistance (411 or equivalent), unless the Commission decides differently for all pay telephones.

5.* LEC repair service 611.

IDENTIFICATION

1. Name and free number of owner/operator who can assist with a problem about the pay telephone for a consumer within the LATA of the pay telephone.

2. Name of Operator Service Provider.

3. Long distance carrier (optional).

4. State if no incoming calls allowed.

5. Location of pay telephone.

6. Pay telephone number or identification number (telephone number expressed differently) for emergency.

*(May provide this information on sign, by voice or separate referral number.)

Question 2.

How well have LECs and privately-owned payphones been providing these basic features?

The Workshop participants did not have adequate information to answer this question.

The Commission's CAB and the LECs receive complaints from customers using COPTs on a regular basis. The CAB does not track complaints for COPTs or LEC's pay telephones by category of complaints. The CAB Workshop participants indicated that CAB receives very few complaints against LEC pay telephones.

Question 5.

How consistently are private payphone charging correctly tariffed rates for regulated services?

The Workshop participants agreed that a problem of overcharging exists and Pacific Bell provided statistical data which indicated that there was overcharging.

Pacific Bell has identified 5800 COPT subscribed lines in relation to 400 COPT vendors that have been routing intralata calls to OSP and were charging more than tariffed rates, for one or more non-sent paid calls in a one month study period. This represented 20% of the universe of COPTs in Pacific Bell's Service territory. These data predated the Commission's enforcement efforts beginning with the August 1988 CACD letter to COPT vendors.

Question 6a.

What enforcement mechanisms are available to protect consumers and ensure that CPUC requirements are met in pay phone service?

The available enforcement mechanisms are the Tariffs of the LECs and Certificate of Public Convenience and Necessity and Tariff filings for OSP. The LEC ,after receiving three complaints for a COPT and notifying the COPT vendor,may request "authorization to disconnect COPT service by letter to the Chief of the Telecommunications Branch of the E&C Division of the Commission staff. ... We shall authorize this staff person to issue such authorizations, in writing, if after reasonable efforts to contact and discuss the problem with the COPT operator intends to abide by the COPT service tariff in the future. " (D.85-11-557,Page 98)

Question 6b.

How well is enforcement now working ?

The current enforcement mechanisms are not working well. Each LEC does not receive all of the complaints for each COPT because many complaints go to the COPT vendor and many consumers do not bother to complain. The LECs also are concerned with antitrust laws when it comes to policing their competitors.

Question 6c.

What new or improved enforcement mechanisms are needed now or would be needed if the Commission were to encourage the use of more private pay phones?

The workshop participants agreed that a two phase approach to enforcement would be appropriate. The first phase(See attached letter dated August 8, 1988) will identify and correct abuses connected with overcharging on non-sent-paid calls. The second phase will provide a long term enforcement plan for all apparent violations. The workshop recommends that tariff enforcement be the responsibility of the Commission. The workshop recommends that the long term enforcement plan include the following:

1. The Commission will issue a letter to all COPT subscribers containing a list of tariff requirements. The letter will require that each subscriber verify, and certify to the fact, that each of their telephones is in compliance with the tariff. Subscribers will be given a registration number. All future subscribers will be required to register with the Commission and to certify that they will comply with provisions of the COPT tariff. LEC's will require that COPT vendors provide the LEC with a registration number before installing a COPT line.

2. The Commission will review complaint records to obtain a list of pay telephones to investigate for tariff compliance.

3. The Commission will conduct an investigation to ensure tariff compliance.

4. If violations are found, or if apparent violations are otherwise brought to the attention of the Commission, the Commission will notify the responsible party by mail (return receipt requested) or personal service (as permitted under the California Code of Civil Procedure). The Commission notice will state that unless the subscriber takes the necessary corrective action, service will be disconnected.

5. Upon receipt of such notice, the customer will have 15 business days in which to correct the violation and certify to the Commission (via a form provided with the Commission violation letter) that the violation has been corrected.

6. If the subscriber fails to comply as stated above, the Commission shall direct the LEC to disconnect the service without further notice to the subscriber.

7. Subsequent audits will be performed to verify that the deficiencies have been corrected.

Given anticipated funding constraints, and the need to begin a long term enforcement program as soon as possible, the Workshop suggests that the Commission assign an intern or a graduate assistant,under supervision of the CACD Telecommunications Branch, to this enforcement program.

Question 6d.

Who should pay for the implementation of a new enforcement program, and how should the funds be collected or administered?

The Workshop agreed that this program could be funded by one or all of the following:

A. The general fund.
B. Surcharges on all pay telephone lines or on all telephone customers.
C. Fines for tariff violators. There could be difficulties collecting the fines.

The Workshop, at this point, was not able to recommend the number of positions required or the magnitude of funds.

The Workshop discussed the need for the Commission to evaluate possible mechanisms to compensate end-users who have been overcharged from pay telephones. OSPs and CPA did not express concurrence on this item.

PHASE IIB

PUBLIC POLICY PAY PHONES

Question 1a.

How many pay phones do LECs maintain for public policy reasons on an uneconomic basis?

Before this question could be answered, a consensus had to be reached on the definition of a public policy pay telephone. The Workshop generally agreed that public policy pay telephones should be provided and maintained for the health and safety of the public. Beyond that, no one could further clarify the definition.

The DRA staff attempted to use 24-hour accessibility as a qualifier, but it was pointed out that there were locations where this would not apply; i.e., seasonal parks, public arenas or other gathering places.
In order to reach agreement, it was necessary to set aside the past practices of the LECs of installing pay telephones within a regulated environment and look at what participants wanted public policy pay telephones to be in the future. Therefore, the following definition is to be applied on a "going forward" basis only.

DEFINITION

Public policy pay telephones are those telephones which are installed and maintained only for the health, safety or welfare of the public. Revenue considerations should not be part of the decision to install and maintain a public policy pay telephone .

CRITERIA FOR PUBLIC POLICY PAY TELEPHONES

Public policy pay telephones shall give the public access to the telephone network in case of emergency situations. Included are locations which would be used by agencies to dispense emergency aid to the public in the event of a natural disaster.
Public policy pay telephones shall give access to the telephone network to those individuals to whom access is not readily available. Excluded from classification as public policy telephones are those telephones which are covered by a contract under which compensation is paid to the agent.

Installation of a public policy pay telephone must be requested in writing by the property owner and/or community representative.

Portions of this definition, such as those pay telephones included under contract and the provisions for requests for installation need to be discussed further.

PAY TELEPHONES INSTALLED ON AN UNECONOMIC BASIS

Workshop participants decided to use a generally agreed upon breakeven level of $4.00 per pay telephone per day to obtain a rough estimate of the number of public pay telephones which currently do not break even. Pacific Bell, GTEC and Contel were then asked to estimate the number of public pay telephones in this category, counting only the $0.20 local coin charge and the 20-cent surcharge on intraLATA toll calls.
CPA takes the position that it is impossible to know if pay telephones meeting the above criteria are profitable to the LEC because most of the revenue generated by such pay telephones has not been taken into account.
Pacific Bell contends that the expenses and revenues for operator services, message toll calls and interLATA access service are irrelevant to determine if a pay telephone is uneconomic to Pacific Bell because Pacific Bell will incur these expenses and accrue these revenues regardless of whose pay telephone is installed at a location.

The public pay telephone base includes those pay telephones for which the utilities receive no monthly payments (for installation and maintenance) from the property owner. Only the three largest LECs(Contel, GTEC and Pacific Bell) were used, as these are the LECs in whose serving areas COPT vendors are located.

DRA staff reported the results of this study in the July 18-19 workshop. The following figures represent percentages of each LEC's total number of public pay telephones that do not exceed the break even figure:

Contel	8.5%
GTEC	37.2%
Pacific	71.8%

Excluding approximately 6,000 public pay telephones that Pacific Bell has under contract and using the $4.00 figure, the number of public pay telephones in California which are operated and maintained on an uneconomic basis is approximately 67,000.

Question 1b.

How many similar pay phones are privately provided?

The only pay telephones which are classified as public policy pay telephones, which are provided by COPT vendors, are those included in multiple installation contracts. According to COPT representatives, this number is relatively small.

Question 1c.

What is the total number of such pay phones provided by each LEC or private provider?

If public policy pay telephones are defined as those telephones that do not break even, the answer is 67,000, counting only those pay telephones in Pacific Bell, GTEC and Contel territories which do not break even.

Question 2.

By what specific process does each LEC or private provider determine where to place or maintain a public policy pay phone?

The COPT vendors generally place pay telephones (including public policy pay telephones) at locations where they are desired by customers or as specified by contract or mutual agreement. The three LECs agreed that the health and safety of the public were taken into consideration when deciding whether or not to place a public policy pay telephone.
In the past, telephones were placed for many other reasons including economic gain, public convenience, in response to public and political pressure and to enhance community relations. To add to the confusion, the distinction between a pay telephone placed for public convenience and one placed for public health and safety has become blurred.
One LEC attempted to remove some of the pay telephones it felt were not necessary several years ago; public outcry forced it to terminate the program.

Question 3a.

What other alternatives could be developed to support public policy pay phones?

Question 3b.

Should public agencies fund them directly?

Various alternatives to support public policy pay telephones were presented by the Workshop participants in their written comments on the OII, but none of these alternatives have been discussed, due to other pressing issues and time constraints. The Workshop agreed to defer alternatives and other funding issues.

Question 3c.

Could public and private institutions (such as universities) require that such telephones be provided by bidders seeking a franchise to serve a particular location (such as a campus)?

Workshop participants agreed that public and private institutions could require a vendor to place public policy pay telephones; however, the institution has no incentive to include public policy pay telephones in the bid package. For example, a school district could place its pay telephones in high schools (which earn revenues) out to bid and not include the pay telephones located in the grade and junior high schools (which generally don't make money).

Workshop participants are very concerned about this, as there currently is no way to prevent the use of "cream skimming" tactics by public or private institutions.

Question 3d.

Could direct subsidy alternatives be developed to support public policy pay phones?

Question 3e.

What forms could they take?

The Workshop has deferred consideration of all subsidy and funding issues.

The major unresolved issue concerns the classification and future funding of the existing 67,000 public pay telephones which do not break even. The LECs were concerned with being burdened with a large number of uneconomic pay telephones that may not be public policy telephones and may not be able to be removed because of public outcry. The COPT vendors were concerned about subsidizing a large number of LEC pay telephones that are uneconomic and not a public policy pay telephones. Consumer groups were concerned about a large number of pay telephones being removed and the public not having access to these pay telephones.
The other unresolved issue concerns who should ultimately decide whether or not a public policy pay telephone should be installed in a requested location. The workshop plans to meet several more times to attempt to resolve these issues.

PHASE III

MARKET STRUCTURE AND REGULATION

Question 4. Interconnect Issues

The informal Workshop set up a Technical committee to review the issues of answer supervision being made available from the LECs. After the Workshop was formalized, the Technical committee became the Answer Supervision subcommittee as a starting point to address the interconnection issues.
In an attempt to get started, pay telephone manufactures and COPT vendors were to provide the details of what was required of the LECs. The CPA brought out at a recent meeting that COPT vendors wanted what is made available to the LEC pay telephones from the central office. With some guidelines set, the Workshop is in a position to go forward to answer these questions during subsequent Workshop meetings.

STATE OF CALIFORNIA

GEORGE DEUKMEJIAN, Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

August 8, 1988

TO: Customer Owned Pay Telephone Vendors

The Commission Advisory and Compliance Division (CACD) is undertaking an enforcement program to ensure that the Customer Owned Pay Telephones (COPT) vendors will not overcharge consumers using COPT.

This action is necessitated by concerns expressed by individual consumers, consumer groups such as Toward Utility Rate Normalization and Consumer Action, Local Exchange Companies (LEC) such as Pacific Telephone, GTE of California, and Continental Telephone of California, the California Payphone Association, individual COPT vendors, the Commission Consumer Affairs Branch, as well as members of the COPT taskforce .

COPT vendors are expected to take appropriate action to ensure that their pay telephones are charging the correct rates for services provided from their pay telephones and are in compliance with the terms and conditions of their signed agreement with the Local Exchange Company, the applicable tariffs on file with the Commission and Commission decisions.

The CACD has requested the LEC to track overcharges of calls that were placed from a COPT. These calls are usually provided to the LEC for billing to the consumer from an Operator Services Company (OSC) (previously referred to as an Alternate Operator Services Company or AOS) or a billing company. A COPT vendor found to be in violation for calls provided to the LEC for billing between August 1, 1988 and August 30, 1988 will be notified in September by the CACD. COPT vendors will be instructed to stipulate to the CACD that the overcharging has been corrected. Upon request to the CACD, an OSC will be informed of COPT which are subscribed to their OSC service and appear as suspected violators.

In December 1988 a subsequent list will be provided to CACD of COPT found to have overcharged for calls provided to the LEC. If a COPT was listed on the August billings, CACD will instruct the LEC to disconnect these COPT after the LEC has provided a written notice that service will be discontinued in seven days for the COPT listed to the last known address of the COPT vendor.

Rule 11 of the LEC provides the authority for disconnection of service after due written notice for violation of the LEC's filed rules with the Commission.

Rule 11 states as follows:

> The utility may discontinue service if a customer fails to comply with any of the rules herein... providing such failure is not remedied within a reasonable time, after due written notice has been given, except as otherwise provided in such rules and regulations.

Yours truly,

BRUNO A. DAVIS, Director
Commission Advisory and Compliance Division

cc: Victor Weisser, Executive Director
Jan Kerr, Legal Counsel

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Pacific Bell

Mary Cooper
Commission Division of Ratepayer Advocates

Glossary and Acronyms

Glossary

1. Sent Paid-A call that is paid for by a customer using coins.

2. Non Sent Paid-A call that is paid for by credit card, collect or a third party.

3. Operator Service Provider-A provider of operator services. In the beginning the term Alternate Operator Service (AOS) was used to refer to operator service other than AT&T/C and LEC.

4. 0- : Dial 0 and reach an operator for LEC assistance.

5. 00- : Dial 0 and reach an operator for long distance assistance.

6. 0+ : Dial 0 and the remaining numbers to complete your call. You wait for a bong tone and then dial your credit card number. If there is not a bong tone or if the customer does not dial a number after the "bong", then an operator comes on line to obtain the required information.

7. 1+ : Dial 1 plus the remaining numbers to complete the telephone call and pay for the call using coins.

8. 800 Number - Dial 800(or 1 plus 800)plus a number. The call is free for the calling party.

9. 10XXX - This is the Feature Group D equal access to a long distance carrier. The call is billed to the telephone number that the call is made from or a user credit card. Dial 10 and three additional numbers.

10. 950-XXXX : This is the Feature Group B access to a long distance carrier. The call is billed to the the telephone number that the call is made from or a user credit card. Dial 950 and four additional numbers.

11. 811-XXXX : This is a call to the Pacific Bell business office. Dial 811 and four additional numbers.

12. Evaluation and Compliance Division - The forerunner of the now Commission Advisory and Compliance Division.

13. LATA - A geographic area that encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

13. Equal Acess Areas - An area where there is an unbundled Bell Operating Company tariff offering For LATA access. Such access must be equal in type, quality and price to that provided to the AT&T interexchange entity and its affiliates.

14. Mechanized Rate - The rate for a call using a calling card and other types of credit. This rate is applied to an operator handled call when the call is dialed for use with a credit call and the consumer states that there is trouble with the mechanized procedure or the consumer can not place the call because of a relevant handicap.

ACRONYMS

1. COPT - Customer Owned Pay Telephone
2. LEC - Local Exchange Companies
3. OII - Order Instituting Investigation
4. FCC - Federal Communications Commission
5. CPA - California Payphone Association
6. CAB - Consumer Affairs Branch
7. OSP - Operator Service Company
8. DRA - Division of Ratepayer Advocates
9. CACD - Commission Advisory and Compliance Division
10. LATA - Local Access and Transport Area
11. IEC - Inter Exchange Carrier
12. E&C Division - Evaluation and Compliance Division
13. ANSI - American National Standards Institute

State of California

Public Utilities Commission
San Francisco

M E M O R A N D U M

Date : August 22, 1988

To : ALL PAY PHONE OII WORKSHOP PARTICIPANTS

From : Mary Cooper, DRA Staff
Chris R. Ungson, DRA Staff

Subject : SUMMARY OF AUGUST 16, 1988 WORKSHOP ON PUBLIC POLICY PAY PHONES

INTRODUCTION

The workshop on August 19, 1988 was attended by Jeff Beck (Attorney for the smaller independent telephone companies), John O'Keefe (California Payphone Association), Ron Evans (ComSystems), Woody Whitford (Contel), Pat Tapia (General), Jim Forbes (PacBell), Ray Ruiz (PacBell), Helen Morgan (PacBell), Mary Cooper (DRA), and Chris Ungson (DRA). The entire workshop meeting was devoted to a discussion of issues related to Phase II B -- Public Policy Pay Phones -- of the Pay Phone OII.

SUMMARY

1. Classification of the existing base of utility-owned Public Pay Phones in Pacific, General and Contel service areas which do not break-even. As you may recall, the workshop agreed previously to use the average break-even level of $4.00 per day per pay phone. Counting only the $.20 charge for a local call and the $.20 service charge for intraLATA toll calls, it was estimated that about 67,000 pay phones generate an average of coin revenue below $4.00 per day. The workshop on August 16 agreed to exclude all coinless pay phones from this 67,000 base, pending resolution of Phase I of the OII (cross-subsidization). It is estimated that Pacific Bell has about 7,000 coinless pay phones in service, General has about 1,000, and Contel has about 50. The crucial task before the workshop, therefore, was to develop a classification system which would determine which of the approximately 59,000 pay phones deserve continued subsidy and which do not. Three categories were developed to achieve this purpose: Category A, Category A Prime and Category B.

o Category A. The workshop agreed that pay phones in this category should continue to receive subsidy through some type of funding mechanism to be developed in the future. The criteria for Category A pay phones is described in Attachment 1. Please note that this category was refined to include only those circumstances where a single pay phone resides at one address. In contrast, Category A Prime was created to deal with those circumstances where multiple pay phones reside at one address.

o Category A Prime. The workshop agreed to create this category for those circumstances where two or more pay phones reside at one address. The question of whether pay phones in this category should continue to receive a subsidy was not resolved. The workshop did agree to consider funding for pay phones in this category pending more information from the utilities. The utilities agreed to report to the workshop, at some future date, the total number of pay phones in this category, and other pertinent data as deemed necessary by the utilities. (The DRA Staff would like to encourage the utilities to propose to the workshop a set of guidelines to determine which of these pay phones deserve a subsidy).

o Category B. The workshop agreed to use this category for those pay phones which do not meet the requirements of Category A or Category A Prime. Pay Phones placed in Category B do not deserve continued subsidy. Utilities are given the discretion to either (on an individual pay phone basis) remove them, convert them into Semi-Public Pay Phones, or leave them in place (at the utility's cost).

o The workshop developed a draft survey questionaire (see Attachment 2) to be used by the utilities during the classification effort. The utilities agreed to "test" this draft survey questionaire on several of their account executives. The utilities agreed to present the results of this "test", along with proposed revisions to the questionaire, to the rest of the workshop during a meeting on August 31, 1988.

2. The workshop agreed that the Commission should establish a Committee to evaluate applications for Public Policy Pay Phones (new installations). Please see Attachment 3 for details.

3. The workshop agreed to develop an "Application For A Public Policy Pay Phone" form to be used by those who wish to have a Public Policy Pay Phone installed in a particular location. Helen Morgan of Pacific Bell volunteered to develop a draft Application form. It is hoped that this will facilitate discussion when the workshop meets again to discuss this topic.

4. The workshop agreed to ask Bob Weissman (CACD) to include the following items on the agenda for the meeting on August 31 (as time allows):

a. Finalize Survey Questionaire to Be Used By the Utilities in the Classification Effort.

b. Finalize Consensus Over the Criteria Developed for Category A.

c. Finalize Consensus Over the Establishment of a Committee to Evaluate Applications for Public Policy Pay Phones (new installations).

d. Development of the "Application For Public Policy Pay Phone" form. Helen Morgan (Lead).

o e. Development of The Future Funding Mechanism to be Used to Subsidize Category A pay phones, new installations

of Public Policy Pay Phones. Discuss Scheduling Only.

f. Finalize Consensus Over the Criteria to be Used by the Committee (under "c" above) to Evaluate Applications for Public Policy Pay Phones (new installations). Discuss Scheduling Only.

CRITERIA FOR CATEGORY A

1. The Public Pay Phone is not part of a contract which provides monetary benefit to the Station Agent; AND

2. There is NO OTHER Public Pay Phone located at the same address; 1/ AND

3. The Public Pay Phone is NOT a coinless pay phone; 2/ AND

4. The Station Agent on whose property the Public Pay Phone is located agrees to receiving NO compensation from the calls generated over that pay phone; AND

5. The general public should have unrestricted access to the Public Pay Phone. "Unrestricted Access" means that the pay phone should be physically and geographically accessible to the general public during the operating hours of the facility. Thus, if the pay phone is located inside a building, for example, the general public should be able to enter the building from the street to use the pay phone. AND

6. If the Public Pay Phone is located indoors, the Station Agent on whose property the pay phone is located agrees to the placement of a prominent sign (outside and inside the facility) which directs the general public to the pay phone location; AND

7. The Public Pay Phone meets ONE of the following conditions:

a. The Public Pay Phone is located is a site designated by a public agency as a gathering place where emergency aid is dispensed to the general public in the event of a natural disaster. OR

b. The Public Pay Phone is located in a location where those residing in that location cannot individually subscribe to basic telephone service because of the unavailability of facilities necessary for access to the network. OR

1/The workshop decided to distinguish between those situations where there is more than one pay phone in a single location address versus those situations where there is only a single pay phone located on one address location. The former would be considered under Category A PRIME, while the latter would be considered under Category A.

2/The workshop agreed to temporarily place coinless pay phones under Category B (no funding), pending resolution of Phase I of the OII (cross-subsidization).

c. The Public Pay Phone is located in an area where no other pay phone is readily of effectively accessible to the general public. "Readily and effectively" accessible refers to the presence of at least one other pay phone available to the general public within 50 yards walking distance from the Public Pay Phone in question, assuming ideal conditions. There will be circumstances, however, when an alternate pay phone is within 50 yards walking distance from the Public Pay Phone in question WHERE it may still be deemed as not "readily of effectively" accessible. Therefore, it is necessary to temper the application of this "50-yard" rule by considering all of the factors below in determining more accurately the extent to which the nearest alternative pay phone is available to the general public:

1. Topography;
2. Geography;
3. Demographic characteristics of users (e.g., elderly, handicapped, low income--where residence telephone subscription is low);
4. Economic development of the area;
5. Safety of the area;
6. Weather conditions.

SURVEY QUESTIONAIRE

IF SITE VISIT:

LOCATION:

CONFIRM PHONE NUMBER

IS THE TELEPHONE IN WORKING ORDER?

1. How many other pay phones are at this address?

   1_____ 2_____ 3-5_____ More than 5_____

2. Is the pay phone part of a contract which provides monetary benefits to the station agent?

3. Does the station agent receive compensation from calls generated over this pay phone?

4. Does the general public have unrestricted access to this pay phone? "Unrestricted access" means that the pay phone should be physically and geographically available to the general public during the operating hours of the facility. In other words, if the phone is located indoors, the public should be able to walk in from the street and use it. If the phone were located in an employee lounge, the locker room of a private club or in a restaurant kitchen, access to it would be restricted and the answer to this question would be "NO".

5. If the pay phone is located indoors, is there a sign indicating the presence of a telephone visible from the outside? If not, would the property owner agree to the placement of a prominent sign directing the general public to the location of the pay phone?

6. Is the telephone located at a site which is designated by a public agency to be a gathering place where emergency aid is dispensed to the general public in the event of a natural disaster?

THE FOLLOWING QUESTIONS APPLY TO THOSE SITUATIONS WHERE THERE IS ONLY A SINGLE PAY PHONE LOCATED AT ONE ADDRESS:

7. Is the telephone located at a site where no other pay phone is readily and effectively accessible to the general public?

In other words, if there is another pay phone which is accessible to the general public located within 50 yards walking distance of this one, the answer would be "NO". However, there may be circumstances where this other pay phone is within 50 yards walking distance but may still be NOT readily or effectively accessible to the general public. It is important, therefore, to take into consideration the following factors when assessing the accessibility of another pay phone RELATIVE to the one under evaluation:

a. Topography
b. Geography
c. Demographic characteristics of users
   elderly
   handicapped
   low income - low residential subscription rates
d. Economic development of the area
f. Safety of the area
g. weather conditions

8. Is this pay phone the public's only means of accessing the telephone network? In other words, if there are no other telephone facilities, either public or private in the area, the answer to this question would be "YES"..

THE FOLLOWING QUESTION APPLIES TO THOSE SITUATIONS WHERE THERE ARE MORE THAN ONE PAY PHONE AT A SINGLE ADDRESS:

9. Please note how the phones are grouped. Are they:

SINGLES: Individual pay phones placed in different areas of the same address.

TOTAL NUMBER _____

CLUSTERS/BANKS:

- Total number with 2-4 pay phones adjacent to one another:_____
  (Please provide a list showing the number of pay phones in each of the clusters/banks per one address in this category)

- Total number with 5 or more pay phone adjacent to one another_____
  (Please provide a list showing the number of pay phones in each of the clusters/banks per one address in this category)

IF YOU HAVE ANY COMMENTS ABOUT THE SITE, PLEASE WRITE THEM BELOW.

THANK YOU FOR YOUR COOPERATION.

APPLICATION PROCEDURE FOR INSTALLATION OF A PUBLIC POLICY PAY PHONE

IF THE PROPERTY OWNER OR COMMUNITY REPRESENTATIVE ("APPLICANT") WANTS A PUBLIC POLICY PAY PHONE TO BE INSTALLED IN A PARTICULAR LOCATION, HE OR SHE MUST COMPLETE AN APPLICATION. THE APPLICATION WILL BE SUBMITTED TO THE PUBLIC POLICY PAY PHONE COMMITTEE ("THE COMMITTEE") FOR REVIEW (FOR INFORMATION REGARDING THIS COMMITTEE, SEE BELOW). IF THE APPLICATION IS GRANTED BY THE COMMITTEE, A PAY PHONE PROVIDER WILL INSTALL A PUBLIC POLICY PAY PHONE AT THE REQUESTED SITE. THE PAY PHONE PROVIDER WILL BE AUTHORIZED TO RECOVER FROM THE PUBLIC POLICY PAY PHONE FUND ("THE FUND") THE FULL COST OF INSTALLATION AND ONGOING MAINTENANCE OF THE PUBLIC POLICY PAY PHONE.

IF THE APPLICANT WANTS A PAY PHONE INSTALLED AT A PARTICULAR SITE IMMEDIATELY, HE OR SHE SHOULD DIRECT THE REQUEST TO THE PAY PHONE PROVIDER OF HIS OR HER CHOICE. IF THE PAY PHONE PROVIDER, IN ITS ESTIMATION, DETERMINES THAT A PAY PHONE IN THAT SITE WOULD NOT GENERATE ENOUGH REVENUE TO COVER COST, IT WILL BE AUTHORIZED TO CHARGE THE APPLICANT THE RECURRING AND NON-RECURRING CHARGES FOR SEMI-PUBLIC PAY PHONE SERVICE. THE PAY PHONE PROVIDER WILL INSTALL A SEMI-PUBLIC PAY PHONE AT THE REQUESTED SITE IF THE APPLICANT AGREES TO THESE CHARGES. THE APPLICANT MAY THEN FILE AN APPLICATION WITH THE PUBLIC POLICY PAY PHONE COMMITTEE TO RE-CLASSIFY THE SEMI-PUBLIC PAY PHONE AS A PUBLIC POLICY PAY PHONE. IF THE COMMITTEE DECIDES THAT THE SEMI-PUBLIC PAY PHONE INSTALLED IS INDEED A PUBLIC POLICY PAY PHONE, THE PAY PHONE PROVIDER WILL BE INSTRUCTED TO REFUND ALL CHARGES PAID BY THE APPLICANT FOR SEMI-PUBLIC PAY PHONE SERVICE. THE PAY PHONE PROVIDER WOULD RECOVER THE FULL COST OF INSTALLATION AND MAINTENANCE FROM THE FUND. HOWEVER, IF THE COMMITTEE DECIDES THAT THE SEMI-PUBLIC PAY PHONE INSTALLED IS NOT A PUBLIC POLICY PAY PHONE, THE APPLICANT MUST EITHER CONTINUE TO PAY THE RECURRING RATES FOR SEMI-PUBLIC SERVICE OR RISK THE REMOVAL OF THAT PAY PHONE BY THE PAY PHONE PROVIDER.
(IT IS NOT CLEAR FROM THE WORKSHOP'S DECISION WHETHER THE PAY PHONE PROVIDER OUGHT TO RECOVER ITS COST OF REMOVING THE PAY PHONE, IF IT CHOSE TO DO SO)

EMERGENCY SITUATIONS

THE PAY PHONE PROVIDER MAY, AT ITS DISCRETION, INSTALL A PUBLIC PAY PHONE IN A LOCATION IT DEEMS NECESSARY FOR PUBLIC HEALTH AND SAFETY IN THE CASE OF AN EMERGENCY. THE PAY PHONE PROVIDER MAY THEN FILE AN APPLICATION WITH THE COMMITTEE TO RE-CLASSIFY THE PUBLIC PAY PHONE AS A PUBLIC POLICY PAY PHONE.

THE PUBLIC POLICY PAY PHONE COMMITTEE

THE PUBLIC POLICY PAY PHONE COMMITTEE ("THE COMMITTEE") WILL BE CHAIRED BY A CPUC STAFF MEMBER APPOINTED BY THE CPUC EXECUTIVE DIRECTOR. THE COMMITTEE CHAIRPERSON WILL HAVE NO VOTING RIGHTS, EXCEPT IN THE INSTANCE WHERE THERE IS A TIE VOTE. THE PRESENCE OF THE CHAIRPERSON AND TWO VOTING MEMBERS CONSTITUTE A QUORUM.

THE THREE VOTING MEMBERS OF THE COMMITTEE SHALL BE APPOINTED BY CACD, APPROVED BY THE EXECUTIVE DIRECTOR, AND SHALL CONSIST OF REPRESENTATIVES OF WORKSHOP PARTICIPANTS FROM THE FOLLOWING GROUPS:

1. A CONSUMER GROUP REPRESENTATIVE SELECTED BY CACD AND APPROVED BY THE EXECXUTIVE DIRECTOR

2. A PRIVATE PAY PHONE OPERATOR

3. A MEMBER FROM THE CALIFORNIA TELEPHONE ASSOCIATION

THE WORKSHOP RECOMMENDS THAT THE CONSUMER GROUP REPRESENTATIVE SHALL BE PAID BY THE PUBLIC POLICY PAY PHONE FUND ("THE FUND") A STIPEND, PLUS TRAVEL EXPENSES, FOR EACH COMMITTEE MEETING HE OR SHE ATTENDS.

THE COMMITTEE WILL MEET MONTHLY (FOR NOT MORE THAN SIX MONTHS) TO REVIEW ALL PENDING APPLICATIONS FOR PUBLIC POLICY PAY PHONES.

THE COMMITTEE WILL MEET ONLY AS NECESSARY AFTER THIS INTERIM PERIOD.

AFTER THE SIX-MONTH INTERIM PERIOD, THE COMMITTEE MAY, AT ITS DISCRETION, RECOMMEND AN ALTERNATE MECHANISM TO EVALUATE APPLICATIONS FOR PUBLIC POLICY PAY PHONES. (THE DRA STAFF BELIEVES THIS IS STILL TOO AMBIGUOUS. IT SUGGESTS THE FOLLOWING LANGUAGE TO AVOID CONFUSION IN THE FUTURE: "AFTER A SIX-MONTH INTERIM PERIOD, THE COMMITTEE WILL SUBMIT A REPORT TO THE ADMINISTRATIVE LAW JUDGE, WHO WILL EVALUATE THE EFFECTIVENESS OF THE CURRENT MECHANISM, AND WHO WILL OUTLINE RECOMMENDATIONS FOR CHANGES, IF ANY. PURSUANT TO A RULING BY THE ADMINISTRATIVE LAW JUDGE, THE WORKSHOP WILL RECONVENE TO DISCUSS THE COMMITTEE REPORT. IF THE WORKSHOP DETERMINES THAT CHANGES ARE NEEDED, IT SHOULD SUBMIT A WORKSHOP REPORT TO THE COMMISSION (AND TO ALL OTHER PARTIES ON THE OII SERVICE LIST) REQUESTING THAT CHANGES BE MADE TO THE CURRENT MECHANISM. PARTIES SHOULD BE GIVEN NO LESS THAN 30 DAYS TO COMMENT ON THE WORKSHOP REPORT. THE COMMISSION WILL THEN ISSUE AN ORDER GRANTING OR DENYING THE WORKSHOP REQUEST").

ONCE THE COMMITTEE EVALUATES PENDING APPLICATIONS FOR PUBLIC POLICY PAY PHONES, THE CHAIRPERSON WILL BRING THE COMMITTEE'S DECISIONS TO THE CPUC'S EXECUTIVE DIRECTOR. THE EXECUTIVE DIRECTOR WILL THEN ISSUE AN EXECUTIVE AUTHORITY RESOLUTION

ADOPTING THE COMMITTEE'S DECISIONS. THE EXECUTIVE AUTHORITY RESOLUTION SHALL STATE THE APPLICATIONS THAT WERE APPROVED BY THE COMMITTEE, AS WELL AS THOSE THAT WERE DENIED BY THE COMMITTEE.

A COPY OF THE EXECUTIVE AUTHORITY RESOLUTION WILL BE SENT TO THE APPLICANTS. THIS WILL SERVE AS A WAY TO NOTIFY EACH APPLICANT WHETHER HIS OR HER APPLICATION FOR A PUBLIC POLICY PAY PHONE HAS BEEN GRANTED OR DENIED.

THE DRA STAFF STILL NEEDS TO CONSULT ITS LEGAL COUNSEL REGARDING ANY LIABILITY CONCERNS WHICH MAY BE DIRECTLY ASSOCIATED WITH THE PLACEMENT OR NON-PLACEMENT OF A PUBLIC POLICY PAY PHONE BY A COMMITTEE SUCH AS THE ONE SUGGESTED HERE.

(IT IS NOT CLEAR FROM THE WORKSHOP'S DECISION WHETHER THIS COMMITTEE SHOULD BE RESPONSIBLE TO SETTING OR ADJUSTING THE FUNDING LEVEL, OR BUDGET, FOR THE PUBLIC POLICY PAY PHONE FUND -- WE RECOMMEND THAT THIS SHOULD BE DISCUSSED WHEN THE WORKSHOP DEALS WITH THE FUNDING MECHANISM TO BE USED FOR PUBLIC POLICY PAY PHONES)

In the case of Pacific, the following terms and conditions shall be reexamined in the Commission's Alternative Regulatory Framework proceeding, I. 87-11-033, or the Supplemental Rate Design of Pacific's 1986 general rate case proceeding: intraLATA competition (including, without limitation, competition in operator and billing services as provided by AOS providers and operator services on a instrument implemented basis ("operator in the box")), recovery of directory assistance costs from COPT operators, the billing charge to COPT operators for non-sent paid calls directed to Pacific and billed by Pacific on behalf of COPT operators, COPT line rates (downward pricing flexibility or imposition of 1MB rates if the latter exceed the line rates established herein), and changing the revenue adjustment factor described in Paragraph V (F) (3) (c) (i) of the Agreement) to permanent rates. Changes in these areas adopted in I. 87-11-033 or the Supplemental Rate Design shall be effective as ordered by the Commission in those proceedings, regardless of the term the Agreement herein. Additionally, upon the effective date of intraLATA competition in any form affecting pay telephones, Pacific's obligation to pay compensation under

the Agreement shall terminate, and the limitation on commission payments to station agents shall no longer apply.

COMMISSION STAFF CROSS SUBSIDY FORMULA

Cross-subsidization does not occur if the LEC recovers the embedded direct cost of placing and operating its competitive base of pay phones from the billings it realizes from the use of those pay phones, as determined below. The test is applied on a state-wide basis without regard to sub-markets.

Billings :

-$.20 per call local coin call charge

-$.20 per call non-local intraLATA coin call surcharge.

-Coin usage billings for non-local intraLATA coin calls.

-$.30 per call (or the average actual per call amount thereof charged by the LEC) non-coin Pay Station Service Charge for intraLATA non-coin calls.

-Earnings from advertising at the pay phone enclosure.

-$.10 per call compensation for intraLATA non-coin calls

Costs:

-Access Line (at the tariff rates paid by COPTs --see Settlement Agreement, Paragraph V(E)(5)(f)).

-Federal End User Charge for interstate access.

-Central Office Services (Embedded Direct Cost).

-ACTS = $2.73/phone/month

-Refund Control Center Services (Embedded Direct Cost).

-RCC = $3.24/phone/month

-Local usage (at the tariff rates paid by COPTs).

-Non-local intraLATA usage (at the tariff rates paid by COPTs.)

-Billing and Collection of the Pay Station Service Charge for intraLATA non-coin calls (at the tariff rates paid by COPTs).

-Non-listing service (at the tariff rates paid by COPTs).

-All tariffed surcharges (and surcredits) applied to COPTs.

-Installation, maintenance and operation of station apparatus (e.g., commissions paid to station agents, coin collection, station repair, inside wiring repair, etc; <u>based on 1988 values, all of these items, except commissions, equal $30.90 per set per month</u>)

APPENDIX B

I.88-04-029 et al.

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and the CPUC with a list of such units ... shipped to COPT operators, identified by COPT operator and ANI numbers, and a list of pending orders identified by COPT operator and number of units. Manufacturers other than Intellicall shall have thirty (30) days from the Effective Date to provide such lists. As Grandfathered S&F Units purchased or ordered but not installed are installed, the list will be supplemented to provide the ANI number. In the course of negotiating this Memorandum of Understanding, Intellicall has estimated that at least 4,125 of its S&F Units are eligible for grandfathering, and for purposes of Section 3 below this number will be binding. In no event, however, shall the actual number of Grandfathered S&F Units of Intellicall exceed 4660, provided, however, that the 372 S&F Units

now located at the Los Angeles International Airport ("LAX") shall not use the Intelli*Star™ store and forward technology to handle intraLATA calling card or automated collect calls; and such S&F Units shall lose their grandfathered status if the S&F Units or their Intelli*Star™ circuit boards are relocated outside of LAX. Intellicall shall use its best efforts to provide a letter within fifteen days of the Effective Date from its dealers at LAX acknowledging and accepting the foregoing restrictions. The number of Grandfathered S&F Units of Elcotel, Inc. shall not exceed 1412 and the number of Grandfathered S&F Units of Protel, Inc. shall not exceed 471.

2. Relocation of Grandfathered S&F Units. In the event a COPT operator changes the location of a Grandfathered S&F Unit, the COPT operator shall notify the Manufacturer of the date of the relocation, the new ANI number and the previous ANI number. Such notice shall be provided within five (5) days of the relocation and Manufacturer shall promptly provide a copy of each such notice to Pacific.

3. Operation of New S&F Units. COPT operators may operate an unlimited number of additional S&F Units in Pacific's territory subject to the IntraLATA Restrictions. In addition, COPT operators may operate a limited number of S&F Units partially exempt from the IntraLATA Restrictions subject to and in accordance with the following:

a) Upon successful completion of the test set forth in subsections e) and f), COPT operators may operate additional S&F Units which are configured to complete intraLATA voice message and/or automated

collect calls but to route all other non-sent paid intraLATA calls, including but not limited to, intraLATA calling card calls, to Pacific. Such S&F Units are referred to hereinafter as "Special S&F Units";

b) (i) The total number of such Special S&F Units placed into operation by COPT operators in any twelve-month period shall not exceed the following:

Intellicall: 2000

Elcotel: 1500

Protel: 500

(ii) In the event the actual number of S&F Units of Elcotel or Protel determined to be entitled to Grandfathered status shall be less then the maximum number specified in Section 1 above, the number of Special S&F Units shall be increased as follows: A) The difference, if any, between 1412 and the actual number of Elcotel Grandfathered S&F Units shall be added to the number of Intellicall Special S&F Units; and B) The difference, if any, between 471 and the actual number of Protel Grandfathered S&F Units shall be added to the number of Elcotel Special S&F Units up to the number, if any, determined pursuant to subsection 3(b)(ii)(A) above, with the balance split equally to increase the number of Intellicall and Elcotel Special S&F Units.

(iii) In addition, the number of Special S&F Units of a Manufacturer placed into operation by COPT

operators in any one calendar month shall not exceed one twelfth (1/12th) of the number specified above for such Manufacturer. This monthly number may be increased by the unused portion of the allocation for prior months, including the months after February 28, 1990 and before successful completion of the test referred to in subsections (e) and (f) below; provided, further, that for Intellicall such numb shall be 29 for the month of March, 1990).

c) Each COPT operator shall notify the Manufacturer of the date of the installation of each Special S&F Unit and its ANI number. Such notice shall be provided within five (5) days of the installation, and Manufacturer shall promptly provide a copy of each such notice to Pacific. In the event a Special S&F Unit is subsequently relocated, the procedures specified in Section 2 above shall apply.

d) For each completed intraLATA automated collect call handled by a COPT operator on a Special S&F Unit and billed by Pacific, Pacific shall receive a commission of $0.05. Because such calls will be billed by Pacific, this amount will be retained by Pacific from the payment it receives from the billed party, or by such other reasonable method as may be more workable for Pacific and reasonably agreed to by Intellicall on behalf of its vendors. For each intraLATA non-sent paid call directed to Pacific for completion and billing, Pacific shall pay the COPT operator the compensation now in effect, and upon implementation of the Settlement Agreement, the compensation specified therein.

e) Prior to placing Special S&F Units in operation, a test will be performed to demonstrate that the S&F Units are being operated substantially in accordance with the following requirements: (i)

automated collect calls shall be completed only using positive acceptance techniques (i.e., DTMF, Dial Pulse, or Voice Recognition, but not a "time-out"); (ii) COPT operators shall obtain validation services only from authorized sources; (iii) all 0-calls shall be forwarded to the LEC operator without any kind of human or mechanical intervention whatsoever; and (iv) the S&F sets can provide rate quotes on request for automated calls. In addition to the specific requirements which are the subject of the test, COPT operators using S&F Units will also be subject to the other consumer safeguards set forth in the Settlement Agreement to the extent applicable to their operations.

f) Pacific will use reasonable efforts to assist the participating interested parties in conducting and completing the test specified in subsection (e) above within thirty (30) days of the date Intellicall notifies Pacific that the necessary modifications to its equipment have been made. The CPUC, Pacific, Intellicall and the other interested parties to the OII shall be invited to participate in the test as shall any other Manufacturer whose equipment is being tested. The test shall be conducted on a sample of S&F Units which will render statistically significant results at a

confidence level of 95%. Such S&F Units shall be selected at random and shall include those of any other Manufacturer known to be operating in Pacific's territory. Any other necessary parameters shall be set by CACD staff after consultation with the test participants. Any dispute regarding the methodology or results of the test, including any dispute regarding whether a Manufacturer's S&F Units are operated substantially in compliance with the requirements set forth in subparagraph (e) above, shall be resolved by the CACD staff or such other person or entity as may be designated by the CPUC for that purpose. At the request of Intellicall or another Manufacturer, a second test will be held on the requestor's S&F Units on the same terms and conditions set forth above, to begin no sooner than 30 days after completion of the first test.

4. Enforcement and Billing. Manufacturers shall cooperate in a reasonable manner with Pacific to provide the information necessary to enforce the restrictions provided herein. Intellicall and other Manufacturers will screen the billing data received from their COPT operators to delete any intraLATA calls placed over pay telephones whose ANI numbers have not been registered as Grandfathered or Special S&F Units. Pacific will bill its customers on behalf of COPT operators for any intraLATA

calling card or automated collect calls originating from Grandfathered Units and for automated collect calls originating from Special S&F Units with respect to which Pacific has been provided ANIs. Pacific shall have no obligation to bill for such calls originating from other pay telephones. Manufacturers acknowledge that Pacific will be unable to identify a relocated set as having Grandfathered or Special S&F status prior to receiving the new ANI and Pacific will have no obligation to bill intraLata calls for such set until it receives the new ANI. Upon the request of Manufacturer, Pacific will acknowledge receipt of ANI information provided for Grandfathered and Special S&F Units. In the event Pacific does not bill for a call because the call was not authorized under this Memorandum of Understanding, Pacific shall notify the billing agent for the COPT operator in the ordinary course providing the relevant call records and ANI number. Upon receipt of information that the unbilled call originated from a Grandfathered or Special S&F Unit and resubmission of the call to Pacific, Pacific will rebill the call in the ordinary course of business as for billing for new calls, subject to any relevant tariff provisions. Pacific acknowledges that the call records it receives may include a Pay Station Service Charge and Pacific will include such charges on the bills sent to its customers. Pacific will bill and collect any Pay Station Service Charge applicable to a call made on a Grandfathered or Special S&F Unit in the same manner as for other pay telephones in those instances where Pacific both handles and bills the call..

5. Termination Date. The foregoing provisions with respect to grandfathered and new S&F Units shall remain in effect until further order of the CPUC in I. 87-11-033, or any successor thereto, establishing rules introducing intraLATA competition by COPT operators, operator service providers, or billing and collection providers.

6. Shifting of IntraLATA Calling Card Calls. Intellicall will take no action to discourage or prevent COPT operators with Grandfathered S&F Units from shifting their intraLATA calling card calls to Pacific for completion and billing.

7. Confidentiality. Information received by Pacific relating to the ownership and location of S&F Units shall not be made available to Pacific's sales and marketing personnel or provided to other persons not employed by Pacific.

8. Increase in Commission Cap. Intellicall agrees not to oppose the increase in commission cap negotiated by Pacific and CPA. The terms of such increase are attached hereto as Exhibit A.

9. Governing Law. This Memorandum of Understanding shall be construed under the laws of the State of California.

10. Counterparts. This Memorandum of Understanding may be signed in any number of counterparts with the same effect as if the signature on each such counterpart were upon the same instrument.

**PROPOSED REVISION TO PROVISIONS OF
MAY 11, 1989 SETTLEMENT AGREEMENT
CONCERNING PROTECTION AGAINST CROSS-SUBSIDIES**

Paragraph V(D)(2)(a) of the May 11, 1989 Settlement Agreement should be amended to read as follows, with new language underlined, and new Paragraphs V(D)(2)(b) through (f) should be added as follows thereafter:

a. As applied to Pacific, this Settlement Agreement provides that the initial commission cap shall be $41 million per calendar year, which cap shall be subject to increase depending upon the number of COPT instruments equipped with voice store and forward technology capable of processing collect calls that are operating within Pacific's service area, as shall be determined periodically in accordance with Paragraphs V(D)(2)(b) through (f); provided, for each 12 month period following the effective date of this Agreement, Pacific shall provide a cross subsidy study to DRA or CACD of the Commission staff . . . .

b. With respect to the lists of Grandfathered S&F Units provided to Pacific by Manufacturers concurrently with or within 30 days after the Effective Date of

the Memorandum of Understanding[1/] between Pacific and Intellicall, Inc., concerning this Settlement Agreement and supplemented thereafter as specified in Paragraph 1 of that Memorandum, and as modified pursuant to notification of relocation of such Grandfathered S&F Units, as specified in Paragraph 2 of that Memorandum, Pacific shall examine the calling records submitted by said Manufacturers or their agents for billing by Pacific during the two calendar months of May and June, 1990, and shall determine the total of ANI numbers on all such lists that have actually been used to provide intraLATA voice store and forward service for calls included on such records. With respect to any notices of the installation of Special S&F Units, as specified in Paragraph 3 of the above-referenced Memorandum, Pacific shall examine the calling records submitted by Manufacturers or their agents for billing by Pacific during the May/June 1990 period, and shall determine the total of ANI numbers for such Special S&F Units that have actually been used to provide intraLATA voice store and forward service for calls included on such records. Pacific shall make the following adjustments to each of these totals: (1)

1/ Certain terms that are capitalized in Paragraphs V(D)(2)(b) through (e) are intended to be understood as they are defined in that Memorandum of Understanding.

deduct one number from the relevant total for each instance of a Grandfathered S&F Unit or a Special S&F Unit having been relocated during the May/June 1990 period, thereby resulting in two ANI members having been reported with respect to a single Grandfathered S&F Unit or a single Special S&F Unit, respectively; and (2) multiply each of these adjusted totals by a factor of 1.05 to reflect the possibility that some Grandfathered S&F Units or Special S&F Units that were in operation were not the subject of calling records during the May/June 1990 period. The sum of the resulting adjusted total of active Grandfathered S&F Units multiplied by $750, plus the resulting adjusted total of Special S&F Units multiplied by $400, shall be the provisional Commission Cap Increment for 1990, and shall be added to the $41 million initial cap to determine Pacific's provisional commission cap for the year 1990.

c. Pacific shall examine the calling records submitted by Manufacturers or their agents for billing during the two calendar months of August and September, 1990, and shall determine the totals of ANI numbers relating to Grandfathered S&F Units and Special S&F Units, respectively, that have actually been used to

provide intraLATA voice store and forward service for calls included on such records, by reference to notices of currently effective ANI numbers for Grandfathered S&F Units and Special S&F Units that each Manufacturer shall have provided to Pacific prior to October 1, 1990. Pacific shall make the following adjustments to each of these totals: (1) deduct one number from the relevant total for each instance of a Grandfathered S&F Unit or a Special S&F Unit having been relocated during the August/September 1990 period, thereby resulting in two ANI members having been reported with respect to a single Grandfathered S&F Unit or a single Special S&F Unit, respectively; and (2) multiply each of these adjusted totals by a factor of 1.05 to reflect the possibility that some Grandfathered S&F Units or Special S&F Units that were in operation were not the subject of calling records during the August/September 1990 period. The sum of the resulting adjusted total of active Grandfathered S&F Units multiplied by $750, plus the resulting adjusted total of Special S&F Units multiplied by $400, shall be the final Commission Cap Increment for 1990, and shall be added to the $41 million initial cap to determine Pacific's final commission cap for the year 1990.

d. Pacific shall examine the calling records submitted by Manufacturers or their agents for billing during the two calendar months of November and December, 1990, and shall determine the totals of ANI numbers relating to Grandfathered S&F Units and Special S&F Units, respectively, that have actually been used to provide intraLATA voice store and forward service for calls included on such records, by reference to notices of currently effective ANI numbers for Grandfathered S&F Units and Special S&F Units that each Manufacturer shall have provided to Pacific prior to January 1, 1991. Pacific shall make the following adjustments to each of these totals: (1) deduct one number from the relevant total for each instance of a Grandfathered S&F Unit or a Special S&F Unit having been relocated during the November/December 1990 period, thereby resulting in two ANI members having been reported with respect to a single Grandfathered S&F Unit or a single Special S&F Unit, respectively; and (2) multiply each of these adjusted totals by a factor of 1.05 to reflect the possibility that some Grandfathered S&F Units or Special S&F Units that were in operation were not the subject of calling records during the November/December 1990 period. The sum of the

resulting adjusted total of active Grandfathered S&F Units multiplied by $750, plus the resulting adjusted total of Special S&F Units multiplied by $400, shall be the provisional Commission Cap Increment for 1991, and shall be added to the $41 million initial cap to determine Pacific's provisional commission cap for the year 1991.

e. Pacific shall examine the calling records submitted by Manufacturers or their agents for billing during the two calendar months of June and July 1991, and shall determine the totals of ANI numbers relating to Grandfathered S&F Units and Special S&F Units, respectively, that have actually been used to provide intraLATA voice store and forward service for calls included on such records, by reference to notices of currently effective ANI numbers for Grandfathered S&F Units and Special S&F Units that each Manufacturer shall have provided to Pacific prior to August 1, 1991. Pacific shall make the following adjustments to each of these totals: (1) deduct one number from the relevant total for each instance of a Grandfathered S&F Unit or a Special S&F Unit having been relocated during the June/July 1991 period, thereby resulting in two ANI members having been reported with respect to a single

Grandfathered S&F Unit or a single Special S&F Unit, respectively; and (2) multiply each of these adjusted totals by a factor of 1.05 to reflect the possibility that some Grandfathered S&F Units or Special S&F Units that were in operation were not the subject of calling records during the June/July 1991 period. The sum of the resulting adjusted total of active Grandfathered S&F Units multiplied by $750, plus the resulting adjusted total of Special S&F Units multiplied by $400, shall be the final Commission Cap Increment for 1991, and shall be added to the $41 million initial cap to determine Pacific's final commission cap for the year 1991.

f. The same procedure shall be followed at six month intervals thereafter until further action of the Commission respecting competition in intraLATA operator services.

(END OF APPENDIX B)

APPENDIX C

List of Additional Appearances

Respondent: Kenneth K. Okel and Robert Herrera, Attorneys at Law, for GTE California.

Interested Parties: Reed, Smith, Shaw & Mc Clay, by James J. Freeman, Attorney at Law, for Intellicall, Inc.; C. Kingston Cole, for Pacific Rim Group; J. Kendrick Kresse, Attorney at Law, for California Association of the Deaf; Cooper, White & Cooper, by E. Garth Black and Mark P. Schreiber, Attorneys at Law, for Calaveras Telephone Company, California-Oregon Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Roseville Telephone Company, Hornitos Telephone Company, The Ponderosa Telephone Company, and Winterhaven Telephone Company; Augusta A. Sairanen, Jr. and John Kistner, for Department of General Services; Nancy Thompson, for Barakat, Howard & Chamberlin; Susan M. Plaster, for Maxtor Corporation; Swidler & Berlin, Chartered, by Jean L. Kiddoo, Attorney at Law, for Com Systems, Inc.; Albert H. Kramer, Attorney at Law, for Elcotel, Inc.; Joel R. Singer, Attorney at Law, for Toward Utility Rate Normalization (TURN); Harry Knorr, for San Diego Payphone Owners Association; and Peter A. Casciato, Attorney at Law, for Betson Pacific Distribution, Coastline Communications, Pacific Western Cointel of Sacramento, Inc., Universal Pay Phones, Inc., Winslow Ventures, Western Telephone Payphone, and Own-A-Phone.

Divison of Ratepayer Advocates: Jack Leutza and Mary Cooper.

(END OF APPENDIX C)