



Kansas Corporation Commission

Bill Graves, Governor John Wine, Chair Cynthia L. Claus, Commissioner Brian J. Moline, Commissioner

March 28, 2000

Kim Thomas
Manager, State Fund
National Exchange Carriers Association
80 S. Jefferson Road
Whippany, NJ 07981

RE: Coin Box and Coin Service Revenues

Dear Kim,

On March 22, 2000, I received your e-mail regarding a company's question about the difference between coin service revenues (included in assessable revenues) and private payphone coin box collections (excluded from assessable revenues). Thank you for bringing this issue to Staff's attention. After reviewing this, it seems that these accounts will need to be further clarified in future Instruction Worksheets and also needs to be updated in the Reportable Revenue Attachments approved by the Commission. Staff will issue a memo to its legal department requesting that it file a pleading with the Commission to have the Reportable Revenue Attachments corrected to reflect the elimination of one of these accounts, Account 5010.

The current Revenues Reportable to the KUSF include public telephone coin service revenues booked in Separations Part 32, account 5010-"Public Telephone Coin Service Revenues". Historically, public payphones have generally been owned by the Regional Bell Operating Companies (RBOCs) and other Local Exchange Carriers (LECs). Coin box revenues are generated when a customer places coins in the payphone in order to place a call. Historically, the LEC would generally conduct a study in order to allocate the coin box revenue to local call revenue and long distance revenue.

The current Revenues Reportable to the KUSF exclude private payphone revenues, which are booked in Separations Part 32, account 5280-"Nonregulated Operating Revenues." Private payphones are the payphones owned by a business other than the LEC, such as the separate affiliate of a LEC, and the local neighborhood "mom and pop" restaurant or gas station. In April 1997, the FCC deregulated payphones and determined that the rates for the payphone access line should be separate from the coin box revenues. Additionally, LECs were directed to treat the payphone coin service revenues in the same manner private payphone providers. Due to this deregulation, coin box revenues from payphones are excluded from KUSF assessment. Additionally, it would be administratively burdensome to both the "mom and pop" owners of private payphones and to NECA to have all of these private payphone providers reporting a relatively small amount of revenue to the KUSF.



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While some of the smaller LECs in Kansas and other payphone providers may own payphone access lines, Southwestern Bell Telephone Company (SWBT) and to a smaller extent, Sprint, own the majority. Pursuant to FCC guidelines, LECs charge a tariffed rate for their payphone access lines. This tariffed payphone access line rate is paid by any private operator, whether it is the SWBT payphone affiliate, or a local restaurant or gas station and the corresponding revenues are considered KUSF assessable payphone revenues. In an attempt to better clarify this, I have included a simple example:

SWBT, LEC, owns 50 payphone access lines. Of these lines, 45 are sold or leased to SWBT's Payphone Provider (which is separate from the LEC) and the remaining 5 are sold or leased to Mom's Gas Station. SWBT LEC bills both its Payphone Provider and Mom's Gas Station \$10 per access line, resulting in SWBT LEC collecting \$500 in local payphone revenues. These payphone revenues are assessable revenues reportable for KUSF purposes. However, SWBT's Payphone Provider and Mom's Gas Station do not report any KUSF assessable revenues since coin box revenues are not assessable.

On June 30, 1999, FCC Part 32 Separations were amended to reflect the elimination of Account 5010 "Public Telephone Revenue" and that with the elimination of Account 5010, revenues derived from nonregulated activities that involve common assets and provide regulated and nonregulated products and/or services are now recorded in Account 5280.

In a related issue, SWBT, Sprint, and some private payphone providers are also long distance service providers. The revenues from intrastate calls made through credit cards, third-party billing, and collect calls are KUSF assessable revenues. The revenues placed in the coin box for long distance calls are not KUSF assessable revenues.

If you have further questions regarding this issue, please let me know.

Sincerely,

Sandy K. Reams
Telecommunications Auditor
Kansas Corporation Commission