

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**COMMISSION ADVISORY AND COMPLIANCE  
DIVISION**  
Telecommunications Branch

**RESOLUTION T-15933\*\***  
Date July 3, 1996

**RESOLUTION**

**RESOLUTION T-15933. MCI TELECOMMUNICATIONS (MCI) (U-5011-C). MCI REQUEST TO PROVIDE DUAL-PARTY RELAY SERVICE, VIDEO RELAY SERVICE AND SPEECH TO SPEECH RELAY SERVICE UNDER CONTRACT WITH THE DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM ADMINISTRATIVE COMMITTEE.**

**BY ADVICE LETTER NO. 257, FILED MAY 3, 1996, AND 257A, FILED JUNE 5, 1996.**

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**SUMMARY**

This Resolution approves MCI Telecommunications (MCI) Advice Letter (AL) No. 257 and AL 257A requesting that MCI be appointed primary provider of the California Relay Service (CRS). It denies the request for MCI to provide Speech to Speech Service and Video Relay Service in California.

There were no protests to this advice letter.

**BACKGROUND**

CRS is a statewide program providing hearing-impaired and speech-impaired persons 24 hour access to California's existing public switched telephone network. Under the program, persons using telecommunications device for the deaf (TDD) communicate with non-TDD users, and vice-versa, through voice assistance of relay system operators. The service applies to all local, intralata toll and interlata toll calls that originate and terminate in California.

CRS was created by the Commission, as a result of Investigation (I.) 87-11-031 and in response to Senate Bill 244 (Chapter 741, 1983). CRS is funded by a surcharge applied to all intrastate telephone charges. The surcharge (currently .36%) funds all state mandated deaf and disabled programs and services, including CRS, equipment distribution, outreach and administration. The surcharge is collected by all certified telecommunications companies in California and remitted to the D.E.A.F Trust, established for this purpose (Public Utilities Code Section 2881). The fund subsequently reimburses the companies for their costs to relay CRS calls. The Deaf and Disabled

Telecommunications Program Administrative Committee (DDTPAC), supported by a paid staff, manages the program's day-to-day affairs.

The CRS program was established January 1, 1987, with AT&T Communications of California (AT&T) providing the relay service. On October 11, 1991, The Commission issued Resolution T-14638, affirming U.S. Sprint (Sprint) the successor CRS provider and approving Sprint's Advice Letter filing with its accompanying contract.

By letter dated April 23, 1996, the DDTPAC notified MCI that it intended to recommend to the Commission that MCI be selected primary provider of dual-party relay services and Video Relay Services in California. The DDTPAC notified MCI, by letter dated May 31, 1996, that it, also, would recommend to the Commission that MCI be selected to provide Speech to Speech Service. (Video Relay and Speech to Speech are described in the Discussion Section of this Resolution under the Mandatory Optional sub-heading.)

By this filing, MCI requests Commission approval of its contract with the DDTPAC allowing it to provide CRS when the Sprint contract expires in October 1996, plus the option to provide two other services, Video Relay Service and/or Speech to Speech Relay Service. The contract will be for three years (through October 1999), with the DDTPAC having option to extend it for up to two one-year terms. The contract, however, can not be finalized until approved by the Commission.

#### NOTICE

Public notice of Advice Letter 257 and 257A appeared on the Commission's Daily Calendar on May 10, 1996 and June 7, 1996, respectively. In addition, MCI mailed copies of it to competing and adjacent interexchange carriers, as prescribed by General Order 96-A, Section III, 6.

#### PROTESTS

No protests were received regarding MCI's AL 257 or its supplemental advice letter, AL 257A.

An informal protest was lodged by AT&T against the DDTPAC's choice of MCI to be the primary provider of CRS and against inclusion of Operator Services for the Deaf (a service AT&T currently provides) to the CRS contract. In accordance with procedures in the Invitation for Bid (IFB), AT&T delivered its letter of protest, dated April 30, 1996, to the Commission's Executive Director. At his direction, the Commission Advisory and Compliance Division (CACD) investigated the issues raised by AT&T and reviewed the DDTPAC's response. However, CACD found no irregularities in the vendor selection process and no reason the DDTPAC's recommendation should not be formally considered by the Commission.

## DISCUSSION

Commission Resolution T-14232 dated December 19, 1990, authorized the DDTPAC to solicit vendors to provide CRS. With the current Sprint contract due to expire, the DDTPAC subcommittee released an IFB on November 1, 1995 to solicit bidders for a new CRS contract. Multiple vendors would be allowed, provided each agreed to the minimum service standards, the rate established by the IFB process and the Master Agreement detailing contractual terms and conditions.

A bidders conference was held on November 15, 1995. Potential bidders were asked to submit by December 29, 1995 any requests for modifications to the proposed contract language. Some of the proposed changes were accepted by addendum to the Master Contract. Requests for clarifications on the IFB were accepted through January 8, 1996. The last day potential bidders could protest the requirements of the IFB was January 26, 1996. As part of the process, potential bidders were allowed to submit draft bids by February 7, 1996. The subcommittee gave comment on the draft bids in writing and in confidential sessions with each bidder. Throughout the process, the subcommittee took great effort to make the IFB open and competitive. Final bids were received April 1, 1996. All bidders were found compliant with the IFB requirements and none of the bidders protested the IFB.

### IFB Bidding Specifications

Bidders to the IFB were required to bid one price per minute to provide all of the minimum CRS features. The per minute price would be applicable to all conversation minutes, as opposed to session minutes, which are currently the Sprint CRS contract standards. Since payment on the basis of conversation minutes results in fewer minutes billed, the subcommittee expected that bidders would submit higher service bids than applicable to the current CRS contract. Nonetheless, the subcommittee anticipated that total monthly payments for CRS would be lower under the new Master Agreement. The established CRS bid price will be effective for all five potential years of the contract.

### Primary and Secondary Providers

The compliant bidder with the lowest per minute price for the required minimum standards will be designated the primary provider and would receive use of the current CRS 800 numbers. All other compliant bidders will be designated secondary providers and will be reimbursed at the rate paid the primary provider. Secondary providers will be required to use their own 800 numbers to access CRS.

The primary provider may also advertise and use other 800 numbers (in addition to the existing CRS 800 numbers) to route calls to CRS. Calls made to CRS 800 numbers or other toll free access numbers may be routed to the providers' new or existing relay center(s). CRS 800 numbers may also be available for access by users outside of

California, but the DDTPAC will only reimburse primary and secondary providers for California intrastate calls. Interstate and international call reimbursement is available through the National Exchange Carrier Association, Inc.

The DDTPAC subcommittee anticipates that all vendors of CRS will distinguish their services through advertisement, outreach and service beyond the minimum service standards. Once established, therefore, the subcommittee expects that the primary and secondary provider designations of vendors joining the CRS Master Agreement will disappear.

The IFB allowed a 5% premium (to \$0.734 per minute) over the established per minute price to be paid each month during the first twelve months of service to providers whose total CRS monthly conversation minutes are 300,000 minutes or less. The purpose was to encourage new or secondary service providers and to foster a competitive environment. With CRS becoming competitively available, it is anticipated that the cost of the service will decline, while more choices and options will become available to relay users.

Prior to implementation, each prospective CRS vendor will file an Advice Letter with the Commission, transmitting bid information and the proposed contract. Commission approval of the respective Advice Letters will give each primary or secondary provider authority to enter into its contract with the DDTPAC.

#### Mandatory-Optional Services

The IFB required all bidders for the CRS contract to provide monthly rates for two "mandatory-optional" services: Speech-to-Speech and Video Relay. The IFB required all potential vendors to submit bids for both services with the understanding that the DDTPAC was not obligated to purchase either. If the DDTPAC decided to purchase either service and provided the Commission authorized the purchase(s), the award of mandatory-optional service contracts would be to the lowest-cost compliant bidder.

Under the contract, Speech to Speech service was defined as an enhancement which enables a speech disabled person to use CRS with his or her own voice or voice synthesizer, rather than by using a TTY. Speech to Speech will provide trained operators who will translate for people with speech disabilities who have difficulty being understood on the telephone. The CRS operators will repeat the words of the speech disabled caller (as speech interpreters do in a face-to-face setting) to the person being called. The service also works in reverse, so that "speech able" users may call speech disabled persons through CRS. Speech to Speech Service must be available during all hours of CRS operation, with a minimum of two Speech to Speech operators available at all times during each 24 hour period.

Video Relay service is an interactive full-motion video service that utilizes an interpreter at CRS (or another designated location) to relay calls from sign language users to voice

users without the use of a TTY. The Video Relay Service allows translation from sign language to voice, rather than from TTY text to voice. A video camera and other compatible equipment located at the interpreter's location transmits the interpreter's image to the CRS user's location. Video equipment located at the CRS user's location transmits the user's image to the interpreter. A voice CRS user may also use Video Relay Service to place a call to a sign language user who is at a location equipped with the proper video equipment. Providers of Video Relay Service will provide the interpreter and compatible video equipment (including PC, software, etc.) at a designated location, and the CRS user will provide the compatible video equipment at his or her location. Users will access the Video Relay Service using existing video equipped locations to access CRS. Video Relay Service must be available 16 hours a day (6AM to 10PM) with a minimum of two interpreters available at all times during the 16 hour period.

### Bid Proposals

Final bids were received from AT&T, MCI and Sprint. The final bids include original signed copies of the Master Agreement and signed copies of the cost proposal, in addition to all material submitted with draft bids. After reviewing the bids, the subcommittee determined that all of the final bids submitted were compliant with the requirements of the IFB and that MCI was the low cost bidder for the minimum required CRS service. For the mandatory-optional services, AT&T was the low cost bidder for Speech to Speech Service and MCI was the low cost bidder for Video Relay Service.

The bids submitted to provide the minimum required CRS service were:

	<u>Price per Conversation Minute</u>
AT&T	\$1.11
MCI	.699
Sprint	.89

The monthly prices and estimated call volumes for Speech to Speech Service were:

	<u>Monthly Price</u>	<u>Number of Estimated Calls</u>
AT&T	\$ 8,102	38,500
MCI	45,000	42,000 - 48,000
Sprint	411,695	40,000

The monthly prices and estimated call volumes for Video Relay Service were:

	<u>Monthly Price</u>	<u>Number of Estimated Calls</u>
AT&T	\$127,500	24,000
MCI	90,000	60,000
Sprint	96,510	12,000

### The DDTPAC Recommendations

On May 1, 1996, the DDTPAC transmitted to the Commission's Executive Director its recommendations that MCI be appointed primary CRS provider and that AT&T and Sprint be appointed as secondary CRS providers. The DDTPAC also recommended that the two mandatory-optional services be purchased. Selecting the lowest cost compliant bidders, the DDTPAC recommended that AT&T be appointed as the provider of Speech to Speech Service and that MCI be appointed as the provider of Video Relay Service.

By letter dated May 31, 1996, the DDTPAC informed the Commission's Executive Director that AT&T had decided not to participate as a secondary CRS provider. MCI had submitted the second lowest price to provide Speech to Speech Service and the DDTPAC's CRS IFB subcommittee's cost analysis of the Speech to Speech price bids had determined that MCI's price bid is reasonable. However, under the terms of the IFB, a provider of either mandatory-optional service must also be a CRS provider. Accordingly, the DDTPAC recommended MCI to be the provider of Speech to Speech, instead of AT&T.

On June 3, 1996, the DDTPAC transmitted a letter to the Commission's Executive Director stating that its cost analysis had revealed that none of the bids for Video Relay Service can be justified. All of the prices seem too high to provide technology that is rapidly decreasing in price and increasing in availability. In this letter, the DDTPAC speculated that it could acquire similar services for significantly less money through a different acquisition process.

By letter dated June 13, 1996, the DDTPAC informed the Executive Director that, based on the cost analysis, the subcommittee had voted to withdraw its recommendation to purchase Video Relay Service from MCI. At a later point, it will reconsider procuring the service utilizing newer technologies and through other possible vendors.

### CACD's Review of MCI's Requests

MCI requests approval of DDTPAC recommendations that it be the primary provider of California Relay Service, Video Relay Service and Speech to Speech Service pursuant to the DDTPAC's IFB competitive bidding process. CACD has reviewed the

accompanying material and has no objection to MCI being the primary provider of CRS. CACD believes, however, that the request of MCI to provide Video Relay Service and Speech to Speech Service is premature.

A Commission authorized trial of Speech to Speech Service in late 1995 confirmed its promise and the technical feasibility. A very important result of the trial was that some persons were given telecommunications access for the first time. However, critical economic and policy questions remain and the trial has, subsequently, been extended for the duration of the Sprint CRS contract to gain additional information. CACD advises that the results of the second trial should be received and evaluated before Speech to Speech Service is authorized as a permanent feature of telephone service in California.

To date, the Commission has authorized no ratepayer funding of Video Relay Service. No trial has been conducted in California and none is planned. It is already known that videophone technology is feasible, based on a trial conducted by Sprint in Texas. However, implementation indicates costly wiring, hardware and software upgrades, and there is debate on whether the service is an important basic service or an expensive quality enhancement. CACD advises against offering the service in California until this question and others raised in Resolution T-15828 are resolved.

CACD recommends that the Commission deny MCI's request to provide Speech to Speech Service and Video Relay Service. CACD, also, recommends that if the DDTPAC wishes to pursue either of these options, it should provide the Commission with a comprehensive cost and benefit analysis supporting its recommendation. The study should delineate consumer demographics and projected usage, as well as the costs of requisite personnel, hardware and other enhancements.

## FINDINGS

1. The DDTPAC's contract with its current CRS provider expires in October 1996.
2. As directed by the Res. T-14232, the DDTPAC initiated an IFB process to solicit vendors to provide CRS. Final bids were received in April 1, 1996.
3. Under the IFB, the CRS enhancements called Speech to Speech and Video Relay were determined mandatory-optional services.
4. Final bids were received from AT&T, MCI and Sprint. MCI was the low cost bidder for the minimum required CRS services. AT&T was the low cost bidder for Speech to Speech Service and MCI was the low cost bidder for Video Relay Service.
5. In a letter dated May 1, 1996, the DDTPAC recommended that MCI be appointed primary CRS provider and that AT&T and Sprint be appointed secondary CRS providers. The DDTPAC also recommended that the two mandatory-optional services be purchased

and that AT&T should be appointed provider of Speech to Speech Service and MCI should be appointed provider of Video Relay Service.

6. By letter dated May 31, 1996, the DDTPAC informed the Commission of its decision to recommend MCI to be the provider of Speech to Speech because AT&T had elected not to provide CRS.

7. By letter dated June 3, 1996, the DDTPAC informed the Commission that its cost analysis had revealed that none of the bids for Video Relay Service can be justified.

8. Economic and policy questions remain with respect to Speech to Speech and Video Relay services. A Speech to Speech trial has been conducted in California and a second trial has commenced to collect more information. However, a California trial of Video Relay is not indicated.

9. CACD has no objection to MCI being the primary provider of CRS, but recommends that the request to provide Speech to Speech Service and Video Relay Service be denied.

10. If the DDTPAC wishes to further pursue either Speech to Speech Service or Video Relay Service, it should provide the Commission with a comprehensive cost and benefit analysis supporting its recommendation. The study should delineate consumer demographics and projected usage, as well as the costs of requisite personnel, hardware and other enhancements.



July 3, 1996

**THEREFORE, IT IS ORDERED that:**

1. MCI Telecommunications Corporation (MCI) is affirmed as the primary vendor for California Relay Service.
2. MCI's Advice Letter 257, the supplemental Advice Letter 257A and the accompanying contract are approved.
3. Provisions for Speech to Speech Service and Video Relay Service are denied.

The effective date of this Resolution is today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 3, 1996. The following Commissioners approved it:

  
WESLEY FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
DANIEL Wm. FESSLER  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners