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Witness: Walt Cecil
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

WALT CECIL

VCI COMPANY

CASE NO. CO-2006-0464

**Jefferson City, Missouri
January 2007**

Staff Exhibit No. 3
Case No(s). CO-2006-0464
Date 4-18-07 Rptr JMB

In the matter of the Petition of VCI)
Company for Designation as an Eligible) Case No. CO-2006-0464
Telecommunications Carrier)

[illegible]

Walt Cecil

A circular notary seal for the State of Missouri. The outer ring contains the text "NOTARY PUBLIC" at the top and "STATE OF MISSOURI" at the bottom, separated by two small stars. In the center, the word "NOTARY" is positioned above the word "SEAL".

Susan L. Sundermeyer
NOTARY PUBLIC

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OF

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VCI COMPANY

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REBUTTAL TESTIMONY

OF

WALT CECIL

VCI COMPANY

CASE NO. CO-2006-0464

Q. Please state your name and give your business address.

A. My name is Walt Cecil. My business address is: Governor Office Building,
Suite 500, 200 Madison Street, Jefferson City, Missouri 65101.

Q. By whom and in what capacity are you employed?

A. I am employed by the Missouri Public Service Commission (Commission) as
a regulatory economist in the Commission's Telecommunications Department. I have been
with the Commission since October 1999.

Q. Please explain your educational background and duties with the Commission.

A. I hold an M.A. in economics from the University of Kansas and a B.A. in
business administration from Baylor University. My duties include review and analysis of
contested telecommunications firms' proposals, interconnection agreements and tariffs.
Occasionally, I function as a staff advisor when the Commission is called upon to arbitrate
issues between telecommunications carriers. I have performed research projects for the
Commission which, for example, included analysis of the economic impact of municipal
ownership of cable television and telecommunications networks and calculation of statewide
basic local weighted average telecommunications rates. I am one of the Commission's
contact points for Relay Missouri and oversee relations with the vendor providing services

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1 for Relay Missouri. I have testified before the Senate Interim Subcommittee on Choice in 21st
2 Century Technology.

3 Q. Have you testified before the Commission?

4 A. Yes. I have testified before the Commission on several occasions and over a
5 wide range of topics. A list of the cases in which I have testified is appended as Schedule
6 WC1.

7 **EXECUTIVE SUMMARY**

8 Q. Does Staff recommend approval of VCI's request?

9 A. Yes. Staff recommends approval of the request subject to the conditions
10 discussed later in this testimony. Subscribers seeking service from VCI may have some
11 reason which requires them to seek service from a prepaid provider. If granted ETC
12 designation, VCI would be the only prepaid competitive local exchange provider offering low
13 income discounts to subscribers.

14 **DISCUSSION OF PETITION**

15 Q. Please present your understanding of the details underlying VCI Company's
16 (VCI's) request for Eligible Telecommunications Carrier (ETC) status.

17 A. VCI is a competitive provider of prepaid basic local telecommunications
18 services¹ and seeks to market those services to lifeline-eligible subscribers using a
19 combination of leased network elements and resold services. If VCI is designated as an ETC,
20 VCI will extend federal and state low income discounts to eligible subscribers, but will only
21 apply for reimbursement of the federal discount. VCI has indicated it will not seek
22 reimbursement from the state fund at this time.

¹ VCI Company, a competitive local exchange provider, was certificated provide to provide basic local exchange service in Case No. CA-2006-0323 on May 31, 2006 and its tariff became effective on July 9, 2006. VCI's interconnection agreement with AT&T was approved in Case No. CK-2006-0446 on July 11, 2006.

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1 Q. Has VCI begun to market its services?

2 A. No. According to VCI's petition², the company expects to begin providing
3 service within eight months after receiving ETC designation. VCI cannot receive
4 reimbursement of USF discounts until it serves qualifying customers.

5 Q. Please explain your understanding of how VCI will provide service.

6 A. Based on its application and responses to Staff data requests, I understand VCI
7 will provide services through resale of AT&T Missouri's (AT&T's) underlying services; or
8 by purchasing unbundled network elements (UNEs) from AT&T; or by some combination of
9 resold services and UNEs.

10 Q. What are VCI's proposed rates for lifeline services?

11 A. VCI's current tariff subscription fee is \$300. VCI filed a tariff revision on
12 January 9, 2007 (JC-2007-0470, effective January 17, 2007), reducing its customary
13 subscription fee to \$150. In its application, VCI indicates a monthly lifeline rate of \$19 and a
14 subscription fee of \$120, after applying the link-up discount of \$30. Staff reviewed tariffed
15 subscription fees charged by other prepaid providers offering similar or identical services to
16 non-lifeline customers.³ Those providers charge subscription fees ranging from \$30 to \$69. It
17 appears that other providers offering prepaid services similar to those offered by VCI offer
18 those services at larger monthly rates but at significantly lower subscription charges. Service
19 subscription fees at the level proposed by VCI may not be in the public interest for lifeline
20 customers. However, it is worth noting VCI's ongoing monthly recurring rate for service is

² *Petition for Designation as an Eligible Telecommunications Carrier in the State of Missouri*, paragraph 4.

³ Those carriers are 1-800-Reconex, Inc., Texas HomeTel, Inc. d/b/a 877-Ring Again, The Phone Connection, Inc. d/b/a Affordable Phone Company, BullsEye Telecom, Inc., Buy-Tel Communications, Inc., Ren-Tel Communications, Inc. d/b/a Dial Tone & More, dPi-TeleConnect, L.L.C., FamilyTel of Missouri L.L.C., Missouri State Discount Telephone, Preferred Carrier Services, Inc. d/b/a Phones for All and d/b/a Telefonos Para Todos, Tele-Reconnect, Inc., Nexus Communications, Inc. d/b/a TSI, Cat Communications International, Inc., Now Communications, Incorporated of Delaware d/b/a Cleartel Communications, Image Access, Inc. d/b/a New Phone, Camarato Distributing, Inc., and Global Connection Incorporated of America.

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1 among the lowest if not the lowest for prepaid companies. Its proposed monthly rate is \$19.
2 Even when the \$120 is prorated at \$10 per month (making the monthly payment for the first
3 year \$29), VCI's monthly rate will be among the lowest prepaid local rates.

4 Q. Do you have any other concerns with VCI's service subscription fee?

5 A. Yes. Consistent with 47 C.F.R. § 54.411(a)(2), VCI allows customers to pay
6 the service subscription fee over 12 months. Recent press releases have indicated VCI is
7 ceasing to provide service in two of its markets. If VCI is granted ETC designation in
8 Missouri and then decides to cease offering service, Staff has several questions on how the
9 service subscription fee will be handled. For instance, will customers have to pay another
10 service subscription fee with its new telecommunications provider? Will customers receive
11 additional lifeline benefits from their new provider? Staff has submitted DRs seeking answers
12 to such questions and reserves the right to modify its recommendation in surrebuttal based on
13 those responses.

14 Q. You indicate VCI provides service through resale of another carrier's service,
15 through UNEs leased from another carrier or a combination of resale and UNEs. Has the FCC
16 addressed whether a carrier offering service via resale or UNEs is eligible to receive federal
17 support?

18 A. Yes. The Federal Communications Commission indicated⁴ a common carrier
19 should be able to receive support from the federal USF for the provision of services provided
20 over its own facilities or through some combination of its own facilities and another carrier's
21 facilities. However, that carrier may not receive support for services provided to an end user
22 when those services are provided over facilities obtained through an interconnection

Report and Order, In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, FCC 97-157, 12 FCC Rcd 8776, ¶¶ 150-152.

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1 agreement with a discount off the underlying carrier's tariffed rate (resale or reselling). In
2 other words, for purposes of universal service, UNEs and UNE-P are considered facilities
3 owned by the carrier leasing the UNEs and resale services are considered facilities owned by
4 the underlying carrier. To the extent that VCI provides basic local or essential local voice
5 service over its own facilities, including providing service via UNEs, VCI could receive
6 federal support for that line or customer if designated as an ETC. To the extent that VCI
7 provides services by reselling another carrier's underlying services, VCI cannot receive
8 support for that line or customer directly from the federal fund.

9 Q. If VCI cannot directly receive federal USF support for resale service, will
10 VCI's lifeline eligible subscribers receiving service via resale also receive low income
11 discounts?

12 A. They may not. There is no requirement obliging VCI to offer low income
13 discounts to otherwise eligible subscribers. However, in response to Staff's Data Request,
14 AT&T indicated it typically receives lifeline support on behalf of the reselling CLEC's
15 customer and passes that discount on to the reseller via the interconnection agreements. As
16 long as such an arrangement is available, VCI customers being served through the resale of
17 AT&T's services could receive lifeline discounts.

18 Q. Have you compared VCI's application to the requirements of 4 CSR 240-
19 3.570, Requirements for Carrier Designation as Eligible Telecommunications Carriers?

20 A. Yes. Most of 4 CSR 240-3.570(2) is applicable to a carrier seeking ETC
21 designation to receive high cost support. VCI is not requesting high cost support at this time.
22 Therefore, only those portions of the rule that do not apply strictly to high cost support should
23 be considered. In my opinion, the applicable sections of the rule are:

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- 4 CSR 240-3.570(2)(A)5, A demonstration that the commission's grant of the applicant's request for ETC designation is in the public interest;
- 4 CSR 240-3.570 (2)(A)6, A commitment to advertise;
- 4 CSR 240-3.570(2)(A)7, A commitment to provide lifeline and link-up discounts ...
- 4 CSR 240-3.570(2)(A)8, A statement that VCI will satisfy consumer privacy protection standards as provided in 47 CFR 64 Subpart U ...;
- 4 CSR 240-3.570(2)(A)10, A commitment to offer a local usage plan comparable to that offered by the ILEC, and more specifically a commitment to provide lifeline and linkup rates comparable to the incumbent;
- 4 CSR 240-3.570(3)(A), Bill design;
- 4 CSR 240-3.570(3)(B), Customer service contact information;
- 4 CSR 240-3.570(3)(C)1, Service provisioning commitment
- 4 CSR 240-3.570(3)(E), Records of customer complaints;
- 4 CSR 240-3.570(3)(F), Company contact information;

VCI has:

- Stated it will comply with service provisioning obligations of 4 CSR 240-3.570(3)(C)1;
- Committed to advertise its services and to provide lifeline and link-up discounts;
- Committed to comply with all federal and state consumer protection, privacy and quality standards.

VCI has not committed to the other requirements listed above as required by 4 CSR 240-3.570(3).

Q. Since VCI has not specifically requested high cost support, does Staff have any recommendations related to designating VCI as an ETC?

A. Yes. Staff recommends any order granting VCI designation as an eligible telecommunications carrier clearly state the designation is for receipt of low income support only and that VCI will be required first to seek further ETC designation from this Commission should it seek to receive high cost support.

Q. Is granting VCI's request to be designated as an ETC solely to provide low income discounts consistent with the public interest?

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Previous Testimony Before the Commission

IO-2006-0551	In the Matter of Embarq Missouri, Inc., for Competitive Classification under Section 392.245.5, RSMo 2005
TO-2005-0308	In the Matter of a Recommendation Concerning the Surcharge for Deaf Relay Service and Equipment Distribution Program Fund
TO-2005-0035	In the Matter of the Second Investigation into the State of Competition in the Exchanges of Southwestern Bell Telephone, L.P., d/b/a SBC Missouri
TO-2004-0207	In the Matter of a Commission Inquiry into the Possibility of Impairment without Unbundled Local Circuit Switching when Serving the Mass Market
TO-2002-227	In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC Mo. No. 26, Long Distance Message Telecommunications Service Tariff
TO-2002-222	In the matter of the Petition of MCI Metro Access Transmission Services LLC., Brooks Fiber Communications of Missouri, Inc. and MCI WorldCom Communications, Inc. for Arbitration of an Interconnection Agreement with Southwestern Bell Telephone Company under the Telecommunications Act of 1996
TO-2002-105 Consolidated with TO-2002-130	In the Matter of Southwestern Bell Telephone Company's Tariff Filing to Initiate a Business MCA Promotion In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC MO. No. 35 (General Exchange Tariff) Regarding Completelink
TO-2001-455	In the Matter of the Application of AT&T Communications of the Southwest, Inc., TCG St. Louis and TCG Kansas City, Inc. For Compulsory Arbitration of Unresolved Issues with Southwestern Bell Telephone Company Pursuant to 252 (b) of the Telecommunications Act of 1996
TO-2001-347	In the Matter of the Tariff of AT&T Communications of the Southwest, Inc. that Changes P.S.C. No. 15
TO-2000-374	In the Matter of the North American Numbering Plan Administrator, on Behalf of the Missouri Telecommunications Industry, Petition for Approval of NPA Relief Plan for the 314 and 816 Area Codes