

Exhibit No.:

Issues: Determination of Statewide  
Competition, Determination of  
Exchange Specific Competition

Witness: Adam McKinnie

Sponsoring Party: Mo PSC Staff

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Case No.: IO-2003-0281

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**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**ADAM MCKINNIE**

**CASE NO. IO-2003-0281**

**Jefferson City, Missouri**

**June 2003**

**NP**

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In The Matter Of Investigation Of The State )  
Of Competition In The Exchanges Of Sprint )  
Missouri, Inc. )

Case No. IO-2003-0281

**AFFIDAVIT OF ADAM MCKINNIE**

STATE OF MISSOURI )  
COUNTY OF COLE ) ss

Adam McKinnie, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 28 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Adam McKinnie

Adam McKinnie

Subscribed and sworn to before me this 28 day of June 2003.



Toni M. Charlton

Notary Public

TONI M. CHARLTON  
NOTARY PUBLIC STATE OF MISSOURI  
COUNTY OF COLE  
My Commission Expires December 28, 2004

## TABLE OF CONTENTS

1		
2	General Issues .....	2
3	Statewide Sprint Services.....	6
4	Message Telecommunication Service (MTS).....	6
5	Wide Area Telecommunications Services (WATS) .....	6
6	Centrex Service .....	7
7	Dedicated Services .....	8
8	Common Channel Signaling / SS7 and Line Information Database.....	8
9	Services Replicated by Customer Premise Equipment (CPE).....	9
10	Local Operator Services.....	10
11	Directory Assistance .....	11
12	Exchange Specific Competition.....	15
13	Optional MCA Service.....	19
14	Norborne Exchange .....	20
15	Kearney Exchange .....	22
16	Platte City Exchange .....	23
17	Rolla Exchange .....	24
18	St. Robert Exchange .....	26
19	Summary .....	27

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Rebuttal Testimony Of  
Adam McKinnie

1 Q. What is the purpose of your Rebuttal Testimony?

2 A. The purpose of my testimony is to respond to the Direct Testimony of Sprint  
3 Missouri, Inc. (Sprint) witnesses, Mark Harper and John Idoux. Sprint is seeking  
4 competitive classification for certain services in all Sprint exchanges. Sprint is also seeking  
5 competitive classification for five exchanges. My testimony will explain why Staff supports  
6 Sprint's position on competitive classification in some instances but disagrees with Sprint's  
7 position on competitive classification in other instances. My testimony is structured to  
8 address general issues, then statewide Sprint services, and finally exchange specific issues.

9 General Issues

10 Q. By Direct Testimony, Sprint is seeking competitive classification for various  
11 services and exchanges pursuant to 392.245 RSMo. Section 392.245.5 states,

12 "The commission shall, from time to time, on its own motion or  
13 motion by an incumbent local exchange telecommunications company,  
14 investigate the state of competition in each exchange where an  
15 alternative local exchange telecommunication company has been  
16 certified to provide local exchange telecommunications service and  
17 shall determine, no later than five years following the first certification  
18 of an alternative local exchange telecommunication company in such  
19 exchange, whether *effective competition* exists in the exchange for the  
20 various services of the incumbent local exchange telecommunications  
21 company." (emphasis added)

22  
23 What is effective competition?

24 A. Section 386.020(13) RSMo states:

25 (13) "Effective competition" shall be determined by the commission  
26 based on:

27 (a) The extent to which services are available from alternative  
28 providers in the relevant market;

29 (b) The extent to which the services of alternative providers are  
30 functionally equivalent or substitutable at comparable rates, terms and  
31 conditions;

Rebuttal Testimony Of  
Adam McKinnie

(c) The extent to which the purposes and policies of Chapter 392, RSMo, including the reasonableness of rates, as set out in section 392.185, RSMo, are being advanced;

(d) Existing economic or regulatory barriers to entry; and,

(e) Any other factors deemed relevant by the commission and necessary to implement the purposes and policies of chapter 392, RSMo.

Q. Have you considered any other factors in reviewing Sprint's requests for competitive status?

A. Yes. One of the statutory guidelines for determining whether effective competition exists is: "(b) The extent to which the services of alternative providers are functionally equivalent or substitutable at comparable rates, terms and conditions." As the Commission noted in Case No. TO-2001-467, the Southwestern Bell Telephone Company (SWBT) Competition Case (SWBT Competition Case), it previously set out numerous criteria for determining which competing services are "substitutable." The Commission held in Case No. TO-93-116, *In the Matter of Southwestern Bell Telephone Company's application for classification of certain services as transitionally competitive*, that the criteria for determining substitutability should be applied on a case-by-case basis to each service. Taking the criteria in TO-93-116 into account, I have developed an additional four-point checklist, as discussed below.

In order for a competitor's service to be considered "substitutable" for a service provided by an Incumbent Local Exchange Carrier (ILEC), it must:

- Be easily found by an average telephone customer;
- Produce the same outcome as the ILEC's service;
- Be well-known by the average telephone customer; and,
- Be comparatively priced (near or below the price of the ILEC's service).

Rebuttal Testimony Of  
Adam McKinnie

1           Q.     You use the term “substitutable.” Please define this term.

2           A.     Economically speaking, substitutes are goods that are used in place of each  
3 other. An individual would use either one good or the other. As the price of one good  
4 increases, the individual would be more likely to purchase the other good. For example, if  
5 the price of bagels increases, people will buy more English muffins. The following pairs of  
6 goods are additional examples of substitutes: coffee and tea, butter and margarine, and  
7 hamburgers and hot dogs.

8           In contrast, some goods can be considered complements. This term is also relevant to  
9 the discussion of effective competition. Complements are goods that are most often used  
10 jointly with other goods. Individuals tend to use these goods together. As the price of a good  
11 goes up, people are more likely to purchase fewer complements of that good. For example, if  
12 the price of peanut butter goes up, then people will buy less jelly. These pairs of goods are  
13 additional examples of complements: lemons and tea, coffee and cream, hamburgers and  
14 hamburger buns, and cars and gasoline.

15           Price is not the only factor when considering the definition of “complement.”  
16 Webster’s Seventh New Collegiate Dictionary defines complementary as, “Mutually  
17 supplying each other’s lack.” These two factors need to be used jointly when applying the  
18 term “complementary” to telecommunications services because of additional concerns such  
19 as customer service and quality of service.

20           Q.     Many times throughout their Direct Testimony, Mr. Harper and Mr. Idoux  
21 mention wireless telephone services. Does Staff consider wireless services to be  
22 substitutable for wireline telephone services?

Rebuttal Testimony Of  
Adam McKinnie

1           A.     No. It is the opinion of Staff that wireless telephone usage (described by  
2 Sprint witness Harper as a ‘non-traditional form of competition’ on page 7, line 10 of his  
3 Direct Testimony) is complementary to, not substitutable for, wireline telephone usage. Staff  
4 sees wireless telephone service as complementary to wireline telephone service because of  
5 such traits as mobility. However, in order to gain that mobility, a consumer must sacrifice  
6 such aspects as the quality of the connection. Issues such as these have led Staff to the  
7 conclusion that the two services are not directly substitutable for each other.

8           Further, the Commission stated in the SWBT Competition Case that the testimony of  
9 SWBT’s witnesses “was not persuasive as to the existence of effective competition from  
10 competitors that are not regulated by the Commission because the witnesses had very little  
11 Missouri-specific information.” Staff notes no Missouri-specific information in Sprint’s  
12 testimony that would cause Staff to change its position on this matter.

13          Q.     In his list of “non-traditional technologies” (Direct, page 7, lines 10-11),  
14 Mr. Harper mentions Internet telephony as “contribut[ing] to effective competition in  
15 intraLATA services.” What is Staff’s opinion on this matter?

16          A.     It is likely Staff would come to many of the same conclusions about Internet  
17 telephony (and technologies such as Voice over Internet Protocol (VOIP)) as it has about  
18 wireless technology: that it is not directly substitutable for wireline services because it is not  
19 readily accessible to many telephone customers and because the service is not comparable to  
20 wireline telephone services.

21          Q.     Mr. Idoux discusses the loss of secondary telephone lines to cable TV  
22 providers and wireless providers (Direct, page 16, lines 4-10). What is Staff’s opinion on  
23 this matter?



Rebuttal Testimony Of  
Adam McKinnie

1           A.     As Mr. Idoux notes, there is no way to know exactly how many lines have  
2     been lost to these services. Without any quantitative evidence as to the effect on  
3     competition, Staff cannot take these factors into account when making a recommendation.

4     Statewide Sprint Services

5     Message Telecommunication Service (MTS)

6           Q.     Mr. Harper states that, “the Commission should clearly find that Sprint’s  
7     MTS, intraLATA toll service is subject to effective competition.” (Direct, page 10, lines 20-  
8     22) Do you agree with this conclusion?

9           A.     Yes, I agree MTS services are subject to effective competition from  
10    interexchange telecommunications companies (IXC). Sprint’s intraLATA toll service  
11    provides customers the ability to make calls that are outside of their exchange, but within  
12    their Local Access Transport Area (LATA). As IXCs are certificated to carry all calls that  
13    travel between exchanges, IXC services include calls made within a LATA. With a  
14    multitude of IXCs providing service in Missouri, customers have significant choice over who  
15    will handle their intraLATA calls. Thus, Staff considers there to be effective competition for  
16    Sprint’s intraLATA services.

17    Wide Area Telecommunications Services (WATS)

18          Q.     Do you support Mr. Harper’s request that WATS should be deemed  
19    effectively competitive? (Direct, page 11, lines 4-6).

20          A.     Yes. Mr. Harper lists services offered by IXCs and notes the similarity with  
21    services the Commission found to be competitive in the SWBT Competition Case. I agree  
22    that services provided by IXCs provide essentially the same service as the WATS service  
23    provided by Sprint.

Centrex Service

Q. Mr. Harper states that Sprint's Centrex services should be declared effectively competitive. (Direct, page 23, lines 12-14) Do you agree with this assertion?

A. Yes. According to Section 392.200.8 RSMo:

8. Customer specific pricing is authorized for dedicated, nonswitched, private line and special access services and for central office-based switching systems which substitute for customer premise, private branch exchange (PBX) services, provided such customer specific pricing shall be equally available to incumbent and alternative local exchange telecommunications companies.

At least since 1996, carriers throughout the state have been able to price central office based switching systems (or Centrex services) on an Individual Case Basis (ICB). This pricing flexibility allows all telecommunications carriers, including Sprint, to match the prices of their competitors on a case-by-case basis for central office based switching services such as Sprint's Centrex service. This can lead to downward price pressure, with many companies competing to offer services to any one consumer.

Furthermore, consumers have the choice of purchasing Primary Branch Exchange (PBX) equipment or key-stations that replicate many of the same features as Centrex services. Data requests replied to by Sprint indicate that they consider this Customer Premise Equipment (CPE) to be a significant source of effective competition to their Centrex services. Sprint also notes in their data request response that "most communication companies, including but not limited to SBC, CenturyTel, Alltel, and small ILECs, CLECs, and telecommunications equipment vendors' offer CPE equipment to Sprint customers."

Staff agrees that these alternatives provide bases for Sprint's effective competition claim. The combination of pricing flexibility and PBX competition indicates that effective competition exists statewide for Sprint's Centrex services.

1 Dedicated Services

2 Q. Mr. Harper states that Sprint faces effective competition for dedicated  
3 services, listed as Asynchronous Transfer Mode (ATM), Frame Relay and Private Line  
4 Mileage services. (Direct, page 26, lines 9-15) Do you agree with this conclusion?

5 A. Yes, I concur that Sprint faces effective competition for these services.  
6 Companies, including \*\* P \*\* and AT&T Communications of  
7 the Southwest, Inc., have responded to Staff's data requests that they do provide ATM  
8 service within some Sprint exchanges. Furthermore, as Staff investigated, companies with  
9 fiber in the ground, such as DTI, Cooperative's Broadband Network, and Show-Me-Power  
10 are providing the dedicated services that are substitutable for Sprint's dedicated services.  
11 Since 392.200.8 RSMo allows customer specific pricing for dedicated services, all  
12 telecommunications carrier, including Sprint, have the pricing flexibility to match the prices  
13 of their competitors on a case-by-case basis. This can lead to downward price pressure, with  
14 many companies competing to offer services to any one consumer. For these reasons, Staff  
15 supports competitive classification for dedicated services on a statewide basis.

16 Common Channel Signaling / SS7 and Line Information Database

17 Q. Mr. Harper states that effective competition exists for SS7 Services and the  
18 Line Information database (LIDB). (Direct page 26, lines 9-15) Do you agree with this  
19 conclusion?

20 A. Yes. Mr. Harper presented multiple alternatives to Sprint's services with  
21 accompanying screenshots of the competitor's websites. Schedule MDH-7 identifies the  
22 services the specific competitors are offering. Staff has also researched these alternatives.  
23 Both the SS7 system and the LIDB have nationwide (and thus statewide) alternatives

1 providing the level of effective competition necessary for this service. For example, SNET  
2 DG advertises SS7 access to all major LIDB databases. Also, TSI Connections advertises the  
3 ability to connect to their SS7 database services via the Internet, which is available in all  
4 Sprint exchanges on at least a dial-up basis.

5 Services Replicated by Customer Premise Equipment (CPE)

6 Q. Mr. Harper concludes that Sprint faces effective competition for the vertical  
7 services Speed Call 8 and Speed Call 30 from CPE. (Direct page 27, lines 1-6) Do you  
8 agree with this conclusion?

9 A. Yes. CPE, namely telephones that have features that allow customers to dial  
10 numbers by pressing only two or three buttons, is functionally equivalent to Speed Call 8 and  
11 Speed Call 30, which allow customers to program in call patterns that can then be activated  
12 by pressing only two or three buttons.

13 Speed Call 8 and Speed Call 30 have substitutes available on many customers'  
14 telephones. Customers are able to preprogram phone numbers into their telephones, and then  
15 access those numbers by pressing two or three buttons. This ability is a substitute because it  
16 is easily found (telephone packaging publicizes the fact they have this feature), it produces  
17 the same outcome (press a lesser number of buttons to dial a full phone number), it is well  
18 known (many consumers are familiar with the idea of preprogramming their phones) and it is  
19 comparatively priced (even though you pay upfront to have this service for your telephone,  
20 telephones with this service are only slightly more expensive than telephones without this  
21 service).

22 On a recent trip to Target, I priced CPE to see how much more a telephone with  
23 features equivalent to Speed Calling would cost compared to a telephone without that feature.

Rebuttal Testimony Of  
Adam McKinnie

1 While a phone with no features was \$6.99, a phone with only Speed Calling features was  
2 \$7.99. Sprint's Speed Call features are roughly \$2 per month a la carte. Since the CPE with  
3 the speed calling feature is less expensive than the CPE without the feature plus the recurring  
4 Sprint charge, the services can be considered substitutes. Thus, I agree that effective  
5 competition exists for those services.

6 Local Operator Services

7 Q. Mr. Harper lists the local operator services Sprint is seeking to be  
8 competitively classified. (Direct page 18, lines 4-9) Do you agree these services should be  
9 classified as effectively competitive?

10 A. No. It is Staff's opinion that operator services are too closely tied to basic  
11 local telecommunications service. Customers historically access a local operator by dialing  
12 "0" and "411." When customers dial in this manner, the calls are routed to the local  
13 exchange carrier unless the customer has chosen a different intraLATA toll carrier.  
14 Mr. Harper's testimony (Schedule MDH-5) suggests the customer has many alternatives,  
15 such as AT&T's 1-800-CALL-ATT offering, calling cards, and dialing "00" all of which  
16 involve reaching the customer's IXC operator. Sprint has not provided any Missouri-specific  
17 evidence of customer usage patterns for obtaining operator services.

18 Furthermore, Staff is not convinced that market forces in the local operator services  
19 market are sufficient to dampen rate increases. As seen in Schedule 1 (40.V.B.2 and  
20 40.V.B.3), Sprint has increased most Station-to-Station and Person-to-Person rates on an  
21 annual basis. When examining operator service rates charged by competitively classified  
22 IXCs, Staff found their rates to be five or six times greater than those of Sprint (the ILEC).  
23 Currently, it does not appear that competitive market forces are sufficient to keep operator

Rebuttal Testimony Of  
Adam McKinnie

1 service rates at the levels currently charged for intraLATA toll services by local exchange  
2 carriers.

3 In an attempt to compare rates for intraLATA operator services only, Staff reviewed  
4 the tariffs of the three facilities-based CLECs in Sprint's service area, Southwestern Bell  
5 Telephone Company LP d/b/a SBC Missouri, and CenturyTel of Missouri, LLC. All offer  
6 local operator services equivalent to Sprint's local operator service offerings at comparable  
7 rates. (A list of the operator services' rates for each pertinent company is in Schedule 2.)  
8 Since the three facilities-based CLECs offer comparable service at comparable rates, Staff  
9 would support competitive classification of local operator services only in those exchanges  
10 where basic local telecommunications service is classified as competitive.

11 Directory Assistance

12 Q. Mr. Harper states that all Sprint Directory Assistance services should be  
13 declared effectively competitive? (Direct, page 17, lines 8-15) Do you agree with this  
14 statement?

15 A. No. In Staff's opinion, Mr. Harper has not provided sufficient evidence to  
16 justify Staff recommending the Commission change its decision from its prior ruling in the  
17 SWBT Competition Case. Sprint witness Harper cites the Commission's decision in that  
18 case, stating, "directory assistance is so closely related to basic local service that it cannot be  
19 subject to effective competition where basic local is not subject to basic competition." In  
20 Staff's opinion, it would take a significant amount of evidence and reasoning to cause Staff  
21 to issue a recommendation contrary to a previously issued Commission decision. Evidence  
22 such as how well the listed alternatives are known, examples of advertising of listed

Rebuttal Testimony Of  
Adam McKinnie

1 alternatives, and the price of the listed alternatives are examples of some of the evidence  
2 necessary for Staff to issue a recommendation supporting competitive classification.

3 Q. Mr. Harper states, “The fundamental question that the Commission must  
4 answer is whether or not a Sprint Missouri consumer has access to directory assistance  
5 services from providers other than Sprint when Sprint retains the customer’s basic local  
6 service.” Do you agree with his analysis on this issue?

7 A. No. As the Commission found in the SWBT Competition Case, the mere  
8 existence of an alternative or alternatives does not indicate the existence of effective  
9 competition.

10 Q. Mr. Harper suggests, “Given the vast number of alternative Directory  
11 Assistance providers, combined with the dramatic decrease in call volumes experienced by  
12 Sprint in Missouri, it is clear that Directory Assistance is currently subject to effective  
13 competition in all exchanges throughout Missouri.” (Direct, page 17, lines 9-12). Does Staff  
14 agree with this conclusion?

15 A. No. A decrease in volumes is not necessarily indicative of competition. Staff  
16 is not sure of the reason why the volume has been decreasing and, as previously stated,  
17 would need more information to support a recommendation contrary to the Commission’s  
18 decision in the SWBT Competition Case.

19 Q. Does Staff have any concerns with Mr. Harper’s statement that given the vast  
20 number of directory assistance providers, effective competition exists in all Missouri  
21 exchanges?

22 A. Yes. As explained in my overview on effective competition, there are  
23 numerous factors the Commission considered in the SWBT Competition Case and should

1 consider in this case as well, not just the existence of alternatives. As Mr. Harper states,  
2 “The commission should carefully evaluate the availability of comparable services from  
3 multiple suppliers, the inability of a single provider to determine or control prices, ease and  
4 likelihood of market entry by competitors, and substitutability of one provider’s service for  
5 another.” (Direct, page 14, lines 8-11).

6 Q. Has Staff investigated whether or not the services listed by Mr. Harper  
7 (Direct, page 15, lines 14-21 and page 16, lines 1-16) are comparable to Sprint’s Directory  
8 Assistance services?

9 A. Yes.

10 Q. How would a customer use Directory Assistance in Sprint territories?

11 A. A Sprint local customer without knowledge of their options would likely use  
12 their telephone book to access a telephone number. In Sprint’s Jefferson City telephone book  
13 (distributed June 2003), on page 15 of the Sprint information section, the middle of the page  
14 has a heading entitled, “Directory Assistance.” The customer is then given instructions to:  
15 **“Dial 1+411 for Local and National Directory Assistance:** Telephone numbers for  
16 anywhere in the United States can be obtained by dialing 1+411. This includes numbers  
17 within your area code, outside your area code and toll free numbers. Appropriate charges  
18 will apply to each of these calls.”

19 Q. When a Sprint local customer dials “1+411”, to whose directory assistance are  
20 they connected?

21 A. A Sprint local customer dialing “1+411” will be connected to a Sprint (the  
22 ILEC) operator to receive directory assistance.



Rebuttal Testimony Of  
Adam McKinnie

1 Q. Does Sprint witness Harper discuss any alternatives to the Sprint directory  
2 assistance offering found in its own phone book?

3 A. Yes. On pages 15 and 16 of his Direct Testimony, Mr. Harper lists ways that  
4 customers can access their long distance company's directory assistance via dialing 1-area  
5 code-555-1212, wireless carrier offerings, and third party sources such as large databases and  
6 offerings available on the Internet.

7 Q. Beginning with the IXC Directory Assistance offering, would a customer who  
8 has not chosen a long distance carrier or who has chosen not to be assigned to a long distance  
9 carrier be able to use this alternative service?

10 A. No. As the customer would have no chosen long distance carrier to provide  
11 directory assistance, the customer would not be able to use this alternative.

12 Q. Does Sprint list this alternative method for contacting directory assistance  
13 (1+area code-555-1212) in their Jefferson City phone book dated June 2003?

14 A. No.

15 Q. Does Sprint list this alternative method for contacting directory assistance in  
16 any of their other Missouri telephone books?

17 A. Yes. However the information was only in two of Sprint's ten Missouri  
18 telephone books. A list of telephone books and whether or not they contained this  
19 information is provided in Schedule 3.

20 Q. What happens if a Sprint local customer dials 555-1212 for directory  
21 assistance?

22 A. When Staff tested this method, we were connected to a Sprint local operator.

Rebuttal Testimony Of  
Adam McKinnie

1 Q. What happens if a Sprint local customer dials 1+area code+555-1212 for  
2 directory assistance?

3 A. They will be connected to the operator for their chosen IXC.

4 Q. Does Sprint witness Harper provide any evidence in his Direct Testimony to  
5 indicate directory assistance services provided by IXCs are comparable in price to Sprint's  
6 directory assistance service?

7 A. No, though he does make the assumption that IXC directory assistance is  
8 substitutable considering function and price in his Direct Testimony on page 15, line 10.

9 Q. Mr. Harper lists 12 websites that are "providing directory listing information  
10 via the Internet." (Direct, page 16, lines 7-16) Do you consider these services to be  
11 substitutable to Sprint's directory assistance offerings?

12 A. No. In order to consider services found on the Internet to be substitutable  
13 with basic local services, one would have to have Missouri-specific information on the  
14 availability and usage of the Internet. Also, in order to meet the "same outcome" standard of  
15 my four-point check-list, Sprint would have to present Missouri-specific information on the  
16 reliability of these Internet services.

17 Exchange Specific Competition

18 Q. Sprint witness Idoux discusses the status of competition in the five exchanges  
19 Sprint identifies as facing effective competition. (Direct, page 21, lines 12-21) Do you have  
20 any concerns with his analysis in this section?

21 A. Yes. Mr. Idoux states, "About a dozen resellers are operating in Sprint's  
22 exchanges." (Direct, page 21, lines 20-21) I disagree with his inclusion of resellers in his  
23 discussion of effective competition. In the SWBT Competition Case, the Commission found

Rebuttal Testimony Of  
Adam McKinnie

1 that the availability of resale provides effective ways for CLECs to enter the market with  
2 little capital investment and it is clear that regulatory barriers that once prevented competitors  
3 from offering alternatives in the marketplace are disappearing (page 17-18). However, as  
4 Mr. Idoux stated on page 13, lines 20-22 of his Direct Testimony, the Commission also  
5 noted, “the mere presence of resellers is not substantial evidence for the Commission to  
6 determine that effective competition exists.” Thus, the number of resellers in any one  
7 exchange is inconsequential to the status of effective competition in that exchange.

8 Q. If resellers are inconsequential, what type of provider would Staff consider as  
9 providing effective competition in Sprint exchanges?

10 A. Staff supports the presence of facilities-based competitors for the review of  
11 effective competition in an exchange. As the Federal Communication Commission (FCC)  
12 stated in their UNE Remand Order (FCC 99-238, paragraph 110), “[T]he construction of new  
13 local exchange networks ‘will not only lead to innovation by the new competitors, but should  
14 also spur [the incumbent LECs] to upgrade their systems and offer a broader array of desired  
15 service options to meet consumers’ demands.’”

16 Q. Are there any other factors Staff considered as important for a determination  
17 of effective competition in an exchange?

18 A. One of the factors the Commission stated as important in the SWBT  
19 Competition Case in determining effective competition is “the comparative longevity of the  
20 companies doing business.” The amount of time a company has been in a specific exchange  
21 was considered a relevant factor in the present case when Staff reviewed the requests for  
22 competitive status in each exchange.

1           Q.     Mr. Idoux requests Sprint's local exchange service category be declared  
2 competitively classified in five Sprint exchanges. (Direct page 18, line 8) What is Staff's  
3 recommendation on this issue?

4           A.     As the local exchange service category, more commonly known as basic local  
5 telecommunications service, is the basis of telephone service for Sprint customers, Staff will  
6 present exchange-specific, and service-specific, testimony on each of the five exchanges  
7 where Sprint seeks to have local exchange service classified as competitive.

8           Q.     Mr. Idoux seeks to have the following categories of services classified as  
9 competitive in the five Sprint exchanges:

- 10               •   Directory Listings
- 11               •   Extension Service (Teen Pak)
- 12               •   Extended Area Service (EAS) Additives
- 13               •   Local Measured Service
- 14               •   PBX Services (Extension and Tie Line Mileage; Direct Inward Dialing;  
15                 Digital Trunking Service; and Forwarded Message Service)
- 16               •   Sprint Solutions
- 17               •   Busy Verification Service
- 18               •   Custom Calling Services
- 19               •   Express Touch
- 20               •   Network Service Packages

21               What is Staff's opinion on classifying these categories of services as competitive?

22           A.     It is Staff's opinion the service categories listed above should only be  
23 classified as competitive where the local exchange service category (i.e., basic local  
24

1 telecommunications service) is classified as competitive. The services listed above are so  
2 closely tied to basic local telecommunications service they should only be deemed  
3 competitive where basic local service is competitive. For example, a Sprint customer can  
4 only receive a directory listing if they receive their local telephone service from Sprint. The  
5 same holds true for the other services listed above. Thus, Staff recommends competitive  
6 classification for directory assistance listings, and the other services listed above, where local  
7 telephone service is classified as competitive, as a customer must have basic local service to  
8 receive those services.

9 Q. In Schedule JRI-1, Mr. Idoux seeks competitive classification for several other  
10 services within the 5 exchanges Sprint requests to be competitively classified. Does Staff  
11 have any concerns with this schedule and the other services marked as exchange-specific  
12 competitive?

13 A. Yes. Staff does not support competitive classification for the EAS additives  
14 for Fort Leonard Wood (Schedule JRI-1, General Exchange Tariff, page 4), the payphone  
15 service category (Direct, page 18, line 15) or Integrated Services Digital Network (ISDN)  
16 categories for Norborne. Mr. Idoux has presented no evidence in his testimony that supports  
17 the competitive classification for any of these services or service categories.

18 Further, Staff would not support the competitive classification of the EAS route  
19 originating from Fort Leonard Wood because Sprint is not requesting competitive  
20 classification for basic local telecommunications service in the Fort Leonard Wood  
21 exchange. EAS is a mandatory exchange-specific additive, which allows a customer to make  
22 unlimited calls to other listed exchanges. It is Staff's opinion that EAS services are too

Rebuttal Testimony Of  
Adam McKinnie

1 closely tied to basic local telecommunications service for EAS services to be classified as  
2 competitive without the underlying basic local service classified as competitive.

3 Q. You mention Staff does not support competitive classification for ISDN  
4 services in Norborne. What about the Rolla and Kearney exchanges?

5 A. Staff has reviewed the tariffs of the facilities-based competitors for all three  
6 exchanges in which it supports competitive classification of basic local telecommunications  
7 service as discussed below. According to its tariff, Green Hills Telecommunications  
8 Company (Green Hills) does not offer ISDN services in the Norborne exchange. According  
9 to their tariffs, Fidelity Communication Services I, Inc (Fidelity) and ExOp d/b/a Unite  
10 (Unite) offer comparable ISDN services. Therefore, Staff supports competitive classification  
11 of ISDN services in Rolla and Kearney for the same reasons Staff supports competitive  
12 classification of the exchange as discussed below.

13 Q. You mentioned Staff does not support competitive classification for Sprint's  
14 payphone service category in any exchange. Why does Staff hold that opinion?

15 A. Staff is not aware of any competitors for any portions of the payphone service  
16 category in Sprint's exchanges. Without Staff's knowledge of the existence of alternative  
17 services, Staff cannot issue a recommendation supporting effective competition for those  
18 services.

19 Optional MCA Service

20 Q. Mr. Idoux seeks to have the "Metropolitan Calling Area (MCA), where  
21 available" plan be classified as competitive. (Direct, page 18, line 24) (JRI-1, General  
22 Exchange Tariff, page 32). Do you agree with this request?

Rebuttal Testimony Of  
Adam McKinnie

1           A.     No. Staff only supports competitive classification for MCA 3 in the Kearney  
2 exchange, as that is the only exchange that has optional MCA service in which Staff supports  
3 competitive classification for local exchange telecommunications service. As the  
4 Commission stated in the SWBT Competition Case, Report and Order Page 41, "...because  
5 [the ILECs] residential access line services have not been shown to face effective  
6 competition in its other exchanges, [] its optional MCA services do not face effective  
7 competition in its other exchanges either." Staff does not support competitive classification  
8 for any other MCA services.

9 Norborne Exchange

10           Q.     Mr. Idoux makes the claim that Sprint faces effective competition in the  
11 Norborne exchange from Green Hills. (Direct, page 28, lines 1-11) Do you agree with this  
12 assessment?

13           A.     Yes. Green Hills is a facilities-based competitor providing basic local service  
14 in the Sprint exchange of Norborne. Green Hills has been designated as an Eligible  
15 Telecommunications Carrier (ETC) to receive USF funding in the Norborne exchange. In its  
16 application for ETC status, Green Hills verified it is providing basic local service in the  
17 Norborne exchange, thus fulfilling the "equivalent" requirement of the effective competition  
18 statute and "producing the same outcome", as my four-point checklist necessitates. Green  
19 Hills currently holds a significant portion of the residential and business lines in the area. In  
20 response to a data request submitted by Staff, Green Hills submitted what appears to be a  
21 large number of their advertisements attempting to convince customers to switch to their  
22 basic local service, thus satisfying the four-point checklist requirement that Green Hills'  
23 service is "well known" in the Norborne exchange.

Rebuttal Testimony Of  
Adam McKinnie

1 Data from the annual reports of Green Hills combined with data from the annual  
2 reports of Sprint have led to the conclusion that Sprint has faced significant and considerable  
3 line loss in both residential and business line markets in the Norborne exchange. Schedule 4  
4 demonstrates the line loss over time.

5 Q. You mentioned Green Hills submitted a large amount of advertisements  
6 attempting to convince customers to switch to Green Hills' local service. Did you do a rate  
7 comparison of the services offered by Green Hills to Sprint's service offerings in the  
8 Norborne exchange?

9 A. Yes, Staff has reviewed the rates of Green Hills and Sprint for comparable  
10 services and found the rates to be comparatively priced. As defined in my four-point  
11 checklist, this means the rates for Green Hills are near or below the rates offered by Sprint.

12 Q. Is there anything else you would like to add concerning the Norborne  
13 exchange?

14 A. Yes. Green Hills began providing service in the Norborne exchange in  
15 November 1999, and continues to offer service there. The amount of time a carrier spends in  
16 an exchange is an important factor in determining whether or not the incumbent is facing  
17 effective competition. Since Green Hills has been in the Norborne exchange since November  
18 1999, based on my economic training and experience working for Staff, I consider that to be  
19 a significant period of time.

20 Q. Please summarize your recommendation for the Norborne exchange?

21 A. Since Green Hills is a facilities-based competitor charging comparable rates,  
22 has caused significant market share loss by the incumbent and satisfies the requirement for



Rebuttal Testimony Of  
Adam McKinnie

1 comparative longevity of the facilities-based competitor, Staff concurs with Mr. Idoux that  
2 Sprint faces effective competition in this exchange.

3 Kearney Exchange

4 Q. Mr. Idoux states Sprint is facing effective competition in the Kearney  
5 exchange due to the presence and line acquisitions of Unite. (Direct, page 37, lines 7-17) Do  
6 you agree with this conclusion?

7 A. Yes. Sprint is facing competition from a facilities-based telecommunications  
8 carrier. Unite has been designated as an ETC to receive USF funding in the Kearney  
9 exchange. In its application for ETC status, Unite verified that it is providing basic local  
10 service in the Kearney exchange, thus fulfilling the “equivalent” requirement of the effective  
11 competition statute and “producing the same outcome”, as my four-point checklist  
12 necessitates. Unite has created some innovative packages to offer customers within the  
13 Kearney exchange, such as bundles of cable TV, Internet Services, and telephone services.  
14 Unite has gained a significant market share of both the residential and business telephone line  
15 market in the Kearney exchange. Through analysis of Sprint and Unite annual reports, one  
16 can see that the market share gained by Unite is a considerable amount. Schedule 5  
17 summarizes this market share gain.

18 Q. Did you do a rate comparison of the services offered by Unite to Sprint’s  
19 service offerings in the Kearney exchange?

20 A. Yes, Staff has reviewed the rates of Unite and Sprint for comparable services  
21 and found the rates to be comparatively priced. As defined in my four-point checklist, this  
22 means the rates for Unite are near or below the rates offered by Sprint.

Rebuttal Testimony Of  
Adam McKinnie

1 Q. Do you have any other comments regarding the Kearney exchange?

2 A. Yes, I do. Unite has operated in the Kearney exchange since 1998 and has  
3 been a sustained presence in that exchange. This sustained presence within the Kearney  
4 exchange again satisfies the longevity factor put forth by the Commission in determining  
5 effective competition within that exchange. Based on my economic training and experience  
6 working for Staff, I consider that to be a significant period of time.

7 Q. Please summarize your recommendation for the Kearney exchange?

8 A. Since Unite is a facilities-based competitor charging comparable rates, caused  
9 significant market share loss by the incumbent and satisfies the requirement for comparative  
10 longevity of the facilities-based competitor, Staff concurs with Mr. Idoux that Sprint faces  
11 effective competition in this exchange.

12 Platte City Exchange

13 Q. Mr. Idoux states the exchange of Platte City faces effective competition.  
14 (Direct, page 21, lines 12-21) Do you agree with his conclusion?

15 A. No. Sprint witness Idoux admits Sprint is “[n]ot yet” facing the access line  
16 loss in Platte City that it faces in Kearney. (Direct page 38, line 9)

17 While the Commission stated in the SWBT Competition Case that market share data  
18 is not the only thing to consider when determining effective competition, it also stated,  
19 “while specific market share thresholds should not be utilized to determine whether or not  
20 [the ILEC] faces effective competition, it is one factor which the Commission finds  
21 particularly determinative of ‘the extent to which services are available from alternative  
22 providers in the relevant market.’”

Rebuttal Testimony Of  
Adam McKinnie

1 Q. Should future line loss be considered in this proceeding?

2 A. No. Section 392.245.5 RSMo states the Commission should determine  
3 "...whether effective competition exists in the exchange for various services of the  
4 incumbent local exchange telecommunications company." As the verb tense of the word  
5 'exists' is present, the statute is directing the Commission to look at what currently is present  
6 within the exchange. If a company currently is not providing effective competition to Sprint  
7 within a certain exchange, then there is currently not effective competition within that  
8 exchange.

9 Q. Is there any other information that leads you to rebut the claim Unite is  
10 providing effective competition in the Platte City exchange?

11 A. Yes. In an article in the March 18, 2003, edition of the Kansas City Star, page  
12 D7, there is a mention of Everest Connections, the company that now controls Unite. The  
13 article states: "Everest provides cable television, telephone, and Internet service for 23,000  
14 customers in the Kansas City area. It recently stopped expansion because of a tight market  
15 for capital." This suggests that the company that controls Unite is not aggressively pursuing  
16 future opportunities.

17 Rolla Exchange

18 Q. Mr. Idoux states, "Sprint clearly faces effective competition in its Rolla  
19 exchange." (Direct page 45, line 14) Do you agree with his conclusion?

20 A. Yes. Sprint faces competition from Fidelity, a facilities-based competitor  
21 providing basic local service in the Rolla exchange. Fidelity has been designated as an ETC  
22 to receive USF funding in the Rolla exchange. In its application for ETC status, Fidelity  
23 verified it is providing basic local service in the Rolla exchange, thus fulfilling the

Rebuttal Testimony Of  
Adam McKinnie

1 “equivalent” requirement of the effective competition statute and “producing the same  
2 outcome”, as my checklist requires. Fidelity currently offers packages including Internet  
3 services, cable television, and telephone services to customers in the Rolla exchange.  
4 Fidelity has won a significant amount of Sprint’s residential and business lines in the Rolla  
5 exchange. Schedule 6 summarizes line counts in the Rolla exchange.

6 Q. Did you do a rate comparison of the services offered by Fidelity to Sprint’s  
7 service offerings in the Rolla exchange?

8 A. Yes, Staff has reviewed the rates of Fidelity and Sprint for comparable  
9 services and found the rates to be comparatively priced. As defined in my four-point  
10 checklist, this means the rates for Fidelity are near or below the rates offered by Sprint.

11 Q. Do you have any other comments regarding the Rolla exchange?

12 A. Yes. Fidelity has operated in the Rolla exchange since 2000 and has been a  
13 sustained presence in that exchange. This sustained presence within the Rolla exchange  
14 again satisfies the longevity requirement put forth by the Commission in determining  
15 effective competition within that exchange. Based on my economic training and experience  
16 working for Staff, I consider that to be a significant period of time.

17 Q. Please summarize your recommendation for the Rolla exchange?

18 A. Since Fidelity is a facilities-based competitor charging comparable rates,  
19 caused significant market share loss by the incumbent and satisfies the requirement for  
20 comparative longevity of the facilities-based competitor, Staff concurs with Mr. Idoux that  
21 Sprint faces effective competition in this exchange.

St. Robert Exchange

Q. Mr. Idoux mentions that he believes the exchange of St. Robert faces effective competition. (Direct page 21, lines 12-21) Do you agree with his conclusion?

A. No. Mr. Idoux admits Sprint is “(n)ot yet” facing the access line loss in the St. Robert exchange that it faces in the Rolla exchange. (Direct page 46, line 12) Mr. Idoux provides no information about current line loss in the St. Robert exchange and states, “Fidelity just started providing service in St. Robert in February 2003” (Direct, page 46, lines 12-13). As stated earlier in my testimony, Staff does not consider future line loss indicative of a recommendation on effective competition.

Q. Mr. Idoux cites a press release by Fidelity concerning its possible future actions. (Direct, pages 46-47) Do you have any comments concerning this release?

A. Yes. As stated above, it is difficult, if not impossible, to tell exactly what will occur in the future. The information contained within the press release talks about plans to install equipment in the Rolla exchange. Even if Mr. Idoux is able to prove the equipment mentioned would serve the St. Robert exchange, the plan itself does not constitute effective competition within the St. Robert exchange today.

Q. Mr. Idoux states, in reference to the St. Robert exchange, “there is no reason to believe that Sprint will not experience a similar situation” (as the Rolla exchange where Fidelity also competes) (Direct page 46, lines 13-14). Does Mr. Idoux’s statement serve as factual evidence that effective competition is guaranteed to arrive at the St. Robert exchange?

A. No. The same rationale concerning the Platte City exchange also applies here, considering the current state of competition in the St. Robert exchange.

Rebuttal Testimony Of  
Adam McKinnie

Summary

Q. Please summarize your testimony.

A. Staff supports competitive classification for the following Sprint services in all Sprint exchanges:

- MTS Services
- WATS service
- Centrex service
- Dedicated Services
- SS7
- LIDB
- Speed Call 30 and Speed Call 8 (identified as services replicated by CPE)

Staff supports competitive classification of the following services only in the Norborne, Kearney, and Rolla exchanges:

- Local Exchange Service
- Local Operator Services
- Directory Listings
- Extension Service (Teen Pak)
- Extended Area Service Additives
- Local Measured Service
- PBX Services (Extension and Tie Line Mileage; Direct Inward Dialing; Digital Trunking Service; and Forwarded Message Service)
- Sprint Solutions

Rebuttal Testimony Of  
Adam McKinnie

- 1                   • Busy Verification Service
- 2                   • Custom Calling Services
- 3                   • Express Touch
- 4                   • Network Service Packages

5 Staff supports competitive classification of the following services only in the following  
6 Sprint exchanges:

- 7                   • MCA 4 Service in the Kearney exchange
- 8                   • ISDN Services in the Kearney and Rolla exchanges

9                   Staff does not support competitive classification for the following Sprint services in  
10 any Sprint exchange:

- 11                   • Directory Assistance
- 12                   • Payphone services

13                   Staff does not support competitive classification for the following exchanges (Idoux  
14 Direct, page 17, lines 16-25):

- 15                   • Platte City
- 16                   • St. Robert

17                   Q.     Does this end your testimony?

18                   A.     Yes, it does.