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RICHARD T. CIOTTONI

December 17, 2002

FILED²

DEC 17 2002

Missouri Public
Service Commission

Dale Hardy Roberts
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Re: IO-2003-0012

Dear Mr. Roberts:

Enclosed for filing on behalf of BPS Telephone Company, please find an original and eight (8) copies of Direct Testimony of David Carson.

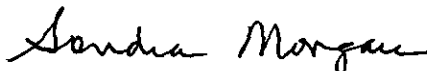
Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

I thank you in advance for your cooperation in this matter.

Sincerely yours,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:



Sondra B. Morgan

SBM/lar
Enclosure

cc: Office of the Public Counsel
General Counsel

Exhibit No:
Issues: Price Cap
Witness: David Carson
Sponsoring Party: BPS Telephone Company
Type of Exhibit: Direct Testimony
Case No: IO-2003-0012
Date Testimony Prepared: December 17, 2002

BPS TELEPHONE COMPANY

DIRECT TESTIMONY

OF

DAVID CARSON

CASE NO. IO-2003-0012

FILED²

DEC 17 2002

Missouri Public
Service Commission

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

In the Matter of BPS Telephone)	
Company's Election to be Regulated)	Case No. IO-2003-0012
Under Price Cap Regulation as Provided)	
In Section 392.245, RSMo 2000.)	

County of Dunklin

)ss
)

State of Missouri

AFFIDAVIT OF DAVID CARSON

David Carson, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of David Carson"; that said testimony was prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of his knowledge, information, and belief.

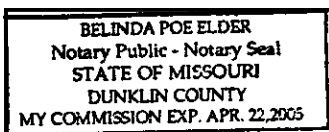


Subscribed and sworn to before me this 13th day of December, 2002.


Notary Public

My Commission expires:

April 22, 2005



1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is David Carson, and my business address is 120 Stewart Street, P.O. Box 550,
3 Bernie, Missouri 63822-0550.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am employed by BPS Telephone Company as Assistant Manager.

6 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

7 A. I received a bachelor of science degree with a major in accounting from Southeast
8 Missouri State in 1989 summa cum laude.

9 Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND IN THE
10 TELECOMMUNICATIONS INDUSTRY AND YOUR CURRENT DUTIES AS
11 ASSISTANT MANAGER.

12 A. I began in the industry with BPS Telephone Company in July 1996. My duties at that
13 time were to perform the accounting functions of accounts payable and payroll, as well as
14 produce monthly financial statements. On March 5, 1998, I was promoted to Assistant
15 Manager and took on the responsibilities of overseeing the outside plant and supervising
16 the outside plant personnel as well as supervising the central office technician. My job
17 also includes reviewing and placing new orders with contractors and interacting with the
18 contractors during construction. My duties still include responsibility for overseeing
19 and/or performing accounting and financial activities.

20 Q. HAVE YOU EVER TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE
21 COMMISSION?

22 A. No.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. I am filing testimony in support of the election of BPS Telephone Company to be
3 regulated under price cap regulation pursuant to § 392.245, RSMo.

4 Q. DOES BPS TELEPHONE COMPANY QUALIFY AS A PRICE CAP COMPANY?

5 A. Yes. While I am not an attorney, I have read § 392.245.2, RSMo 2000, which sets out
6 the requirements that must be met in order for a small, incumbent local exchange
7 company to be able to elect to be regulated pursuant to price cap regulation. In my
8 opinion, and based on a plain-reading of the section, BPS qualifies as a price cap
9 company. This provision states in pertinent part:

10 A small incumbent local exchange telecommunications company
11 may elect to be regulated under this section upon providing written
12 notice to the commission if an alternative local exchange
13 telecommunications company has been certified to provide basic
14 local telecommunications service and is providing such service in
15 any part of the small incumbent company's service area, and the
16 incumbent company shall remain subject to regulation under this
17 section after such election.

18 As explained below, all of these requirements have been met.

19 Q. IS BPS TELEPHONE COMPANY A "SMALL" INCUMBENT LOCAL EXCHANGE
20 TELECOMMUNICATIONS COMPANY?

21 A. Yes. It is my understanding that § 386.020(30), RSMo, defines a small local exchange
22 company as a company with less than one hundred thousand access lines. BPS serves

1 approximately 3900 access lines.

2 Q. DID BPS PROVIDE WRITTEN NOTICE TO THE COMMISSION OF ITS PRICE
3 CAP ELECTION?

4 A. Yes. BPS first provided written notice of its election of price cap regulation to the
5 Commission on March 13, 2002. On July 17, 2002, BPS renewed its notice of price cap
6 election. Copies of these letters are attached as Schedules DC 1 and DC 2.

7 Q. IS AN ALTERNATIVE LOCAL EXCHANGE TELECOMMUNICATIONS
8 COMPANY CERTIFIED TO PROVIDE BASIC LOCAL TELECOMMUNICATIONS
9 SERVICE IN THE SERVICE AREA OF BPS?

10 A. Yes. Missouri State Discount Telephone ("MSDT") received a certificate to provide
11 basic local telecommunications service from the Commission on March 16, 2001, in Case
12 No. TA-2001-334. The Commission granted MSDT "a certificate of service authority to
13 provide basic local telecommunications services in the state of Missouri." MSDT's
14 certificate of service authority included the service areas of small incumbent local
15 exchange companies including BPS. MSDT's initial tariff was approved by the
16 Commission on June 26, 2001, effective July 2, 2001. MSDT filed a revised tariff sheet
17 on May 21, 2002, to add several small company exchanges to its list of exchanges served,
18 including the BPS exchanges, where MSDT had subsequently negotiated resale
19 agreements. This tariff sheet became effective June 21, 2002.

20 Q. DOES MISSOURI STATE DISCOUNT TELEPHONE HAVE A RESALE OR
21 INTERCONNECTION AGREEMENT WITH BPS?

22 A. Yes. The Commission approved a Resale Agreement between MSDT and BPS on

1 October 16, 2001, in Case No. TO-2002-62.

2 Q. IS MISSOURI STATE DISCOUNT TELEPHONE PROVIDING BASIC LOCAL
3 TELECOMMUNICATIONS IN THE SERVICE AREA OF BPS?

4 A. Yes. The definition of "basic local telecommunications service" is found in § 386.020(4),
5 RSMo 2000, where "basic local telecommunications service" is defined, in pertinent part,
6 as:

7 two-way switched voice service within a local calling scope as
8 determined by the commission comprised of *any* of the following
9 services and their recurring and nonrecurring charges:

10 (a) Multiparty, single line, including installation, touchtone dialing,
11 and any applicable mileage or zone charges;

12 (b) Assistance programs for installation of, or access to, basic local
13 telecommunications services for qualifying economically
14 disadvantaged or disabled customers or both, including, but not
15 limited to, lifeline services and link-up Missouri services for low-
16 income customers or dual-party relay service for the hearing
17 impaired;

18 (c) Access to local emergency services including, but not limited to
19 911 service established by local authorities;

20 (d) Access to basic local operator services;

21 (e) Access to basic local directory assistance;

1 (f) Standard intercept service;

2 (g) Equal access to interexchange carriers consistent with rules and
3 regulation of the Federal Communication Commission;

4 (h) One standard white pages directory listing.

5 (Emphasis added.) MSDT provides many of these services, and thus provides basic local
6 telecommunications service under this definition. Pursuant to its certificate of service
7 authority to provide basic local telecommunications service, the tariff approved by the
8 Commission and the Resale Agreement between MSDT and BPS, MSDT began offering
9 basic local telecommunications service in the BPS service area on February 2, 2002.
10 MSDT currently provides service through resale to customers in the BPS service area.

11 Q. HOW DO YOU KNOW THAT MSDT IS PROVIDING BASIC LOCAL
12 TELECOMMUNICATIONS SERVICE?

13 A. BPS provides basic local telecommunications service in that it provides all of the services
14 listed in Section 386.020(4). Because MSDT resells BPS service, I assume it is capable
15 of providing all of these services as well. However, when MSDT requests BPS initiate
16 service for one of MSDT's customers, MSDT specifically requests that BPS block all toll
17 calls, collect calls, directory assistance calls, operator completed calls, 900/977 calls,
18 direct dialed toll calls and third party calls. I assume then that MSDT is still providing
19 single line, touchtone dialing service; access to local emergency (or 911) services, and
20 one standard white pages directory listing. In addition, MSDT's tariff states that its
21 resold local exchange service enables a customer to:

22 1) place or receive calls to any calling Station in the Local Calling

1 Area, as defined herein;

2 2) access basic 911 Emergency Service, if available in the

3 Customer's Local Calling Area;

4 3) place or receive calls to 800 (toll free) telephone numbers;

5 4) access interexchange carriers through prepaid calling cards;

6 5) [obtain] service for deaf and hearing impaired customers which

7 gives access to the telephone relay system by allowing the

8 customer to place and receive 900 (toll free) calls pursuant to the

9 rules and regulations of the Missouri Public Service Commission.

10 This service is the same as offered and provided by the underlying

11 Carrier with whom Company has entered into a Resale Agreement

12 with.¹ Directory listings are also provided MSDT customers.²

13 Q. IS MISSOURI STATE DISCOUNT TELEPHONE COMPANY'S SERVICE LIMITED
14 TO CUSTOMERS WHO DO NOT QUALIFY TO RECEIVE SERVICE FROM BPS
15 TELEPHONE COMPANY?

16 A. No. The Resale Agreement between BPS and MSDT does not preclude MSDT from
17 providing service to any BPS customer that requests its service. There is nothing in
18 MSDT's tariff or in the Resale Agreement with BPS that precludes MSDT from

¹Missouri State Discount Telephone, Mo. P.S.C. No. 1, Original Sheet No. 39. Schedule DC 3.

²Missouri State Discount Telephone, Mo. P.S.C. No. 1, Original Sheet No. 44. Schedule DC 4.

1 providing service to anyone located in BPS's service territory. Section 6.1.1 of the
2 Resale Agreement only states that MSDT will not "target" BPS customers. Further
3 Section 6.1.1 of the Resale Agreement states that:

4 In the event a customer of Telephone Company [defined as BPS]
5 requests service from Missouri State Discount prior to actual
6 disconnection by Telephone Company, Telephone Company will
7 process an appropriate service order from Missouri State Discount
8 when it receives notification and verification from the customer
9 that the customer intends to take service from Missouri State
10 Discount.

11 Thus, the Resale Agreement entered into by BPS and MSDT does not preclude MSDT
12 from providing service to a current customer of BPS, and it is important to note that BPS
13 has not and will not refuse to process any order for service from MSDT, whether or not
14 the customer is a present customer of BPS.

15 Q. HAS BPS TELEPHONE COMPANY MET ALL OF THE REQUIREMENTS
16 NECESSARY TO QUALIFY FOR PRICE CAP STATUS?

17 A. Yes. As described above, BPS has met the necessary requirements to enable it to elect to
18 be regulated as a price cap company. To summarize: 1) BPS is a small incumbent local
19 exchange telecommunications company; 2) BPS provided written notice to the
20 Commission of its election to be regulated under section 392.245, RSMo; 3) an
21 alternative local exchange telecommunications company has been certified to provide
22 basic local telecommunications service in the BPS service area; and 4) that alternative

1 local exchange telecommunications company is providing basic local
2 telecommunications service in the BPS service area.

3 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

4 A. Yes.

RECEIPT COPY

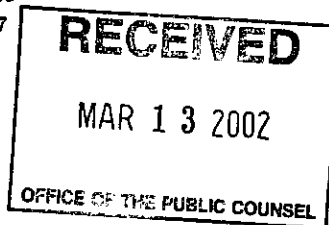
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JANET E. WHEELER

OF COUNSEL
RICHARD T. CIOTTONE



March 13, 2002

RECEIVED

MAR 13 2002

*Records
Public Service Commission*

Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Re: BPS Telephone Company - Election of Price Cap Regulation

Dear Mr. Roberts:

Section 392.245 RSMo 2000 sets forth a framework for the regulation of incumbent local exchange carriers pursuant to a "price cap" form of regulation. Subsection 2 of that statute provides, among other things, that

"(a) small incumbent local exchange telecommunications company may elect to be regulated under this section upon providing written notice to the Commission if an alternative local exchange telecommunications company has been certified to provide basic local telecommunications service and is providing such service in any part of the small incumbent company's service area, and the incumbent company shall remain subject to regulation under this section after such election."

Please be advised that BPS Telephone Company hereby elects to be regulated under this price cap form of regulation, as provided in Section 392.245 RSMo 2000. BPS states that it qualifies for such election inasmuch as 1) it is a small incumbent local exchange company (serving approximately 3900 access lines); 2) an alternative local telecommunications company (i.e., Missouri State Discount Telephone Company) has been certified to provide basic local telecommunications service (MoPSC Case No. TA-2001-334, Order Granting Certificate to Provide Basic Local Exchange and Interexchange Telecommunications Service, issued March 16, 2001); and 3) such alternative local exchange company is providing service in BPS's service area.

Would you please see that this election is brought to the attention of the appropriate Commission personnel. If there are any questions regarding this matter, would you please direct them to me at the above number. Thank you in advance for your attention to and cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "W.R. England, III". The signature is stylized with a large, looping "W" and a long, sweeping "E".

W.R. England, III

WRE/da

cc: Office of Public Counsel
Mr. W. F. Provance

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OF COUNSEL
RICHARD T. CIOTONE

July 17, 2002

Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Re: BPS Telephone Company - Price Cap Election

Dear Mr. Roberts:

On March 13, 2002, BPS Telephone Company notified the Commission through a letter from its counsel that it was making an election to be regulated under "price cap" regulation. In its letter, BPS cited Section 392.245, RSMo 2000, which allows a small incumbent local exchange telecommunications company to elect regulation under that statute when "an alternative local exchange telecommunications company has been certified to provide basic local telecommunications service and is providing such service in any part of the incumbent company's service area." BPS stated in its March 13 letter that it was a small incumbent local exchange company serving approximately 3900 access lines, that an alternative local exchange telecommunications company (i.e. Missouri State Discount Telephone or MSDT) had been certified to provide basic local telecommunications service in its service area, and that MSDT was providing service in its service area. BPS stated that it had thus met all the necessary requirements to allow its election to be regulated under § 392.245.1.

On May 15, 2002, the Staff of the Commission filed a Motion for Commission Authority to File an Excessive Earnings Complaint. In this Motion, the Staff challenged BPS's price cap election on several grounds, one of which was the allegation that MSDT was not "lawfully providing" service in BPS's service area because its tariff did not list the BPS exchanges. BPS does not agree with Staff's interpretation of the statute and does not believe that BPS is required to show that the alternative local exchange telecommunications company is lawfully providing service in order to make the price cap election. However, MSDT has now revised its tariff to include the three BPS exchanges, and the tariff revision became effective June 21, 2002. Therefore, in order to remove any uncertainty that MSDT was not lawfully providing service or that BPS's election was invalid on that basis, BPS renews its election as of this date.

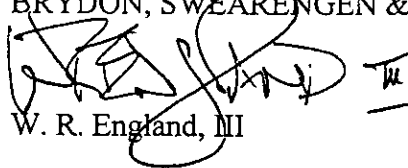
Please be advised that BPS Telephone Company hereby elects to be regulated under price cap regulation as provided in Section 392.245, RSMo 2000. BPS states that it qualifies for such election inasmuch as 1) it is a small incumbent local exchange company (serving approximately 3900 access lines); 2) an alternative local exchange telecommunications company (i.e. Missouri State Discount Telephone Company) has been certified to provide basic local telecommunications service (MoPSC Case No. TA-2001-334, Order Granting Certificate to Provide Basic Local Exchange and Interexchange Telecommunications Service, issued March 16, 2001); and 3) such alternative local exchange telecommunications company is providing service in BPS's service area.

Would you please see that this election is brought to the attention of the appropriate Commission personnel. If there are any questions regarding this matter, would you please direct them to me at the above number. Thank you in advance for your attention to and cooperation in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

A handwritten signature in black ink, appearing to read "W. R. England, III", is written over the printed name. The signature is stylized with a large, sweeping "W" and a distinct "III" at the end.

W. R. England, III

SBM

cc: Office of Public Counsel

Mr. Cliff Snodgrass

Mr. W. F. Provance

Case Papers, Case No. TC-2002-1076

**P.S.C. No. 1
Local Service**

Missouri State Discount Telephone

Original Sheet No. 39

3. Service Descriptions

3.1 Resold Local Exchange Service:

The Company's Resold Local Telephone Service (Local Line) provides a Customer with the ability to connect to the Company's switching network through resale of local exchange access and local exchange service provided by an underlying Carrier, which enables the Customer to:

- place or receive calls to any calling Station in the Local Calling Area, as defined herein;
- access basic 911 Emergency Service, if available in the Customer's Local Calling Area;
- place or receive calls to 800 (toll free) telephone numbers;
- access interexchange carriers through prepaid calling cards;
- service for deaf and hearing impaired customers which gives access to the telephone relay system by allowing the customer to place and receive 900 (toll free) calls pursuant to the rules and regulations of the Missouri Public Service Commission. This service the same as offered and provided by the underlying Carrier with whom Company has entered into Resale Agreements with.

The Company's Service does not permit a Customer to originate calls direct dial (1+) or (0+) toll services and cannot be used to originate calls to other telephone companies caller-paid information services (e.g. 900, 976). Calls to telephone numbers used for toll services and caller-paid information services will be blocked by the Company.

3.1.1. Prepaid Service (Local Line)

Date of Issue: May 17, 2001

Effective Date: July 2, 2001

**Harry Thielepape
President
Missouri State Discount Telephone
804 Elkins Lake
Huntsville, TX 77340**

Schedule DC3

**P.S.C. No. 1
Local Service**

Missouri State Discount Telephone

Original Sheet No. 44

-
- 3.2.3. Each listing must be designated Government or Business to be placed in the appropriate section of the directory. In order to aid the user of the directory, and to avoid misleading or deceiving the calling party as to the identity of the listed party, only business listings may be placed in the Business Section and only residential listings in the Residential Section. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.
- 3.2.4. In order for listings to appear in an upcoming directory, the Customer must furnish the listing to the Company in time to meet the directory publishing schedule.
- 3.2.5. Directory listings are provided in connection with each Customer service as specified herein.
- 3.2.5.A. Primary Listing: A primary listing contains the name of the Customer, or the name under which a business is regularly conducted, as well as the address and telephone number of the Customer. This listing is provided at no additional charge.
- 3.2.5.B. Additional Listings: In connection with business service, additional listings are available only in the names of Authorized Users of the Customer's service, as defined herein. Rates for additional listings are specified in Section 4.
- 3.2.5.C. Nonpublished Listings: Listings that are not printed in directories. A Nonpublished Telephone Service will be furnished, at the Customer's request providing for the omission or deletion of the Customer's telephone listing from the telephone directory and, in addition, the Customer's telephone listing will be omitted or deleted from the directory assistance records, subject to the provisions set forth herein. Rates for Nonpublished Listings are specified in Section 4.
- 3.2.5.D. Nonlisted Numbers: A Nonlisted number will be furnished at the Customer's request, providing for the omission or deletion of the Customer's listing from the telephone

Date of Issue: May 17, 2001

Effective Date: July 2, 2001

**Harry Thielepape
President
Missouri State Discount Telephone
804 Elkins Lake
Huntsville, TX 77340**