

OFFICIAL CASE FILE  
MISSOURI PUBLIC SERVICE COMMISSION

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT

**FILED**

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PUBLIC SERVICE COMMISSION

CASE NO. : TA-88-218, et al.

In the matter of the application of AMERICAN  
OPERATOR SERVICES, INC., for a certificate of  
public convenience and necessity to provide  
intrastate operated-assisted resold  
telecommunication services.

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MISSOURI PUBLIC SERVICE COMMISSION

*Missouri Public Service Commission*

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Hearing of the Public Service  
Commission, held at Jefferson City,  
Missouri, on the 20th, 21st, and 22nd  
days of September, . . . . . 1988.

CASE NO. TA-88-218, et al.

In the matter of the application of  
**AMERICAN OPERATOR SERVICES, INC.**,  
for a certificate of public  
convenience and necessity to provide  
intrastate operated-assisted resold  
telecommunication services.

BEFORE:

BETH O'DONNELL, Presiding,  
HEARING EXAMINER.  
CHARLOTTE MUSGRAVE,  
ALLAN G. MUELLER,  
JAMES M. FISCHER,  
COMMISSIONERS.

REPORTED BY:

DEBBIE J. TWEEDY, RPR  
BARBARA A. SKALLA, CCR  
SHELLIE E. BYERS, CCR, RPR

*Missouri Public Service Commission*

APPEARANCES:

MARK P. JOHNSON, Attorney at Law  
Spencer, Fane, Britt & Browne  
1000 Walnut, Suite 1400  
Kansas City, Missouri 64106

FOR: AMERICAN OPERATOR SERVICES, INCORPORATED  
d/b/a NATIONAL TELEPHONE SERVICES.

RICHARD S. BROWNLEE, III, Attorney at Law  
Hendren and Andrae  
235 East High Street  
Jefferson City, Missouri 65101

FOR: INTERNATIONAL TELECHARGE, INC.  
TELECONNECT COMPANY.

ANDREW KEVER, Attorney at Law  
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1800 San Jacinto Center  
Austin, Texas 78701

FOR: INTERNATIONAL TELECHARGE, INC.

PAUL A. BOUDREAU, Attorney at Law  
W. R. ENGLAND, III, Attorney at Law  
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FOR: CITIZENS TELEPHONE COMPANY.  
CONTEL OF MISSOURI, INC.  
CONTEL SYSTEM OF MISSOURI, INC.  
EASTERN MISSOURI TELEPHONE COMPANY.  
FIDELITY TELEPHONE COMPANY.  
MID-MISSOURI TELEPHONE COMPANY.  
MISSOURI TELEPHONE COMPANY.  
NORTHEAST MISSOURI RURAL TELEPHONE COMPANY.  
WEBSTER COUNTY TELEPHONE COMPANY.

THOMAS J. HORN, Attorney at Law  
100 North Tucker Boulevard, Room 630  
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FOR: SOUTHWESTERN BELL TELEPHONE COMPANY.

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1 VERNON C. MAULSON, Associate General Counsel  
2 1312 East Empire Street  
3 Bloomington, Illinois 61701

4 FOR: GTE NORTH INCORPORATED.

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7 5454 West 110th Street  
8 Overland Park, Kansas 66211

9 FOR: UNITED TELEPHONE COMPANY OF MISSOURI.

10 MARK P. ROYER, Attorney at Law  
11 1100 Walnut Street, Room 2432  
12 Kansas City, Missouri 64106

13 FOR: AT&T COMMUNICATIONS OF THE SOUTHWEST, INC.

14 WILLARD C. REINE, Attorney at Law  
15 314 East High Street  
16 Jefferson City, Missouri 65101

17 and

18 JEAN L. KIDDOO, Attorney at Law  
19 Swidler & Berlin  
20 3000 K Street, N.W., Suite 300  
21 Washington, D.C. 20007

22 FOR: OPERATOR ASSISTANCE NETWORK.

23 EDWARD J. CADIEUX, Regulatory Attorney  
24 100 South Fourth Street, Suite 1200  
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FOR: MCI TELECOMMUNICATIONS CORPORATION.

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7777 Bonhomme, Suite 1910  
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FOR: MIDWEST INDEPENDENT COIN PAYPHONE  
ASSOCIATION.



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3 P.O. Box 7800  
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5 FOR: OFFICE OF THE PUBLIC COUNSEL  
6 and THE PUBLIC.

7 CHARLES BRENT STEWART, Assistant General Counsel  
8 P.O. Box 360  
9 Jefferson City, Missouri 65102

10 FOR: STAFF OF THE MISSOURI PUBLIC  
11 SERVICE COMMISSION.  
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PROCEEDINGS

(Written Entries of Appearance filed.)

(EXHIBIT NOS. 2 THROUGH 8, 12, 12-A, 13, 13-A, 14, 15, 16, 17, 17-A, 18, 19, 19-A, AND 20 WERE MARKED BY THE REPORTER FOR IDENTIFICATION.)

EXAMINER O'DONNELL: This hearing of the Missouri Public Service Commission shall come to order.

The Commission has set for hearing at this time Case No. TA-88-218, et al.

At this point each party may make his or her oral entry of appearance beginning with the applicants. We'll go ahead and use the usual order of after the applicants, the Staff and Public Counsel and then the intervenors.

MR. JOHNSON: May it please the Commission. Mark Johnson of the law firm of Spencer, Fane, Britt & Browne, appearing on behalf of the applicant American Operator Services, Incorporated, doing business under the name of National Telephone Services.

MR. BROWNLEE: May it please the Commission. Let the record show the entry of appearance of Richard Brownlee of the law firm of Hendren & Andrae, 235 East High Street, Jefferson City, Missouri, 65101, appearing on behalf of International Telecharge, Inc., or denominated ITI, and Teleconnect.

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1                   And I'd also introduce Andrew Kever, who can  
2 make his own entry of appearance; and we have complied with  
3 the local rule regarding a foreign attorney practicing  
4 before the Missouri Public Service Commission. And that  
5 filing will be made today.

6                   MR. KEVER: Andrew Kever from Bickerstaff,  
7 Heath & Smiley, 1800 San Jacinto Boulevard, Austin, Texas,  
8 appearing on behalf of ITI.

9                   MR. STEWART: May it please the Commission.  
10 Charles Brent Stewart, P.O. Box 360, Jefferson City,  
11 Missouri, 65102, appearing on behalf of the Staff of the  
12 Missouri Public Service Commission.

13                  MS. OTT: Let the record reflect the  
14 appearance of Joni K. Ott and Mark Wheatley. And we are  
15 appearing on behalf of the Office of the Public Counsel and  
16 the public. And our mailing address is P.O. Box 7800,  
17 Jefferson City, Missouri, 65102.

18                  MR. BOUDREAU: Let the record reflect the  
19 appearance of Paul A. Boudreau and W.R. England, III, with  
20 the law firm of Hawkins, Brydon, Swearngen & England.  
21 Mailing address is Post Office Box 456, Jefferson City,  
22 Missouri, appearing on behalf of the independent telephone  
23 company group, which is a group comprised of Contel of  
24 Missouri, Inc.; Contel System of Missouri, Inc.;  
25 Webster County Telephone Company; Missouri Telephone

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1 Company; Eastern Missouri Telephone Company; Fidelity  
2 Telephone Company; Citizens Telephone Company of  
3 Higginsville, Missouri; Mid-Missouri Telephone Company; and  
4 Northeast Missouri Rural Telephone Company.

5 MR. HORN: May it please the Commission.  
6 Thomas J. Horn on behalf of Southwestern Bell Telephone  
7 Company, 100 North Tucker, Room 630, St. Louis, Missouri,  
8 63101.

9 MR. MAULSON: Vern Maulson, 1312 East Empire  
10 Street, Bloomington, Illinois, appearing on behalf of GTE  
11 North Incorporated.

12 MR. KNOWLES: May it please the Commission.  
13 David K. Knowles appearing on behalf of United Telephone  
14 Company of Missouri, 5454 West 110th Street, Overland Park,  
15 Kansas.

16 MR. ROYER: Mark Royer, 1100 Walnut,  
17 Room 2432, Kansas City, Missouri, 64106, appearing on behalf  
18 of AT&T Communications of the Southwest, Inc.

19 MR. REINE: Willard C. Reine, attorney at  
20 law, 314 East High Street, Jefferson City, Missouri,  
21 appearing on behalf--as local counsel on behalf of the  
22 Operator Assistance Networks.

23 As co-counsel--she can make her own entry of  
24 appearance--is Ms. Jean L. Kiddoo of the law firm of  
25 Swidler & Berlin in Washington. We have not completely

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1 complied with the outstate counsel matter; but I do have a  
2 photocopy of certificates from the District of Columbia  
3 Court of Appeals dated February '87, which we will file  
4 today. And we will obtain new ones in the next few days.

5 EXAMINER O'DONNELL: Thank you.

6 MS. KIDD00: Jean L. Kiddoo appearing on  
7 behalf of Operator Assistance Network. I'm with the law  
8 firm of Swidler & Berlin, 3000 K Street, Washington, D.C.,  
9 20007.

10 MR. CADIEUX: Edward J. Cadieux--no  
11 relation--MCI Telecommunication--appearing on behalf of MCI  
12 Telecommunications Corporation, 100 South 4th Street,  
13 Suite 1200, St. Louis, Missouri, 63102.

14 MR. NEWMARK: May it please the Commission.  
15 My name is Philip R. Newmark, and I'm appearing here on  
16 behalf of Midwest Independent Coin Payphone Association,  
17 intervenor. My address is 7777 Bonhomme, Suite 1910,  
18 Clayton, Missouri, 63105.

19 EXAMINER O'DONNELL: Mr. Boudreau, am I  
20 right you are representing also Missouri Telephone Company  
21 of Eastern Missouri?

22 MR. BOUDREAU: Yes, that's correct.

23 EXAMINER O'DONNELL: Everyone then has made  
24 their oral entry of appearance.

25 At this time then we will entertain the

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1 opening statements of the parties, and the order we will do  
2 that in is the order that the parties have agreed on for  
3 presentation of their cases. Therefore, we will begin with  
4 Mr. Johnson for American Operator Services. I will remind  
5 you that each of the parties have ten minutes.

6 MR. JOHNSON: Thank you, Madam Hearing  
7 Examiner.

8 May it please the Commission. As I said  
9 before, my name is Mark Johnson. I am with the law firm,  
10 Kansas City law firm, of Spencer, Fane, Britt & Browne.  
11 I'm appearing today on behalf of American Operator Services,  
12 Incorporated, which has a d/b/a of National Telephone  
13 Services.

14 American Operator Services has applied for a  
15 certificate of service authority to provide interexchange  
16 service and operator services in Missouri.

17 In my opening statement I'd like to address  
18 three substantive points: first, the origin and background  
19 of the operator services industry; second, the fact that the  
20 operator services industry has been examined by a number of  
21 other regulators; and, finally, I would like to address the  
22 concerns which Public Counsel has raised with respect to the  
23 provision of operator services in Missouri.

24 But before I address those points on behalf  
25 of National Telephone Services, I want to commend the

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1 Commission and its Staff for the excellent investigation  
2 which they have conducted in this case.

3 As we all know, the operator services  
4 industry has been a hot topic of late. It has generated  
5 quite a bit of controversy. Many proceedings in other  
6 states have, I think, generated more heat than light. I  
7 think that the Commission Staff in this case has conducted  
8 an excellent and dispassionate investigation and, I think,  
9 should be commended for that.

10 Now, with respect to the issues I mentioned  
11 a moment ago, until 1984 with the divestiture of AT&T, AT&T  
12 had a monopoly on operator-assisted long distance traffic.  
13 And there we're talking about long distance calls in which  
14 the caller dials the zero digit first.

15 Now, as we all know, divestiture has  
16 resulted in competition in a number of areas; and the area  
17 of operator services is the most recent of those areas.  
18 However, in much the same way as the interexchange carriers,  
19 like US Sprint and MCI, have created so much controversy  
20 when they first confronted AT&T with competition in the  
21 interexchange market, the providers of operator services in  
22 competition with AT&T have also created controversy.

23 As in all new industries, the new companies  
24 have stumbled a few times. There's no doubt about that.  
25 However, we're confident that as the industry matures, these

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1 companies will assume the status of established and reliable  
2 carriers.

3 The new operator services companies are  
4 often referred to as "alternative operator service  
5 companies." Public Counsel refers to the companies in that  
6 way. We believe that a more accurate term and one which is  
7 fair to the applicants in this case is "competitive operator  
8 services."

9 Competitive operator services are in the  
10 public interest. House Bill 360 and various rulings of the  
11 Commission show that competition is often preferable to  
12 regulation, particularly where competition helps to  
13 influence the behavior of former monopoly providers and to  
14 bring new or improved services to the public.

15 Competitive operator services have brought  
16 competition to one of AT&T's last monopoly markets.

17 Competitive operator services companies give  
18 callers new options in how to access interexchange carriers  
19 other than AT&T and in how callers can charge their  
20 telephone calls, either to telephone company calling cards  
21 or to their own personal credit cards.

22 Competitive operator services have pioneered  
23 various innovative services for the transient caller, such  
24 as voice messaging.

25 Finally, competitive operator services



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1 companies also help the owners of telephones in sharing the  
2 revenues generated from long distance traffic. We believe  
3 that competitive operator services is an exciting new  
4 industry and should be allowed to gain a foothold in  
5 Missouri.

6 Now, the second point in my opening  
7 statement is that this proceeding is not the first in which  
8 operator services have been investigated. Investigations  
9 have been conducted by NARUC, the FCC, and many state  
10 commissions.

11 NARUC state issues task force found that the  
12 alleged problems with the industry are not nearly as severe  
13 as had been expected. And its report, in fact, concludes  
14 that the states should not refuse to authorize these  
15 services. The FCC concluded that the rigors of competition  
16 will sufficiently regulate the industry. And, finally, many  
17 state commissions have looked into operator services and  
18 found them to be in the public interest.

19 Now, my third point, which I mentioned a  
20 moment ago, concerns the Public Counsel's opposition to the  
21 provision of competitive operator services in Missouri. In  
22 fact, of the many parties here today, it is only the Public  
23 Counsel which opposes the authorization of this service.  
24 Public Counsel has expressed a number of objections, none of  
25 which has any basis today.

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1                   Public Counsel's concerns were premature and  
2 based on incomplete information. Now, what were those  
3 concerns and how have they been addressed?

4                   First, Public Counsel complains that the  
5 applicants charge excessive rates. In fact, in this case  
6 NTS has proposed a tariff which contains rates less than  
7 5 percent higher than Southwestern Bell's presently tariffed  
8 rates. Hardly excessive.

9                   Second, Public Counsel complains about  
10 carrier identification. But NTS identifies itself to every  
11 caller on every call.

12                   Third, Public Counsel claims to be concerned  
13 about ensuring unfettered access to all interexchange carriers  
14 including AT&T. On that point, where it's possible, NTS does  
15 provide such access through a process called splashback, which  
16 has been addressed in the prefiled testimony and, I think,  
17 will probably be the subject of some cross-examination.

18                   Where splashback isn't possible, that's due  
19 to the technical limitations of the telephones from which  
20 the caller is placing the call. It has nothing to do with  
21 any limitations of the NTS network or those of the other  
22 operator service companies here today.

23                   Now, fourth, Public Counsel states that  
24 operator services companies do not properly handle emergency  
25 phone calls in which people want access to a provider of

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1 emergency services--ambulance, police, or fire, for example.  
2 However, the evidence shows and will show, we think, to the  
3 Commission's satisfaction that NTS does, in fact, process  
4 those calls in an expeditious fashion.

5 Fifth, Public Counsel objects to a local  
6 exchange company disconnecting the service of customers who  
7 fail to pay operator service company charges. In this case,  
8 the operator service providers seek nothing more than the  
9 treatment which interexchange carriers receive.

10 The local exchange companies disconnect  
11 service of customers who fail to pay interexchange carrier  
12 charges. And we believe that the local exchange companies  
13 should be able to disconnect the service for the people who  
14 fail to pay undisputed operator service charges.

15 Now, sixth and finally, Public Counsel  
16 believes that operator service companies charge  
17 intentionally for uncompleted calls. In that regard,  
18 operator service companies charge for incomplete calls only  
19 in the uncommon situation where the local exchange company  
20 does not provide a service call answer supervision and the  
21 caller lets the phone ring for an inordinate length of time.  
22 This is a rare situation and is, in fact, beyond the control  
23 of the operator service company.

24 In short, we believe we have responded to  
25 the concerns expressed by Public Counsel.

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1 We believe, in summary, that the evidence  
2 does show that competitive operator services is in the  
3 public interest and that my client, NTS, should be  
4 certificated to provide that service in Missouri.

5 The fact that competitive operator services  
6 are in the public interest will be confirmed when this  
7 industry becomes recognized as a solid player in the  
8 telecommunications field. And let me give you an example of  
9 that.

10 Five years ago we were all talking about MCI  
11 and US Sprint as new people on the block. Today they're  
12 just like everyone else. I think we treat them and we  
13 consider them as if they have always been here. I think  
14 five years from today we'll think the same thing about the  
15 operator service companies. We will see after there's a  
16 shakeout in this field due to competition that the companies  
17 that survive that shakeout will be reliable providers of  
18 operator services and will be viewed as substantial  
19 contributors to a fully competitive telecommunications  
20 industry. Thank you very much.

21 EXAMINER O'DONNELL: Thank you, Mr. Johnson.  
22 Mr. Brownlee.

23 MR. BROWNLEE: Thank you. May it please the  
24 Commission. Again my name is Richard Brownlee. I'm  
25 representing International Telecharge, Inc., or ITI, and

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1     Teleconnect.

2                     Both of these carriers have previously been  
3     certificated by the Missouri Public Service Commission to  
4     provide interexchange resale services on an intrastate  
5     interLATA and intraLATA basis. That was in the series of  
6     certification cases involving the, quote, "traditional  
7     reseller."

8                     These two companies have exactly the same  
9     certificate as does Sprint, as MCI, as AT&T from this  
10    Commission to provide those types of services. And what we  
11    have merely done is filed tariffs to allow us to provide  
12    competitive operator services so that we can provide the  
13    services as does AT&T, as does Sprint, as does a company in  
14    Joplin, LDS, who are presently tariffed and authorized to  
15    provide the competitive operator services. We think  
16    approval is required by this to avoid the discrimination  
17    that is presently existing.

18                    The case is not a new issue. As Mr. Johnson  
19    correctly pointed out, the NARUC staff subcommittee has  
20    investigated this, taken a national poll; and they in, I  
21    believe, August of this year adopted a resolution of proving  
22    competitive operator services under certain conditions,  
23    which uniquely enough are the same conditions that the Staff  
24    has recommended, Mr. VanEschen in his testimony. This is  
25    not new to this state.

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1                   ITI has been approved in approximately 34  
2 other states. There are some states that do not even  
3 require approval. Teleconnect that has operated in a more  
4 midwest or central portion has either been approved or  
5 sought approval in 15 states where it's centrally located.

6                   It's not new because the Staff has made an  
7 excellent investigation, and I can concur with Mr. Johnson's  
8 comments regarding it seemed to be fair. It was reasoned  
9 and reasonable; and I believe the recommendations that the  
10 Staff made, in fact, almost to the letter have been complied  
11 with by both of my clients in their tariff filings.

12                  The places where there have not been a total  
13 compliance are really problems of a technical nature that  
14 should have been resolved in a meeting between the various  
15 parties as opposed to this hearing today. That's the way to  
16 resolve those kind of technical questions.

17                  What this case is is Public Counsel's  
18 preconceived notion that competitive operator services is  
19 not in the public interest. That testimony and that  
20 decision was made before they ever investigated operator  
21 services in this state. It's based on aged data. It's  
22 based on incomplete data and inaccurate data. And as,  
23 again, Mr. Johnson said, Public Counsel, I believe, is the  
24 only person that is both technically and philosophically  
25 opposed to competitive operator service that's in this room.

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1           Public Counsel's concerns--and I'm not going  
2 to go through them. Mark did. --are regarding excessive  
3 rates, I can point out that my two clients are charging and  
4 have tariffed rates before the Commission that are equal to  
5 or below AT&T rates for exactly the same service.

6           Both of my companies have supplied cost data  
7 required under House Bill 360 that I think tentatively have  
8 been, if I can say, approved by the Staff as being not  
9 unjust and not unreasonable, not cross-subsidized.

10          The Public Counsel had a concern of notice  
11 to the users. My companies provide that notice and have  
12 long before the Public Counsel or Staff concern. Complaint  
13 procedures are provided. Rates are provided over the  
14 telephone if you ask.

15          The end user access to the interexchange  
16 carrier of choice, as Mr. Johnson said, is the term of  
17 "splashing." We believe that we are in agreement with that  
18 policy where it's technically possible. In some cases, I  
19 believe, where Feature B access is being utilized it's just  
20 not technically possible. However, I think both my  
21 companies are switching to Feature Group D where they'll  
22 have answer supervision where that problem will no longer  
23 exist. Again it's a developing industry.

24          There was a problem with incomplete calls,  
25 that we intentionally billed for incomplete calls. That is

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1 a total misstatement, and it's not reflected in the evidence  
2 or in fact. And if there is a problem where there is a  
3 misbilled call that I can assure you occurs in the local  
4 exchange area in the interexchange carrier area where there  
5 are errors made in billing with typical resellers, there's a  
6 full refund policy.

7 The billing and collection, we believe that  
8 the operator services' name should appear on the bill so the  
9 person knows who was handling the call.

10 Emergency calls, we believe that our  
11 companies have developed emergency call procedures that  
12 equal to any local exchange carrier in terms of quality of  
13 handling, speed of handling, and accuracy of handling.  
14 You'll see a tape on that that's been sponsored by  
15 International Telecharge.

16 The disconnection policy, we believe we  
17 would comply with the rules of the Missouri Public Service  
18 Commission disconnection. If it's a tariffed rate approved  
19 by the Commission and the customer does not pay the bill, he  
20 ought to be disconnected pursuant to the rules of the  
21 Commission. We're asking again just to be on an even  
22 playing field.

23 In summary, a review of the Hearing Memo--  
24 which I think most the parties--it will be received at a  
25 late time, but I think most parties concur with generally--



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1 reveals that there is almost uniform agreement as to what is  
2 at issue before the Commission and, I think, almost uniform  
3 agreement that competitive operator services are, in fact,  
4 competitive, are in the public interest and should be  
5 offered.

6 We believe that this matter should have been  
7 resolved in a settlement. It should be in a meeting today  
8 as opposed to this formal hearing requiring the time and  
9 trouble of all the parties and the Commission. We urge that  
10 there be an early resolution of the matter, approval of the  
11 tariffs, conclusion that there is a competitive declaration  
12 so that the operator of those desiring to provide  
13 competitive operator services may do so under an equal and  
14 fair regulation by the Missouri Public Service Commission.

15 Thank you.

16 EXAMINER O'DONNELL: Thank you,

17 Mr. Brownlee.

18 Mr. Newmark.

19 MR. NEWMARK: We have no opening statement.

20 EXAMINER O'DONNELL: Thank you, Mr. Newmark.

21 Mr. Stewart.

22 MR. STEWART: May it please the Commission.

23 The Staff in this case is recommending that applicant AOSI  
24 be granted its requested certificate of service authority  
25 provided it makes available to the appropriate local

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1 exchange companies and to the Staff its percentage  
2 interstate/intrastate, interLATA/intraLATA use report.

3 Staff is further recommending that the  
4 tariffs of the other applicants be approved if they make  
5 changes to those tariffs reflecting Staff's recommended  
6 requirements.

7 Mr. Johnson correctly points out that the  
8 debate over operator services up to this point has been  
9 quite emotional. During the course of this hearing you no  
10 doubt will hear testimony that characterizes the applicants  
11 as the greatest thing in the telecommunications industry  
12 that's happened since the invention of telephone poles and  
13 telephone wire.

14 You will also no doubt hear testimony that  
15 characterizes the applicants as merely malevolent miscreants  
16 bent only upon making money at the end users' expense.

17 Since last spring the Staff has been  
18 investigating the issues presented in this case and has  
19 found neither characterization appropriate nor accurate.  
20 Instead, the Staff has found that the industry is going  
21 through some rapid changes and that competition has allowed  
22 the proliferation of new service offerings as well as new  
23 providers of existing services. The applicants who offer  
24 operator services are simply a part of this industry  
25 revolution and evolution.

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1           Staff has also found, however, that  
2 customers have often been confused and customer complaints  
3 regarding operator services have, in fact, existed.

4           The Commission at this point is now faced  
5 with a task, at least to the extent of the applicants in  
6 this case and its effect on them in particular, of  
7 formulating an appropriate regulatory response to the issue  
8 of operator services.

9           Staff in its testimony has made several  
10 recommendations which are designed to permit competition  
11 while at the same time provide the end users with basic and  
12 necessary regulatory protection which will enable the end  
13 user to make an informed choice as to who will provide their  
14 operator services.

15           In fact, as already mentioned, Staff's  
16 proposed guidelines are quite similar to the NARUC  
17 resolution which was passed in July of 1988. Staff is  
18 concerned to one degree, however, that in order to make  
19 these guidelines applicable to all providers of operator  
20 services that it may be necessary to establish a spinoff  
21 rulemaking docket perhaps from this proceeding so that the  
22 application of these guidelines and rules would be  
23 universally applicable.

24           In any case, Staff believes that its  
25 recommendations are generally not controversial. I believe

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1 even Public Counsel to some extent has signed on to most of  
2 them provided you get past the first question of whether  
3 operator services and competition in that market is in the  
4 public interest.

5 The Staff would urge the Commission to  
6 carefully consider Staff's recommendation in the context at  
7 least today of the instant applicants. Thank you.

8 EXAMINER O'DONNELL: Thank you, Mr. Stewart.  
9 Ms. Ott.

10 MS. OTT: Thank you, your Honor.

11 And may it please the Commission. As the  
12 testimony of Public Counsel witness, M. Dianne Drainer,  
13 indicates, Public Counsel is, in fact, opposed to AOS in the  
14 state of Missouri. We believe that AOS is contrary to the  
15 public interest. And for purposes of our argument, we have  
16 defined AOS as the operator services provided by a company  
17 such as AOSI or ITI who enters into a contract with a  
18 business that provides telecommunication services to  
19 transient end users. Examples of these types of businesses  
20 would be hotels, motels, hospitals, and pay phones.

21 The things--there are actually a couple of  
22 things that we think make AOS services unique and different  
23 from other IXC providers and other IXC services. And that  
24 is, first, that the revenues derived from these transient  
25 end users constitute the vast majority, if not 100 percent,

1 of the AOS provider's revenues.

2 The second and more important distinction is  
3 that the AOS customer is not the end user. It is instead  
4 the company that contracts with the AOS provider to provide  
5 the operator services to his transient end users. These  
6 contracts generally provide for commissions to be paid to  
7 the AOS customer based upon a percentage of the revenues  
8 collected and/or billed. For this reason, both the AOS  
9 provider and his customer stand to benefit from excessively  
10 high operator rates.

11 This is unlike normal phone service provided  
12 by what we would consider to be traditional IXCs where they  
13 don't benefit from providing or from charging excessive  
14 rates because--even against transient end users because of  
15 their other IXC services. If they started gouging transient  
16 end users, this would necessarily have an impact on their  
17 other services, on their company reputation and image, and  
18 people would start canceling their subscribership to that  
19 IXC. This is not the case with AOS providers.

20 Public Counsel takes the position that AOS  
21 is contrary to the public interest for four general reasons.  
22 The first reason, as I already mentioned, is the excessively  
23 high rates.

24 Aside from the commissions that are a part  
25 of the AOS rates, oftentimes the AOS provider also--or the

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1 AOS customer also tacks on a surcharge. This surcharge is  
2 in addition to the rate charged by the AOS provider.  
3 Sometimes, depending on the contract, the AOS provider will  
4 actually share in a portion of that surcharge. Sometimes  
5 the AOS provider will actually collect the surcharges  
6 pointed out in Mr. Bryan's testimony on behalf of the  
7 customer.

8 Examples of the types of excessive rates  
9 that are being charged by AOS providers are continued in the  
10 schedules that are attached to Ms. Drainer's direct  
11 testimony.

12 The second reason that we believe that the  
13 provision of AOS is against the public interest is because  
14 there is a general lack of awareness on the part of the  
15 public that AOS even exists.

16 The AOS providers and their customers, as I  
17 pointed out earlier, have a financial incentive not to  
18 advertise the fact that AOS is being provided in that  
19 equipment. Moreover, it's our position that the AOS  
20 providers and the AOS customers have, in fact, not been  
21 providing adequate notice to their customers.

22 A lot of attention has been placed in the  
23 testimony filed by the parties on branding. And by  
24 "branding" they mean an identification of the company when  
25 the call is first placed. You know, like, "Thank you for

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1 calling AT&T" or "Thank you for calling ITI" and then at the  
2 very end of the call after the call is completed saying  
3 "Thank you for using AT&T" or "Thank you for using ITI."

4 It is our position that branding is a  
5 grossly inadequate means of educating consumers about AOS.  
6 And the similarities in company names like ITI, AT&T, and  
7 IT&T do nothing to clarify the situation for the consumers.  
8 The fact that ratepayers perceive the lack of adequate  
9 notification as a problem is illustrated in the complaint  
10 forms attached to both Ms. Drainer's testimony and, I guess,  
11 the attachments to Mr. VanEschen's testimony.

12 The third reason that Public Counsel  
13 believes that the provision of AOS is contrary to the public  
14 interest is because of the billing and collection abuses by  
15 the AOS providers. These we have categorized in four  
16 general categories.

17 Now, the first one was already mentioned;  
18 and that is billing for incomplete calls. I don't believe  
19 anywhere in our testimony we stated that this billing is  
20 intentional. The problem is is that it is occurring. There  
21 are examples in Ms. Drainer's testimony that show that at  
22 least one company bills for incomplete calls in the  
23 increments of three minutes being their basic increment at  
24 99 cents a minute so that the bill for the incomplete call  
25 would be almost \$3 on that customer's local exchange bill.

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1           The second problem, which is related to the  
2 excessive rates and the billing for incomplete calls, is the  
3 use of local disconnect for nonpayment of AOS charges.

4           The third general billing and collection  
5 abuse is the lack of point-to-point billing for calls that  
6 are splashed to another carrier, and I believe this was  
7 referred to in another party's opening statements.

8           For example, if I was to place a call from  
9 St. Louis to Jefferson City and I accessed AOSI or NTS, I  
10 would probably--my call would probably be handled by their  
11 operators who are located in Chicago. If I requested that  
12 my call be splashed to AT&T instead of NTS, my call would  
13 probably be handed off to AT&T in Chicago so that when I got  
14 my bill, it would show that I placed the call from Chicago  
15 to Jefferson City, not from St. Louis to Jefferson City.  
16 This problem results in customer confusion, and it has an  
17 impact on the jurisdictional payment of access charges.

18           The fourth and final billing and collection  
19 abuse is generally the lack of appropriate complaint  
20 procedures and the lack of a logo or a contact number for  
21 the AOS provider which would appear on the end user's bill.  
22 Even if a number is provided, a toll-free number, there have  
23 been complaints, as illustrated in Mr. VanEschen's  
24 attachments to his testimony, that these numbers are often  
25 busy. The customer is confused when they get a bill from



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1 the local exchange company with what they consider to be  
2 excessive charges on who to call and who is the appropriate  
3 party to deal with that problem.

4 Another related problem to the billing  
5 abuses is the fact that AOS providers accept calling cards  
6 of other IXC's. And it's our position that the acceptance of  
7 these calling cards is actually--is somewhat fraudulent. At  
8 best, it's incredibly misleading to the end user if he went  
9 through the trouble of obtaining a calling card of his  
10 carrier of choice and assuming that all of his calls would  
11 be billed by this carrier at rates that that customer felt  
12 comfortable with.

13 And then the fourth and final general reason  
14 that Public Counsel believes AOS is against the public  
15 interest is that AOS providers are currently operating  
16 illegally in this state. Regardless of what they say,  
17 regardless of what they're promising in the testimony, the  
18 fact remains that they are operating illegally today. They  
19 are charging excessive rates. They have tacked on  
20 surcharges. They are collecting these surcharges, and they  
21 are paying the commission. That is a fact.

22 And it is important to note that not one AOS  
23 provider has approved tariffs on file. Mr. Brownlee  
24 referred to ITI as having a certificate. It is our belief  
25 that ITI was granted the certificate as an accident. We

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1 certainly weren't served with a copy of the application. We  
2 were unaware that they filed in the first place, and so we  
3 started investigating AOS.

4 They came in under the streamline procedures  
5 that were approved by you in the really big phone case where  
6 you found as a matter of public policy that competition in  
7 IXC services meaning NTS, WATS, and private line service was  
8 in the public interest and therefore all that a provider, an  
9 IXC, needed to prove was that they were financially viable.  
10 We don't believe that that streamline procedure should have  
11 been applied to AOS providers, and we would contend that all  
12 that certificate allows ITI to do is provide the normal type  
13 of interexchange services, not the AOS type services.

14 The one thing that both Mr. Brownlee and  
15 Mr. Johnson refer to in their opening statements is  
16 competition and the benefits of competition. Mr. Johnson  
17 even pointed out MCI. I would point out to you that there  
18 are no benefits of this competition flowing to end users.  
19 The only thing that we see flowing to end users is customer  
20 confusion, excessive rates, gouging of innocent and captive  
21 transient end users. We do not believe that this is what  
22 competition is intended to bring.

23 In conclusion, Public Counsel recognizes  
24 that we are making some very serious allegations, that we  
25 are questioning the very integrity and honesty of the AOS

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1 business. We do not make these allegations lightly; and,  
2 believe me, if our evidence would have indicated any other  
3 possible interpretation that we could have made, we would  
4 have made it. We don't enjoy standing here and making these  
5 allegations, but we believe that our evidence does not allow  
6 us to conclude otherwise.

7 We would therefore ask that you reject  
8 AOSI's application for certification, that you reject the  
9 tariffs that ITI filed, that you order your General Counsel  
10 to seek an injunction against all unauthorized AOS providers  
11 in this state, and that you would order them to seek  
12 statutory penalties against the unauthorized provision of  
13 AOS.

14 Thank you.

15 EXAMINER O'DONNELL: Thank you, Ms. Ott.

16 Mr. Boudreau.

17 MR. BOUDREAU: Thank you. I represent a  
18 small group of local exchange carriers that have similar  
19 interests in this proceeding. The interests are somewhat  
20 limited. I hope that's not immediately translated into  
21 being unimportant. We've intervened in this case because we  
22 feel like we may be affected by the entry of this new  
23 competitive service in this state, either directly or  
24 indirectly; directly in that local exchange carriers may act  
25 as billing agents for not only these particular companies

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1 but for other competitive operator service companies.

2 We are also interested in the Commission's  
3 determination of several of the specific issues in this  
4 case; for instance, the disconnection policy, the policy of  
5 billing and collecting surcharges of customers of AOS  
6 providers.

7 We also are interested in this case  
8 indirectly in that the entry of these new competitors into  
9 the Missouri market affects our customers. And, in fact,  
10 we've been receiving--several of the companies have been  
11 receiving comments and inquiries and complaints from some of  
12 their customers about these services.

13 We've taken the position in this case that  
14 AOS to the extent it's authorized in this state should be  
15 subject to appropriate regulation to ensure that it's in the  
16 public interest.

17 You will hear testimony from a couple of  
18 witnesses for several of the companies that I represent. We  
19 have a--they articulate a rather unique concern; unique in  
20 that none of the other parties have addressed this issue.  
21 And I'd like to highlight that concern if I might.

22 The concern that I'd like to bring to the  
23 Commission's attention is essentially a networking problem  
24 that manifests itself as a billing problem. This generally  
25 happens in the context of an AOS provider handing the call

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1 off to another carrier. Depending on how the call is  
2 handled, it may show up on a company's call records with an  
3 incorrect point of origin. In other words, instead of  
4 appearing as the calling party's point of origin, it may  
5 appear as the operator service location. This happens  
6 whenever the call is placed on the switched network at the  
7 operator service location.

8 The point of origin--this will happen  
9 possibly in a couple of contexts. The principal one that's  
10 been addressed in the prefiled testimony is when a call is  
11 splashed back or handed off to another operator service  
12 provider, generally AT&T. Depending on how the call is  
13 handled, if it's handed directly on to AT&T, thrown on a  
14 switched network at that point to be routed to AT&T, the  
15 operator service or the AOS provider's location will  
16 generally appear as the point of origin of that call. I  
17 want to emphasize that this can happen, however, any time  
18 the call is completed over the switched network. It's just  
19 a matter of where it's thrown on to the network for  
20 completion.

21 The problems that several of these companies  
22 have seen have been primarily customer confusion and some  
23 aggravation over trying to resolve the nature and the  
24 validity of a call that appears on the telephone company's  
25 records when it comes time--when they submit their bill.

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1           The local exchange companies that I  
2 represent have some difficulties in resolving these problems  
3 simply because they're difficult to diagnose as having been  
4 a call that was handed off what we would say is incorrectly.  
5 Generally the call records of the telecommunications  
6 companies are quite accurate; and sometimes it takes a  
7 rather lengthy inquiry to determine that the point of  
8 location is, in fact, an operator service center.

9           There is also a problem in that this will  
10 generally--it may result in an incorrect rating of a call  
11 whereas an intrastate call may be rated as an interstate  
12 call. I suppose it could happen--the opposite of that can  
13 occur, but I suspect it generally will handle--it will come  
14 up in the context of a call being rated as an interstate  
15 when it, in fact, is intrastate in nature.

16           This problem has been, I think, generally  
17 acknowledged in the testimony that has been prepared and  
18 submitted for the Commission's consideration. The remedies  
19 that have been proposed by the various parties vary  
20 somewhat, however; and that will need to be addressed as the  
21 proceeding goes on.

22           Our position is that an AOS provider should  
23 be able to demonstrate that its network can properly hand  
24 off a call to another carrier. And when I say "properly,"  
25 properly in the context that the proper point of origin

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1 shows up in a company's call records. We believe that this  
2 is a case of first impression and, as such, is a proper  
3 context in which to address this issue. We request that the  
4 Commission in its deliberations consider this important  
5 issue. And that's all I have.

6 Thank you.

7 EXAMINER O'DONNELL: Thank you,  
8 Mr. Boudreau.

9 Mr. Horn.

10 MR. HORN: Thank you. May it please the  
11 Commission. Southwestern Bell acknowledges the entry of the  
12 applicants in the operator service market, and Southwestern  
13 Bell also recognizes the importance of providing fair  
14 competition and fair treatment of telephone customers with  
15 the provision of that service.

16 The Commission has before it in the Hearing  
17 Memorandum many of the concerns raised by all the parties  
18 and their positions on those concerns. Southwestern Bell is  
19 particularly and specifically concerned with two points:  
20 one, public safety, and, two, billing and collection.

21 First, with regard to public safety,  
22 Southwestern Bell is concerned that the appropriate  
23 mechanisms are in place that will allow a customer to access  
24 the local exchange carrier for emergency service, or, in the  
25 alternative, that the applicants, the operator service

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1 providers, are able to afford adequate mechanisms to handle  
2 an emergency call.

3 With regard to billing and collection,  
4 Southwestern Bell presently incurs revenues from providing  
5 billing and collection services. And as part of that  
6 billing and collection process, traditionally the Commission  
7 has allowed by rule disconnection for nonpayment of  
8 undisputed charges. Southwestern Bell wants to continue  
9 that billing process, and that can be done for the operator  
10 service providers if there are approved tariffs on file.

11 Mr. Brownlee has already indicated that  
12 that's the course he wants to take for ITI and Teleconnect.  
13 They have approved tariffs on file, and a disconnection for  
14 nonpayment can continue pursuant to that procedure.

15 Southwestern Bell looks to the Commission  
16 for clarification of the regulatory measures that will be  
17 taken with regard to the operator providers, and we also  
18 look that all of them be treated equally, not only the  
19 applicants in this case, but all the operator providers. In  
20 this regard, all the customers of the telephone network will  
21 be properly served. Thank you.

22 EXAMINER O'DONNELL: Thank you, Mr. Horn.

23 Mr. Maulson.

24 MR. MAULSON: May it please the Commission.

25 I have a brief opening statement for GTE North. GTE North



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1 does not take a position as to whether the relief requested  
2 by the applicants in this case should be granted. However,  
3 we do believe that the public interest is served as a result  
4 of competition in the provision of operator services. We  
5 think operator services are competitive services in the  
6 current telecommunications environment. And, as such, all  
7 operator service providers, including GTE, should be subject  
8 to equal levels of regulation and flexibility in providing  
9 the service.

10 We are concerned about complaints which we  
11 have received from customers about AOS providers,  
12 particularly concerning customers not being made aware that  
13 an AOS provider was performing the service rather than a  
14 carrier of the customer's choice and concerning the level of  
15 rates being charged by the AOS provider. We think that  
16 informed customer choice is critical to any competitive  
17 service. Here, the AOS provider should bear the  
18 responsibility and the cost to ensure customer expectations  
19 are being met as to the identity of the AOS provider and the  
20 charge that's being made.

21 Thank you.

22 EXAMINER O'DONNELL: Thank you, Mr. Maulson.

23 At this point we've reached the parties who  
24 are not presenting witnesses, and I will call on them for  
25 their opening statements in the order they made their oral

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1 entry of appearance.

2 Mr. Knowles.

3 MR. KNOWLES: United waives opening  
4 statement.

5 EXAMINER O'DONNELL: Thank you, Mr. Knowles.  
6 Mr. Royer.

7 MR. ROYER: Thank you, your Honor. Good  
8 morning. My client, AT&T, has not taken a very active role  
9 in this proceeding. We support the certification of the  
10 applicants to the extent they are not already certified and  
11 competition among IXCs in general. Beyond that, I think  
12 Mr. Stewart is right.

13 This proceeding only involves the applicants  
14 and their services; and if generic standards are desired, it  
15 would require a separate rulemaking. Therefore, AT&T has  
16 not responded in this docket to the application of various  
17 standards and contentions regarding those standards to the  
18 services of AT&T. Those issues would have to be addressed  
19 separately, and we are more than willing to participate in  
20 such an investigation if and when you should so order.

21 Thank you.

22 EXAMINER O'DONNELL: Thank you, Mr. Royer.

23 Mr. Reine or Ms. Kiddoo.

24 MS. KIDDOO: Thank you, Madam Examiner. May  
25 it please the Commission. My name is Jean Kiddoo and I'm

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1 here representing Operator Assistance Network. I very much  
2 appreciate the opportunity to appear before you. It's a  
3 pleasure to be here again.

4 Let me explain OAN's interest in this  
5 proceeding. OAN is interested in the generic issues which  
6 are being considered in this proceeding. We take no  
7 position on the merits of the specific applications and  
8 tariff requests that are before you today.

9 OAN is not an operator service company. OAN  
10 provides various billing and collection services to regional  
11 interexchange carriers and operator service providers, who I  
12 will refer to as OSPs.

13 To perform these services OAN has billing  
14 and collection agreements with numerous local exchange  
15 carriers, including Southwestern Bell, for billing of calls  
16 completed by OAN's IXC and OSP customers. OAN does not  
17 itself provide any operator services. It does not perform  
18 any call completion or call routing functions, and it does  
19 not add any charges to the rates specified by its customers.  
20 It serves as a billing agent. Furthermore, OAN's agreements  
21 with its IXC and OSP customers specify that they will comply  
22 with all applicable state and federal regulatory  
23 requirements.

24 Teleconnect, as Mr. Ricca's testimony points  
25 out, is a member of OAN; and Teleconnect is, in fact,

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1 certified in Missouri to provide intrastate service and is  
2 requesting tariff authorization to do so for operator  
3 services.

4 In addition to data processing, OAN responds  
5 to billing inquiries on behalf of its member companies. Due  
6 to limitations and constraints in the LEC billing systems,  
7 it's OAN's name and not the name of its member companies who  
8 appears on the LEC bills.

9 OAN's participation in the billing inquiry  
10 process then helps to avoid customer confusion and ensures  
11 prompt resolution of inquiries by consumers. To handle  
12 customer inquiries, OAN uses local exchange carrier inquiry  
13 service. It contracts with the LECs for a fee to have them  
14 respond initially to customer inquiries and complaints.

15 OAN gives each LEC with whom it has a  
16 contract information about itself and how to respond to  
17 questions about who OAN is and who its members are. LECs  
18 are also given latitude to resolve disputes and a toll-free  
19 number that they can refer customers to, which is OAN's  
20 office in Los Angeles.

21 OAN supports and commends the Staff witness  
22 in this proceeding for his well-reasoned and balanced  
23 approach to operator services regulation. And with the  
24 limited exception of his recommendation that the Commission  
25 require that all operator service providers' names, not

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1    billing agents' names, appear on local exchange carrier  
2    bills, we support his recommendations.

3                    The exception to the Staff recommendation  
4    with respect to the name which appears on the local exchange  
5    carrier bills would effectively preclude OAN and other  
6    billing agent companies from being able to offer service to  
7    carriers like Teleconnect who will bill intrastate service  
8    in Missouri. OAN does not believe that that requirement is  
9    necessary where the LEC bills contain clear instructions for  
10   users to direct billing inquiries for a particular call to a  
11   toll-free number by either the local exchange carrier or the  
12   billing agent such as OAN.

13                   The customer, by having that toll-free  
14   number on the customer's bill, has a clear and direct piece  
15   of information that it needs--or that he or she needs to ask  
16   or to inquire about specific charges.

17                   Billing agents such as OAN or the local  
18   exchange carrier where they handle billing inquiries has all  
19   the necessary information to resolve a call. As I said  
20   before--complaint. As I said before, the local exchange  
21   carrier has authority to resolve disputes up to certain  
22   dollar amounts, and it can refer larger disputes or other  
23   inquiries directly to the billing agent who has the call  
24   records and knows exactly what calls were made and what  
25   carrier made--carried those calls.

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1                    Besides, if the Staff's recommendation is  
2 approved, as I said, billing agents would be unable under  
3 current technical limitations in LEC billing systems to meet  
4 that requirement. And effectively Mr. VanEschen's  
5 recommendation that the Commission allow billing agents to  
6 bill on behalf of carriers would not be able to be  
7 implemented in this state.

8                    Therefore, we urge the Commission not to  
9 require the names of individual operator service providers  
10 or interexchange carriers billing through an agent be listed  
11 on the bill. We have no objection to requirements of  
12 toll-free inquiry instructions be on the bill and that those  
13 instructions be implemented by the billing agent or the  
14 individual certificated carriers that it's billing on behalf  
15 of.

16                   We also have no objection to requirement  
17 that OAN's name be included in the brand that an operator  
18 service provider provides at the time a call is made. Some  
19 of OAN's member companies do that. We don't feel it's  
20 necessary. We think the consumers--it's been OAN's  
21 experience that consumers are able to understand from local  
22 exchange customer service representatives and from OAN the  
23 nature of the OAN relationship to the carrier, but we have  
24 no objection to that requirement.

25                   Thank you.

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1 EXAMINER O'DONNELL: Thank you, Ms. Kiddoo.  
2 Mr. Cadieux.

3 MR. CADIEUX: Your Honor, may it please the  
4 Commission. MCI's position in this case is basically one of  
5 support for the development of competition in the long  
6 distance operator services market. Like other long distance  
7 services, MCI believes that competition will ultimately  
8 result in lower rates to the consumer, increased innovation,  
9 and increased efficiency by the service providers.

10 MCI does not have a witness in this case.  
11 However, having reviewed all the prepared testimony and  
12 monitored the case from a very early point and having  
13 participated in the prehearing conference, I'd like to make  
14 a few general comments before your deluge with the testimony  
15 itself on the intricacies of operator services.

16 First, I'd ask the Commission to focus on a  
17 couple of what I think are very relevant facts that can kind  
18 of get lost in the trees. One is that there has been, as  
19 the Commission is well aware, a huge amount of rhetoric and  
20 loose accusations made regarding AOS. Obviously and  
21 admittedly, that is a result of certain abuses that occurred  
22 most significantly when the industry first started.

23 Second, I'd ask the Commission to try to  
24 ignore the rhetoric. Focus on the individual facts here.  
25 One of the primary facts in this case is, as Mr. VanEschen,

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1 Staff's witness, correctly points out, operator service,  
2 long distance operator services, is another long distance  
3 service. It should--it is a service which some carriers  
4 will find necessary in order to be a full service provider  
5 and to compete on that basis. MCI certainly sees operator  
6 services in that light.

7 In that regard, there is no basis for  
8 regulating long distance operator services in any manner  
9 significantly different from the manner in which services of  
10 particular IXCs are currently regulated.

11 I'd also ask the Commission to take note of  
12 the fact that there are really two kinds of operator  
13 services involved in this case, although I don't think it's  
14 really portrayed that way in the testimony. There's  
15 operator services, long distance operator services, that are  
16 provided directly to the end user by an IXC. That's one  
17 type. There's operator services, long distance operator  
18 services, that are provided by an IXC through a traffic  
19 aggregator such as a hotel or a payphone to the end user.  
20 Okay. There are two types of services.

21 For the first type recognize that what we're  
22 talking about is an end user who has presubscribed his long  
23 distance carrier dialing 00 or dialing 00 plus a called  
24 number and getting an operator service provider of that IXC  
25 or under contract to that IXC. Alternatively, I guess the



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1 other option is to dial 1-0-XXX-0 or 1-0-XXX-0 plus a called  
2 number. And then, even though you've presubscribed to one  
3 carrier, you can get to the operator services provider of  
4 another IXC.

5 The reason I point that out is, to my  
6 knowledge, there is absolutely no hint of any problems, any  
7 special problems with that type of operator service--with  
8 that type of service. There certainly is absolutely no  
9 special regulatory concern and there is absolutely no need  
10 for any special type of regulation above and beyond what is  
11 normally exerted by the Commission on a particular IXC.

12 With respect to the second type of operator  
13 services, that which is provided through a traffic  
14 aggregator, admittedly, that's where complaints have  
15 occurred in the past.

16 But I would submit to you a couple of facts  
17 which have been touched upon by other people; one, the  
18 complaints seem to be decreasing dramatically. Two, the  
19 major problems with this traffic aggregator type of operator  
20 services seem, again as pointed out by Mr. VanEschen in his  
21 testimony, to fall into the categories of excessive rates  
22 and notification problems. I would submit to you that the  
23 Commission has the regulatory tools readily available which  
24 are very limited in scope to take care of those problems.

25 Regarding rates, you have a tariff

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1 requirement. The rates are within your control. And as has  
2 been pointed out by the applicants' attorneys here, the  
3 rates in this case as proposed very closely track the rates  
4 of AT&T and Southwestern Bell. There can be no excessive  
5 rate allegation relevant in this proceeding.

6 Secondly, on notification, I won't get into  
7 the details. There is a lot of different proposals. But  
8 obviously I think it's clear that there are certain limited  
9 things that the Commission can require of the carriers that  
10 will convey the information to the end user as to who the  
11 carrier is.

12 The conclusion of all that is that for  
13 either type of operator service, Public Counsel's  
14 recommendation that the services not be authorized, should  
15 be denied in a blanket approach, that position is  
16 unwarranted and it's contrary to the evidence and it's  
17 contrary to the public interest.

18 There is one more specific issue that I  
19 raise only because it's been raised in some of the testimony  
20 and, I think, particularly in the rebuttal testimony, so I  
21 didn't see it as necessarily an issue until we got a little  
22 bit down the road in this case. And that involves what I'll  
23 call 1-0-XXX blocking.

24 The evidence will indicate that 1-0-XXX  
25 dialing is the standard method in an equal access

1 environment where a customer, an end user, can access a  
2 serving IXC other than the presubscribed carrier. The  
3 evidence suggests in this case that blocking of 1-0-XXX  
4 access occurs with some level--some undefined level of  
5 frequency. The evidence also indicates that the blocking  
6 occurs not as a result of actions of the operator services  
7 carriers, but as a result of apparently equipment  
8 limitations on the part of the traffic aggregators.

9 MCI's position with respect to 1-0-XXX  
10 access is that it is the standard universal method of  
11 accessing IXCs other than the presubscribed carrier.  
12 1-0-XXX access needs to be available to ensure maximum  
13 customer choice of carriers, and it needs to be available in  
14 order to permit the competitive market to operate in its  
15 fullest and most efficient manner.

16 In conclusion, understanding and assuming  
17 for purposes of argument that this practice is not something  
18 being practiced by any of the parties in the hearing room  
19 today, at a minimum I would ask the Commission not to  
20 condone by any action it takes in this case, not to condone  
21 the block--the practice of blocking 1-0-XXX traffic.

22 As a final point, Mr. Stewart and Mr. Royer  
23 raised interesting points about the rulemaking possibility.  
24 One alternative I would just throw out for the Commission is  
25 this. I would ask at a minimum that the Commission not turn

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1 this case into a rulemaking in the sense that it adopt rigid  
2 requirements for these applicants that it will not be  
3 willing to at least reconsider and reevaluate in future  
4 cases. And the reason I ask that is that different  
5 carriers, I think, are capable of proposing different  
6 solutions to different problems and get to the same point by  
7 different routes; and I would just ask the Commission not to  
8 preclude that possibility.

9 Thank you.

10 EXAMINER O'DONNELL: Thank you, Mr. Cadieux.  
11 Mr. Johnson, are you ready to present your  
12 witness?

13 MR. JOHNSON: I am, Madam Hearing Examiner.  
14 American Operator Services calls Mr. James Bryan to the  
15 stand.

16 (Witness sworn.)

17  
18 EXAMINER O'DONNELL: Mr. Johnson, you may  
19 proceed.

20 JAMES F. BRYAN testified as follows:

21 DIRECT EXAMINATION BY MR. JOHNSON:

22 Q. Sir, for the record, could you state your  
23 name and address.

24 A. James F. Bryan, 6100 Executive Boulevard,  
25 Fourth Floor, Rockville, Maryland, 20852.

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1 Q. Mr. Bryan, by whom are you employed?

2 A. I'm employed by National Telephone Services.

3 Q. What position do you hold with that company?

4 A. I'm Director of Industry and Regulatory

5 Affairs.

6 Q. Mr. Bryan, in this case have you prefiled  
7 testimony marked as Exhibits 2 and 3; that is, your direct  
8 testimony being Exhibit 2 and rebuttal testimony being  
9 Exhibit 3?

10 A. I have.

11 Q. Do you have any changes or corrections to  
12 make in either your direct or rebuttal testimony?

13 A. Yes. I have several.

14 Q. Could you tell us what those are?

15 A. Certainly. To begin with on Page 5 on

16 Question 10--

17 Q. Are you referring to your direct testimony?

18 A. This is the direct testimony, yes. Correct.

19 Q. And that is Exhibit 2?

20 A. Correct.

21 Q. Please proceed.

22 A. On Page 5 and Question 10, I would like to  
23 update the response to read: "NTS is currently originating  
24 traffic in 46 states and the District of Columbia and  
25 expects to be originating traffic in the 48 contiguous

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1 states before the end of calendar 1988. NTS is currently  
2 processing"--I'm sorry. "NTS's volume is currently  
3 approaching 3 million completed calls per month."

4 On Question 11, I'd like to change the  
5 number of authorized states in the first line to  
6 "23." Then, on the second line, it should be changed to  
7 read: "The following 14 jurisdictions . . . ." This is  
8 referring to jurisdictions who require either a registration  
9 or which do not regulate resale.

10 The following states should be deleted from  
11 this list: New Mexico, North Dakota, New Hampshire,  
12 Rhode Island, and the District of Columbia. And Arizona  
13 should be added to that list. Immediately following the  
14 sentence "In the following," the number should be changed to  
15 "nine states, NTS has been awarded a certificate of public  
16 convenience . . . ." Washington, West Virginia, and  
17 South Carolina should be added to the list of certifications  
18 issued.

19 Q. Do you have any additional changes,  
20 Mr. Bryan?

21 A. Yes. Still in the direct testimony, on  
22 Page 6, Question 12, I'd like to add that NTS also contracts  
23 with interexchange carriers and resellers that lack the  
24 resources or who do not desire to develop their own operator  
25 services.

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1                   On Page 15, Question 23, the first sentence  
2   should be changed to read: "NTS's proposed initial rates  
3   are identical to those approved by the Commission for  
4   Southwestern Bell," and add the phrase, "prior to the new  
5   rates effective July 1, 1988, with few exceptions."

6                   And I'd like to comment--I'm sorry I didn't  
7   have the new tariff when these rates were proposed.

8                   MR. MAULSON: Could you read that again,  
9   please.

10                  THE WITNESS: Yes. "NTS's proposed initial  
11   rates are identical to those"--and delete the word  
12   "already"--"approved by the Commission for Southwestern  
13   Bell." And then add the phrase "prior to the new rates  
14   effective July 1, 1988."

15   BY MR. JOHNSON:

16                  Q.    Mr. Bryan, do you have any additional  
17   changes to make?

18                  A.    Just two more. I'm sorry.

19                  On Page 22, there was a word processing  
20   error which was not caught prior to the filing of testimony.  
21   The second paragraph on the page starting with "For non-911  
22   emergency calls," actually was in response to Question 29 on  
23   the previous page. However, the answer is now--has been  
24   rendered obsolete and therefore should be deleted in its  
25   entirety.

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1 EXAMINER O'DONNELL: That whole paragraph?

2 THE WITNESS: Yes.

3 BY MR. JOHNSON:

4 Q. And do you have any information to  
5 substitute for that?

6 A. And substituting for that in response to  
7 Question 29 on Page 21, I would like to add that we have  
8 recently updated our--upgraded our operator handling system  
9 to significantly improve the manner in which we handle  
10 emergency calls.

11 An incoming 0- call or any other type of  
12 call which is identified as emergency call by the operator  
13 has the originating address on the operator screen. By  
14 depressing two keys on the operator console, the operator  
15 summons the emergency numbers assigned to that originating  
16 location to her screen. By depressing one single additional  
17 key, the appropriate emergency number is automatically  
18 outdialed and the emergency service providing agency  
19 accessed.

20 The operator remains on the line in a  
21 conference call with the originating caller and the  
22 emergency service until the appropriate relief is released  
23 by the agency. The operator has the ability to access, in  
24 addition, a fairly significant additional data base of  
25 services if an emergency falls outside the normal poison,



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1 police, fire, and so forth.

2 A final update and clarification addresses  
3 the questions on Page 25, Question 32, of the direct  
4 testimony and Page 3, Question 6, of the rebuttal testimony  
5 in which I'm addressing the access which NTS traditionally  
6 allows to AT&T through the NTS network.

7 NTS has temporarily been forced to suspend  
8 allowing direct access through the NTS operator to AT&T for  
9 calls originating from nonairport located pay phones. This  
10 approximates 25--20 to 25 percent of our total volume of  
11 originated calls.

12 The reason for this is that AT&T apparently  
13 has not been validating the billing methods used for these  
14 calls when passed to them for completion and has billed  
15 approximately \$10,000 worth of fraudulently billed calls  
16 originated in this manner back to NTS. We cannot continue  
17 to absorb the expense of both originating access on these  
18 calls as well as absorb all costs of AT&T's toll on these  
19 calls. Therefore, we have discontinued allowing access for  
20 this relatively small segment of originating calls through  
21 NTS's network.

22 Q. Mr. Bryan, to clarify that, is it your  
23 testimony that 20 to 25 percent of your traffic is--involves  
24 calls which the caller asks to be handed off to AT&T?

25 A. No. I'm sorry. This is--20 to 25 percent

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1 of the originating traffic is on lines on which a call would  
2 not be passed to AT&T on request. The actual percentage of  
3 requests to be passed to AT&T I could not address. It  
4 doesn't--it's not significant.

5 Q. Mr. Bryan, do you have any additional  
6 changes to your testimony?

7 A. No, I do not.

8 Q. With the changes--

9 MR. ROYER: Your Honor, I think I'd like to  
10 ask that that be stricken on the grounds that this is not an  
11 appropriate time or place to start making allegations and  
12 complaints regarding AT&T. We will have, of course, no  
13 opportunity to respond to this that he is making these  
14 allegations at this time. And I think that's improper, and  
15 it should be stricken.

16 EXAMINER O'DONNELL: Mr. Johnson.

17 MR. JOHNSON: We would be happy to introduce  
18 into evidence the letters from AT&T in which they have  
19 requested that we pay the fraudulent calls in which AT&T has  
20 failed to and refused to validate the fraudulent calls if  
21 you would like us to do so.

22 MR. ROYER: I don't necessarily see that  
23 that's necessary. I'm not prepared to address these at this  
24 time. I think I had no notice that this was going to be  
25 brought up. It has been brought up and I think improperly

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1 so. And I shouldn't be required to have to respond to  
2 something that is brought up on the day of the hearing  
3 when--I'm not the applicant. And my services necessarily,  
4 and dealings with these people, are not at issue in this  
5 case.

6 MR. JOHNSON: Your Honor, I do take issue  
7 with Mr. Royer's allegation that our relationship with AT&T  
8 is not at issue in this hearing. In fact, it very much is  
9 so. The testimony of all of the parties indicates that  
10 various practices of AT&T have, in fact, resulted in the  
11 customer confusion which the local exchange companies take  
12 up the task for. I don't think Mr. Royer can claim surprise  
13 by that.

14 EXAMINER O'DONNELL: This is a substantial  
15 change, it seems to me, in his testimony, less in the nature  
16 of a correction and more in the nature of additional  
17 testimony. Unless you can show me some reason why this  
18 could not have been taken care of on prefiled, I'm inclined  
19 to sustain the objection.

20 MR. JOHNSON: Your Honor, I was not made  
21 aware of this until last evening. This matter--  
22 BY MR. JOHNSON:

23 Q. Mr. Bryan, did this matter occur after the  
24 filing of your testimony?

25 A. This is subsequent event, your Honor. At

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1 the time the prefiled testimony was prepared, we were, in  
2 fact, passing to AT&T all calls from whatever location on  
3 request. This is within the last three weeks that this  
4 change in policy has been made. It's also within the last  
5 three weeks that we received the bills from AT&T.

6 EXAMINER O'DONNELL: The change in policy,  
7 as I understand it, was made three weeks ago?

8 THE WITNESS: Within the last three weeks.  
9 I'm not certain the exact date of the programming change.

10 EXAMINER O'DONNELL: More than two weeks  
11 ago?

12 THE WITNESS: I'm not certain, your Honor.

13 EXAMINER O'DONNELL: I'm going to sustain  
14 the objection, and the matter will be stricken as to this  
15 particular testimony.

16 MR. JOHNSON: Can I find out precisely what  
17 objection you are sustaining, what testimony will be  
18 excluded from the record?

19 EXAMINER O'DONNELL: The so-called  
20 correction--as I understand it, they were from Page 25 of  
21 the direct, which is Exhibit 2, and Page 3 of Exhibit 3. Am  
22 I correct in saying that those were the--that's my  
23 remembrance of--

24 THE WITNESS: That's correct.

25 MR. JOHNSON: Your Honor, for the record, I

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1 would state that it is my belief that this testimony should  
2 be admitted. Mr. Royer will have sufficient opportunity to  
3 cross-examine the witness if he wishes to take issue with  
4 it. We believe it's relevant. We believe it should be  
5 considered by the Commission in rendering its decision.

6 EXAMINER O'DONNELL: Since prefiled  
7 testimony was scheduled in this case and since, from what  
8 the witness has said, it appears that there was ample time  
9 to supplement, it's my belief that the motion to strike is  
10 appropriate.

11 You may continue, Mr. Johnson.

12 BY MR. JOHNSON:

13 Q. Mr. Bryan, with the additions and  
14 corrections which the Hearing Examiner has allowed you to  
15 make, if I were to ask you the same questions which appear  
16 in your rebuttal and direct testimony, would your responses  
17 be the same?

18 A. They would.

19 MR. JOHNSON: Given that, your Honor, I  
20 would offer Exhibits 2 and 3 into evidence and tender  
21 Mr. Bryan for cross-examination.

22 EXAMINER O'DONNELL: Thank you, Mr. Johnson.  
23 Hearing no objections to the receipt of  
24 Exhibits 2 and 3, they will be received.

25 (EXHIBIT NOS. 2 AND 3 WERE RECEIVED IN

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1 EVIDENCE AND MADE A PART OF THIS RECORD.)

2 EXAMINER O'DONNELL: Mr. Brownlee.

3 CROSS-EXAMINATION BY MR. BROWNLEE:

4 Q. In opening statement, Mr. Bryan, there was a  
5 statement made regarding whether the competitive operator  
6 services companies such as yours accepts other IXC calling  
7 cards. Does your company accept other IXC calling cards?

8 A. No, we do not. I think the issue that's  
9 really involved here is the confusion between a local  
10 exchange company card and an AT&T issued calling card. AT&T  
11 has never severed its--altered its--

12 MR. WHEATLEY: I'm going to object. This  
13 answer is not responsive to the question. The question  
14 called for a yes or no answer as to whether they accepted  
15 other IXC credit cards.

16 BY MR. BROWNLEE:

17 Q. Can you answer that yes or no?

18 A. We do not knowingly accept other IXC calling  
19 cards.

20 Q. Why is the reason for that?

21 A. The rates of an interexchange carrier would  
22 be set by that interexchange carrier and are more or less  
23 identical to services provided by National Telephone. The  
24 rates for an interexchange carrier calling card might be  
25 reasonably expected by a user to be those of that carrier.

1 A local exchange company card, on the other hand, typically  
2 does not have such reasonable expectations because a local  
3 exchange company can't offer a comparable set of services as  
4 those offered by National Telephone. As an interexchange  
5 service, the operator service provided by National Telephone  
6 is necessarily an interexchange carrier type service.

7 Because the numbers on an AT&T card would  
8 currently be the same as a local exchange company card,  
9 National Telephone and other competitive companies have no  
10 ability to discern simply by looking at the number that an  
11 AT&T card might be used.

12 In National Telephone's case, if a user  
13 identifies an AT&T card, the National Telephone operator  
14 will say, "I'm sorry, ma'am or sir, we cannot accept that  
15 card" and offers an alternative source of billing.

16 I'd like to point out that this is no  
17 different currently from the situation of an MCI subscriber  
18 at home staying in a hotel served by, for example, AT&T and  
19 placing a call on an 0+ basis from that hotel. I, for  
20 example, subscribe to MCI at home. I carry a calling card  
21 issued by CNP Telephone of Maryland.

22 I placed a number of calling card calls last  
23 night, some of which may have been intraLATA and some of  
24 which may have been interLATA. An intraLATA call was  
25 transported by United Telephone; interLATA, I presume, was

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1 transported by AT&T. I have no contractual or subscriber  
2 relationship with either of those companies; nor, might I  
3 add, were either of those companies identified in the  
4 processing of the call.

5 The confusion, therefore, is simply due to  
6 the up front processing of the call and the current lack of  
7 branding or carrier identification in the processing of the  
8 call. I would submit that the user doesn't really have a  
9 true reasonable expectation outside of the intraLATA  
10 carriage of what carrier would be processing the call.

11 Q. Do you consider the business of competitive  
12 operator service to be competitive? I know that's a word  
13 that utilizes or defines itself, but in terms of--are other  
14 competitive operator services' businesses vying for business  
15 in hotels, vying for business in hospitals and other  
16 institutions that you currently provide service?

17 A. Absolutely. The companies in the industry  
18 compete with each other in the nondominant sense--the  
19 nondominant companies compete with each other and with AT&T.  
20 There is vigorous competition for the subscriber base.

21 MR. BROWNLEE: I have nothing further.

22 Thank you.

23 EXAMINER O'DONNELL: Thank you,

24 Mr. Brownlee.

25 Mr. Stewart.



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1 MR. STEWART: Yes.

2 CROSS-EXAMINATION BY MR. STEWART:

3 Q. Mr. Bryan, and I'm not sure you do use a  
4 billing agent, but if you did use a billing agent, would you  
5 want your company's name on the local exchange bill?

6 A. Absolutely. And I do not use a billing  
7 agent. And we, incidentally, provide our own inquiry  
8 whenever possibly; so both my company's name and my  
9 company's telephone number most typically appear on the  
10 local exchange company bill.

11 Q. Mr. Bryan, would you know the length of time  
12 it takes to reach your network after the call--after the  
13 caller dials 0 on a 0- call, do you have any idea?

14 A. There are a number of factors that are  
15 beyond our control. The only studies we've been able to  
16 perform which have been statistically reliable indicate that  
17 a call is answered on the average between three and five  
18 seconds following delivery of the call to NTS's point of  
19 presence within the LATA. The time consumed by the customer  
20 premise equipment and the local exchange prior to delivery  
21 to our POP is beyond our control, and we've really not been  
22 able to be measure. But it's between three and five seconds  
23 from delivery to the POP.

24 MR. STEWART: I have no further questions.

25 EXAMINER O'DONNELL: Thank you, Mr. Stewart.

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1 Ms. Kiddoo.

2 MS. KIDDOO: Thank you, your Honor.

3 CROSS-EXAMINATION BY MS. KIDDOO:

4 Q. Mr. Bryan, are you aware of whether or not  
5 the local exchange carriers currently have the ability to  
6 put the names of individual operator service providers on  
7 a bill when they bill that call to a local billing agent?

8 A. It's my understanding they do not.

9 Q. Mr. Freels, on behalf of ITI, testified in  
10 his rebuttal testimony, which I believe has been marked as  
11 Exhibit 7, in response to Question 9, that some local  
12 exchange companies do not have the capability of putting  
13 ITI's name on the bill. Is that ever the case for NTS?

14 A. In currently active agreements that is not  
15 the case. There is one agreement which is in the process of  
16 implementation where that will be the case. These--included  
17 under this agreement are a number of smaller local exchange  
18 companies which have not previously developed multicarrier  
19 billing capabilities and currently bill only on behalf of  
20 AT&T. These carriers are participating in the National  
21 Exchange Carrier Association billing agreements and will be  
22 listing, I believe, NECA as the billing agent on our behalf.

23 Q. So even though you don't bill through an  
24 agent, NTS would have--would not be able to put its name on  
25 the local exchange carrier bill in those situations; is that

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1 correct?

2 A. That's my understanding of the way this  
3 particular arrangement will work. We've not yet billed live  
4 data, and I've not yet seen an end user bill issued under  
5 this arrangement. So I can't speak with any personal  
6 knowledge, but only from my understanding and  
7 representations of NECA as to what the resulting bill will  
8 be.

9 MS. KIDDOO: I have no further questions.

10 Thank you.

11 EXAMINER O'DONNELL: When you refer to MICA,  
12 you're referring to--

13 THE WITNESS: I'm sorry. NECA, N-E-C-A,  
14 National Exchange Carriers Association.

15 EXAMINER O'DONNELL: Thank you.

16 Mr. Newmark.

17 MR. NEWMARK: I have no cross-examination.

18 EXAMINER O'DONNELL: Thank you.

19 Mr. Boudreau.

20 CROSS-EXAMINATION BY MR. BOUDREAU:

21 Q. Mr. Bryan, I believe that you've indicated  
22 in your rebuttal testimony in response to some concerns  
23 raised by Messrs. Schmersahl and Clark about some billing  
24 problems that there are a couple of proposed remedies to  
25 address these billing problems; is that correct?

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1           A.     That's correct.

2           Q.     Is it your position that a call that is  
3 handed off to another carrier cannot be redirected over the  
4 network such that the proper point of origination appears on  
5 the bill?

6           A.     By using traditional access methods, such as  
7 Feature Group D presubscription, that is our position. That  
8 is correct.

9           Q.     Feature Group B presubscription is--

10          A.     D, I'm sorry, as in dog.

11          Q.     D. Excuse me. That's what you currently  
12 subscribe to?

13          A.     Predominantly, yes.

14          Q.     Are there any other feature groups that  
15 would offer you this capability?

16          A.     Through the local exchange network, no.

17          Q.     You've indicated there are about three ways  
18 in which this billing--or ends up as a billing problem.  
19 It's actually a networking problem. There are three  
20 scenarios under which the handing off of a call to another  
21 carrier results in improper point of origins in the call  
22 records; is that correct? I'm referring to--

23          A.     Are you referring to the answer on  
24 Question 6, Page 2, of the rebuttal? Okay. I was referring  
25 there to three different scenarios in which a call might be

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1 redirected to AT&T. The scenarios being: an AT&T  
2 proprietary calling card is used, a caller requesting AT&T  
3 directly, or a call being placed which can't be billed by  
4 the handling operator service provider. It's--none of those  
5 really address the method of accessing AT&T or an  
6 alternative carrier once the decision is made that the call  
7 needs to be redirected.

8 Q. Are these three scenarios that you've  
9 outlined here, are those examples of situations in which an  
10 improper point of origination might show in the calling  
11 records?

12 A. Let me just answer the question directly.  
13 The situation where an improper origination point will occur  
14 is when AT&T is accessed from the carrier's operator center  
15 directly rather than in some manner redirecting the call  
16 back to the originating telephone to reoriginate the call.

17 Reorigination of the call can be handled in  
18 several ways. One would be asking the caller to hang up and  
19 dial some type of access code. Another would be using some  
20 type of customer premise equipment which could reoriginate  
21 the call using an access code. But out of--both the final--  
22 or latter two options require a reorigination of the call;  
23 whereas, the accessing the AT&T operator from an operator  
24 center does not reoriginate.

25 Q. Are there any other contexts than just

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1 handing a call off to another operator service provider in  
2 which you complete calls over the switched network?

3 A. I'm sorry. Would you repeat that?

4 Q. Are there any other contexts than just a  
5 splashback scenario in which your company would complete a  
6 call over the traditional switched network other--  
7 facilities other than the facilities that you've leased or  
8 contracted to use?

9 A. I'm sorry. I'm afraid I don't follow your  
10 question.

11 Q. Well, I take it that in the normal scenario  
12 the call would be routed to one of your operator service  
13 centers; is that correct?

14 A. It would be routed to the closest serving  
15 switch, yes.

16 Q. And after the appropriate information is  
17 received from the end user, it is then completed over  
18 facilities that you've leased or have contracted for the use  
19 of?

20 A. Correct.

21 Q. Are there any situations in which calls that  
22 you received from one of your customers is completed over  
23 facilities other than the ones that you've specifically  
24 contracted for the use of?

25 A. Other than the three scenarios indicated

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1 here, no.

2 MR. BOUDREAU: I have no further questions.

3 EXAMINER O'DONNELL: Thank you,

4 Mr. Boudreau.

5 Mr. Horn.

6 CROSS-EXAMINATION BY MR. HORN:

7 Q. Mr. Bryan, in terms of service standards,  
8 does your company allow a 2.8 second response by an operator  
9 for an operator-assisted call on the average, do you know?

10 A. Depending on what the start time for the  
11 measurement of that service interval is, I'm not sure  
12 whether we're in compliance currently or not; but we are not  
13 far, far deviant, from that. And should such a standard be  
14 set and found appropriate for our company in this  
15 proceeding, we would certainly seek to comply.

16 Q. Okay. Are you aware that that's the service  
17 standard that this Commission by rule has imposed?

18 A. I've not reviewed the current rule as  
19 applied to the local exchange. And again, we would have to  
20 review the time at which timing is begun to determine  
21 whether we're in compliance or not.

22 Q. Okay. You at least agree that that service  
23 standard should be equally applied to your company as well  
24 as to the other IXC's or LEC's operating in the state of  
25 Missouri?

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1           A.     We feel very strongly that service standards  
2 should be broadly applied on a nondiscriminatory basis.  
3 The--any rationale for discrimination among local exchange  
4 carriers or interexchange carriers should be very carefully  
5 thought out and documented and justified. Generally, yes,  
6 we feel any standard should be equally applied to everyone.

7           Q.     Okay. And your company intends to meet  
8 those standards?

9           A.     Absolutely.

10          MR. HORN: Thank you.

11          EXAMINER O'DONNELL: Thank you, Mr. Horn.

12          Mr. Maulson.

13          MR. MAULSON: Yes.

14          CROSS-EXAMINATION BY MR. MAULSON:

15          Q.     Mr. Bryan, the certificate which you  
16 request, would that authorize you to provide operator  
17 services both on an interLATA basis and on an intraLATA  
18 basis?

19          A.     That is my understanding, yes.

20          Q.     And do you view operator services as being  
21 competitive services both on an interLATA and an intraLATA  
22 basis?

23          A.     With one qualification, yes; the  
24 qualification being an acknowledgement that there can be a  
25 competitive segment of an industry with remaining dominant



1 players within a segment. For example, on an interexchange  
2 basis currently, the competition within the industry segment  
3 is vigorous; but the total market share retained by a single  
4 dominant player is such that it's not entirely--I would  
5 classify that single player as a noncompetitive company.  
6 But with that qualification, I would agree, yes, the area is  
7 competitive on both an interLATA and an intraLATA basis.

8 Q. On an intraLATA basis, for example, GTE  
9 might be one of your competitors for operator services;  
10 isn't that true?

11 A. Very well may be.

12 Q. As well as other LECs on an intraLATA basis?

13 A. That's correct.

14 MR. MAULSON: Thank you.

15 EXAMINER O'DONNELL: Thank you, Mr. Maulson.

16 Mr. Knowles.

17 CROSS-EXAMINATION BY MR. KNOWLES:

18 Q. Mr. Bryan, in the update to your testimony,  
19 your direct testimony, Page 22, you state that your  
20 operators now have the ability to automatically see the  
21 originating address of the call in the event of an emergency  
22 situation?

23 A. That's correct.

24 Q. Is that dependent upon the call originating  
25 in a Feature Group D access environment?

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1           A.     No, it's not. It's on, I believe, every  
2 call which is received no matter--regardless of the  
3 originating point. It would certainly be true of all calls  
4 received from subscribed lines to National Telephone.

5           Q.     I see. So your operator's ability to do  
6 this double key stroke access of emergency services is not  
7 dependent upon Feature Group D access?

8           A.     That's correct.

9           MR. KNOWLES: Thank you. No further  
10 questions.

11           EXAMINER O'DONNELL: Mr. Cadieux.

12           CROSS-EXAMINATION BY MR. CADIEUX:

13           Q.     Mr. Bryan, would you say that NTS provides  
14 any what, in your opinion, could be characterized as  
15 monopoly services?

16           A.     No.

17           Q.     Do you believe that the compet--I believe  
18 you indicated that it's your opinion that NTS operates in a  
19 very vigorously competitive environment; is that correct?

20           A.     That's correct.

21           Q.     Would you characterize the level of  
22 competition--well, do you have an opinion as to whether  
23 local exchange carriers operate in a similarly competitive  
24 environment in terms of their provision of operator services  
25 as does NTS?

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1           A.     Absent a conscious decision on the part of a  
2 subscriber to--in some way dial around the originating  
3 access--or I'm sorry--the originating dialing plan, NTS  
4 would not normally receive an intraLATA operator-assisted  
5 call. So is there a level playing field in provision of  
6 intraLATA operator service? Certainly not.

7           Q.     Okay. You may have anticipated a little bit  
8 of my questions, but let me go back and make sure we've got  
9 the foundation filled in. Do I understand it correctly that  
10 NTS is moving towards--or predominantly uses Feature Group D  
11 access?

12          A.     That's correct.

13          Q.     All right. Now, with Feature Group D  
14 access, what happens--at an NTS served location, what  
15 happens to a call which is dialed on a 0+ intraLATA basis?

16          A.     It's diverted to a local exchange company.

17          Q.     Do you consider that to be a quote, equal  
18 playing field, close quote, for a LEC versus NTS?

19          A.     Now, to the extent that there's free and  
20 open intraLATA competition, no, it's definitely not a level  
21 playing field.

22          Q.     Something else--just for my understanding,  
23 for 0- calls, which, for the record, is pushing the 0 button  
24 and nothing else; is that a correct characterization?

25          A.     That's correct. That's my characterization.

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1 Q. Using that definition for 0- calls dialed  
2 out of an NTS served location in which Feature Group D  
3 originating access is used, what happens to that 0- call?  
4 Who carries it?

5 A. It's delivered to the local exchange company  
6 operator center.

7 Q. Is that a standard function of the existing  
8 dialing arrangement for Feature Group D across the country?

9 A. It is right now, yes.

10 Q. I'm a little bit confused. Maybe you can  
11 help me out here. You gave testimony, I believe, in  
12 response to a question from Mr. Brownlee regarding use of  
13 IXC calling cards on the NTS system. Do you recall that?

14 A. Yes.

15 Q. I believe your testimony was, as a general  
16 proposition, IXC calling cards cannot be used on the NTS  
17 system, correct?

18 A. That's correct.

19 Q. I also noted, though, that you have  
20 testimony--and the reference I have is Page 25 of your  
21 direct testimony--regarding a carrier choice plan of NTS?

22 A. That's correct.

23 Q. Could you give me a little more description  
24 of how that carrier choice plan works or is proposed to work  
25 and what its status is?

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1           A.     Unfortunately, it remains at this point a  
2 proposal. That's one we're working on a great deal of the  
3 time. We're negotiating with, among other companies, MCI  
4 and Sprint. We have approached AT&T and quite a number of--  
5 particularly regional interexchange carriers and resellers  
6 to be authorized to accept their calling cards on a 0 dialed  
7 basis at NTS served locations allowing those carriers' users  
8 for the first time to place calls on a 0 dialed as opposed  
9 to an access code plus 0 dialed basis. Those calls would  
10 then be transported at that carrier's rates over that  
11 carrier's facilities to the extent possible and simply  
12 handled and billed by National Telephone effectively under  
13 contract to those carriers.

14           Q.     And that's a plan that you are pursuing; but  
15 at this point, it's not in place?

16           A.     The final details are being worked out in  
17 the case of two very small resellers, which appear to be our  
18 first; but it's not yet been reached with any national  
19 company.

20           Q.     With respect to 1-0-XXX access of other  
21 carriers at NTS served locations, is it correct--is it your  
22 testimony that NTS does not actively block that 1-0-XXX  
23 access, that, to the extent blockage occurs, it occurs by  
24 the traffic aggregator?

25           A.     That's correct. It's actually contrary to

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1 NTS's interest to have blockage.

2 Q. Okay. So notwithstanding or putting aside  
3 for a moment the interest of the traffic aggregator, NTS has  
4 no objection to a situation in Feature Group D originating  
5 access situations of having universal 1-0-XXX access to  
6 other carriers, is that fair, from an operator services  
7 provider IXC standpoint?

8 A. So long as such a requirement were enforced  
9 universally to all locations regardless of what operator  
10 services provider was serving that particular location, NTS  
11 would have no objection. Were such a requirement enforced  
12 only where--to use the term "competitive OSP providers"  
13 service is used, we would. It would--such a requirement  
14 would be severely disadvantageous to us competitively and,  
15 in fact, would probably make it impossible for us to compete  
16 for that location.

17 Q. But to the extent if such a requirement were  
18 mandated universally regardless of who the serving operator  
19 service provider might be at a particular location, would  
20 you agree that requiring 1-0-XXX access would maximize  
21 customer choice of carriers as opposed to blocking?

22 A. Yes. Yes.

23 MR. CADIEUX: That's all I have. Thank you.

24 EXAMINER O'DONNELL: Thank you, Mr. Cadieux.

25 Mr. Royer.

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1 MR. ROYER: No questions, your Honor.

2 EXAMINER O'DONNELL: Ms. Ott.

3 MS. OTT: Thank you, your Honor.

4 CROSS-EXAMINATION BY MS. OTT:

5 Q. Good afternoon, Mr. Bryan. Almost  
6 afternoon. AOSI is currently operating in Missouri, isn't  
7 it?

8 A. That's correct.

9 Q. And AOSI is currently carrying intrastate  
10 calls; isn't that correct?

11 A. Those calls received over American Operator  
12 Services--I will refer to it as National Telephone  
13 facilities--are terminated and billed. That's correct.

14 Q. Intrastate, correct?

15 A. Yes.

16 Q. If the Commission found that AOS was  
17 contrary to the public interest in this state and denied  
18 AOSI's application for certification, would AOSI cease  
19 operations in Missouri?

20 MR. JOHNSON: Your Honor, that calls for a  
21 legal conclusion from a witness. On that basis, I object.

22 EXAMINER O'DONNELL: Overruled.

23 THE WITNESS: Largely it's speculation as to  
24 how we would react. To the extent that our intrastate  
25 business is most typically a small percentage of the total

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1 business involved, I would have to speculate that our  
2 presence in the state would not go away. We would certainly  
3 not terminate intrastate calls, but I would imagine that we  
4 would continue providing the interstate business, which is  
5 our right.

6 BY MS. OTT:

7 Q. Has AOSI or NTS, as you refer to it, been  
8 denied a certificate in any other states?

9 A. In two states: In Alabama, which has  
10 authorized only recently one carrier, and that is currently  
11 under appeal; and in Mississippi, which is also under  
12 appeal.

13 Q. And is AOSI or NTS, as you refer to it,  
14 still operating in those two states?

15 A. On an interstate basis, yes.

16 Q. Are you blocking intrastate calls?

17 A. Yes.

18 Q. And how are you doing that?

19 A. We're diverting those calls to AT&T.

20 Q. Okay. Does AOSI currently purchase  
21 intrastate access in Missouri?

22 A. I believe so.

23 Q. Is this only in equal access exchanges or in  
24 all exchanges?

25 A. I'm not real sure. Probably only in the



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1 equal access exchanges.

2 Q. So in nonequal access exchanges, intrastate  
3 calls would be reported as interstate calls; is that  
4 correct?

5 MR. JOHNSON: Objection. That calls--that  
6 assumes a fact not in evidence in that Mr. Bryan testified  
7 that he doesn't think that they're taking access at nonequal  
8 access exchanges. And to the extent Ms. Ott assumes that,  
9 the question is objectionable.

10 EXAMINER O'DONNELL: Ms. Ott.

11 MS. OTT: That wasn't my understanding of  
12 his response. I thought Mr. Bryan's response is that AOSI  
13 only purchases intrastate access from equal access  
14 exchanges. I didn't interpret that to mean that AOSI--and I  
15 didn't think that he testified that AOSI was not providing  
16 intrastate calls in nonequal access exchanges. But if you  
17 want me to rephrase the question, I'd be happy to do so.

18 EXAMINER O'DONNELL: Why don't you rephrase  
19 it.

20 BY MS. OTT:

21 Q. Does AOSI provide service in nonequal access  
22 exchanges?

23 A. I don't know.

24 Q. But you are testifying today as an expert  
25 on AOSI's business practices in Missouri, aren't you?

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1           A.     Yes.

2           Q.     I understand that AT&T will no longer be the  
3 exclusive provider of operator services on Bell telephones,  
4 is that correct, Bell pay coin phones?

5           A.     There are a number of proposals which have  
6 been submitted to the FCC and which are currently pending  
7 before Judge Greene's court. None of them have been  
8 approved as yet; and, in fact, there have been a number of  
9 different proposals made and a number of protests made on  
10 different bases. So I think it's fair to say that--the  
11 Department of Justice has said, as a matter of public  
12 policy, that all public pay phone traffic should not be  
13 defaulted to AT&T or presubscribed to AT&T, in effect, and  
14 has mandated that plans for changing the current status quo  
15 be submitted to the FCC and Judge Greene. And the schedule  
16 at which it will proceed from here depends on those two  
17 agencies.

18          Q.     Okay. If Judge Greene and the FCC, in fact,  
19 decide that AT&T should no longer be the exclusive provider  
20 of operator services on Bell telephones, would NTS intend to  
21 bid at--to be--to submit a bid so that it could be the  
22 exclusive provider of operator services on those phones?

23          A.     The plans that have been submitted have  
24 ranged from a location choice plan to--it was actually GTE  
25 which proposed the auction plan in California. And NTS

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1 intends to compete vigorously for that business. We have,  
2 in fact, made a proposal to GTE California under their  
3 auctioning plan, if you will. NTS also has plans in effect  
4 to compete with the location owners, the WAL owners, if you  
5 will, for the subscription for those pay phones which are  
6 located all over the country. But--

7 Q. So I guess--

8 A. --I can't anticipate which--what form is  
9 going to come out of the court.

10 Q. So the answer to my question is essentially  
11 yes; is that correct?

12 A. Yes.

13 Q. AOSI accepts AT&T calling cards, doesn't it?

14 A. Not knowingly.

15 Q. Is that a yes or a no?

16 A. That's a no--

17 MR. JOHNSON: Objection. He's answered the  
18 question.

19 EXAMINER O'DONNELL: Pardon me. I didn't  
20 hear what your objection was.

21 MR. JOHNSON: She's attempting to rephrase  
22 the witness' testimony in an improper fashion. Object.

23 MS. OTT: I disagree. I just asked if the  
24 answer is yes or no. He said "not knowingly." I don't  
25 know if that's a yes or a no. I assume it's a yes.

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1 EXAMINER O'DONNELL: Overruled.

2 Would the witness phrase his answer more  
3 responsively.

4 THE WITNESS: NTS does not accept the AT&T  
5 calling card.

6 BY MS. OTT:

7 Q. So AOSI does not--just to understand and  
8 clarify, AOSI does not under any circumstances ever accept  
9 AT&T calling cards?

10 A. There have been allegations made that NTS  
11 has billed calls to cards which are printed on plastic which  
12 bears an AT&T logo. I might add that United Telephone and  
13 every local exchange company in the country also does that.  
14 NTS does not knowingly bill to an AT&T calling card. If it  
15 is so identified, the call is not billed to that calling  
16 card.

17 Q. Okay. Say that an end user calls with one  
18 of these so-called plastic cards with the so-called AT&T  
19 logo printed on it. Would AOSI process that call?

20 A. If the caller identifies the card to the  
21 NTS operator as an AT&T calling card, then, no, NTS would  
22 not process that call.

23 Q. If the caller just punches in their number  
24 or gives their number over the phone, though, NTS would  
25 process that call?

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1           A.     NTS cannot identify that card as an AT&T  
2 calling card and, therefore, would process and bill it as a  
3 local exchange company card.

4           Q.     Does NTS have agreements with local exchange  
5 companies to bill on the local exchange company's calling  
6 cards?

7           A.     Yes.

8           Q.     Do you have an agreement like that with GTE,  
9 for example?

10          A.     Yes.

11          Q.     Do you have an agreement to that effect with  
12 Southwestern Bell?

13          A.     Yes.

14          Q.     Do you have an agreement to that effect with  
15 Contel?

16          A.     I don't have a billing agreement with  
17 Contel. I wish I did.

18          Q.     So basically this is part of your billing  
19 agreement that you can bill on their calling card numbers or  
20 end user calling cards numbers?

21          A.     No. It's actually--in the case of GTE and  
22 Southwestern Bell, it's an equal access requirement under  
23 the MFJ. Under the MFJ or the GTE consent decree, the  
24 billing and collections service and the calling card as a  
25 billing collections device must be offered on a

1 nondiscriminatory basis. The--so, in effect, yes, it's a  
2 part of the billing agreement; but it may not be  
3 specifically addressed in the agreement itself but in a  
4 letter--

5 Q. Do you know whether--

6 A. --a side letter.

7 Q. I'm sorry. Were you finished?

8 A. Yeah. A side letter was of the last part  
9 of that statement. Yes.

10 EXAMINER O'DONNELL: Before we continue, how  
11 many--

12 MS. OTT: I have pages.

13 EXAMINER O'DONNELL: Okay. Before I address  
14 recessing for lunch, I do want to remind the witness and the  
15 attorneys that they should try not to talk at the same time  
16 because it makes it difficult for the reporter to take both  
17 simultaneously. And I would remind both the attorneys and  
18 the witness to speak up so that they can be heard throughout  
19 the hearing room.

20 THE WITNESS: I'm sorry.

21 EXAMINER O'DONNELL: Thank you. We will be  
22 in recess until one o'clock.

23 (The noon recess was taken.)  
24  
25

1                    WITNESS JAMES F. BRYAN RESUMED THE STAND  
2                    (EXHIBIT NOS. 10, 11, AND 11-A WERE MARKED  
3 BY THE REPORTER FOR IDENTIFICATION.)

4                    EXAMINER O'DONNELL: On the record.

5                    Ms. Ott, you may continue with your  
6 cross-examination of this witness.

7                    MS. OTT: Thank you, your Honor.

8 CROSS-EXAMINATION (CONTINUED) BY MS. OTT:

9                    Q.     Mr. Bryan, before we went to lunch, we were  
10 talking about the use of LEC calling cards. Do you recall  
11 that?

12                    A.     Yes.

13                    Q.     And I believe you stated that, as some kind  
14 of condition of the Modified Final Judgment or whatever,  
15 that LECs had to make calling cards available to all IXC's;  
16 is that correct? Or is that your understanding of the MFJ?

17                    A.     Well, not all local exchange companies. The  
18 Modified Final Judgment, it's my understanding, would only  
19 be applicable to those parties to it, which would be the  
20 regional holding companies that were the former monopoly  
21 AT&T.

22                    Q.     And then GTE would also fit under that under  
23 their consent decree? GTE would also fit into that category  
24 under their consent decree?

25                    A.     GTE's consent decree as regards billing for

1 interexchange carriers contains very similar provisions,  
2 correct.

3 Q. So, in other words, under your understanding  
4 of the MFJ, the LEC doesn't have--by "LEC," I mean L-E-C.  
5 It doesn't have control over interexchange carriers' use of  
6 its calling card; is that correct?

7 A. Not entirely. It would have control to the  
8 extent that the LEC might offer its calling card for use  
9 only for intraLATA calling. But if it's offered to an  
10 interexchange carrier, then it would have to be on a  
11 nondiscriminatory basis.

12 Q. Do you know whether end users are aware of  
13 the offering of their LEC cards to interexchange carriers?

14 A. Well, this is somewhat speculation. But I  
15 think that the obligation for educating users of LEC calling  
16 cards on that basis would be the LECs. The, I think, users  
17 are certainly aware that they can use their LEC calling card  
18 for interexchange calls.

19 Q. And those interexchange calls have  
20 traditionally been carried by AT&T until recently; isn't  
21 that correct?

22 A. That's correct.

23 Q. Would you say that AOSI mainly provides its  
24 services to customers located in population centers, or is  
25 that a consideration for AOSI?



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1           A.     Well, to the extent that access facilities  
2 being available is a consideration and major population  
3 centers have almost universally been converted to equal  
4 access, then, yes, I would--business is concentrated in  
5 those areas.

6           Q.     It's my understanding that AOSI generally  
7 enters into contracts with entire hotel chains, for  
8 example. Is that correct? Like, you wouldn't contract with  
9 a specific, like, say, Marriott in St. Louis. You would  
10 contract with a group of Marriotts. Is that correct?

11          A.     Well, not exactly. The marketing effort is  
12 both major account and individual subscriber oriented. For  
13 example, in a joint arrangement with Holiday--or with MCI,  
14 we executed an agreement with Holiday Inn Corporation which  
15 required--or the master agreement covered the corporate-  
16 owned Holiday Inns, and those were automatically included in  
17 the master agreement. But then there was a marketing effort  
18 targeted at franchisees in addition. Some of those  
19 franchisees are extremely large having multiple properties;  
20 others have single locations. We market directly to both.

21          Q.     Have you had much success in obtaining the  
22 franchisees' business?

23          A.     Yes. Let me clarify. Holiday Inn has  
24 subsequently accepted a contract offered by AT&T, and the--  
25 under mutual agreement, we have nullified the agreement

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1 between MCI, NTS, and the Holiday Corporation. So that  
2 particular agreement is not in effect. When I said, "Yes,  
3 we've had success in marketing to franchisees," I was  
4 speaking more in general. We've had a great deal of success  
5 in marketing to the--

6 Q. I'm sorry. So AOSI is not providing  
7 operator services to Holiday Inns today?

8 A. No, that is not correct. To corporate-owned  
9 Holiday Inns who have, as instructed by the corporation,  
10 reverted to AT&T, we're not. We are providing service to a  
11 number of the franchisees who elected to continue our  
12 service.

13 Q. AOS shares in its customers' surcharges,  
14 doesn't it?

15 A. I'm sorry. What was that?

16 Q. AOSI--I'm sorry. Maybe I didn't state it  
17 correctly. AOSI shares in its customers' surcharges; isn't  
18 that correct?

19 A. In some instances.

20 Q. What percentage of your customers who charge  
21 surcharges would you say that you share in the surcharges?

22 A. I don't really have the information to  
23 answer that. I don't mind speculating, but that's all it  
24 is.

25 Q. Well, do you have an informed opinion as

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1 to--based on your experience with AOSI, as to the percentage  
2 of customers who probably charge surcharges that you would  
3 share in their surcharges?

4 A. My best guess would be about a third.

5 Q. And of those customers that you don't share  
6 in their surcharges, is that because or in part a reason  
7 because the state that you are operating in doesn't permit  
8 you to share in the surcharges?

9 A. I can't think of any instances where that's  
10 been a consideration.

11 Q. Are there any states in which you operate  
12 that prevent you from billing and collecting the surcharges  
13 on behalf of your customers?

14 A. Yes.

15 Q. And, in those states, do you know whether  
16 you share in the surcharges that are billed by your  
17 customers?

18 A. Well, let's distinguish in a couple of types  
19 of charges. NTS does not ever participate in charges billed  
20 directly by a subscribing location. If a hotel has charged  
21 for using its telecommunications equipment that's billed on  
22 behalf--or I'm sorry. --that's billed by the hotel to the  
23 user, NTS does not participate and cannot control and is not  
24 interested in participating in any way in that revenue.

25 The surcharges which may be billed by NTS on

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1 behalf of the subscriber, roughly a third of those  
2 surcharges have an NTS participation. Frankly, that was  
3 originally viewed as a device which discouraged the  
4 subscriber from billing that surcharge through NTS. As I  
5 stated in my prefiled testimony, we're not entirely  
6 comfortable with the practice.

7 Q. But you do currently engage in it? That's  
8 correct?

9 A. As a marketplace necessity in our view, yes,  
10 we do.

11 Q. Do you engage in that practice in the state  
12 of Missouri?

13 A. I would suspect we do. I can't say with  
14 certainty.

15 Q. And in those states--but at least in those  
16 states that you are prohibited from billing for the  
17 surcharges charged by your customers, you wouldn't share in  
18 those surcharges, would you? That would be billed by the  
19 client itself?

20 A. No. In those states, we do not bill  
21 surcharges on behalf of a client; therefore, we could not  
22 participate.

23 Q. Are there any situations where you would  
24 bill surcharges on the interstate level but not on the  
25 intrastate level?

1           A.     That might be. There's been no direction  
2 from the interstate authority on that, and it is a fact that  
3 the interstate market currently encourages those surcharges.

4           Q.     How does it encourage those surcharges?

5           A.     Other carriers are billing and collecting  
6 surcharges on their subscribers' behalf. Although strongly  
7 discouraging, we have decided to meet that competition by  
8 doing so ourselves.

9           Q.     I don't recall if I asked you this or if you  
10 answered it. But do you know how many states in which you  
11 operate that prohibit AOSI from charging the surcharges or  
12 from billing for the surcharges?

13          A.     Two states prohibit them entirely, and three  
14 others have--no. I'm sorry. Four others have limitations  
15 of some type, most typically over traffic originating from  
16 a particular type of facility, such as a public pay phone.

17          Q.     Which states outright prohibit them?

18          A.     Washington and West Virginia.

19          Q.     And just to make sure we're both talking  
20 about the same thing, when you use the term "surcharge,"  
21 you're talking about an amount in addition to what your  
22 tariffed rates are; isn't that correct?

23          A.     That's correct.

24          Q.     Exhibit C which is attached to your direct  
25 testimony indicates that AOSI was initially incorporated on

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1       October 2, 1987; is that correct?

2               MR. JOHNSON:   Exhibit C?

3               MS. OTT:   Uh-huh.

4               THE WITNESS:   Exhibit C is the Missouri  
5       certificate of authority.

6               MS. OTT:   I meant the older one.   I thought  
7       that was Exhibit C.

8               MR. JOHNSON:   I think you're referring to  
9       Exhibit B.

10              MS. OTT:   Yeah.   You're right.   I'm sorry.

11              THE WITNESS:   Okay.   October 2, 1987, yes.

12       BY MS. OTT:

13              Q.       And is that when AOSI first began its  
14       operations?

15              A.       No.   American Operator Services didn't  
16       operate as an operating company until January 1, '88.   At  
17       the end of 1987, a predecessor corporation, National  
18       Telephone Services, Incorporated, which was a Georgia  
19       corporation, was merged into American Operator Services.

20              Q.       So AOSI then didn't begin its operations  
21       until January 1, 1988.   But I think you indicate in your  
22       testimony that AOSI became profitable in March of '88; is  
23       that correct?

24              A.       That's correct.

25              Q.       So that's essentially in the first three

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1 months that AOSI began operations, it became profitable,  
2 correct?

3 A. Well, that's correct. I would point out  
4 that the predecessor corporation had been operating since  
5 roughly January 1, 1986.

6 Q. But we don't know anything about this  
7 predecessor. I mean, nothing is in the testimony about this  
8 predecessor corporation; isn't that correct?

9 A. I believe I indicated in the testimony that  
10 largely the responses were applicable to the predecessor  
11 corporation as well as American Operator Services. If I did  
12 not say that in the testimony, I would like to so state.  
13 The answers were prepared with that in mind. The operation  
14 has not changed effectively.

15 Q. Did this predecessor corporation operate in  
16 the state of Missouri?

17 A. Yes.

18 Q. And since 1986? Or do you know when their  
19 operations began in Missouri?

20 A. If you'll bear with me just a minute, I can,  
21 I believe, locate that.

22 August, 1987.

23 Q. Do you know how many locations AOSI was  
24 providing operator services in August of 1987 in the state  
25 of Missouri?

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1 A. No, I don't. From the records of calls  
2 processed, it appeared to be a de minimis number.

3 Q. Do you know how many calls you process now  
4 in the state of Missouri?

5 A. I have with me records from July of '88.

6 Q. Do you know how many calls you processed in  
7 July of '88 in the state of Missouri?

8 A. It was approximately 13,000.

9 MR. JOHNSON: Pardon me. We request  
10 proprietary treatment of that information. Public Counsel  
11 has, I believe, in asking that question, violated the  
12 Commission's Order on proprietary treatment of that  
13 information.

14 MS. OTT: I'm sorry. I didn't know it was  
15 proprietary.

16 MR. JOHNSON: Well, Mr. Wheatley certainly  
17 did. And I would, to that extent, ask that the question and  
18 answer be stricken from the record.

19 EXAMINER O'DONNELL: Ms. Ott.

20 MS. OTT: I don't have any objection. I  
21 don't--quite frankly, I don't understand why it's  
22 proprietary, you know, in the first place. AOSI isn't even  
23 authorized to provide service in the state, yet they're  
24 processing, you know, calls in this state and a significant  
25 number of them. Quite frankly, I don't see why AOSI has any



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1 competitive secrets with respect to the state of Missouri  
2 since it's not a legitimate competitor of any sort and the  
3 Commission hasn't determined that the provision of AOSI  
4 services in the state of Missouri is in the public interest.

5 I didn't know the answer was proprietary.  
6 But the burden should not be on Public Counsel to claim  
7 proprietary or to watch out what AOSI claims is proprietary.  
8 If it was somehow disclosed, I mean, I believe that that's  
9 AOSI's fault, not Public Counsel's.

10 MR. JOHNSON: That may or may not be the  
11 case. The fact is, at least as I understand the statute,  
12 Public Counsel is required to follow the Orders of the  
13 Commission. On this question, the Commission recently  
14 issued an Order in this case in which it largely adopted the  
15 Order concerning proprietary treatment of information which  
16 the Commission adopted--I believe it was in TO-88-142.  
17 Regardless of Ms. Ott's personal opinion about Public  
18 Counsel's responsibility to maintain the proprietary  
19 treatment of such information, I think she is, in fact,  
20 required to observe the provisions of that Order.

21 MS. OTT: I guess my only response is how am  
22 I supposed to know if I'm asking a proprietary question when  
23 everything--well, I guess then I should assume everything  
24 I'm going to ask is proprietary.

25 MR. JOHNSON: No. I--

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1 EXAMINER O'DONNELL: At this point, I think  
2 I've heard enough from the parties.

3 This is a thorny matter. I believe that I  
4 would like to address this objection after the recess, which  
5 will be around three o'clock. And then, when we come back,  
6 I will address the objection or the motion to strike.

7 MR. JOHNSON: That's fine. Thank you.

8 MS. OTT: I do apologize, though. And I'll  
9 change my line.

10 BY MS. OTT:

11 Q. I believe on Page 5 of your direct  
12 testimony, you indicate that Tennessee does not regulate  
13 NTS?

14 A. That's correct.

15 Q. Are you currently providing service in  
16 Tennessee?

17 A. We are.

18 Q. Are you familiar with an Order issued by the  
19 Tennessee PSC on March 28, 1988, which appears at 91 PUR4th,  
20 Page 172, that involves AOS and the provision of AOS and  
21 specifically addresses NTS's services?

22 A. If you'll read me the caption of the Order,  
23 I believe that--

24 Q. "Re South Central Bell Telephone Company,  
25 Docket No. U-88-7551."

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1           A.     Well, I'm presuming this is the Order that  
2 was issued in--it was actually a show cause proceeding with  
3 the show cause Order directed at the local exchange  
4 companies providing service in the state of Tennessee.

5           Q.     That's correct. That's the same Order.

6           A.     Okay. I'm familiar with it.

7           Q.     Okay. And, in fact, in that Order, didn't  
8 the PSC, the Tennessee PSC, issue its Order requiring AOS  
9 providers to charge end users no more than that charged by  
10 AT&T for similar services?

11          A.     Actually, the Order states that the local  
12 exchange companies shall not bill or collect any charges  
13 that are greater than those authorized by the commission by  
14 AT&T.

15          Q.     In that Order, wasn't the Tennessee  
16 commission concerned about customer complaints when it  
17 stated in its Order that ". . . AOS companies are unethical  
18 at best, illegal at worst"? And that's a quote from  
19 Page 174.

20               MR. JOHNSON: Objection, your Honor. This  
21 is a matter that is of public record. If Public Counsel  
22 would like to quote from this decision in its brief, that's  
23 fine. I think it's an inappropriate line of questioning.  
24 The decision speaks for itself, and it's inappropriate to  
25 ask Mr. Bryan to comment on the Order of a commission other

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1 than--outside of this state.

2 EXAMINER O'DONNELL: Ms. Ott, did you want  
3 to address the objection?

4 MS. OTT: I'd just say that, you know,  
5 Mr. Bryan refers to and talks about whether or not NTS is  
6 authorized to provide services in other states. And his  
7 testimony makes it look like Tennessee or the states that  
8 can't regulate the provision of AOS don't take a position on  
9 it, and that's the implication from the testimony. And the  
10 point of this line of cross-examination is that maybe--you  
11 know, while Tennessee statute may prohibit it from  
12 regulating AOS directly, it certainly has concerns and that  
13 it is addressing those concerns.

14 EXAMINER O'DONNELL: I will uphold the  
15 objection insofar as the wording of your question seemed to  
16 ask him for the intent of the commission. If you could  
17 rephrase your question and not ask him for an intent of the  
18 commission of Tennessee, I would entertain your question  
19 then.

20 MS. OTT: Okay. Thank you.

21 BY MS. OTT:

22 Q. Do you recall whether the Tennessee  
23 commission cited NTS as an example in that Order of a  
24 company which accepts AT&T credit cards and then charges  
25 the end user two to three times more than AT&T?

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1           A.     Very candidly, I feel somewhat constrained  
2 in answering questions along this line because there's  
3 litigation pending in the state of Tennessee. But--

4           Q.     I'm just asking you if you recall if that's  
5 what the commission said in its Order. If you don't recall  
6 it, that's fine.

7           A.     I don't recall.

8           Q.     On Page 6 of your direct testimony, you list  
9 a number of businesses, hotel and health care chains, that  
10 AOSI provides service to; and I think one of the examples is  
11 a Marriott. Do you have a similar arrangement with the  
12 Marriotts that you had with the Holiday Inns that you  
13 described earlier, that being that, with the corporate  
14 Marriotts, you have a contract and, with the franchisees,  
15 you negotiate whether or not they want you to provide their  
16 operator services?

17          A.     No, we do not have a master agreement with  
18 Marriott. Any arrangements are on a property-specific or  
19 franchisee-specific basis.

20          Q.     Is that the same with the Stouffers that you  
21 list there?

22          A.     Yes. As a matter of fact, Stouffers and  
23 Sheraton both would be on a franchisee basis. Our current  
24 chain-specific agreement, which I believe was executed  
25 subsequent to the preparation of this testimony, is with

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1 Radisson.

2 Q. And how about with regard to the health care  
3 chains that you list? Do you have a master agreement with  
4 them, or do you negotiate on a location-by-location basis?

5 A. Well, to some extent, both. Health care,  
6 being a much more technical business, is typically not  
7 operated by franchisees. But we have master agreements with  
8 AMI and Humana. I believe our agreement with Hospital  
9 Corporation properties are regional in nature.

10 Q. At the bottom of Page 6 and the top of  
11 Page 7 of your direct, you discuss how a call is handled by  
12 your company. Is there ever a chance that a call which is  
13 made entirely intrastate, say, from St. Louis to  
14 Jefferson City, could be treated by AOSI as if the call was  
15 an interstate call?

16 A. At present on approximately--between 5 and  
17 10 percent of our calling volume, it would be possible.  
18 Well prior to the end of the year, it will not be.

19 Q. Okay. And why is that?

20 A. As a matter of fact--let me qualify that a  
21 bit further. It could be classified as interstate for the  
22 sole purpose of payment of access charges by an underlying  
23 WATS carrier. We're discontinuing WATS-originated service  
24 is the reason why it will discontinue and converting  
25 entirely to a Feature Group D and Feature Group B

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1 environment. But, for all other purposes, including billing  
2 and for NTS's regulatory reporting purposes, it would be  
3 treated as an intrastate call.

4 Q. Would it be possible, if NTS subscribed to  
5 Feature Group B, that it could report the call as being  
6 interstate?

7 A. No.

8 Q. And why is that?

9 A. Because NTS reports the percentage of  
10 interstate use on Feature Group B originating traffic, and  
11 we report it honestly.

12 Q. But there's no way to verify that other than  
13 relying on NTS's honesty; is that correct?

14 A. Well, the Commission could certainly audit  
15 the records of National Telephone. That's the case, to my  
16 knowledge, of all interexchange carriers.

17 Q. I believe earlier that you said that you  
18 would be able to block all intrastate calls in the event  
19 that the Commission decided that the provision of AOS was  
20 not in the public interest; is that correct?

21 A. Yes. And we are doing so in other states  
22 today.

23 Q. But you're not currently doing it in  
24 Missouri; is that correct?

25 A. That's correct.

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1 Q. If I had a Tel-Central calling card, which  
2 is a 1-950 access type code, and I used that when I travel,  
3 could I use this card from a telephone in my hotel room if I  
4 was staying at a Holiday Inn that you provided AOS services  
5 to?

6 A. Yes. By dialing the 950 access code, you  
7 could access your chosen carrier.

8 Q. And NTS would not know that I made this call  
9 or your--I wouldn't be billed by NTS for this call?

10 A. A call made in such a manner would never  
11 enter the NTS network.

12 Q. At the bottom of Page 8 of your direct, you  
13 talk about collect calls and how you handle them. Say, for  
14 example, a mother receives a collect call from her child.  
15 Is it practical or even logical to expect the mother to  
16 refuse to accept the charges on the grounds that she  
17 dislikes NTS for whatever reason?

18 MR. JOHNSON: Objection. I think that is  
19 clearly speculative. It's highly improper, you know,  
20 injecting a bunch of emotion, family-related emotion, into  
21 this case.

22 EXAMINER O'DONNELL: Ms. Ott.

23 MR. JOHNSON: I think it's probably more  
24 likely that the mother would refuse the call because it's  
25 the child on the end of the line, not because it's a certain



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1 carrier.

2 MS. OTT: Well, I believe that Mr. Bryan  
3 states in his testimony that, if a customer or an end user  
4 is unhappy with NTS, that they can just hang up the phone,  
5 you know, and not--refuse to use NTS anymore. And I believe  
6 that that example that I gave is relevant to contradict that  
7 statement.

8 EXAMINER O'DONNELL: Overruled.

9 THE WITNESS: Yes, I do think it's  
10 practical, as a matter of fact. I would agree that it is  
11 somewhat a strange scenario. But the same is true today  
12 with the use of a single carrier for all collect calls, and  
13 it would no more be true for service provided by National  
14 Telephone. And the logical extension of that question or  
15 argument, if you will, because I believe that's what it  
16 really is, is that only one carrier should be authorized to  
17 provide collect calling. And I personally have rather  
18 strong opinions to the contrary.

19 BY MS. OTT:

20 Q. So is your answer to my question yes or no?

21 A. It's yes. I think it is practical and  
22 feasible for the person to hang up and refuse to deal with  
23 NTS.

24 Q. On Page 10 of your direct, I believe you  
25 indicate that NTS purchases transmission facilities from

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1 IXC's such as MCI, AT&T, and US Sprint. First of all, do you  
2 consider it proprietary as to who you purchase your  
3 transmission facilities from, so I don't ask the wrong  
4 question?

5 A. No, we don't consider that proprietary.

6 Q. Do you purchase transmission facilities from  
7 AT&T?

8 A. Yes.

9 Q. Do you purchase facilities from US Sprint?

10 A. In this area, I'm not certain. In other  
11 areas, yes, we do.

12 Q. And do you purchase facilities from MCI?

13 A. Yes. MCI is our primary carrier.

14 Q. So then you would purchase from AT&T only if  
15 MCI wasn't able to provide appropriate transmission  
16 facilities; is that correct?

17 A. I don't believe I said that.

18 Q. No?

19 A. It would depend on quite a number of  
20 factors, including in our engineering department's judgment  
21 whether additional costs might be outweighed by duplication  
22 of facilities where we have in one area a single carrier  
23 and, in order to prevent outages should that carrier have  
24 technical problems, utilizing an alternative and having  
25 access to that alternative's facilities.

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1 Q. So is NTS then a large customer of MCI's?

2 A. I believe that's a safe statement, yes.

3 Q. At the bottom of Page 10, you discuss the  
4 kind of access you purchase. And you indicate that NTS may  
5 be purchased as Feature Group B even though Feature Group D  
6 is available; is that correct?

7 A. In some instances, yes.

8 Q. Do you purchase Feature Group B under  
9 intrastate or interstate tariffs?

10 A. Both.

11 Q. And can NTS distinguish between interstate  
12 and intrastate calls on Feature Group B lines?

13 A. Yes, we can.

14 Q. Can NTS distinguish between interstate and  
15 intrastate calls that are carried on Feature Group B lines  
16 purchased under the interstate tariffs?

17 A. Well, they're the same lines. Yes.

18 Q. And would you agree with me that, in most  
19 industries, a customer's awareness of a company's existence  
20 is crucial to that company?

21 A. Yes.

22 Q. And would you agree with me that most  
23 companies spend a lot of money on so-called image  
24 advertising?

25 A. No, I would not.

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1 Q. Would you agree with me that a good example  
2 of image advertising would be the GTE commercials where they  
3 yell, "Gee." "No. GTE"?

4 A. I've never particularly liked that  
5 commercial, but--

6 (Laughter.)

7 Q. But it's effective; isn't that true?

8 A. Well, to the extent that it pushed the  
9 company's name in front of the consumer, yes.

10 Q. I believe you state at the bottom of Page 12  
11 that the posting of notices describing your services at a  
12 customer's location is beyond your control?

13 A. That's correct.

14 Q. Would you be opposed to a requirement that  
15 you include the posting of such notices as a condition in  
16 your contract with the customer if the PSC so required?

17 A. In opening statements, there were a number  
18 of references to a generic rulemaking proceeding. I think,  
19 in such proceeding, that is a highly appropriate subject to  
20 be considered. With that prefaced, in a certification  
21 proceeding such as we have today, I do have a problem with  
22 such a requirement in that, insofar as other providers of  
23 service may not have to require a property owner to post  
24 such a notice, then I'm at a significant competitive  
25 disadvantage in marketing to that location owner.

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1                   The hospitality industry in particular has  
2 proven extremely reluctant to agree to add additional  
3 clutter to hotel rooms. The typical hotel room already has  
4 advertisements for room service, for in-house pizza  
5 delivery, for Spectravision, for a whole host of services  
6 offered by the hotel. The hoteliers are very reluctant to  
7 assume the responsibility for posting notices regarding  
8 telecommunications, maintenance of those notices, which I  
9 might add is very costly. The maids have to check for  
10 whether the notice is properly posted as they're cleaning  
11 the room. I, for example, am terrible at collecting tent  
12 cards from hotel rooms.

13               Q.     So is your answer--I'm sorry. Is your  
14 answer yes or no?

15               MR. JOHNSON: Well, I think he should have  
16 the opportunity to respond to the question. Whether you  
17 think he's finished or not doesn't make any difference. It  
18 appears that he hadn't, he had not finished.

19               EXAMINER O'DONNELL: Mr. Johnson--I would  
20 caution the witness to try to be responsive to the question  
21 and then give whatever qualifications you think are  
22 necessary to answer the question.

23               THE WITNESS: Okay. I'm sorry.

24               In summary, in this proceeding, I would  
25 oppose such a requirement, although were it imposed, we

1 would certainly comply. In a nutshell, if--we would not  
2 oppose such a requirement were it required of all providers  
3 of operator services, which would eliminate my competitive  
4 disadvantage problem.

5 MS. OTT: Thank you.

6 BY MS. OTT:

7 Q. Is it your understanding, Mr. Bryan, that  
8 the benefits of competition would be cheaper, more efficient  
9 service to the end user?

10 A. I believe that would be one of the benefits.  
11 I don't think that's the only benefit of competition.

12 Q. Is the end user currently, in your opinion,  
13 experiencing cheaper, more efficient service?

14 A. Well, you have asked two questions there.  
15 Cheaper? Probably not. More efficient? In many service  
16 areas, yes.

17 Q. On Page 18 of your direct testimony, you  
18 indicate that end user dissatisfaction is costly and that a  
19 dissatisfied end user will hang up the next time he accesses  
20 an AOS company. This would not be the case if the end user  
21 was confined to a hospital bed, would it?

22 A. No. It very well may be the case. In any  
23 location served by National Telephone, the provider will  
24 have different alternatives. One is dialing an access code  
25 to access his preferred carrier; another is requesting

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1 another carrier via National Telephone's operator.

2 Q. I don't believe that's what you stated in  
3 your answer. You were saying that the end user will just  
4 hang up. That's hard to do if you're trying to place a call  
5 from your hospital bed, isn't it?

6 A. Well, you're assuming an immobile patient.  
7 But, given that assumption, I will concede that I should  
8 have explained further in the direct testimony.

9 Q. On the bottom of Page 19 of your direct, you  
10 indicate that you bill and/or collect surcharges for your  
11 customers; isn't that correct?

12 A. That's correct.

13 Q. Do you believe it is appropriate for a local  
14 exchange company to disconnect for the nonpayment of these  
15 surcharges?

16 A. I'm not sure I really have an opinion on  
17 that. As I went on in the prefled testimony to say, we're  
18 not entirely comfortable with either the practice of billing  
19 the surcharge or the size of many of the surcharges which  
20 have been encountered in the marketplace. And, to the  
21 extent that that discomfort is evident, then I agree with  
22 the concerns which might be expressed by the Commission and  
23 would certainly not object to a prohibition of either  
24 billing the surcharge or a prohibition of disconnection on  
25 that basis.

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1           Q.     When you bill for the surcharges, do you  
2     aggregate the amount of the surcharge and the amount for the  
3     AOS-handled call so that the customer only sees one total  
4     amount for that call on his bill?

5           A.     Yes.

6           Q.     Does NTS absorb the cost of collecting these  
7     surcharges or does it subtract these costs out of the amount  
8     of the surcharge that it rebates to its customers?

9           A.     There really is no incremental cost of  
10    collection. The cost of collection is on a per message  
11    basis and will be borne by NTS, regardless of whether a  
12    surcharge is included. So, in summary, no, there is no  
13    deduction for billing it.

14          Q.     At the bottom of Page 20, you indicate that  
15    it is inappropriate to cap your rates at AT&T's rates for  
16    similar services; is that correct?

17          A.     That's correct.

18          Q.     But I believe you stated earlier that you  
19    were aware of some states that actually impose this  
20    requirement; is that correct?

21          A.     Yes.

22          Q.     Isn't it true that, in almost every state  
23    that NTS has received a certificate from a PSC, that that  
24    PSC has imposed conditions on its certificate?

25          A.     There have been some types of conditions



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1 imposed on, I believe, every certificate. But most  
2 typically it's been something on the order of  
3 providing percent of interstate use statistics or providing  
4 staff with some information on handling of emergency calls  
5 or blocking of intraLATA if there's a prohibition on  
6 intraLATA competition. As regards rates, in the granting of  
7 a certificate, I can't think of--I didn't bring the Orders  
8 with me, but I can't think of any which addressed it in the  
9 granting of certification.

10 Q. At the bottom of Page 22, you state that,  
11 quote, "As a nondominant IXC, NTS occasionally must subscribe  
12 to nonpremium access." Is there a legal or engineering reason  
13 that NTS must subscribe to nonpremium access on some  
14 occasions?

15 A. Yeah. It's not available universally.

16 Q. And that would be in nonequal access  
17 exchanges; is that correct?

18 A. Correct.

19 Q. But, in all equal access exchanges, it would  
20 be available, wouldn't it?

21 A. Yes.

22 Q. But, in some situations, NTS still subscribes  
23 to nonpremium access even where premium access is available;  
24 isn't that correct?

25 A. By defining Feature Group B as nonpremium,

1 yes.

2 Q. I believe you stated earlier that NTS would  
3 have the capability of blocking intrastate calls; is that  
4 correct?

5 A. We have developed that capability within the  
6 last six months.

7 Q. Does that mean that NTS would also be able--  
8 or would also have the technology to splash customer calls  
9 from the location that those calls are placed?

10 A. No. The two are not related in any way.

11 Q. So, if you totally block that traffic, then  
12 it would just automatically be routed to the LEC or the  
13 primary provider; is that correct? I just don't understand  
14 how it works, I guess, is--

15 A. Well, depending on the type of access used,  
16 currently local exchange company access facilities aren't set  
17 up to where ordering interstate access automatically screens  
18 intrastate calling. Any direct-dialed interexchange call  
19 under Feature Group D is delivered to the presubscribed  
20 carrier for that line. If the call is then determined to be  
21 intrastate and is to be blocked, then somehow that call must  
22 be not terminated over that carrier's facilities.

23 In the case of NTS, were intrastate calls to  
24 be blocked on an equal access line, the call will have  
25 already been delivered to the operator center serving that

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1 particular location. In the instance of Missouri, the call  
2 will have been delivered to Chicago. Absent a piece of  
3 equipment which might receive a loud tone which might then  
4 redirect the call somehow into the local network, the call  
5 must be gotten rid of, if you will, from the operator  
6 center. And so accessing AT&T or another carrier from--who  
7 could then terminate and bill the call from the operator  
8 center is the only option.

9 Q. How many customer complaint operators does  
10 NTS have?

11 A. Gosh, I'm not sure what the payroll is now.  
12 I think we have somewhere between 25 and 30 positions  
13 available.

14 Q. Would you be opposed to adding more  
15 positions if the PSC so required?

16 A. Well, I would have no objection to some  
17 service standard for customer service. I would prefer that  
18 to an absolute number requirement.

19 Q. If a customer complains that AOSI's rates  
20 are too high and therefore raises a billing dispute, does  
21 AOSI normally credit that customer's bill?

22 A. Our policies are pretty liberal in that way.  
23 I'd have to say, if the customer knowingly used NTS, had  
24 previously used NTS, and was a continual complainer, our  
25 attitude would be somewhat different than if we had no

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1 record of ever having received a call from a particular user  
2 before. In the second instance, I suspect our reaction  
3 would be to allow some type of credit in the interest of  
4 customer satisfaction, which is a very common occurrence  
5 among all carriers. In the second instance, we might not.  
6 I honestly can't say.

7 Q. I believe on Page 32 of your testimony, your  
8 direct, you refer to the NARUC guidelines regarding AOS and  
9 indicate that you find it significant that the NARUC  
10 subcommittee changed the title of its recommendation from  
11 "Recommended Guidelines" to "Recommended Guidelines for  
12 Consideration." Do you see that?

13 A. Yes.

14 Q. You are aware that Public Counsel Witness  
15 Dianne Drainer was an active participant in the subcommittee  
16 which compiled the NARUC report, aren't you?

17 A. Yes, I am. I also attended the debate by  
18 the Communications Committee at which Dianne was also  
19 present.

20 Q. And was it your understanding that the  
21 reason the title was changed was in recognition that  
22 different states have different levels of jurisdiction and  
23 regulation over AOS providers?

24 A. That was part of the debate, as was a  
25 recognition that there was not unanimous opinion among the

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1 Communications Committee itself.

2 Q. Now, turning to your rebuttal testimony, on  
3 Page 2 of your rebuttal testimony, you indicate that many  
4 hotels block the dialing of 1-0-XXX calls?

5 A. Yes.

6 Q. Why is that, do you know?

7 A. I'm not a technical expert. But my  
8 understanding is that many PBXs do not have the capability  
9 of blocking, on a selective basis, 1-0-XXX and zero-dialed  
10 calls with certain codes being blocked and others not. AT&T  
11 will not indemnify a subscribing property from fraudulently  
12 placed calls using a 1-0-XXX access code. This,  
13 incidentally, can be documented by the bills which our  
14 company has received using the same access code. But, for  
15 allegedly fraudulently billed calls originating from--

16 MR. ROYER: Your Honor, I'm going to object.  
17 He's trying to get in what he tried to get in earlier this  
18 morning.

19 MR. JOHNSON: He's simply responding to the  
20 question.

21 MR. ROYER: I don't believe it was at all  
22 responsive to the question.

23 EXAMINER O'DONNELL: It's overruled.

24 You may proceed.

25 THE WITNESS: But in order to protect

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1 themselves from back billing of fraudulently placed and  
2 billed calls, many subscribers have elected simply to block  
3 1-0-XXX access codes for all carriers; and this is no  
4 discrimination against any carrier. They don't allow  
5 1-0-XXX access. The alternative means around that most  
6 typically is to allow--is to provide, by an interexchange  
7 carrier, Feature Group B or 950 access or to provide an  
8 inbound WATS number to access the network.

9 BY MS. OTT:

10 Q. On Page 6 of your rebuttal, you criticize  
11 Ms. Drainer stating that she makes largely unsubstantiated  
12 allegations regarding the OSP industry. Do you see that?

13 A. Yes.

14 Q. And I believe you stated earlier that you  
15 were aware that Ms. Drainer was an active member of the  
16 NARUC task force that conducted the investigation of AOS?

17 A. That's correct.

18 Q. And you are aware that Ms. Drainer worked on  
19 the development of the survey and personally reviewed and  
20 compiled at least portions of the responses to that survey?

21 A. I am.

22 Q. Do you know whether Ms. Drainer has had any  
23 personal experiences with AOS as a transient customer?

24 A. Well, as any frequent traveler would, I  
25 would presume that she has.

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1 Q. Have you asked her about her personal  
2 experiences?

3 A. I think we may have had one or two casual  
4 conversations. I don't remember any specifics.

5 Q. Have you asked Ms. Drainer what she based  
6 her allegations on that she made in her testimony?

7 A. I don't recall.

8 Q. So you don't really know then whether or  
9 not her allegations are unsubstantiated, do you?

10 A. Well, in the evidence that I have reviewed  
11 in this particular case as regards my particular company,  
12 I've seen no substantiation for applying these allegations  
13 to my company.

14 Q. Isn't it true that Ms. Drainer asked  
15 NTS/AOSI numerous DRs to which you responded?

16 A. Yes.

17 Q. And don't you--well, never mind. Do you  
18 disagree with the fact that both Ms. Drainer and  
19 Mr. Van Eschen have provided evidence that NTS has been a  
20 target of at least some customer complaints?

21 A. Yes. Every carrier which does business is  
22 the target of some customer complaints.

23 Q. And would you agree with me that frequent  
24 customer complaints about NTS include both excessive rates  
25 or what the customer or the end user perceives to be

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1 excessive rates?

2 MR. JOHNSON: Objection. That question  
3 assumes the term "frequency". And there's been no testimony  
4 about that.

5 EXAMINER O'DONNELL: Ms. Ott.

6 BY MS. OTT:

7 Q. What is NTS's most frequent complaint from  
8 end users?

9 A. I'm trying to--the character of inquiry  
10 which I'm interpreting you as characterizing as complaint  
11 has been changing recently. I suspect that rates still is  
12 No. 1. I might add that the basis for a comparison of rates  
13 by a user is most typically from a user calling either AT&T  
14 or the local exchange company inquiry number and requesting  
15 a rate for a particular from/to type of call. In many  
16 instances, the question may not be asked clearly enough so  
17 that the AT&T or LEC customer service representative can  
18 give a completely correct response. And we're finding that,  
19 in roughly half of the inquiries regarding rates, the user  
20 is actually comparing a direct-dialed call to an operator-  
21 assisted call; and it's like comparing apples to oranges.

22 The rate question is certainly one which is  
23 going to cause a great deal of debate for quite sometime.  
24 But my point in this testimony was simply that there is no  
25 substantiation certainly that the rates proposed by my



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1 company are excessively high. And, if there have been such  
2 suggestions, we have not been given data with which to  
3 respond.

4 Q. Are the rates that NTS has proposed in this  
5 proceeding the same rates that NTS is currently charging in  
6 the state of Missouri?

7 A. To be honest, I'm not sure. I would hope  
8 so, but I'm not sure.

9 Q. I believe that you refer to the Operator  
10 Services Providers Association code in your testimony?

11 A. Yes.

12 Q. There is no mandatory or legal requirement  
13 that NTS or AOSI comply with this code of standards, is  
14 there?

15 A. No. There's no mandatory or legal  
16 requirement that we be a member. The Board of Directors of  
17 the association has established a task force to investigate  
18 enforcement measures. As a trade association, the  
19 association has to be very sensitive to antitrust concerns  
20 and quasi price fixing, which I find somewhat ironic since  
21 we control altogether maybe 4 percent of the market. But  
22 the point being that the mechanism for some type of  
23 enforcement is being established. The reason that it hasn't  
24 been previously is that we do have to be sensitive to these  
25 concerns. And we feel fairly strongly that the enforcement

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1 mechanisms will be sufficient to provide the arm-twisting  
2 leverage.

3 Q. On to a different subject. If a call is  
4 made by me from St. Louis to Jefferson City and that call  
5 was handled by NTS, would that call probably be handled by  
6 your operators in Chicago?

7 A. Yes.

8 Q. And if I requested that my call be splashed  
9 to AT&T, my call would be splashed to AT&T in Chicago; is  
10 that correct?

11 A. That's right.

12 Q. So that my telephone bill would indicate  
13 that my call originated in Chicago; isn't that true?

14 A. Today, that is true. We have proposed a  
15 number of alternatives. I might add that NTS has the  
16 capable--technical capability to provide AT&T the ability to  
17 properly bill the call and offered to as early as February  
18 of last year.

19 Q. In Exhibit O attached to your direct  
20 testimony where you have a number of articles from the  
21 TE&M magazine--it's Schedule O. I'm sorry. On Page 6, the  
22 6th page of those articles, there's an editorial that you  
23 have attached.

24 A. I'm sorry. Which one?

25 Q. Schedule O.

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1 EXAMINER O'DONNELL: Would that be the page  
2 designated 63 of TE&M?

3 MS. OTT: Mine doesn't have a page number.

4 EXAMINER O'DONNELL: On the right lower-hand  
5 corner.

6 MR. JOHNSON: The bottom right-hand side.

7 MS. OTT: Oh. Mine's all--got black. I  
8 think I got a bad copy. It's the editorial with the guy's  
9 picture on it.

10 EXAMINER O'DONNELL: Okay. So there's a man  
11 pictured on it, yes.

12 MR. JOHNSON: Oh. Is that the one at the  
13 bottom it says, "Bob Stoffels, Editor"?

14 MS. OTT: Yes. That's it.

15 THE WITNESS: I'm almost there.

16 Okay. Schedule O.

17 MS. OTT: The 6th page.

18 THE WITNESS: Okay.

19 BY MS. OTT:

20 Q. I believe that editorial discusses a Florida  
21 PSC investigation of AOS and specifically mentions a case  
22 where a Florida commissioner paid \$11.10 for a two-minute  
23 AOS call that would have cost \$1.28 on AT&T's network. Do  
24 you see that?

25 A. Yes.

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1           Q.     The editor then quoted an AOS provider's  
2 response, which is, quote, "We charge more than AT&T, but  
3 that's not necessarily overcharging. I know nothing that's  
4 sacrosanct about AT&T rates. It's difficult for us to see  
5 why we have to use our competitor's rates as a base." Would  
6 you agree with that statement?

7           MR. JOHNSON: Objection. This is entirely  
8 hearsay. There's no identification as to what AOS company  
9 they're talking about here. I think that is entirely  
10 inappropriate to ask him to adopt a statement which--the  
11 basis of which there's no foundation that Mr. Bryan is aware  
12 of.

13           EXAMINER O'DONNELL: Overruled.

14           THE WITNESS: To begin with, I would not  
15 agree with the president of whatever company this is to  
16 the extent that it's made in the context of this particular  
17 charge. If you take that context away, then I still don't  
18 agree literally. My testimony and my feeling is that  
19 dominant provider rates can be used to establish a zone of  
20 reasonableness around which just and reasonable rates can be  
21 judged. I don't know of anyone who's going to defend this  
22 particular charge. This particular company is not a party  
23 here but has now been used twice in quoting the rates of the  
24 company to essentially vilify an entire industry. These are  
25 not the rates which have been filed by any party in this

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1 case and bear no relation to them.

2 BY MS. OTT:

3 Q. But I do believe, Mr. Bryan, that you stated  
4 earlier that the rates that you have on file are not  
5 necessarily the rates that are charged to the end user due  
6 to the possibility of surcharges being tacked on to that  
7 amount; isn't that correct?

8 A. That is correct. And it's also part of my  
9 testimony that, should there be a requirement across the  
10 board that such surcharges not be billed by the operator  
11 service provider, that we'd very happily comply with such a  
12 requirement.

13 Q. In your Exhibit P--or Schedule P--

14 EXAMINER O'DONNELL: Attached to his direct?

15 MS. OTT: His direct, yes.

16 BY MS. OTT:

17 Q. That consists of what I guess are examples  
18 of NTS's advertising; is that correct?

19 A. Yes.

20 Q. And isn't it true that all of these ads are  
21 geared to the subscriber customer hotel type business and  
22 not the end user?

23 A. NTS has done really no advertising. These  
24 particular materials are handouts for uses at trade shows.  
25 The general public doesn't typically attend an exciting

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1 event like an operator services show, although if they knew  
2 some of the characters, they might. They are targeted at  
3 the subscriber, not to the general public. This is changing  
4 as the nature of many of the services offered are changing.  
5 The point of sale advertising has already changed in certain  
6 locations in response to specialized services being offered  
7 to users of particular pieces of equipment.

8 Q. I believe also your Schedule Q has a series  
9 of AOSI promotional materials also; is that correct?

10 A. If you're speaking of the last three pages  
11 starting with the logo and the word "Benefits," these were a  
12 couple of pages taken from a specialized presentation made  
13 by our marketing group.

14 Q. No. I'm talking about Schedule Q.

15 A. Oh. I'm sorry.

16 EXAMINER O'DONNELL: Attached to his direct?

17 MS. OTT: Right. I'm sorry.

18 THE WITNESS: Yes. It's the same situation.  
19 These were trade show handouts.

20 BY MS. OTT:

21 Q. And would you agree with me that the  
22 emphasis of these two handouts seems to be the 15 percent  
23 commission on every call based on the fact that that's the  
24 first thing that's mentioned in both of those handouts?

25 A. Well, to the extent that you're--no. It's

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1 not what the emphasis is entirely. On the first page,  
2 there's--in the bold print, which tends to be the first  
3 thing looked at, the emphasis is on excellent service as  
4 well as a generic educational paragraph on what the service  
5 is and how it's offered. On the second page, there is bold  
6 print on the commission payment. I don't see anything to be  
7 ashamed of in offering a commission. It was offered for  
8 many years under a monopoly provided service and was only  
9 discontinued in '83 or '84.

10 Q. I'm sorry. That wasn't my question. I  
11 think you already answered it.

12 A. Okay.

13 Q. When was the operator services provider .  
14 organization formed?

15 A. It was incorporated in April of this year.

16 Q. When did it adopt its guidelines?

17 A. The Board of Directors adopted them in  
18 either May or June, I believe. The membership adopted them  
19 in a meeting in July.

20 Q. So they were actually adopted at the end of  
21 July of this year?

22 A. Ratified by the membership. There was no  
23 change.

24 Q. Do you know how long it takes an AOSI  
25 operator to do a price quote to an end user or a rate quote?

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1           A.     Well, depending on--I'm sorry. It shouldn't  
2 take more than 10 or 15 seconds in total. The user gives  
3 the type of call to the operator. And the operator  
4 essentially pushes a button and gets back an answer from the  
5 console, so it's more or less instantaneous.

6           Q.     Does AOSI have any standards on the amount  
7 of time that it should take to give a price quote to an end  
8 user?

9           A.     I'm not certain, to be honest. The operator  
10 services group may have developed some which would be used  
11 internally, but I don't keep entirely current on that.

12          Q.     If the Commission was to require, as a  
13 condition of certification, that AOSI be able to give price  
14 quotes in 15 seconds from the time the customer asks, do you  
15 think that you would be able to comply with that?

16          A.     Well, without speaking to a specific period  
17 of time, I'd rather say that, so long as it's a reasonable  
18 requirement, I would like to think we could comply, yes. I  
19 do feel--I would feel much more comfortable were that a  
20 universally applied requirement.

21          Q.     But your answer to my question is yes?

22          A.     Yes.

23          Q.     Does AOSI place any limits on the amount of  
24 surcharges that its customers may charge end users?

25          A.     In written documentation, no. Our standard



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1 contract doesn't have a maximum of, you know, some number.  
2 We have resigned accounts several times over the surcharge  
3 issue.

4 Q. What is the highest surcharge--or I don't  
5 know if this is confidential or not, but--

6 MR. JOHNSON: What's the question?

7 BY MS. OTT:

8 Q. What is the highest surcharge that you know  
9 of one of your customers charging?

10 A. That I am aware of, 75 cents.

11 Q. And is that per call?

12 A. Yes. At one time, there were some with a  
13 dollar. But I'm given to understand that those aren't  
14 currently subscribers.

15 Q. Does NTS bill for that customer's  
16 surcharges?

17 A. Yes.

18 MS. OTT: Thank you. That's all I have.

19 EXAMINER O'DONNELL: Commissioner Musgrave,  
20 do you have questions of this witness?

21 QUESTIONS BY COMMISSIONER MUSGRAVE:

22 Q. Mr. Bryan, when you have AOS in a hotel, if  
23 a guest in the hotel calls for a wake-up call, does that  
24 call go to an AOS provider or is that--do you bill that?

25 A. No, ma'am. The access code from a hotel

1 most typically would be an eight preceding a zero. We are  
2 not offering hotel wake-up service as one of the services,  
3 although I'm not sure we wouldn't at some point in the  
4 future. But I think that charge would more likely go to the  
5 hotel rather than to the subscriber--or to the user. The  
6 access to the NTS network, though, is most typically through  
7 an access code preceding a zero.

8 Q. I think that's one of the things that has  
9 been mentioned, though, that there's a possibility that  
10 companies like yours do charge for those room service calls  
11 or the wake-up calls. I didn't know if you were aware of  
12 that or not.

13 A. Okay. I--

14 Q. Would you explain to me the arrangement that  
15 you have with a company like MCI, the method a person would  
16 use in calling an emergency number. Now, as I understood it  
17 from the questioning that Mr. Cadieux had with you, that you  
18 are an operator-assisted company that MCI subscribes to; is  
19 that correct?

20 A. Sort of. We and MCI have a number of joint  
21 marketing arrangements. And in areas served by those joint  
22 marketing arrangements, particular end offices may be set up  
23 to where 0+ traffic originating in that area is delivered to  
24 National Telephone for processing. Now, MCI does not  
25 contract with NTS to provide MCI's operator service. NTS is

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1 operating as an independent entity in that situation. It  
2 gets kind of complicated. But your question really was on  
3 the emergency calling. Is that your emphasis at this point?

4 Q. Well, yes.

5 A. Okay. Let me get back to that so I don't  
6 lose it. In roughly two-thirds or three-quarters of all of  
7 NTS's traffic and all of that served jointly by MCI and NTS,  
8 it's Feature Group D originating equal access traffic, so  
9 anyone dialing zero goes to the local exchange company, 0-.  
10 Anyone dialing an emergency number on an 0+ basis, it would  
11 go through a normal call treatment routine. If they got to  
12 our operator and said, "This is an emergency call," I  
13 believe our operators have instructions just to put it  
14 through. But we've never encountered that. It's always--  
15 the emergency calling concern typically is 0-. In Feature  
16 Group D served areas, the 0- traffic goes to the local  
17 exchange so we're not involved.

18 In those areas where it's not Feature  
19 Group D equal access service, then we have our newly  
20 upgraded emergency handling capabilities which identifies  
21 the originating location; gives the address; and with a  
22 keystroke, gives the emergency telephone numbers and, with  
23 another keystroke, places the outbound call to that  
24 emergency provider telephone number.

25 Have I answered your question?

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1 Q. I don't know whether you have or not, but  
2 I'll--that's enough.

3 COMMISSIONER MUSGRAVE: Thank you very much.

4 EXAMINER O'DONNELL: Commissioner Mueller,  
5 do you have questions?

6 COMMISSIONER MUELLER: I just had one.  
7 I hope I'm not redundant.

8 QUESTIONS BY COMMISSIONER MUELLER:

9 Q. In getting pricing information from the  
10 operator, is that available with the operator or through  
11 some other office? And what time of day can you get the  
12 information?

13 A. It's available through the operator any time  
14 of day. And it's simply a matter of the operator calling an  
15 option screen on her operator console, so it can be done  
16 very quickly at the time the call is being placed. No  
17 additional call is necessary.

18 COMMISSIONER MUSGRAVE: Unless the computer  
19 is down.

20 THE WITNESS: Well, if the computer is down,  
21 we're out of service. And it goes to another operator  
22 center, incidentally.

23 EXAMINER O'DONNELL: Commissioner Fischer.

24 QUESTIONS BY COMMISSIONER FISCHER:

25 Q. Mr. Bryan, you say on Page 6 of your

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1 rebuttal testimony that ". . . the rates of virtually all  
2 OSP's have declined dramatically over the past six months,"  
3 and the rates continue to fall. Is that true for your  
4 company as well?

5 A. Yes, it is.

6 Q. How long has it been that you've been  
7 charging either Southwestern Bell or AT&T equivalent rates  
8 on an intrastate basis?

9 A. Rates have changed for different states at  
10 different times, and I honestly couldn't--I'm not certain.

11 Q. Are you charging in the interstate arena  
12 virtually the equivalent of AT&T rates?

13 A. We are somewhat higher than AT&T. I don't  
14 believe that we've had a significant change since the TRAC  
15 complaint was filed which indicated, in one sample call, we  
16 were substantially below AT&T's charges and, on another  
17 sample call, we were--I believe it was 25 percent above.  
18 When the two were averaged, we were between 5 and 10 percent  
19 below. I would not want to represent the lower as being a  
20 representative part of our traffic. It's a relatively  
21 small amount of the traffic. But, on average, my guess  
22 would be we average between 10 and 20 percent above.

23 Q. Are you pretty much mirroring the AT&T rate  
24 structure interstate now?

25 A. Rate structure, yes, and always have as far

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1 as distance sensitive, time-of-day sensitive, with operator  
2 service charges following the structure set by AT&T.

3 Q. But there would have been some calls that  
4 would have been higher and some lower?

5 A. Yes.

6 Q. Even though you were mirroring the rate  
7 structure?

8 A. Yes. We don't mirror necessarily the exact  
9 times of day or the exact charges for particular services.  
10 The costs which we incur don't tend to follow the same  
11 structure that AT&T's do. And, very candidly, the AT&T  
12 filing at the FCC indicates that their current rates  
13 aren't--in the interstate arena are not compensatory. We  
14 found that out a long time ago.

15 Q. Because of access charges?

16 A. Typically for billing and collections  
17 charges and validation or fraud expense prior to recently.

18 Q. You indicate that virtually all OSPs have  
19 declined dramatically. Do you happen to know if your  
20 competitor Central's are still as high as they were?

21 A. They were named in the TRAC complaint also,  
22 and their rates are down very significantly. They're still  
23 substantially more than ours are, but--

24 Q. In a conversation you had with one of the  
25 counsel, you were talking about the problem that a billing

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1 agent has in identifying the AOS company on the bill. And I  
2 didn't follow in that conversation just why it is that an  
3 LEC doesn't have the ability, if you know, to identify the  
4 AOS provider whenever they refer it to a billing agent.

5 A. Right now the local exchange company billing  
6 systems that I'm familiar with are driven--from an  
7 identification of carrier standpoint, are driven by the  
8 carrier identification code, which in our case is 658. The  
9 carrier identification code is necessary to enter the  
10 billing system and then follows the billed message all the  
11 way through the system.

12 In the case of a billing agent, the carrier  
13 identification code is assigned to the billing agent in the  
14 case--say, OAN. And it's that code that causes the name to  
15 print. It's also that code that tells the local exchange  
16 company who to send the check to. And if the billing agent  
17 is collecting all of the remittances and is--as far as the  
18 local exchange company is concerned, is the carrier, then  
19 it's their carrier identification code which must follow  
20 that message through the billing and accounting systems.

21 There's been no ability implemented  
22 previously to put in a subcode following the carrier  
23 identification code which would allow identification of not  
24 one, but two parties, the billing agent as well as the  
25 subparty, the actual carrier being billed under the billing

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1 agent's agreement. Now, were that ability there and  
2 direct--there is space in the record to provide for that,  
3 but billing systems would have to be modified.

4 Q. The LEC billing system?

5 A. Yes. I would presume that the capability  
6 could be implemented. It would have to be pretty extensive.  
7 It would have to extend through the entire accounting system  
8 for the billed message. But the ability to have an  
9 additional name print on the bill would probably be  
10 significantly less cumbersome and time consuming.

11 Q. Do you know if there are any discussions in  
12 the industry or between the LEC industry and the OSPs on  
13 that concern?

14 A. That's one of the concerns that was brought  
15 up in a fairly recent meeting concerning establishment of an  
16 operator service subcommittee on the ordering and billing  
17 form in the Exchange Carrier Standards Association broad  
18 umbrella. I did not attend that meeting, so I'm not sure  
19 what type of reaction was received. But there's been quite  
20 a bit of conversation.

21 Q. On the subject of surcharges, is there a  
22 legitimate purpose, in your opinion, for surcharges?

23 A. As a general statement, I'd say probably  
24 yes. Traditionally, this was the access code charged by  
25 the hotel owner for using the equipment in the hotel room;



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1 and he attempted to recover some part of his cost in  
2 providing that equipment through charging the access  
3 service. In addition--and I will speak very personally in  
4 this instance--hotel telecommunications equipment is very  
5 expensive. And, as a traveling businessman, I demand a  
6 great deal from my telephone service.

7 I, for example, will choose one hotel over  
8 another on the basis of whether they provide a telephone at  
9 the desk instead of at a bedside table. And I will very  
10 happily pay a small additional rate for two telephones in a  
11 room instead of one. My parents, on the other hand, are  
12 retired and live on a relatively fixed income and thoroughly  
13 enjoy traveling. I would very much prefer that the cost of  
14 the additional telephone service that I demand as a business  
15 traveler not be charged to my parents who are traveling for  
16 pleasure and probably make one telephone call from a hotel  
17 room in a month of hotel stays. The service charge does  
18 unbundle that cost and charge that cost to the cost causer.

19 Q. So these surcharges are similar to the  
20 surcharges you see in the hotels for, every time you make a  
21 call, there's a 75-cent charge or 50 cents or a dollar,  
22 whatever it might be?

23 A. Yes. Now, let me distinguish some. I was  
24 addressing really in my remarks surcharges in general. And  
25 I was not addressing at that point whether they're billed by

1 the hotel to the user or billed by the operator service  
2 provider to the user. There are benefits on both sides.

3 The operator service provider typically has  
4 significantly improved answer supervision so that the access  
5 charge--let me back up. It's an either/or. As long as it's  
6 the operator service provider billing instead of the hotel,  
7 the improved answer supervision ensures that the surcharge  
8 is not assessed on incompleting calls. The cost for  
9 collection can be significantly less because it allows  
10 simplified and quicker checkout at the hotel. The  
11 collection through the operator service provider cost is  
12 already incurred by the operator service provider, and  
13 there's no incremental cost in billing the surcharge on the  
14 subscriber's behalf. So, to that extent, it's an efficient  
15 mechanism for collecting.

16 I may not be the best person really to  
17 defend the practice of billing surcharges because it is a  
18 practice with which I'm not entirely comfortable myself. I  
19 would prefer to put in my tariffs all charges to be charged  
20 to the end users and simply have all compensation to the  
21 hotelier being the commission that I'm willing to pay.

22 Q. Do you happen to know if any of the  
23 surcharges that are used in your industry are usage  
24 sensitive in nature other than on a per call basis?

25 A. We made a proposal at one point on that

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1 basis. Ours was not accepted. I don't know whether anyone  
2 else is making that type of deal now or not.

3 Q. Well, would it be safe for me to conclude  
4 that, if I'm looking at some of your competitors' rates and  
5 I see that they're significantly above the--let's call them  
6 dominant carriers, that if it's more than 75 cents a call,  
7 it's probably due to their rate structure rather than to  
8 surcharges? Or is that not--

9 A. I was speaking of the--when I said  
10 "75 cents," I was speaking of surcharges which my company  
11 bills on some subscribers' behalfs. There are other amounts  
12 in the marketplace. I'm not sure that assumption--

13 Q. I see. So those surcharges for other  
14 companies that you might compete with might be significantly  
15 above that?

16 A. They might be. I think that would depend  
17 entirely on the philosophy of the company and the  
18 subscriber.

19 Q. How do you handle calls from a customer who  
20 happens to be in one of the smaller independent telephone  
21 company home area service territories? Do those companies  
22 typically have credit cards that you can put through the  
23 system? Or do those customers--are they unable to use the  
24 services in a hotel that they would go to or use your  
25 service in a hotel where they might be staying?

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1           A.     This is a matter which is about to be a  
2 matter of quite a bit of debate, I believe, at the FCC,  
3 going back to arrangements that predate divestiture.  
4 Typically all requests for calling cards from the smaller  
5 local exchange companies are referred--I say "referred".  
6 --are granted on behalf of AT&T, and a calling card is  
7 issued using the AT&T logo. The local exchange company may  
8 provide the service on behalf of AT&T.

9           That card is then available for use on the  
10 same terms and conditions essentially as any other local  
11 exchange company card, and there's no differentiation made  
12 of it given the fact that it's on AT&T plastic. It's  
13 available for use by United Telephone for calls to be billed  
14 in Southern Bell territory and vice versa.

15           With that background, those calls processed  
16 through our validation system in exactly the same manner as  
17 a Southern Bell card would or a Southwestern Bell card  
18 would, it looks to us like a local exchange company calling  
19 card; and we cannot differentiate that to be necessarily an  
20 AT&T card. But I must admit the recognition that, even  
21 though it's issued by the local exchange company possibly,  
22 it does carry AT&T plastic.

23           Q.     So if I happen to be an Ellington Telephone  
24 Company customer, which is one of our smaller companies here  
25 in Missouri, and I request a calling card, I would get an

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1 AT&T calling card which I could use on your service unless I  
2 told you it was an AT&T card?

3 A. Right, presuming I had a billing and  
4 collections agreement with Ellington Telephone Company.

5 Q. Well, what if you didn't have that? Then it  
6 would be--

7 A. Then I cannot process the call. And I would  
8 have to deliver that to AT&T for handling, AT&T being the  
9 only company that has universal billing agreements, again,  
10 predating divestiture.

11 Q. And if that Ellington customer said, "This  
12 is an AT&T credit card number," then you wouldn't handle the  
13 call?

14 A. Right.

15 Q. How does NTS bill end users who happen to  
16 dial zero plus a local number from their hotel? Or is your  
17 company involved in that kind of a local call?

18 A. Well, from a hotel, we shouldn't get that  
19 call. But, if there were a bug in either the PBX software  
20 which caused that call to be delivered to us or if it was  
21 one of the situations where we used a dialer to access  
22 Feature Group B, then if the local call was received, again  
23 presuming it to be less than 20 miles in distance from  
24 origination to termination, it would be billed at an 80-cent  
25 flat, nontime-sensitive, nonlength-of-conversation-sensitive

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1 rate. If it was more than 20 miles--and there aren't that  
2 many extended areas that are larger than that. But, if it  
3 were more than 20 miles, it would be incorrectly billed; and  
4 we'd have to issue a credit on inquiry. But, again, we do  
5 that if--

6 Q. The direct testimony indicates that you've  
7 got some new services coming out on the market, but it  
8 doesn't indicate when. Can you give me any indication of  
9 when you might be bringing to the market some of the new  
10 voice message services that you talk about?

11 A. My technical people say that it's unfair to  
12 make them give a date. To be very serious, the voice  
13 messaging system had some unexpected problems in its final  
14 testing phase. It is in final test, and it's actually being  
15 live tested right now at five properties. We expect to make  
16 it available at the Atlanta airport--I'm keeping my fingers  
17 crossed--by the end of this month. It would then be rolled  
18 out more or less nationwide over the next two months. The  
19 additional services, since our technical people have been  
20 concentrating on this one, have been pushed back  
21 accordingly. But I would expect a fairly regular  
22 introduction of newer services really over the next six  
23 months.

24 Q. Does NTS or any of its affiliates consider  
25 themselves to be enhanced service providers, or do you plan

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1 to get into information services in the future?

2 A. We certainly plan on getting into  
3 information services. The term "enhanced service provider"  
4 has regulatory overtones that I really don't want to address  
5 right now or at least in this answer. But, to the extent  
6 that we provide alternative billing mechanisms for  
7 telecommunications services--this is a major part of the  
8 service that we offer--then we will very much be enhanced  
9 service providers. We may be reselling services originally  
10 delivered by others. We will also be providing, just to  
11 throw out a couple, destination weather services to airport  
12 patrons, travel--a bad example, but travel agency services  
13 to hoteliers or hotel guests. I can see really a whole host  
14 of financially-related information services which might most  
15 conveniently be provided through an NTS-type gateway rather  
16 than through a regional gateway. It's a long-winded way of  
17 saying yes. I definitely see us moving into that area.

18 Q. One of the frustrations I've had--and I know  
19 other people have had the same problem--that when you go to  
20 a hotel, you dial 0 and you say, "Do you have an AOS service  
21 or not?" And they say, "What's AOS?" "Well, do you have  
22 AT&T as an operator service, or who do you use?" "Heck if I  
23 know" is often the answer.

24 Do you ever, whenever you market your  
25 services, encourage the hotels or the hospitals to have

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1 their folks be prepared to tell their clients that you, NTS,  
2 will be handling the calls?

3 A. From my level, we've never had to do that.  
4 I must admit that the people that I've run into that have  
5 worked the properties that we serve are aware of our  
6 service. I hope it's not through guest complaints. I don't  
7 think it is because we're still serving many of those same  
8 properties. But the awareness seems to be there.

9 We have a large property customer support  
10 staff which goes out and works with the hotel PBX operators,  
11 the telecommunications managers if he's directly involved on  
12 a day-to-day basis. And so I don't think this has been a  
13 problem. But I say that only because I've never encountered  
14 that kind of reaction in the properties that I've visited.  
15 And I do--I make a point of staying with the properties  
16 served by my company, and I make a point of letting the  
17 switchboard people know who I am. I've never had a "Who?"  
18 or a "What company?" type reaction.

19 COMMISSIONER FISCHER: Thank you very much.

20 EXAMINER O'DONNELL: I have a couple of  
21 questions, Mr. Bryan.

22 QUESTIONS BY EXAMINER O'DONNELL:

23 Q. You mention that, when your subscriber has a  
24 surcharge, that sometimes you participate in that surcharge.  
25 Is this in addition to your regular operator service and



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1 variable usage charges?

2 A. Yes.

3 Q. In regard to Exhibit--or I should say  
4 Schedule P attached to your direct testimony, which is  
5 Exhibit 2, the first page there, in the third paragraph, in  
6 the middle of that first line of that third paragraph,  
7 there's a phrase "transparent service." If you know, could  
8 you tell me to what that refers?

9 A. I'm sorry. I'll be there in just a minute.

10 MR. JOHNSON: Can I show the witness what  
11 you're talking about?

12 EXAMINER O'DONNELL: Yes, you may.

13 THE WITNESS: I found the right section.

14 That's an old flier. The immediately  
15 following document--I'm sorry. It's in the next  
16 attachment. --also uses the word "transparent" but in the  
17 context of "Excellent Service and Transmission That's  
18 Transparent to the User".

19 BY EXAMINER O'DONNELL:

20 Q. Are you talking about the page that follows  
21 the one I referenced?

22 A. No. I'm sorry. In Schedule Q on the first  
23 page.

24 Q. Could you tell me where on the page you're  
25 talking about?

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1           A.     On the right-hand column and in bold print,  
2     the "Excellent Service and Transmission". Do you see it?

3           Q.     And so your--proceed with your answer then.

4           A.     "Transparency" was something of a buzzword  
5     for a long time in operator services, and it became misused.  
6     This particular flier of pay phone service was originally  
7     developed a long time ago. The transparency of service was  
8     intended to communicate that you can unplug your existing  
9     provider, AT&T, since they were the only people there, and  
10    put us in and no one will discern a difference.

11           Now, very quickly it was recognized that  
12    service branding was very important. And, therefore, it was  
13    implemented by my company and others. And I do want to  
14    emphasize that it's not that type of transparency that we're  
15    emphasizing but a lack of ability to identify who is  
16    providing the service. But in quality of service and in the  
17    provisioning of the service, the user will not notice due to  
18    quality that it's a nonAT&T or nonBell System type provider.

19           EXAMINER O'DONNELL: Thank you, Mr. Bryan.

20           Redirect.

21           MR. JOHNSON: I just have a couple of  
22    questions. Thank you, Madam Hearing Examiner.

23    REDIRECT EXAMINATION BY MR. JOHNSON:

24           Q.     To clear up any confusion we might have on  
25    the issue of surcharges, who is it that imposes the

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1 surcharge? Is it the hotel, or is it NTS?

2 A. It's the subscriber, be it a hotel, pay  
3 phone, whoever. It is not, in any circumstance, NTS.

4 Q. Does NTS propose to charge any surcharge in  
5 its tariff?

6 A. The provision is made for billing a  
7 surcharge charged by the subscriber.

8 Q. I believe in examination by Public Counsel,  
9 there was testimony elicited from you with respect to the  
10 splashing question and, in particular, concerning offers  
11 which NTS has made to AT&T so AT&T can bill those calls  
12 properly. Could you tell us what offers NTS has made to  
13 allow AT&T to bill those calls properly?

14 A. Well, there have actually been several  
15 offers and a number of discussions with AT&T as to how this  
16 could most appropriately be addressed. But the offer which  
17 NTS has made now formally to AT&T is to provide AT&T the  
18 originating ANI or automatic number identification on all  
19 calls which are given to AT&T prior to the call being  
20 switched through to their facilities. The response which  
21 has been received has not been encouraging, to put it  
22 mildly. I might add that I joined the telecommunications  
23 industry from the common carrier trucking industry and--

24 MR. ROYER: Your Honor, I'm going to object.  
25 This seems to be digressing way beyond, you know, his

1 particular question and giving a speech.

2 MR. JOHNSON: Okay. I'll move on.

3 BY MR. JOHNSON:

4 Q. Now, finally, Mr. Bryan, on cross-  
5 examination by Public Counsel, there was some testimony  
6 concerning AT&T not indemnifying hotel owners for  
7 fraudulently placed calls in which 1-0-XXX is used. Has NTS  
8 had personal experience with that situation?

9 A. Yes. We've received approximately \$10,000  
10 in calls which have been billed back to NTS or against  
11 subscribed lines.

12 MR. ROYER: Excuse me, your Honor. I'm  
13 going to object to that. I don't see how that has anything  
14 to do with any issue in this particular case. AT&T is not  
15 the applicant in this proceeding. Its services and  
16 arrangements are not at issue. This just is extraneous  
17 stuff that's being introduced by NTS in an attempt to  
18 perhaps bias or prejudice some subsequent proceeding or  
19 something or the Commission's view with regard to AT&T's  
20 operations in this particular arena. And I don't see that  
21 those are at issue as a result of this certification  
22 proceeding.

23 EXAMINER O'DONNELL: Mr. Johnson.

24 MR. JOHNSON: I'm following up on an avenue  
25 of cross-examination which Public Counsel elicited. Public

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1 Counsel is clearly opposed to our request for certification  
2 and in that regard is, I think, among other things, going to  
3 attempt to show through this blocking of 1-0-XXX access by  
4 hotels that somehow NTS doesn't allow access to other  
5 interexchange carriers.

6 EXAMINER O'DONNELL: Overruled.

7 THE WITNESS: I'm sorry. Would you mind  
8 reading back the question?

9 (The reporter read back the last question.)

10 THE WITNESS: NTS has received approximately  
11 \$10,000 in billings from AT&T on calls which apparently AT&T  
12 was unable to bill and which now represents as having been  
13 fraudulently billed but originating from NTS-owned lines.  
14 And because of this, we have done a significant amount of  
15 research on AT&T's tariffs and find that their tariff does,  
16 in fact, authorize them to back bill these calls. And from  
17 all appearances, they are enforcing that aspect of the  
18 tariff.

19 MR. JOHNSON: Thank you. That's all I have.  
20 Thank you, Mr. Bryan.

21 EXAMINER O'DONNELL: Before we go to  
22 recross, we'll be in recess until 3:15.

23 (A recess was taken.)  
24  
25

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1 EXAMINER O'DONNELL: The hearing will come  
2 to order. I believe we're ready to go to recross of  
3 Mr. Bryan. But before we do that, I would like to make a  
4 ruling on the motion to strike as to the claim of  
5 proprietary information of the answer of Mr. Bryan to the  
6 number of calls in the state of Missouri. I'm going to deny  
7 the motion to strike. It seems to me that NTS had ample  
8 time to claim proprietary--that the information was  
9 proprietary and did not do so before the answer to the  
10 question. So it's my belief that the claim has been waived.

11 MR. JOHNSON: Madam Hearing Examiner, for  
12 the purposes of the record, the question should not have  
13 been asked. The question was clearly in violation of the  
14 Commission's Order regardless of any idea that I have to pop  
15 up and state an objection immediately upon the question  
16 being asked. The question should not have been asked in the  
17 first place.

18 MS. OTT: All right. If I could just  
19 respond briefly. Apparently--I was talking to Dianne during  
20 the break. And we asked that question on discovery. NTS  
21 provided the answer. It was not marked proprietary. Dianne  
22 subsequently had marked call NTS before we filed testimony,  
23 because she wanted to use some of the information in  
24 rebuttal, as a courtesy, just to make sure that, you know,  
25 we didn't release anything that they considered proprietary

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1 even though they didn't mark anything proprietary.  
2 Apparently then it was determined by NTS that that  
3 information would be proprietary.

4 MR. JOHNSON: Well, now, that is not the  
5 case. When I submitted this information to Mr. Wheatley--  
6 and Mr. Wheatley, I believe, will confirm this--he asked me,  
7 "Is any of this information going to be proprietary"? I had  
8 to check. I didn't know precisely which numbers. As I  
9 remember, it's something like numbers 3, 7, and 18; or  
10 3, 16, and 17, something of that nature.

11 And as I understand the rules of respondeat  
12 superior, Mr. Wheatley's knowledge is imputed to Public  
13 Counsel. His actions bind Public Counsel. And regardless  
14 of any lack of knowledge on Ms. Ott's part, Public Counsel,  
15 as an entity, should not be allowed--

16 MS. OTT: All I'm saying--

17 MR. JOHNSON: --to ask questions of that  
18 nature.

19 MS. OTT: All that I'm saying is that when  
20 they provided us the information, they hadn't stamped any of  
21 it proprietary. That's all I'm saying.

22 MR. JOHNSON: Well, if we're getting to the  
23 point where we have to follow such niceties as that, given  
24 the short time frame we were allowed in responding to these  
25 questions, then that's an unfortunate series of events.

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1 EXAMINER O'DONNELL: Mr. Johnson, it appears  
2 to me that there's a certain amount of misunderstanding  
3 going on here and clarity as to whether or not you were  
4 claiming it as proprietary during the discovery process. So  
5 I don't know how apparent it was to Ms. Ott that this was a  
6 claim.

7 When it comes to cross-examination, it seems  
8 to me that you have a certain responsibility, too, since  
9 this is a matter that was in a gray area, to object. And  
10 there was ample opportunity prior to the answering of the  
11 question because the witness had to look up the information  
12 of the question.

13 It appears to me that this information has  
14 already been published in this hearing room to the parties  
15 that are present, and I don't think a motion to strike would  
16 remedy what has already happened. So I really don't think  
17 it's appropriate to remedy the damage as you see it.

18 MR. JOHNSON: Well, then is it correct that  
19 my understanding is that the Commission's Order on how this  
20 information should be treated is, in essence, tossed out  
21 when we get into the hearing; and if someone asks the  
22 question, and I don't object in time, then that information  
23 is no longer proprietary? I just want to make sure I  
24 understand that.

25 EXAMINER O'DONNELL: No, I don't believe



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1 that it is tossed out. It seems to me that when there is a  
2 matter where it's clear to the attorneys in question what  
3 has been claimed to be proprietary, that such a question  
4 should not be asked. But I also think that it's possible  
5 that mistakes can be made and proprietary claims are not  
6 clearly made and that each attorney must try during the  
7 course of cross-examination to be alert to questions which  
8 could infringe on an area which is claimed to be  
9 proprietary.

10 If you are proposing that this information  
11 be excised in terms of its further publication beyond this  
12 room as a public record, then I believe the appropriate  
13 action on your part would be to request that that portion of  
14 the transcript be filed under seal.

15 MR. JOHNSON: I think that probably wouldn't  
16 do a whole lot of good given that the only people who are  
17 probably interested in it are in the hearing room.

18 EXAMINER O'DONNELL: I think you're probably  
19 right.

20 MR. JOHNSON: Okay. I'll just be on my  
21 toes. Thank you.

22 EXAMINER O'DONNELL: Okay. We're ready to  
23 go to recross.

24 Mr. Brownlee.

25 MR. BROWNLEE: I have no questions.

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1 EXAMINER O'DONNELL: Mr. Stewart.

2 MR. STEWART: I have no questions.

3 EXAMINER O'DONNELL: Ms. Kiddoo.

4 MS. KIDDOO: I have no questions.

5 EXAMINER O'DONNELL: Mr. Newmark.

6 MR. NEWMARK: I have no questions.

7 EXAMINER O'DONNELL: Mr. Boudreau.

8 MR. BOUDREAU: No further questions.

9 EXAMINER O'DONNELL: Mr. Horn.

10 MR. HORN: Just a couple of follow-up  
11 questions, please.

12 RECROSS-EXAMINATION BY MR. HORN:

13 Q. Let me ask you about someone dialing a call  
14 from a subscriber hotel, one of your subscribers. If they  
15 were to dial the 8+0 and then an interLATA number, that  
16 would be carried by your company; is that right?

17 A. That's correct.

18 Q. And if they dialed an 8+0 intraLATA number,  
19 what would happen to that call? Would that be handled by  
20 your company?

21 A. It would depend on the form of access being  
22 used and the equipment, customer-provided equipment, at the  
23 individual location.

24 Q. Presently in Missouri, what's the  
25 arrangement?

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1           A.     Well, there is no single arrangement.  
2     Between two-thirds and three-quarters of all locations  
3     served, the access method is Feature Group D, in which case  
4     an intraLATA call would be carried by the local exchange  
5     company. If, for some reason, due to limitations of the  
6     CPE, or possibly due to some special request by the  
7     subscriber, Feature Group B access were used and if the CPE  
8     was programmed accordingly, the call might be carried back;  
9     and, yes, it would depend strictly on the type of  
10    arrangements that were established.

11           Q.     Even with the Feature Group D capabilities,  
12    doesn't the dialing equipment send 8+0 intraLATA number  
13    through to your company or are you saying no to that?

14           A.     I'm not aware of any situations where that  
15    is the case. I suppose it would be possible, but I'm not  
16    aware of any subscribers currently programmed or subscribed  
17    in that manner.

18           Q.     So your understanding is that all of those  
19    intraLATA 8+0 numbers go to the LEC?

20           A.     That's my understanding.

21           Q.     Didn't I understand earlier that you said in  
22    your tariff filing in this docket that there was a surcharge  
23    included for the hotel subscriber in the tariff filing?

24           A.     No. We keep, I'm afraid, confusing the  
25    surcharge issue. The subscriber surcharge is under no

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1 instances imposed by National Telephone in either amount or  
2 whether or not it's to be charged and collected. There is a  
3 provision in the proposed tariff which allows National  
4 Telephone to bill the subscriber's surcharge on his behalf.

5 Q. On his--

6 A. On his behalf.

7 Q. His behalf.

8 A. And it's that provision to which I referred  
9 a number of times in indicating if the surcharge is billed  
10 by NTS, it's under that provision of the tariff. And it was  
11 that provision that was referred to in the discussion in  
12 direct, prefiled direct testimony, discussing surcharges.

13 Q. And would that be an amount that would be  
14 included in the total charge of NTS on the bill or would it  
15 be separated out on the bill and designated as a surcharge  
16 on behalf of the subscriber? What is the intent?

17 A. Well, with current technology, the current  
18 LEC billing software, there is no capability of separating  
19 out a separate charge. So the intent is, it would appear as  
20 a single charge included in the total from National  
21 Telephone Services. Were the capability available to  
22 separately bill it, I certainly think it would make sense to  
23 do so.

24 Q. Is there any designated amount in your  
25 tariff filing as to what that charge may be or what maximum

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1 or minimum there would be? You have that tariff attached to  
2 your testimony?

3 A. Yes.

4 Q. Could you reference that provision, please?

5 A. Okay. It's first referenced on Page 7 of  
6 the tariff in Section 2.4.

7 EXAMINER O'DONNELL: Is that part of  
8 Schedule K attached to your direct testimony?

9 THE WITNESS: Yes, it is. Page 7,  
10 Section 2.4. And the second half of the paragraph,  
11 beginning, "In some cases, these arrangements also provide  
12 for the assessment of location surcharges, in the amount and  
13 form determined by the subscribers, and the subscriber is  
14 responsible for proper notification thereof to the  
15 authorized users of its terminal facilities and services.  
16 Such surcharges are not included in the charges set forth in  
17 this tariff, which charges constitute the full and total  
18 charges for the services provided by American."

19 There is-- I'm sorry. I thought there was  
20 another reference in another part of the tariff, but I don't  
21 believe there is.

22 BY MR. HORN:

23 Q. Okay. So with the reference you've  
24 designated on Page 7, I see there's no specific amount  
25 there. It's whatever would be designated by the subscriber,

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1 is that right, determined by the subscriber, as it's stated?

2 A. As written here, yes. That's right.

3 Q. Okay. And you have no idea what the maximum  
4 or minimum of that charge may be that would be included in  
5 the charges included on the bill?

6 A. No. As I testified earlier, we have  
7 resigned accounts previously due to size of surcharges which  
8 they wished us to bill on their behalf. We did not feel it  
9 was in our public best interest to do so and, therefore,  
10 were asked that they find another company to provide the  
11 service.

12 Q. Well, are you aware that Missouri statute  
13 requires that specific charges be set forth in tariff  
14 filings; and absent a specific charge set forth, it should  
15 not be billable or collectable?

16 A. I was not aware of that. So long as  
17 universally applied, I have no objection to it.

18 Q. Thank you.

19 EXAMINER O'DONNELL: Thank you, Mr. Horn.

20 Mr. Maulson.

21 RECROSS-EXAMINATION BY MR. MAULSON:

22 Q. A matter of clarification. You made  
23 reference to the use by AOSI of the GTE calling cards?

24 A. Yes.

25 Q. Are those calling cards issued by GTE to GTE

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1 customers?

2 A. Yes.

3 Q. Could you describe how AOSI would do that,  
4 make use of those cards?

5 A. The GTE subscriber would offer the calling  
6 card number as the number to be charged for a call, either  
7 be entering it through DTMS signal--I'm sorry--dual time  
8 multi-frequency signal or by verbally giving the number to  
9 the operator. The call is then rated accordingly and  
10 forwarded to GTE, marked as a calling card call for billing.

11 Q. And, effectively, AOSI would have completed  
12 the call or intervened to complete the call as a part of its  
13 service to, say, a hotel or its customer? Is that what I'm  
14 hearing?

15 A. Well, I'm not sure what you mean by the  
16 word "intervened."

17 Q. AOSI would be the company which would be  
18 doing the--providing the operator services in that event; is  
19 that right?

20 A. That's correct. The calling card is nothing  
21 more than a billing mechanism.

22 Q. And would this be true on an interstate and  
23 an intrastate basis?

24 A. Yes.

25 Q. This would occur? And I take it on an

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1 intrastate basis, it would occur interLATA and intraLATA as  
2 well; is that true?

3 A. As intraLATA competition--it's my  
4 understanding it's been authorized; and, yes, to the extent  
5 that intraLATA calls were completed, it could be.

6 Q. Thank you.

7 EXAMINER O'DONNELL: Thank you, Mr. Maulson.  
8 Mr. Knowles.

9 MR. KNOWLES: No questions.

10 EXAMINER O'DONNELL: Mr. Cadieux.

11 MR. CADIEUX: Just one, your Honor.

12 RECROSS-EXAMINATION BY MR. CADIEUX:

13 Q. Mr. Bryan--well, just one area. It may take  
14 a couple of questions. NTS does provide the billing option  
15 of an end user using major credit cards, does it not?

16 A. Yes, we do.

17 EXAMINER O'DONNELL: Mr. Cadieux, could you  
18 speak just a little louder?

19 BY MR. CADIEUX:

20 Q. With respect to the situation where NTS does  
21 not have a billing and collection agreement with a small  
22 independent telephone company and, therefore, the end user  
23 does not have the option of using the AT&T--I don't know  
24 what to call it--AT&T/LEC calling card that was discussed,  
25 does that end user have the potential option of using a



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1 credit card, MasterCard or VISA, to charge the call?

2 A. Certainly. And the alternative of a bank  
3 card or a financial card charge exists.

4 MR. CADIEUX: That's all I have.

5 EXAMINER O'DONNELL: Thank you, Mr. Cadieux.  
6 Mr. Royer.

7 MR. ROYER: No questions.

8 EXAMINER O'DONNELL: Ms. Ott.

9 MS. OTT: Just a couple.

10 RECROSS-EXAMINATION BY MS. OTT:

11 Q. Is it my understanding, Mr. Bryan, that NTS  
12 can only bill calls made on a local exchange calling card if  
13 NTS has a billing agreement with that local exchange company?

14 A. Yes. That's correct.

15 Q. And, on a totally different subject, do you  
16 recall when Judge Fischer was asking you about your rate  
17 structure and discussing the similarities with your rate  
18 structure and AT&T's rate structure? Do you recall that?

19 A. Yes.

20 Q. Okay. It's not your position, is it, that  
21 you are now currently charging or mirroring AT&T's rates, is  
22 it?

23 A. No, it's not.

24 Q. Okay. And you're also not currently  
25 mirroring the Southwestern Bell rates, are you?

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1           A.     No. We're currently mirroring the  
2 pre-July 1 Southwestern Bell rates.

3           Q.     Okay. But those rates have since been  
4 reduced, correct?

5           A.     That's correct.

6           Q.     And, in fact, you would be opposed--if I  
7 read your direct testimony correctly, you would be opposed  
8 to any requirement that you mirror AT&T's rates for operator  
9 services; isn't that correct?

10          A.     Yes. As the primary and largest competitor,  
11 the artificial requirement that a competitor's rates be  
12 mirrored in structure and form we fear would be used as a  
13 competitive tool against us.

14          Q.     And one final line. Are the commissions  
15 that you pay to the customer or subscriber to AOSI services,  
16 are those commissions taken out of the rate that you charge  
17 the end user on tariff or the rate that you quote the end  
18 user; or are they tacked on to the final bill of the end  
19 user?

20               MR. JOHNSON: Well, I object to that  
21 question because it seems to assume that we're quoting rates  
22 that are different from our tariff; and there's no evidence  
23 of that.

24               MS. OTT: Well, you don't have a tariff on  
25 file in this state now so--I mean--

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1 MR. JOHNSON: Well, proposed tariff. I'm  
2 sorry.

3 EXAMINER O'DONNELL: Could you reword the  
4 question?

5 MS. OTT: Yes. Okay. That wasn't real  
6 clear. I'm sorry.

7 BY MS. OTT:

8 Q. Is the 15 percent commission that you state  
9 that you pay, would that be included in your tariffed rate?

10 A. Yes, it would.

11 Q. Is it currently included in the rates that  
12 you quote end users?

13 A. Yes.

14 Q. Okay.

15 A. As would be--were the user inquiring of the  
16 rate from a location charging surcharge which we bill on  
17 behalf of that user, the quoted rate would include all of  
18 NTS' rates as well as subscriber surcharge.

19 Q. But in the event that NTS doesn't bill for  
20 the surcharge that the customer itself bills, that would not  
21 be included in the rate; isn't that correct?

22 A. That's correct. NTS would have no knowledge  
23 of any surcharge billed directly by the subscriber.

24 MS. OTT: Okay. That's all I have. Thank  
25 you.

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1 EXAMINER O'DONNELL: Thank you, Mr. Bryan.  
2 You may step down.

3 COMMISSIONER MUELLER: I have a question.

4 EXAMINER O'DONNELL: Do you have a question  
5 for this witness? Commissioner Mueller has a question.

6 FURTHER QUESTIONS BY COMMISSIONER MUELLER:

7 Q. I'm still confused on the credit cards. You  
8 say you have to have an agreement with the local exchange  
9 company to accept their credit card; and it may have, say,  
10 an AT&T logo on it?

11 A. Yes, sir. It's--

12 Q. I understand that. But is it possible for  
13 you to inadvertently accept the AT&T credit card numbers and  
14 bill to that number?

15 A. To the extent that AT&T uses the same  
16 numbering as the local exchange company, so long as they  
17 have a billing agreement within a particular area, yes, that  
18 is possible. In those areas where I do not have available  
19 billing, then I have no method of billing any  
20 telecommunications card not issued by--well, currently I  
21 have no ability to bill in that area.

22 Q. You cannot distinguish then--your operator  
23 or your computer cannot distinguish the card number, what  
24 company it is, or anything like that?

25 A. Currently AT&T and the local exchange

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1 companies issue cards with exactly the same number. And  
2 AT&T can't distinguish currently their card from a local  
3 exchange company card and I can't either.

4 Q. I see. Okay. Thank you.

5 EXAMINER O'DONNELL: You may step down.  
6 Thank you, Mr. Bryan.

7 (Witness excused.)  
8

9 MR. JOHNSON: Just to make sure Exhibits 2  
10 and 3 have been admitted into evidence.

11 EXAMINER O'DONNELL: Yes, they have been  
12 received.

13 MR. JOHNSON: Thank you.

14 EXAMINER O'DONNELL: Do you have anything  
15 further, Mr. Johnson?

16 MR. JOHNSON: No. No.

17 EXAMINER O'DONNELL: Mr. Brownlee, I believe  
18 you're presenting a case on behalf of both Teleconnect and  
19 ITI?

20 MR. BROWNLEE: Yes.

21 EXAMINER O'DONNELL: Although in the  
22 agreement of the parties as put forth in the Hearing  
23 Memorandum that you were going to offer your case on behalf  
24 of Teleconnect first, am I right in thinking you're offering  
25 the case on behalf of ITI first?

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1 MR. BROWNLEE: Yes. It would be more  
2 convenient if we could call Mr. Freels on behalf of ITI  
3 first.

4 EXAMINER O'DONNELL: All right. You may  
5 call your witness.

6 MR. BROWNLEE: At this time ITI calls  
7 Mr. Paul Freels.

8 (Witness sworn.)

9  
10 PAUL FREELS testified as follows:

11 DIRECT EXAMINATION BY MR. BROWNLEE:

12 Q. By whom are you employed?

13 A. International Telecharge, Incorporated.

14 Q. And what is your title or position?

15 A. Executive Vice-President, Regulatory  
16 Affairs.

17 Q. Mr. Freels, have you caused prefiled direct  
18 testimony and rebuttal testimony to be filed in Case  
19 No. TA-88-218 before the Missouri Public Service Commission?

20 A. I have.

21 Q. And do you have copies of those before you  
22 which have been marked respectively Exhibits No. 6 and  
23 Exhibits No. 7?

24 A. I do.

25 Q. And are there any corrections or additions

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1 that you would care to make at this time regarding  
2 Exhibit No. 6, which is your direct testimony?

3 A. There are a few changes, yes.

4 Q. And if you would make reference to that, in  
5 reference to the page number and the line number, please.

6 A. All right. Page 3, on Line 16, between  
7 "Iowa" and the word "and," insert "Nebraska," "Nevada,"  
8 "West Virginia."

9 On Line 17 after the word "Wisconsin,"  
10 approximately halfway through the sentence, insert the words  
11 "and Ohio have." Strike the word "has."

12 Back up in Line 15, last word, remove  
13 "Ohio."

14 Line 23, remove the word "Nevada."

15 Next page, Page 4, Line 1, remove the states  
16 "Nebraska" and "West Virginia."

17 Q. Are there any other corrections or additions  
18 on Exhibit No. 6?

19 A. Yes, there are. Page 7, in the last line  
20 31, there is a numeral "7" there that some way got in. It  
21 should not be there. Strike it.

22 On Page 17--

23 Q. Would you repeat that, please. Someone is  
24 confused on the last correction.

25 A. On Page 7, Line 31, approximately halfway

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1 through the sentence there's a numeral "7." Strike it.

2 Page 17, Line 16, strike the words "In the  
3 near future." Leave "ITI." Strike the words "will be" and  
4 replace with "is presently."

5 On Page 23, the same textural type change  
6 that we just made. You should strike the word "future" and  
7 put "recent" on Line 19.

8 Strike the words in Line 20 "In the near  
9 future." The word "will," change it to "has." And the word  
10 "enhance," "enhanced."

11 Q. So Line 20 would read in full, "ITI has  
12 further enhanced its . . . ."?

13 A. Correct. Line 24--I'm sorry. Page 24,  
14 Line 3, approximately three-quarters over there's "15  
15 minutes," change it to "30 minutes." The last word in the  
16 line is "several," change it to "eight."

17 And the last change on Page 25, Line 10,  
18 between the word--approximately three-fourths of the way  
19 over--the words "pages" and the word "and," insert "hearing  
20 enhanced program."

21 I apologize to the Commission, but there's  
22 been quite a few things happen since we filed this  
23 testimony.

24 Q. Sir, are there any changes on Exhibit No. 7,  
25 which would be your rebuttal testimony?



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1 A. No, there are not.

2 Q. At this time, Mr. Freels, if I ask you the  
3 same questions, would your responses be the same as  
4 corrected on the record here today?

5 A. They would.

6 MR. BROWNLEE: At this time, your Honor, I'm  
7 going to go ahead and offer Exhibit No. 6 and 7 and further  
8 at this time ask leave to show a 4 1/2 minute tape that  
9 describes the ITI emergency services that have been of such  
10 grave concern and discussion.

11 I did mention at the prehearing conference  
12 my intention to show this today. We have previously  
13 supplied it to Staff. And at the prehearing conference, no  
14 one at that time expressed any objection or desire to see  
15 the tape. And with that, I'd ask leave to show it here  
16 today and ask that it be part of the record.

17 EXAMINER O'DONNELL: Mr. Brownlee, first of  
18 all, let's address your Exhibit 6 and 7. Hearing no  
19 objection to Exhibits 6 and 7, they will be received.

20 (EXHIBIT NOS. 6 AND 7 WERE RECEIVED IN  
21 EVIDENCE AND MADE A PART OF THIS RECORD.)

22 EXAMINER O'DONNELL: As to the video, which  
23 I understand addresses your emergency procedures, we set a  
24 schedule for prefiled testimony in this case and at that  
25 time you did not prefile the videotape. It appears to me

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1 that the prefiled testimony addresses the emergency  
2 procedures of ITI and that this particular evidence would be  
3 cumulative.

4 There are problems in preserving for the  
5 record the videotape in that there is the difficulty of  
6 providing that with the record on appeal, for example.  
7 Therefore, I do not want to receive that in the record  
8 because it seems to me that it's cumulative and that it does  
9 not--that because of the problems with preserving it for the  
10 record, that it's simply not worth receiving for its  
11 cumulative effect.

12 MR. BROWNLEE: If I could respond. First of  
13 all, there is a rule of civil procedure in the Missouri  
14 Rules of Practice that allows for videotapes in the  
15 preservation of testimony--presenting testimony. So I can't  
16 envision that would create any problem on appeal or for  
17 purposes of preserving the record.

18 Secondly, with no objection coming from any  
19 party here, I find the action of the Commission in excluding  
20 the evidence to be rather extraordinary.

21 Third, I'd like to make an offer of proof  
22 and have it incorporated in the record; and the only way I  
23 can do it is ask that it be played and incorporate it into  
24 the record. Short of that, the Commission is refusing me to  
25 make an allowance of an offer of proof.

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1 EXAMINER O'DONNELL: In the rules of civil  
2 procedure, it seems to me that what we're dealing with here  
3 is a matter of prefiled testimony. You had your opportunity  
4 during the prefiling of the testimony to make the videotape  
5 known at that time. Is there some reason for supplementing  
6 your testimony since the time of the prefiling?

7 MR. BROWNLEE: Just supplements the record.  
8 And the purpose of--the objection in prefiled testimony is  
9 so that the element of surprise is removed from the case.

10 And with hearing no objection from anyone  
11 here and considering it is a matter of extreme importance to  
12 this position, I think the Commission should have the  
13 availability of at least hearing the matter; and then if the  
14 Commission chooses to exclude it, after they've had a chance  
15 to understand its contents and absorb the contents, at that  
16 time the Commission can make a ruling. But to not allow it  
17 to be heard in the first place, to me, is an improper  
18 ruling. And it does prevent me, essentially, from making a  
19 proper offer of proof.

20 And I'm at this time again renewing my  
21 request to have it played and made a part of the record as  
22 an offer of proof.

23 EXAMINER O'DONNELL: The offer of proof can  
24 be denied on the basis of whether the presiding person feels  
25 that the matter is cumulative; and, therefore, your offer of

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1 proof is denied.

2 COMMISSIONER MUSGRAVE: Madam Hearing  
3 Examiner, how would this have been--what are you saying,  
4 that Mr. Brownlee should have provided 15 copies of this  
5 tape when he filed his prefiled testimony?

6 EXAMINER O'DONNELL: No. I'm not  
7 necessarily saying that. I think that he should have filed  
8 it during the prefiled period unless there is some reason  
9 that he's supplementing his testimony that something has--  
10 some changes have occurred that he was unable to really  
11 anticipate that he would need to supplement his testimony at  
12 that time. At that time he could have asked that the rules  
13 be waived in regard to the filing of the 15 copies. And  
14 then at that time we could have addressed the needs of how  
15 to incorporate this kind of testimony in this form.

16 MR. BROWNLEE: Well, I want the record clear  
17 then that the Commission is disallowing me to make an offer  
18 of proof on this substantive evidentiary issue. You're just  
19 disallowing me the right to make that offer of proof?

20 EXAMINER O'DONNELL: Yes. On the basis--

21 MR. BROWNLEE: Let the record be clear on  
22 it then. And you're refusing to accept even the offer then  
23 of that evidence; is that correct?

24 EXAMINER O'DONNELL: That's correct.

25 Are you tendering the witness for cross-

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1 examination?

2 MR. BROWNLEE: Yes. I've already done that.

3 If anybody wants to see it, can we play it  
4 after we go off the record?

5 (Laughter.)

6 EXAMINER O'DONNELL: Mr. Johnson.

7 MR. JOHNSON: Thank you, Madam Hearing

8 Examiner.

9 CROSS-EXAMINATION BY MR. JOHNSON:

10 Q. Mr. Freels, literally, one question. In  
11 telling us about some changes in your testimony this  
12 afternoon, in your direct testimony on Page 25, you  
13 mentioned something about the hearing enhanced program.

14 A. That's correct.

15 Q. Could you tell us what that is?

16 A. Yes, sir. In several states--I'm sorry.

17 I'm not familiar with this state specifically--there is  
18 services offered for the deaf, and I think it's called TDD  
19 type service. ITI in various states have offered that  
20 discount which has been the general policy of various  
21 commissions to request interexchange carriers to offer  
22 discounts to the hearing impaired.

23 In essence, as I understand the TDD service,  
24 is it's a teletype machine which is connected up to the  
25 phone line and two deaf people or hearing impaired people

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1 talk to each other.

2 ITI will be--current schedule is for the  
3 29th of this month is to announce the program to the  
4 public--will be in swing. It's in a test type program right  
5 now. It's being developed. --which will offer translation  
6 services to the deaf, meaning that if a person with one of  
7 these machines wants to communicate with a hearing person,  
8 our operators will act like--well, we've got multilingual  
9 languages. I call it a translation service.

10 We'll translate a teletype service to an  
11 English-speaking or a foreign-speaking--because people are  
12 not always English speaking that are deaf. --but to foreign  
13 speaking or translate to any one of the 18 languages that we  
14 serve. We'll translate it from teletype to the human ear,  
15 and then we'll do it in reverse back to the deaf people.  
16 And that will be at no premium price. And right now we're  
17 working--I can't announce it, but there may be a very unique  
18 service here in the pricing structure.

19 Q. That's great. Thanks very much.

20 A. You're welcome.

21 MR. JOHNSON: That's all I have.

22 EXAMINER O'DONNELL: Thank you, Mr. Johnson.

23 Mr. Stewart.

24 CROSS-EXAMINATION BY MR. STEWART:

25 Q. Mr. Freels, does ITI utilize a billing

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1 agent?

2 A. No, sir, not in the context of OAN that  
3 we heard about this morning.

4 Q. Is it the position of ITI that your  
5 company's name should appear on the local exchange phone  
6 bill for end users?

7 A. That is ITI's position, yes, sir. We've  
8 spent a lot of time and resources and money to develop our  
9 own image.

10 Q. Do you do any advertising to promote your  
11 company's name?

12 A. Yes, we do.

13 Q. What kind of advertising?

14 A. Traditionally, and I think the Public  
15 Counsel has talked about it earlier this morning, we've  
16 advertised to the trade publications, hospitals, hotels, pay  
17 phones, and what have you. But we're now embarking on a  
18 program to the general public. And I picked up the first  
19 magazine I've seen on it yesterday on the way up here. And  
20 we're on a program that will offer our advertising to the  
21 general public in other than trade magazines.

22 Q. In looking over your testimony, I see that  
23 you would propose eventually that 0- calls be processed  
24 through ITI?

25 A. That's correct, sir.

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1 Q. You wouldn't have any idea mechanically how  
2 long it would take a 0- call to reach the ITI network, would  
3 you?

4 A. Mr. Stewart, that's something that you  
5 really need to do in various parts of the country. I can  
6 give you what I know currently. In Dallas we done tests to  
7 reach our live operators, before we implemented a new  
8 program, to 13 to 18 seconds. To reach an AT&T live  
9 operator, it took 13 to 18 seconds in Dallas. We put some  
10 new programming in that Northern Telecom developed at our  
11 request, and it took--well, on some various tests, it took  
12 about 4 to 6 seconds in a recent test that we did in Dallas.  
13 We've had it as low as 9 seconds from Chicago, an actual  
14 test that we've done, up to a high of 21 seconds.

15 Q. Are you aware that--or maybe you  
16 participated in these discussions. Staff has proposed  
17 several requirements or guidelines to be placed in your  
18 tariffs and has recommended that if you do so, your tariffs  
19 would be approved. Do you intend to abide by those  
20 guidelines?

21 A. I think you already--are supposed to already  
22 have a tariff modified in that direction, yes, sir.

23 MR. STEWART: No further questions. Thank  
24 you.

25 EXAMINER O'DONNELL: Thank you, Mr. Stewart.



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1 Mr. Newmark.

2 MR. NEWMARK: No questions.

3 EXAMINER O'DONNELL: Ms. Kiddoo.

4 MS. KIDDOO: Thank you, your Honor.

5 CROSS-EXAMINATION BY MS. KIDDOO:

6 Q. Good afternoon, Mr. Freels.

7 A. Good afternoon.

8 Q. I just have one area of questions for you  
9 and that concerns testimony that you filed as part of your  
10 rebuttal testimony which has been received as Exhibit 7. My  
11 copy of your rebuttal is not page numbered, but I think it's  
12 the fourth page from the beginning; and it specifically is  
13 the answer to Question 9.

14 A. That would be on Page 6, ma'am.

15 Q. Six. Okay. I'll number it. In your  
16 response to Question 9, Mr. Freels, you state that some  
17 local exchange carriers do not have the capability to  
18 identify ITI on their bill. Is that your testimony?

19 A. That's correct.

20 Q. In what situations does that occur?

21 A. It's primarily the small independent  
22 telephone companies which do not--there's probably several  
23 categories there. --do not have the resources to change the  
24 programming necessary to do it; don't want to do it; the  
25 expenses are such that they don't want to incur them. But

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1 one reason or another, it's generally the small independent  
2 telephone companies which would have a small amount of  
3 business that we might have billed through them.

4 Q. So even though you don't bill through an  
5 agent to get to those LECs, they still can't put your name  
6 on the bill?

7 A. There must be other reasons we don't  
8 understand because, at least in a few of them, the  
9 individual--it deals directly with them--we've offered to  
10 pay that cost; and we've been declined without any reason  
11 being given.

12 Q. In a situation like that where ITI's name is  
13 not on the local exchange carrier's bill, what measures, if  
14 any, does ITI take to avoid customer confusion when they  
15 don't see ITI's name on the bill but they may have an  
16 inquiry?

17 A. I don't think you could answer that in a  
18 generic nature because it would depend on the question that  
19 was asked. So I offer--I don't believe I can answer that.

20 Q. Well, is there, for example, a number on the  
21 bill where a caller can direct an inquiry--

22 A. That depends on--excuse me.

23 Q. --if they have a question about a particular  
24 charge?

25 A. That depends on the billing and collection

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1 agreement that was discussed this morning. If the billing  
2 and collection agreement--we, as ITI, purchased inquiry  
3 services, normally our number is not shown on the bill. And  
4 we do normally purchase billing inquiries. That's for a  
5 couple reasons. It's been strongly encouraged by the local  
6 exchange companies that they handle billing inquiry. And  
7 some of them--and I'm not prepared today to tell you which  
8 ones--but some of them want to offer a discounted rate if  
9 you don't purchase it. So you're paying for it anyway.

10 Q. Where ITI contracts for billing inquiry  
11 service, is the telephone company--the local exchange  
12 carrier's number on the bill that they can call if they have  
13 a question?

14 A. Generally ours is not; so I assume theirs  
15 is, yes.

16 Q. Theirs would be. And for your inquiry fee  
17 with the local exchange carrier, they do answer any  
18 questions. Would they refer--sorry. Let me make that two  
19 questions.

20 They do answer questions if a caller calls  
21 about an ITI charge?

22 A. Not trying to be sarcastic, but they're paid  
23 to, yes, ma'am.

24 Q. Would they, if they had a call that they  
25 can't--or charge that they can't answer a question about,

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1 refer that caller to ITI?

2 A. Yes, ma'am. Let me explain how it works.  
3 If there is a question they can't explain, they naturally do  
4 refer it to ITI's 1-800 number which they have.

5 If it's an inquiry as to who ITI is, and you  
6 do get several of those, they answer the question and refer  
7 it to us depending on how much detail the individual wanted.

8 If it was a complaint on the quality of  
9 service, they take discretion in how they'll handle that, is  
10 the way we understand it, from whatever they would do if it  
11 was their own call.

12 If it's a dispute in rates or denies  
13 knowledge of the call or fraud or something of that nature,  
14 here again, up to what we call a floor limit, they respond  
15 in the same nature they would respond to any one of their  
16 own calls.

17 If it's beyond that floor limit, which is  
18 typically anywhere between \$5 and \$10, then they have--  
19 there's a couple things that can happen. Below the floor  
20 limit, we have no recourse. If it's \$4.50, it's credited  
21 4.50 and we have no recourse. It is trued-up against what  
22 we--the accounts receivable program at the end of either one  
23 month, three months, six months, or a year. It depends on  
24 the telephone company. If it's beyond that floor limit,  
25 typically they refer it to us to handle. Some of them will

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1 handle it subject to us working out what happened with the  
2 money later.

3 Q. Mr. Freels, are you aware that Staff Witness  
4 Van Eschen has suggested that the Commission should adopt a  
5 requirement that in order to bill on a local exchange  
6 carrier's bill, the operator service provider's name must be  
7 provided on that bill?

8 A. I understand that, yes, ma'am.

9 Q. If the Commission adopted that requirement,  
10 what would happen to ITI's billing carriers who can't  
11 currently include your name on their bills?

12 A. I would hope that the Commission would  
13 understand it's not a limitation by ITI because we seek to  
14 have it put there, willing to pay them to put it there,  
15 and would allow waiver in those particular cases.

16 MS. KIDDOO: Thank you. I have no further  
17 questions.

18 EXAMINER O'DONNELL: Thank you, Ms. Kiddoo.  
19 Mr. Boudreau.

20 CROSS-EXAMINATION BY MR. BOUDREAU:

21 Q. Mr. Freels, in response, I believe, to some  
22 testimony filed by Mr. Clark of Missouri Telephone Company  
23 and Mr. Schmersahl for Contel of Missouri, you have in your  
24 rebuttal testimony indicated that ITI is capable of  
25 transferring a call to another carrier in such a way that

1 the proper point of origination shows up in the call  
2 records; is that correct?

3 A. That's correct. But which question are you  
4 referring to, sir?

5 Q. I'm referring you specifically to Page 18 of  
6 your rebuttal testimony. It shows up in Question--your  
7 answer to Question 17.

8 A. Okay.

9 Q. So I take it from that that you don't have  
10 any particular problem with being able to redirect a call if  
11 it's handed off to another carrier?

12 A. We have no problem at all. As a matter of  
13 fact, if someone does not want to use us, we want to get rid  
14 of him as fast as possible because he's nothing more--it's  
15 an inconvenience to that customer, and it takes time out of  
16 our schedule and what have you. You really have to  
17 satisfy--there's been a lot of talk here today about  
18 customers. We think we have two of them. And you have to  
19 satisfy both of them.

20 Q. And you can do that in such a way to address  
21 the billing concerns that have been expressed by both  
22 Mr. Clark and Mr. Schmersahl in this proceeding?

23 A. Yes, we can.

24 Q. Is that your current practice?

25 A. It is.

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1 Q. Are there any other contexts in which ITI  
2 might hand off a call to another carrier other than a  
3 splashing back of a call to an AT&T operator?

4 A. I'm not aware of us ever doing it in any  
5 other manner.

6 Q. In your direct testimony, you've indicated  
7 that you are a nonfacilities based reseller of interexchange  
8 services; is that correct?

9 A. That's correct.

10 Q. And I take it in that capacity you lease  
11 facilities from other companies to establish your network;  
12 is that correct?

13 A. We lease both switch services and private  
14 line services, yes, sir.

15 Q. Have you ever run into a situation where  
16 your leased facilities have been used to capacity such that  
17 you had to complete a call over another carrier's network?

18 A. I literally can answer that one yes, but  
19 there's many ramifications of it. Not to the point of  
20 blocking, we have not completed a call on another carrier.  
21 We, like most people who put together a network, have  
22 various route choices: first choice, second choice, third  
23 choice. And from that context, yes, it's routed over  
24 alternate carriers when your prime choice or your first  
25 choice is busy.

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1 Q. Would the same concern arise in that sort of  
2 situation; that is, would the call records correctly reflect  
3 the point--the correct point of origin of that call?

4 A. That's correct. When it's redirect--is what  
5 we call it. When we redirect that call, it's redirected  
6 from the local phone to the local exchange company or to  
7 AT&T. It is redirected from the instrument itself.

8 Q. From the calling party's instrument?

9 A. The originating calling party's instrument,  
10 yes, sir.

11 Q. So when it's placed on the switch network,  
12 it will take place where the calling party is located; is  
13 that what you're saying?

14 A. That's correct.

15 MR. BOUDREAU: I have no further questions.

16 EXAMINER O'DONNELL: Thank you,

17 Mr. Boudreau.

18 Mr. Horn.

19 MR. HORN: Thank you, your Honor.

20 CROSS-EXAMINATION BY MR. HORN:

21 Q. Mr. Freels, I'm looking at Page 30 of your  
22 direct testimony where you state that "ITI has revised its  
23 rates, to be equal to or less than the fees charged by the  
24 dominant operator service provider, AT&T . . . ." And you  
25 stated that position as well on Page 13 of the Hearing



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1 Memorandum. "The rates charged by ITI . . . are intended to  
2 mirror rates charged by AT&T and SWB." Is that still your  
3 position?

4 A. That is our position, our proposed tariff.  
5 That's our corporate position by the way, sir.

6 Q. All right. And do you understand that  
7 presently under the tariffs you've filed that those are--  
8 the rates that you've filed are something identical to or  
9 less than AT&T's rates?

10 A. That's correct. Unless there's been a rate  
11 reduction since the filing of those, they should mirror them  
12 100 percent.

13 Q. Well, for the record, I'm going to refer you  
14 to Mr. Van Eschen's testimony. And he has a schedule  
15 attached, Schedule No. 2.

16 EXAMINER O'DONNELL: Is that to his direct?

17 MR. HORN: To his direct. He has only filed  
18 direct.

19 EXAMINER O'DONNELL: Exhibit 11.

20 BY MR. HORN:

21 Q. Do you have that schedule?

22 A. No, I do not have a copy.

23 (The witness was handed a document.)

24 Q. ITI's charges, do you see them listed there  
25 on the schedule, as well as AT&T's and Southwestern Bell's

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1 charges?

2 A. Okay. International Telecharge is the  
3 middle.

4 Q. I circled them on my copy.

5 A. Okay. And AT&T should be the right-hand  
6 column? I don't see Southwestern Bell, is what I'm looking  
7 for.

8 Q. The exhibit shows an interLATA mileage  
9 charge for ITI; is that correct?

10 A. That's correct. It does.

11 Q. And it shows an intraLATA mileage charge for  
12 ITI?

13 A. It does.

14 Q. Okay. And then if you go over toward the  
15 left, there is a Southwestern Bell intraLATA mileage charge;  
16 is that correct?

17 A. That's correct.

18 Q. Okay. And an AT&T interLATA mileage charge?

19 A. That's correct. Thank you for helping me  
20 find them.

21 Q. Okay. Comparing AT&T's interLATA mileage  
22 charge with ITI's interLATA mileage charge, do you detect  
23 any difference; and, if so, what do you see?

24 A. All right. The first band they're the same;  
25 the second band they're the same; third band, AT&T is the

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1 same, Southwestern Bell's is one penny less.

2 Q. At this point, I ask you to compare ITI's  
3 interLATA with AT&T's interLATA rates.

4 A. Okay. The next band, AT&T's rates is one  
5 cent under ours, and the Southwestern Bell rate is one cent  
6 under there. So I assume there's been a rate reduction  
7 since we filed this. We will amend our tariff; and it may  
8 be in the amendments we're working with right now, that  
9 we've already filed with the Staff. I don't know.

10 Q. Okay. So it continues to be your intention  
11 to have the same or less than rates of AT&T or Southwestern  
12 Bell?

13 A. It is our corporate policy to mirror the  
14 rates of AT&T and Southwestern Bell on an interLATA and  
15 intraLATA basis respectively. If there has been--since the  
16 filing of a rate reduction--we get our information from  
17 CCMI, which gets it from Bellcore. And sometimes there's a  
18 little bit of lag, as all of you that deal with those two  
19 organizations know. As soon as we get it, we will amend our  
20 tariff to mirror those rates.

21 Q. Nevertheless, there is a difference in  
22 charge between interLATA and intraLATA even where the same  
23 mileage distance is involved; isn't that right?

24 A. Between AT&T and Southwestern Bell, yes,  
25 there is.

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1 Q. Okay. Between the charges you charge for  
2 interLATA and intraLATA?

3 A. Yes, there is.

4 Q. Okay. Do you understand the Missouri  
5 statute requires that some showing be made to file a rate  
6 where the same distance is involved for interLATA or  
7 intraLATA?

8 A. We have filed that with the Commission--  
9 Staff. It was filed this week, I think. Latter part of  
10 last week, first of this week. It's been recent though.

11 Q. Okay. That's an amendment to your tariff  
12 filing?

13 MR. BROWNLEE: Cost justification was filed.  
14 And I think I want to say September the 9th. But it's--

15 THE WITNESS: It's been filed. And that's  
16 been the whole holdup for our tariff for sometime anyway is  
17 that competitive issue there.

18 EXAMINER O'DONNELL: Mr. Brownlee, perhaps  
19 you want to elicit that testimony from this witness on  
20 redirect.

21 MR. BROWNLEE: Okay.

22 BY MR. HORN:

23 Q. So, as far as you know, you are attempting  
24 to comply with that Missouri statute requirement as well?

25 A. Yes, we are.

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1 Q. Well, if it were based on cost, would it be  
2 your understanding that your intraLATA charges would be less  
3 than your interLATA charges?

4 A. I'd have to review the data we filed. I  
5 mean, I do not recall it. I didn't prepare that data by the  
6 way.

7 Q. Well, do you understand that the access  
8 charges that you pay for intraLATA access are lower than  
9 interLATA and, therefore, you have lower costs intraLATA?

10 A. I'm not aware of that, no, sir.

11 Q. Okay. But if that were the fact, then we  
12 would expect to see a lower rate intraLATA than interLATA?

13 A. We will comply with the statutes. That's  
14 all I can say right now. I mean, it's our intent to comply  
15 with the state statute, whatever they are.

16 Q. You've stated in your tariff filing that no  
17 charge will be imposed for incomplete calls. Is it more  
18 accurate to state that there will not intentionally be any  
19 charges for incomplete calls?

20 A. I think it would be more in--

21 Q. And the reason I ask that--sorry.

22 A. Go ahead.

23 Q. All right. On Page 2 of your rebuttal, you  
24 specifically did state there that you would not knowingly  
25 bill for any incomplete calls or emergency calls.

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1           A.     We don't bill for emergency calls anyway.  
2     The incomplete calls is an industry problem, as I think  
3     you're well aware of. The Staff's witness, as I said in my  
4     rebuttal, seems to imply it, even though he didn't come  
5     right out and say it. ITI has no intent of charging or even  
6     billing for incompleted calls.

7                     Unfortunately, due to the fact that hardware  
8     supervision doesn't come through on some of the connections  
9     that we use, that does happen. It is one of the reasons in  
10    my testimony I say we are converting to Feature Group D,  
11    because you do get hardware supervision on Feature Group D.  
12    There's a lot of other reasons, but that is certainly one of  
13    the reasons.

14                    But, I think, as you are probably well  
15    aware, as most industry people are, answer supervision for  
16    incompleted calls has been a problem with the interexchange  
17    carriers for some time. For the last five or ten years,  
18    there's been class action suits against those interexchange  
19    carriers for that. I think it's now recognized by most  
20    commissions and commission staffs what causes that. And  
21    it's certainly not ITI's intent to bill for an incompleted  
22    call.

23           Q.     On Page 32 of your direct testimony, you  
24    have a listing there from A through F of a suggested  
25    registration statement for an operator service provider who

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1 would want to register in the state of Missouri.

2 A. Yes.

3 Q. Do you understand that for certification in  
4 Missouri presently for an IXC that the two requirements are  
5 that they be registered to operate in the state of Missouri  
6 and that they be a financially viable business?

7 A. I think that's--

8 Q. You don't have any difficulties with that?

9 A. I have no difficulty with that at all.

10 These are guidelines or suggestions similar to the NARUC  
11 suggestions. Pick and choose as you like between these and  
12 the NARUC and your own. We're just trying to help the  
13 process along.

14 Q. That's all I'm curious about is, are you now  
15 suggesting a new standard specifically for OSPs as different  
16 than IXCs in terms of certification?

17 A. I don't think we generically would recommend  
18 that. I think what's happened here is several commissions  
19 have said that they want to--they want different  
20 regulations, or they want some way to regulate or certify  
21 interexchange carriers. And just like NARUC, we've given  
22 you our suggestions.

23 I mean, it certainly would be up to this  
24 Commission to make whatever decision they wanted to. If  
25 they want different standards, they can establish different

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1 standards. We believe that it would be better for them if  
2 the less standards they had, the less things they would have  
3 to contend with. But these are guidelines for them to use,  
4 just as NARUC had guidelines.

5 Q. You're not challenging your present  
6 certification status if these guidelines had not already  
7 been filed?

8 A. I don't think I would want to challenge my  
9 own certification.

10 Q. Okay. Fine. On Page 34 of your direct  
11 testimony, you referenced a suggestion of an informational  
12 piece that would be inserted in local exchange company bills  
13 at least twice a year?

14 A. Yes.

15 Q. To alert the public with regard to operator  
16 service providers?

17 A. That's correct.

18 Q. All right. Do you think it would be helpful  
19 to have the Commission's Staff involved with the wording of  
20 that?

21 A. I think that's what we've implied here  
22 already that it would be worthy. I might add, too,  
23 that the Public Counsel's witness seemed to think we wanted  
24 this free of charge. That never was our intent at all.

25 Q. Okay. You were willing to absorb--



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1 A. Pay our share of it, yes, sir.

2 Q. Oh, pay your share. What share would that  
3 be?

4 A. The Commission may have to decide that. But  
5 if several AOSs had sent it out about--to the extent that  
6 you get revenue and billing and collections, maybe the  
7 telephone company would share in that. But we certainly  
8 would be willing to pay our share of it, no questions asked.

9 Q. But you're not suggesting how that share  
10 should be determined or shared?

11 A. I don't think I can right now not knowing  
12 when it would go out, who the participants would be, what  
13 information is going to be in it, what it is intended to  
14 cover. I don't think I would be able to do that right now.

15 Q. Well, at least you're suggesting that it not  
16 be promotional for operator service providers but only  
17 informational; is that correct?

18 A. Not promotional for sure; educational for  
19 sure.

20 Q. On Page 37 and 38 of your direct testimony,  
21 you reference a suggestion in there with regard to the local  
22 exchange company submitting a filing within 30 days of  
23 adoption of rules to reduce access charges. Certainly that  
24 wasn't one of the issues addressed by the Commission in its  
25 order for this hearing; is that right? That hasn't been

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1 addressed in anyone else's testimony.

2 A. You're correct, counselor. As I said,  
3 there's been many issues that we've heard in several states.  
4 And we've tried to issue a set of guidelines, as NARUC did,  
5 that covers a lot of territory. And if intraLATA  
6 contribution or even intrastate contribution is an issue,  
7 then we've offered a suggestion in a way that the Commission  
8 could address that.

9 Q. Okay. You're aware that none of the LECs in  
10 this case are suggesting an access charge?

11 A. I would have to admit with you, counselor,  
12 it might be rather cumbersome. I think that's where you're  
13 headed.

14 Q. So you're willing to eliminate that from  
15 your suggestions for the Commission's--

16 A. No, sir, I'm not willing to eliminate it.  
17 What I'm trying to say is, if the Commission is concerned  
18 about it, here's a way to address it. If they're not  
19 concerned about it, throw it out.

20 MR. HORN: Okay. I don't have any other  
21 questions. Thank you.

22 EXAMINER O'DONNELL: Thank you, Mr. Horn.  
23 Mr. Maulson.

24 CROSS-EXAMINATION BY MR. MAULSON:

25 Q. Mr. Freels, did you hear Mr. Bryan's

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1 description of how AOSI would make use of GTE calling cards  
2 and other LEC calling cards?

3 A. I think I was in the room for part of that.  
4 Maybe you better refresh my memory.

5 Q. Okay. Does ITI make use of GTE and other  
6 local exchange carrier calling cards?

7 A. Yes, we do.

8 Q. Looking at Page 27, at Line 7--

9 EXAMINER O'DONNELL: Of his direct?

10 MR. MAULSON: Yes, of the direct.

11 BY MR. MAULSON:

12 Q. It says, ". . . ITI has a low uncollectible  
13 rate . . . ." Would a factor in that low uncollectible rate  
14 be that the LECs are providing billing for you?

15 A. I imagine that's a factor, yes.

16 Q. Is it a significant factor in your mind?

17 A. That would be speculation, and I'm not  
18 willing to do that; but I will agree it's probably a factor.

19 Q. Thank you. You made reference--and this is  
20 for clarification--that ITI would be willing to pay the  
21 LEC's cost to be able to put the ITI name on the customer  
22 bill; is that right?

23 A. In the billing and collection agreements  
24 that we have entered into--and I can't get specific right  
25 now because that would require research. But there has been

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1 a charge to ITI from virtually all of them to change their  
2 programming, to provide a--whatever you call it--print-ready  
3 logo to put into the billing silk screening, or whatever you  
4 do to do that. There's been a charge from virtually every  
5 one of them already. So that is the reason we were willing  
6 to pay for it for the independents.

7 Q. So you're talking about what may already  
8 exist, not any additional contribution that a LEC might feel  
9 it would incur; is that right?

10 A. I think you're putting words in my mouth.

11 Q. Well, I'm just trying to understand what  
12 you're saying. I thought you indicated that certain LECs  
13 did not have the ITI name on the bill, that you offered to  
14 pay them the costs in order to put the ITI name on the bill  
15 but that they refused. I think that was your testimony. Is  
16 that right?

17 A. That's correct. But you've got to take it  
18 into context, when I answered the lady's question, that was  
19 the small--you and I both know there's roughly 1,400 small  
20 independents. There's 6 or 7 large guys like GTE, United,  
21 and what have you.

22 When we entered into the agreement with  
23 those people, there were like Bell South and U.S. West and  
24 what have you. There was a charge to enter into the  
25 agreement. Part of that charge was the cost of changing

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1 their programs, getting ready for the logo, submitting  
2 screen-ready or duplicating-ready devices and all of that,  
3 in other words.

4 So we paid that--for example, I can remember  
5 in U.S. West it was quite a significant figure; but I don't  
6 remember any specific detail.

7 When we went to U.S. and Telco and to NECA  
8 to talk to them about getting agreements with the real small  
9 guys, what we typically call a mom and pop type  
10 independents, answers came back that they did not want to do  
11 this because it cost them a lot of money to get ready to  
12 bill for a small number of calls. And we said we will  
13 assist; we will pay for that. Tell us about it. And we got  
14 very little response back is my understanding.

15 Q. Okay. Do you have any specific detail with  
16 respect to GTE?

17 A. I can refer you to Mr. Ron McClenan,  
18 Vice President, Telco Relations, who carries on those  
19 negotiations with each company. He could answer any  
20 specific question you had, sir.

21 Q. Thank you.

22 A. And he will be happy to.

23 MR. MAULSON: Thank you. That's all.

24 EXAMINER O'DONNELL: Thank you, Mr. Maulson.

25 Mr. Knowles.

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1 MR. KNOWLES: I have no questions of this  
2 witness.

3 EXAMINER O'DONNELL: Mr. Cadieux.

4 CROSS-EXAMINATION BY MR. CADIEUX:

5 Q. Mr. Freels, it's my understanding that--I  
6 don't know if it was your testimony or Mr. Thomas'  
7 testimony. But it's my understanding that ITI is moving  
8 towards Feature Group D origination--I think as quickly as  
9 possible was the testimony; is that correct?

10 A. That's correct. And it's probably in both  
11 of ours.

12 Q. With Feature Group D origination at an ITI  
13 served location, when a dialer dials, I assume, 8+0 plus an  
14 intraLATA number, who handles that call?

15 A. It would be handled by a local exchange  
16 company. Typically, it would. There might be an extreme  
17 circumstance, but typically it would be.

18 Q. As a result of that, would it be correct to  
19 say that most of the intraLATA traffic generated at ITI  
20 served locations across the country is carried by an LEC?

21 A. Today or the future?

22 Q. Well, let's do both.

23 A. Today--I can't remember how many states  
24 actually preclude it. Only those states where it is  
25 actually precluded, like California--that's the only one

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1 that comes to mind right now--it is diverted to the local  
2 exchange company. In states which do not preclude it, we  
3 carry it.

4 Q. In states--I'm not sure I understand.

5 A. Texas, for example.

6 Q. In states that do not preclude what?

7 A. That allow--I can't think of a better way to  
8 say it--allow intraLATA competition, we would carry it.

9 Q. Even under a Feature Group D origination?

10 A. We're talking about today now.

11 Q. Okay.

12 A. We have, today, very little Feature Group D.  
13 By the end of this month and the beginning of next month,  
14 we'll have a lot. So that's the reason I asked you to  
15 classify today versus the future.

16 Q. So when you say "moving fast," you really  
17 mean moving fast?

18 A. I really mean moving fast. Of course, this  
19 program has been under way for about three months; and it's  
20 going to start coming into fruition at the end of this  
21 month.

22 Q. Okay. So with that conversion to Feature  
23 Group D, would it be correct to say that the substantial  
24 majority of intraLATA traffic generated at ITI served  
25 locations would be carried by the LEC?

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1 A. I think that's a fair assessment, sir.

2 Q. Okay. I'm a little bit confused about the  
3 0- of traffic with ITI. Assuming the conversion to Feature  
4 Group D origination, what will then happen at an ITI served  
5 location with an 8+ 0- dialed call? Will ITI handle that or  
6 will the LEC?

7 A. I'm not trying to be argumentative again;  
8 but we have no record of ever receiving an emergency call  
9 from a hotel, only from pay phones.

10 Q. What would explain that?

11 A. Because when someone wants an emergency in  
12 a hotel, they touch "0" and they get the switchboard  
13 operator downstairs. They don't usually dial 8+0. We have  
14 no record of receiving one of those calls.

15 Q. From a pay phone then?

16 A. Different story.

17 Q. Okay. What's the situation here?

18 A. Pay phones are where you get--I'd like to  
19 say all of them. I'm sure there's an exception to that  
20 someplace. But virtually all of the emergency calls come  
21 from pay phones where someone goes up and instead of hitting  
22 911, which we all wanted to do, they hit "0." And in  
23 services where we're serving it with Feature Group B today,  
24 we handle that call.

25 Q. Feature Group B as in--



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1 A. B, boy.

2 Q. Okay. Assuming--well, let me ask you this:  
3 is the conversion that ITI is underway with--towards  
4 Feature Group D, does that also include pay phones as well  
5 as hotel locations?

6 A. It does.

7 Q. Okay. So assuming the conversion to Feature  
8 Group D at a pay phone location, assuming you get a 0--  
9 there's a 0- emergency call, where is that call going to go  
10 to in that situation?

11 A. It'll go to the local exchange company.

12 Q. Okay. Now--okay. So I'm trying to line  
13 that up with the testimony about ITI's emergency services,  
14 which I understand you've invested apparently a significant  
15 amount of software in particular. Given that you are going  
16 substantially to Feature Group D origination, how would the  
17 ITI emergency services be accessed? Through 911 or is  
18 that--would that go to the LEC also?

19 A. No. Let's clear that up real fast. ITI  
20 does not get 911 calls from any of its location. If someone  
21 touches 911 at a pay phone, it goes to the 911 service.

22 Q. Okay. That's the case under Feature Group B  
23 today?

24 A. B, D, E, A, B, C, whatever you've got. We  
25 don't get 911 calls.

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1 Q. Okay.

2 A. I want to make that clear right now.

3 Q. Okay. Then moving over to 0-, when you go  
4 to Feature Group D origination, you will not get 0-  
5 emergency calls either; is that correct?

6 A. Not from Feature Group D equal access  
7 offices, no, sir. We still get them, though, from  
8 locations where Feature Group D is not available or where we  
9 might be accessing out in the real remote area, like a truck  
10 stop out in the middle of nowhere on 1-800.

11 Q. Okay. I guess what I'm concluding from that  
12 is that, given that you're converting as quickly as you can  
13 to Feature Group D, given that 911 under all circumstances  
14 goes to the local exchange company, and given that 0- under  
15 Feature Group D goes to the local exchange company, that  
16 there is a very--a relatively small--there will be, after  
17 this conversion, a relatively small percentage of ITI's  
18 traffic that will have the potential of going to ITI as  
19 emergency traffic?

20 A. That's correct, counselor. Let me see if I  
21 can cut through some of the stuff here. ITI developed its  
22 emergency service capability as a part of its--what it felt  
23 it's obligation to the public. And we wanted to be--I think  
24 the word that is used typically is "ubiquitous," or what  
25 have you--to look just as much like the other people as

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1 possible and provide the same services and greater services,  
2 which we think we've done.

3 Some people, and even in our company,  
4 believe that we've spent all this money for nothing, and we  
5 shouldn't give up the 0-. That's not the company policy  
6 though. It's a part of the price of getting into the  
7 industry, developing the program. And we will always  
8 need it from places where we can't get Feature Group D and  
9 where we're serving the remote areas that I talked about  
10 earlier. So we still have to maintain that emergency  
11 service capability.

12 MR. CADIEUX: That's all I have. Thank you.

13 EXAMINER O'DONNELL: Thank you, Mr. Cadieux.

14 Mr. Royer.

15 MR. ROYER: No questions, your Honor.

16 EXAMINER O'DONNELL: Ms. Ott.

17 MS. OTT: Mr. Wheatley will be handling the  
18 ITI witnesses.

19 EXAMINER O'DONNELL: Mr. Wheatley.

20 MR. WHEATLEY: Thank you.

21 CROSS-EXAMINATION BY MR. WHEATLEY:

22 Q. Mr. Freels, at the beginning of your  
23 testimony, you spent some time correcting your prefiled  
24 direct and rebuttal testimony. I assume that was bringing  
25 your testimony up to date; is that correct?

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1           A.     That's correct, sir.

2           Q.     Let me direct your attention to Page 3 of  
3 your prefiled direct testimony. In Line No. 23, you asked  
4 to cross out "Nevada"; is that right?

5           A.     That's correct.

6           Q.     And those are a listing of states where ITI  
7 has applications pending?

8           A.     That's correct.

9           Q.     Are there any other states there that should  
10 be deleted?

11          A.     Not from my perspective, no, sir.

12          Q.     For example, Kentucky? Hasn't ITI been  
13 denied an application for a certification in Kentucky  
14 recently?

15          A.     That is absolutely correct. We are in the  
16 appeal process, rehearing process. That application is  
17 still very active.

18          Q.     As far as the Kentucky Commission is  
19 concerned at this time, though, they have denied your  
20 application for a certificate; isn't that correct?

21          A.     At this particular time that is correct.  
22 There were some stipulations. You've probably read that  
23 order which indicates that if we'll correct those, we'll be  
24 fine--certification will be subsequently granted. And I  
25 think if you'll check the records, you'll find that--not

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1 knowing the legal term--the resubmission was done last  
2 Wednesday or Thursday.

3 Q. Well, since you brought it up, one of the  
4 requirements in that--concerns by the Commission in that  
5 case was your ability to verify calling card numbers; isn't  
6 that correct?

7 A. That's correct.

8 Q. And in that case, the Commission felt that  
9 since you weren't able to verify calling card numbers that  
10 perhaps there was some possibility for fraud on the holders  
11 of those credit cards because their call--or their home  
12 phone bills might inadvertently be billed for calls made by  
13 someone else; is that right?

14 A. You're correct, counselor. That was our  
15 perception, just as you explained what they meant by it.  
16 But since the hearing, and prior to the order of release, I  
17 believe the record was set with those people that--no, it  
18 wasn't. I'm sorry. That was another state.

19 From the time of the hearing until the time  
20 the order came out, we gained access to the validation from  
21 Bell South; and we're now utilizing Bell South validation as  
22 we are--we purchased the validation from all seven of the  
23 regional Bell operating companies.

24 At the time of that hearing, there was only  
25 one of them that offered it. As you will recall, it would

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1 have been U.S. West. And we're the first people and, for  
2 several months, the only ones on line with U.S. West.

3 Q. Does that include AT&T?

4 A. No, sir. AT&T has not made their data base  
5 available.

6 Q. So you still have no way to verify AT&T  
7 calling cards?

8 A. We have our own internally-developed program  
9 which has been fairly successful. But technically--I think  
10 it's already been testified--virtually all of those  
11 cards--I didn't say all of them. --but virtually all of  
12 them are duplicates of the local exchange company. So you  
13 have access to the preponderance of the validations anyway,  
14 even whether you've got AT&T or not.

15 Q. Now, your internally-developed method of  
16 verification, is that where someone calls and gives you a  
17 number for a credit call and then you--while you have them  
18 on the line there, turn around and dial the number through  
19 the AT&T network to see if it checks out? Is that your  
20 in-house verification?

21 A. No, sir, that's not the way it's done.

22 Q. What is your in-house verification?

23 A. That's proprietary information.

24 MR. WHEATLEY: What would be the best  
25 procedure for getting to these areas? Would you like to

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1     save those until the end of the cross-examination?

2                   EXAMINER O'DONNELL: Off the record.

3                   (Discussion off the record.)

4                   EXAMINER O'DONNELL: On the record.

5                   Mr. Wheatley, you asked the witness some  
6 information which he indicated was proprietary. While we  
7 were off the record, I believe that counsel for ITI was able  
8 to discover from this witness that he doesn't know the  
9 answer to this question.

10                   Perhaps you could just go ahead and ask  
11 whether or not this witness knows the answer to this  
12 question, and then we can deal with whether or not we--how  
13 we would handle it if he does know the answer.

14                   MR. BROWNLEE: For the record, too, I do  
15 want to object on behalf of the client that the matter  
16 requested is proprietary. Thank you.

17                   EXAMINER O'DONNELL: Go ahead, Mr. Wheatley.

18                   MR. WHEATLEY: So that I understand the  
19 record to this point, he plans to indicate that he doesn't  
20 know the answer, but he knows it's proprietary? Is that  
21 what you're saying?

22                   MR. BROWNLEE: I think that would be a fair  
23 statement. He knows that there are methodologies, but he  
24 does not know the specifics that your question addressed.

25                   EXAMINER O'DONNELL: For the record, I think

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1 it would be important if you would ask this witness--or I  
2 can ask the witness.

3 Mr. Freels, the question as to the  
4 proprietary information, do you know the answer to this  
5 question?

6 THE WITNESS: No, ma'am, I do not. I'm not  
7 responsible for that. I do not know how it's actually done  
8 in detail.

9 EXAMINER O'DONNELL: Thank you.

10 Mr. Wheatley, you may proceed.

11 BY MR. WHEATLEY:

12 Q. Mr. Freels, is ITI operating in the state of  
13 Missouri at this time?

14 A. Yes, we are.

15 Q. And how long has ITI been operating within  
16 Missouri?

17 A. I believe in your request for information  
18 answers, we indicated it was an August-September time frame  
19 of 1987 when we first detected calls coming from this state  
20 or going within the state.

21 Q. And you also provide intrastate service?

22 A. Yes. That's correct.

23 Q. And have you been providing intrastate  
24 service since September or October of 1987?

25 A. Yes, we have.



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1 MR. WHEATLEY: I wanted to ask him whether  
2 he knows the volume of calls which they are handling both at  
3 the time--at the present time and when they started, and I  
4 don't want to get into another proprietary matter. Do you  
5 want to argue whether that is proprietary so that he doesn't  
6 jump in and answer?

7 MR. BROWNLEE: If I can, again, approach the  
8 witness for a minute.

9 (Mr. Brownlee conferred with the witness.)

10 MR. BROWNLEE: I believe we've supplied that  
11 already in a data request; so you should have that, counsel.  
12 But it was proprietary. And I believe, if I'm not correct,  
13 Ms. Drainer, who is absent herself from the hearing room, I  
14 think may have utilized some of that in the proprietary  
15 filing that she made.

16 MR. WHEATLEY: Well, as I understand what--  
17 what you might have to do is, at some point, handle the  
18 proprietary matter in the hearing. And if I could save my  
19 questions until that time, at the end or something like  
20 that, if that would be the best way to handle it.

21 EXAMINER O'DONNELL: I don't know if  
22 Mr. Brownlee wants to address this, but it seems to me that  
23 if there might be other proprietary questions that would be  
24 cumulative, it would be more effective and efficient for us  
25 to save them up at some point and then go in-camera and

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1 address the proprietary information.

2 BY MR. WHEATLEY:

3 Q. Mr. Freels, do you have subscriber locations  
4 within the state of Missouri at the present time?

5 A. We do.

6 Q. When did you first obtain a subscriber  
7 location within the state of Missouri?

8 A. I don't know. I would assume when calls  
9 started coming from the state.

10 Q. Would that have been in September or October  
11 of 1987?

12 A. August, September, October, somewhere in  
13 that time frame, yes.

14 Q. Does ITI have the capability of blocking  
15 intrastate traffic if desired?

16 A. Yes, we do.

17 Q. But since you first started to receive  
18 intrastate traffic, you did not block those calls; is that  
19 right?

20 A. When we first detected calls, intrastate  
21 calls, we filed for certification and received certification  
22 in October of 1987.

23 Q. And were you aware that you also were  
24 required to have tariffs on file?

25 A. We were aware of that and had been working

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1 with the Commission, the Commission Staff rather, for some  
2 time. I can't give you the absolute details. But from  
3 the people that had been working with the Commission,  
4 several had been submitted. And there's issues with--and  
5 I'm not a lawyer. --the competitive issues, the competitive  
6 docket, and trying to comply with those and requesting  
7 tariffs. They have been subsequently delayed even to the  
8 point where they were made a part of this hearing. But  
9 we've been working with the Commission from the outset to  
10 file a tariff with this state.

11 Q. Now, were you aware that your tariff had to  
12 be approved by the Commission prior to operation?

13 A. Yes, sir. I think we are aware of that.

14 Q. And so you've been operating to this point  
15 illegally in the state of Missouri?

16 MR. BROWNLEE: I'm going to object to his  
17 characterization that it's illegal.

18 EXAMINER O'DONNELL: Mr. Wheatley, do you  
19 want to address the objection?

20 MR. WHEATLEY: The witness' testimony was  
21 that the law requires that he have approved tariffs,  
22 approved by the Commission, on file before operating within  
23 the state. He also testified that they had been operating  
24 in the state, providing intrastate service, since the fall  
25 of last year. So I think it's just a natural follow-up

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1 question from his testimony.

2 MR. BROWNLEE: It's your conclusion that  
3 it's illegal.

4 EXAMINER O'DONNELL: Perhaps you could  
5 rephrase the question, Mr. Wheatley.

6 BY MR. WHEATLEY:

7 Q. I believe it was your testimony that you  
8 understand that the Commission requires that you have  
9 approved tariffs on file with the Commission; is that  
10 correct?

11 A. That's correct, counselor. But we have been  
12 working with the Commission and the people here to get one.  
13 At no time that I'm aware of was it even suggested that we  
14 cease and desist operations. It was the intent that we were  
15 going forward with that was perceived by the Staff. And  
16 when I say I don't have--I wasn't the person dealing with  
17 them, I certainly was, to a certain extent, involved with  
18 it, especially in the last six months.

19 So I don't--my characterization is we're not  
20 illegal. It was our intent. And we were even told to wait  
21 until certain procedures happen, I guess, the competitive  
22 aspects of it. So I don't perceive that we were illegal at  
23 all. We sought certification; we received it. We filed a  
24 tariff. And for one reason or another, it's been delayed  
25 through implementation.

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1 Q. Do you believe that the provision of  
2 operator services is a competitive service?

3 A. I think at least in the state of Missouri  
4 competitive has some legal context. But from my perception  
5 of competitive, yes, sir, it's competitive. I'm fighting  
6 with several other competitors out there to get the  
7 business, so I call it competitive.

8 Q. When you compete, you're competing for the  
9 subscribers; is that correct?

10 A. That's correct.

11 Q. And the subscribers are the hotels and  
12 motels and the pay phones that you want to serve; is that  
13 right?

14 A. That's correct. I've previously testified,  
15 while that might be Customer No. 1, I have Customer No. 2 to  
16 worry about. And that's the reason I've developed many of  
17 the services that my company has. It's not for Customer  
18 No. 1; they're for Customer No. 2, the man who's paying--the  
19 person who is paying the bill.

20 Q. Do you enter into contracts with your  
21 subscribers?

22 A. Yes, we do.

23 Q. And what is the normal length of time for  
24 those contracts?

25 A. Typically three to five years.

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1 Q. When you're marketing these contracts to the  
2 hotels or subscribers, what is the benefit that you show to  
3 the hotel for your service?

4 A. I'm glad you asked that question.

5 Q. I might not be then. Go ahead. I'm sorry.

6 A. I am too. There are many. And we banded  
7 today and beat the devil out of a word called "surcharges"  
8 to the point that we've made it confusing.

9 But there are several reasons that a hotel  
10 subscribes to ITI. Notwithstanding the fact that the user  
11 has more billing options. Notwithstanding the fact that the  
12 user has more multilingual capability. And there are  
13 countries, Japan, for example, some trade or what have you,  
14 that tells hotels--tells their travel--their tourists what  
15 hotel they can go to to get Japanese services or operators  
16 that speak Japanese. Not counting the message forwarding  
17 service that we have which allows you to leave a message if  
18 the call is not answered or is busy.

19 But the benefits that the general manager  
20 sees to the hotel patron, to the guest, the person he has to  
21 satisfy--because he's in the business of selling rooms and  
22 if we mess up one of his guests--I've been dressed down by a  
23 general manager. That ain't fun.

24 But we take, for example, the surcharge  
25 issue. Today, if the hotel is using AT&T, we all know that

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1 hotels levy a usage charge, a surcharge charge, a service  
2 charge, whatever you want to call it, for the use of their  
3 telephone system. It's usually a different amount for local  
4 service, one for long distance, 1 pluses. They have  
5 different things, and 0+ has different things. But there is  
6 some kind of charge levied by that hotel, and you pay it  
7 upon checkout.

8 If you dial 8+0 to reach an AT&T operator or  
9 a local exchange company operator or MCI, if they're the  
10 ones providing it, there's a peg count that goes up against  
11 your room. And let's say the hotel--we've used today  
12 75 cents. The hotel levies a 75-cent surcharge. Well, for  
13 every peg, every time you dial 8-0 and the operator answers,  
14 there's a peg against your room. And let's say you're like  
15 myself and a lot of other business people that make a lot of  
16 calls. Typically, an operator service--40 to 50 percent of  
17 operator service calls are not completed. So when you get  
18 ready to check out, you have to audit your bill for those  
19 calls that are incompletd.

20 So let's go on. That's 40 percent of them.  
21 You made 10 calls. That's 4 times 75 cents that's been  
22 levied against your room that you don't owe because you  
23 didn't complete those calls. If you go to the front desk,  
24 the front desk will credit those calls to you, usually no  
25 question asked. I've never had a question asked and not

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1 aware of anyone. But you had to go to the front desk and  
2 stand in line. You've been inconvenienced. You can't take  
3 advantage of the express checkout. And the person standing  
4 behind you is having to wait on you to get your credit, so  
5 he's been inconvenienced. The hotel general manager has got  
6 to have people on the front desk to handle those credits,  
7 whether it's half a person, a quarter of a person, or a full  
8 person. It depends on the size of the hotel. But there is  
9 a certain amount of manpower or labor he has to have there.

10 With my service, I bill those surcharges on  
11 behalf of the hotel. The 75 cents is billed through me  
12 instead of being billed at the front desk. I can take  
13 advantage of express checkout. I don't have to stand in  
14 line. The general manager can have that labor that's  
15 handling that address something else. So there's plenty of  
16 benefits to a hotel general manager and to the hotel patron.

17 EXAMINER O'DONNELL: Mr. Wheatley, do you  
18 have very many more questions?

19 MR. WHEATLEY: Yes, I do.

20 EXAMINER O'DONNELL: Then we'll be in recess  
21 until tomorrow morning at nine o'clock.

22 WHEREUPON, the hearing of this case was  
23 adjourned until 9 a.m., Wednesday, September 21, 1988.



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\* Exhibit number reserved off the record  
\*\* Exhibit not received