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SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO-2001-467

DIRECT TESTIMONY

OF

THOMAS F. HUGHES

FILED

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Missouri Public
Service Commission

Jefferson City, Missouri
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter the investigation of the state of competition)
In the exchanges of Southwestern Bell Telephone Company)

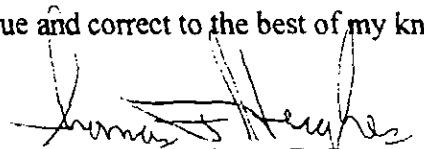
Case No. TO-2001-467

AFFIDAVIT OF THOMAS F. HUGHES

STATE OF MISSOURI)
) SS
COUNTY OF COLE)

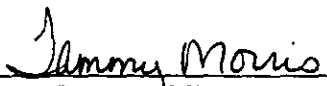
I, Thomas F. Hughes, of lawful age, being duly sworn, depose and state:

1. My name is Thomas F. Hughes. I am Vice President - Regulatory for Southwestern Bell Telephone Company.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.



Thomas F. Hughes

Subscribed and sworn to before me on this 25th day of June 2001.



Notary Public

TAMMY R MORRIS
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXPIRES 11/1/2004

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3 **CASE NO. TO-2001-467**
4 **SOUTHWESTERN BELL TELEPHONE COMPANY**
5 **DIRECT TESTIMONY OF THOMAS F. HUGHES**

6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 A. My name is Thomas F. Hughes and my business address is 101 W. High St.,
8 Jefferson City, Missouri 65101.

9
10 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

11 A. I am employed by Southwestern Bell Telephone Company ("SWBT") and serve
12 as Vice President – Regulatory. I am responsible for all of SWBT's tariffs and
13 regulatory activities in Missouri.

14
15 **Q. HAVE YOU PREPARED AN EXHIBIT WHICH PROVIDES**
16 **INFORMATION REGARDING YOUR EMPLOYMENT, EDUCATIONAL**
17 **BACKGROUND AND APPEARANCES BEFORE THE COMMISSION?**

18 A. Yes. That information is attached as SCHEDULE 1.

19
20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 A. The purpose of my testimony is to provide an overview of the issues in this
22 proceeding and SWBT's position on those issues. On March 13, 2001, the
23 Commission issued an order opening an investigation into the state of competition
24 in SWBT's exchanges. This order stated "that a case should be established for the

1 purpose of investigating the state of competition in SWBT exchanges in
2 accordance with Section 392.245.5, RSMo 2000.”

3
4 **INTRODUCTION**

5 **Q. HOW IS YOUR TESTIMONY STRUCTURED?**

6 A. My testimony will be structured as follows: 1) what SWBT anticipates as the
7 result of this proceeding, 2) introduction of SWBT witnesses filing direct
8 testimony, 3) history of competitive classification in Missouri, 4) Missouri Senate
9 Bill 507, 5) how SWBT meets the definition of effective competition, 6) the
10 history of competition in Missouri, 7) the entrance of competitive local exchange
11 carriers (“CLECs”) in Missouri, 8) the status of CLEC competition in Missouri, 9)
12 the “future” of competition in Missouri, 10) why effective constraints on SWBT
13 will still exist, 11) benefits to the Missouri consumers, 12) what the Commission
14 should find in this proceeding, and conclusion.

15
16 **Q. WHAT SHOULD THE COMMISSION UNDERSTAND ABOUT YOUR**
17 **TESTIMONY AND SWBT’S POSITION IN THIS CASE?**

18 A. The Commission should understand the following points:

- 19 ■ The intent of the statute is clear – lawmakers envisioned all providers
20 competing on equal terms with price caps being an interim mechanism in
21 the transition to a fully competitive market.
- 22 ■ By designing the statute under the presumption that SWBT would receive
23 competitive classification for its services, the legislature provided a

1 roadmap for the Commission to follow to eliminate unnecessary
2 regulation in a competitive market.

- 3 ▪ The legislature clearly understood the need for regulatory parity.
- 4 ▪ The legislature understood that a fully competitive market brings the
5 greatest benefit to consumers.
- 6 ▪ After confirming that SWBT's services face effective competition and
7 following the intent of the statute to grant competitive classification to
8 SWBT's services, the Commission maintains a backstop mechanism
9 whereby the Commission can, if necessary at a future date, conduct a
10 hearing to reevaluate the state of effective competition. If the Commission
11 finds at that time that effective competition no longer exists, it can return
12 SWBT to price cap regulation.
- 13 ▪ Moreover, although effective competition exists and therefore provides
14 effective constraints on SWBT's behavior in a competitive market, the
15 Commission should recognize it has the authority to set prices for
16 SWBT's wholesale services (e.g., unbundled network elements ("UNE's")
17 and resale) which provides a further constraint on SWBT's behavior in the
18 retail marketplace.

19

1) What SWBT anticipates as the result of this proceeding

2 **Q. WHAT DOES SWBT ANTICIPATE THE OUTCOME OF THIS**
3 **PROCEEDING WILL BE?**

4 A. This docket is about maximizing customer choice by placing all providers on equal
5 footing in the marketplace. Southwestern Bell's anticipation is to be able to
6 compete under the same regulatory rules as its competitors. In an open market
7 where all providers can compete equally, it will be the customers that will benefit
8 from the increased competition.

9
10 **Q. DOES SWBT BELIEVE THERE IS EFFECTIVE COMPETITION IN**
11 **EACH OF ITS EXCHANGES?**

12 A. Yes. As will be discussed in my direct testimony, as well as the direct testimony
13 of the other SWBT witnesses, customers located in SWBT exchanges have many
14 choices available to them. These alternatives are available across the various
15 product families offered by SWBT. These choices not only include the more
16 obvious providers that are also regulated by the Commission (e.g., CLECs and
17 interexchange carriers ("IXCs")) but also many other alternative providers, which
18 are not regulated by the Commission, that provide additional choices for
19 consumers (e.g., wireless services; Internet-enabled technologies such as email,
20 E-commerce, and Internet-based telephony; cable modem based technology;
21 satellite based technology; and private network providers).

22

1 2) Introduction of SWBT Witnesses Filing Direct Testimony

2 **Q. WHO ARE THE WITNESSES SPONSORING TESTIMONY FOR SWBT?**

3 A. Direct testimony will be sponsored by 9 individuals for SWBT. The following
4 identifies the witnesses and the area(s) each is providing testimony concerning the
5 issue of alternative providers offering substitutable or functionally equivalent
6 services.

7

<u>Witness</u>	<u>Area(s)</u>
8 Thomas Hughes	Policy
9 Silvia Acosta Fernandez	Business Switched Services
10 Thomas Anvin	Broad Competitive Landscape
11 Dr. Debra Aron	Economic Policy
12 Thomas Dehahn	Business Dedicated Services
13 Sandy Douglas	Special and Switched Access, SS7 and LIDB
14 Aimee Fite	Residential Services
15 Barbara Jablonski	Interexchange Services
16 Sandra Moore	Directory and Operator Services
17	
18	

19 **Q. WHY HAS SWBT DIVIDED ITS TESTIMONY BY SERVICE**
20 **CATEGORY?**

21 A. SWBT offers a vast number of different services that meet many different types
22 of customer's varying communications needs. Different choices are available to
23 meet these different communication needs. By sponsoring our testimony in this
24 manner, it will be easy for the Commission to confirm that effective competition
25 does exist for each of these categories of services.

26

1 3) History of Competitive Classification in Missouri

2 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE HISTORY OF**
3 **LEGISLATIVE DIRECTIVES CONCERNING REGULATION OF**
4 **COMPETITIVE MARKETS.**

5 A. Legislation was passed in Missouri in 1987 directing the Commission to reduce
6 regulatory requirements as competition entered the various telecommunications
7 markets. With the passage of HB 360, the Commission was provided the
8 authority to begin recognizing services and service providers as competitive.
9 Procedures were enacted to allow a company to seek classification of its services
10 or itself (as a company) as either transitionally competitive or competitive.
11 Subsequently, in SB 507, the legislature recognized that additional flexibility was
12 required as regulated telephone companies continued to transition to a more
13 competitive marketplace. I will more fully discuss SB 507 later on in my
14 testimony, but in general it directed the Commission to regulate companies like
15 SWBT under a price cap mechanism rather than the old rate base rate of return
16 form of regulation. Additionally, SB 507 recognized that price caps were merely
17 an interim regulatory mechanism toward a goal of creating a competitive market
18 where all providers are regulated in the same manner. SB 507 provides for the
19 elimination of price cap regulation five years after a CLEC has been certificated
20 to provide service.

21

22 **Q. UNDER HB 360, WHAT IS A TRANSITIONALLY COMPETITIVE**
23 **CLASSIFICATION?**

1 A. Companies began seeking transitionally competitive classification for services in
2 1987. Under this classification, prices for services could be placed into rate bands
3 that defined a minimum and maximum price range. The price for services
4 utilizing rate bands could be adjusted within the approved bands on one day's
5 notice to the Commission. Specialized cost studies were required for all new and
6 existing services for which a transitionally competitive classification was sought.
7 Filings requiring cost support were subject to the standard 30 day Commission
8 approval process.

9

10 **Q. WHAT REGULATORY TREATMENT DID HB 360 PROVIDE FOR**
11 **COMPETITIVE SERVICES?**

12 A. The competitive classification for services allows use of the same rate band
13 flexibility granted with transitional competitive classification. In addition, price
14 increases beyond the maximum rate band are subject to a tariff filing and a 10 day
15 advance notice to all affected customers. Price decreases below the minimum rate
16 band limit are subject to a seven-day Commission notice. In addition, tariff
17 filings may be made without cost support.

18

19 **Q. HOW DOES A COMPANY SEEK EITHER TRANSITIONALLY**
20 **COMPETITIVE OR COMPETITIVE CLASSIFICATION FOR ONE OR**
21 **MORE OF ITS SERVICES?**

22 A. Under section 392.361, the petitioning company is required to show, based upon
23 all relevant factors, that the service is subject to sufficient competition to justify a

1 lesser degree of regulation. Once a service is found to be competitive or
2 transitionally competitive, the Commission must classify the same
3 telecommunications services of another company as transitionally competitive or
4 competitive by relying on the finding of fact made in the original hearing.

5
6 Further under Section 392.370.1, the petitioning company is required to show 1)
7 an order had been issued under 392.361 that finds the service has been classified
8 as competitive or transitionally competitive, 2) that the service of the petitioning
9 company is the same as, substitutable for or equivalent to the service classified as
10 either transitionally competitive or competitive; and 3) the competitive or
11 transitionally competitive service is authorized to be provided in the petitioning
12 company's service area.

13
14 **Q. DOES HB 360 PROVIDE THAT TRANSITIONALLY COMPETITIVE**
15 **SERVICES ARE ULTIMATELY TO BE CLASSIFIED AS COMPETITIVE**
16 **SERVICES?**

17 **A.** The statute provides that, unless suspended by the Commission, any service
18 classified as transitionally competitive automatically becomes classified as
19 competitive after a three-year period. The Commission may extend the
20 transitionally competitive designation for designated periods.

21
22 **Q. WHO WERE THE FIRST CARRIERS TO SEEK SUCH**
23 **CLASSIFICATION?**

1 A. In 1987, numerous IXCs filed petitions with the Commission pursuant to Section
2 392.361 seeking both service and company classification as either competitive or
3 transitionally competitive. In January of 1988, the Commission consolidated the
4 numerous petitions into one docket – Case No. TO-88-142.

5

6 **Q. WHAT WAS THE OUTCOME OF CASE NO. TO-88-142?**

7 A. On September 15, 1989, the Commission found all services of the IXCs, other
8 than AT&T, to be competitive and thereby declared them to be competitive
9 carriers. The Commission found AT&T's Wide Area Telecommunications
10 Service ("WATS"), private line and custom network services to be competitive.
11 Further the Commission found AT&T's Message Telecommunications Service
12 ("MTS") and ancillary/complementary services to be transitionally competitive.

13

14 **Q. DID SWBT SEEK TRANSITIONALLY COMPETITIVE**
15 **CLASSIFICATION FOR SOME OF ITS SERVICES?**

16 A. Yes. SWBT originally filed a petition pursuant to 392.361 in 1988 seeking to
17 classify certain services as transitionally competitive. The Commission
18 established a proceeding, Case No. TO-89-56, and proposed a two phase
19 procedural schedule – Phase I was to address cost methods and cross
20 subsidization issues (implementation of Section 392.400); Phase II was to address
21 service classification, pricing and above/below the line treatment of costs. In
22 1990, SWBT subsequently withdrew its request for service classification. The
23 Commission granted withdrawal of the service classification request, but ordered

1 a hearing on the Phase I issues. In 1992, SWBT filed a petition seeking
2 classification of MTS, operator services, WATS service and digital private line
3 services as transitionally competitive. SWBT stated in its petition that these
4 services met the requirements of Section 392.370.1 in that they are the same as,
5 substitutable for or equivalent to competitive services provided by other
6 telecommunications carriers within its service territory. The Commission opened
7 Case No. TO-93-116 to examine SWBT's petition.

8
9 **Q. WHAT DID THE COMMISSION FIND IN CASE NO. TO-93-116?**

10 **A.** In its December 21, 1992 order, the Commission found the following:

- 11 • SWBT's MTS service was substitutable for IXC MTS
- 12 • SWBT's 800 and Maximizer® 800 service was substitutable for the IXCs
13 800 service
- 14 • SWBT's WATS was substitutable for IXC WATS
- 15 • SWBT's digital private line and special access services were "equivalent"
16 services to IXC provided services – functionally equivalent and
17 completely interchangeable in use
- 18 • SWBT's operator services were substitutable to those provided by IXCs
19

20 The Commission determined that SWBT's MTS, WATS, Maximizer 800, digital
21 private line, special access and operator services should be deemed to be
22 transitionally competitive services.

23
24 **Q. DID SWBT SEEK COMPETITIVE CLASSIFICATION FOR ANY**
25 **SERVICES?**

26 **A.** Yes. In Case No. TO-93-115, SWBT requested competitive classification for
27 Speed Calling 8 and Speed Calling 30.

1

2 **Q. HOW WAS THAT DOCKET RESOLVED?**

3 A. The Commission adopted a stipulation filed by all parties in Case No. TO-93-115
4 that provided for a competitive classification for Speed Calling 8 and Speed
5 Calling 30. Evidence in the record indicated there was a wide array of providers
6 of customer premise equipment ("CPE") offering similar services in competition
7 with the SWBT services at a variety of prices.

8

9 **Q. HAS SWBT SOUGHT COMPETITIVE OR TRANSITIONALLY**
10 **COMPETITIVE CLASSIFICATION FOR ANY ADDITIONAL**
11 **SERVICES?**

12 A. Although SWBT has requested a transitionally competitive status when filing a
13 limited number of new services, we have not sought a competitive or
14 transitionally competitive status for any additional existing service. The process
15 involved in petitioning for a competitive or transitionally competitive
16 classification is time consuming. SWBT made a business decision to focus
17 resources on developing and introducing new products and services to meet our
18 customers ever changing needs, rather than seek reclassification of existing
19 services. In 1996, the Missouri Legislature passed additional legislation (SB 507)
20 which recognized the need to reduce the burden of achieving a competitive
21 classification.

22

1 **Q. HAVE THE SERVICES YOU MENTIONED ABOVE AS BEING**
2 **TRANSITIONALLY COMPETITIVE ALREADY BECOME CLASSIFIED**
3 **AS COMPETITIVE UNDER HB 360?**

4 A. Yes. As I mentioned above, the statute provides that transitionally competitive
5 services are automatically classified as competitive services three years after the
6 transitionally competitive designation unless the Commission extends the
7 transitional competitive designation for a specified period. SWBT's services
8 were found to be transitionally competitive on January 10, 1993. At the end of
9 the three-year process, SWBT agreed and the Commission ordered the
10 transitionally competitive designation to be extended for three years. At the
11 expiration of the three-year extension, on January 10, 1999, SWBT's
12 transitionally competitive services automatically became classified as
13 competitive.

14
15 **Q. SINCE THESE SERVICES HAVE ALREADY BECOME CLASSIFIED AS**
16 **COMPETITIVE, WHAT DOES THE COMMISSION NEED TO DO IN**
17 **THIS PROCEEDING REGARDING THESE SERVICES?**

18 A. The Commission should confirm that these are competitive and that the price cap
19 rules do not apply to these competitively classified services.

20
21 **Q. ARE CLECS CLASSIFIED AS COMPETITIVE CARRIERS?**

22 A. Yes. The Commission has routinely classified CLECs as competitive carriers
23 when it approved each CLEC's certification.

1

2 **Q. ARE IXCS CLASSIFIED AS COMPETITIVE CARRIERS?**

3 A. Yes.

4

5 **Q. WHAT DOES THIS CLASSIFICATION AFFORD THE CLECS AND**
6 **IXCS?**

7 A. With a competitive carrier classification, CLECs and IXCs are able to change
8 their prices (up or down) on short notice to the Commission without the need of
9 providing cost support for the change. This flexibility allows them to modify
10 their offerings to meet customer needs or respond to the offerings that exist from
11 their competitors (SWBT, CLECs, IXCs and other carriers) providing competitive
12 services to their customers or potential customers in the local market. Since
13 effective competition exists throughout SWBT's territory, the Commission should
14 confirm that SWBT has the same flexibility to meet the needs of its customers or
15 its potential customers.

16

17 4) Missouri Senate Bill 507

18 **Q. WHAT WAS THE INTENT OF SB 507?**

19 A. In response to the continuing competitive evolution of the telecommunications
20 industry, the Missouri Legislature passed a law in 1996 that authorized CLECs to
21 begin providing basic local exchange service under Missouri law. In recognizing
22 the advancement of service offerings by new competitors, it included provisions
23 to ensure a level playing field for all providers, by allowing the incumbent local

1 exchange carriers the opportunity to gain freedom from rate of return regulation.
2 The law provided for a phased in approach. The Commission was directed to
3 regulate incumbent LECs via price cap regulation upon the initiation of local
4 competition in the incumbent's service area. Five years after the initiation of
5 competition in an exchange, the legislative intent was for price cap regulation to
6 be eliminated recognizing that the fullest consumer benefits will be derived from
7 a market where all providers are regulated in the same manner.

8
9 **Q. HOW DOES AN INCUMBENT LOCAL EXCHANGE CARRIER GAIN**
10 **PRICE CAP AUTHORITY?**

11 A. Under the Missouri Statute 392.245.2, a large incumbent local exchange carrier is
12 subject to price cap regulation when an alternative local exchange
13 telecommunications company has been certified to provide basic local
14 telecommunications service and is providing such service in any part of the large
15 incumbent company's service area.

16
17 **Q. WHEN DID SWBT BECOME A PRICE CAP REGULATED COMPANY?**

18 A. On March 21, 1997, SWBT sought price cap regulation. The Commission in
19 Case No. TO-97-397 approved SWBT as a price cap company effective
20 September 26, 1997.

21
22 **Q. WHAT ARE THE GENERAL REQUIREMENTS FOR PRICE CAP**
23 **COMPANIES?**

1 A. Under price caps, after January 1, 2000, the maximum allowable prices to be
2 charged for exchange access (switched access) and basic local
3 telecommunications services are changed annually by either the change in the
4 telephone service component of the Consumer Price Index (CPI-TS) for the
5 preceding twelve months, or upon request by the company and approval of the
6 Commission, by the change in the Gross Domestic Product Price Index (GDP-PI)
7 for the preceding twelve months minus the productivity offset established for
8 telecommunications service by the FCC and adjusted for exogenous factors. In
9 addition, a price cap company can raise rates on non-basic services by a
10 maximum of eight percent for each of the following twelve-month periods.

11

12 **Q. WHAT IS THE SPECIFIC PROVISION OF THE STATUTE THAT IS**
13 **BEING INVESTIGATED IN THIS DOCKET?**

14 A. The Commission opened this docket to investigate the state of competition in
15 SWBT's exchanges under section 392.245.5 of the Missouri Statute.

16

17 **Q. WHAT DOES THIS STATUTE PROVIDE?**

18 A. The statute provides:

19 "Each telecommunications service of an incumbent local exchange
20 telecommunications company shall be classified as competitive in any
21 exchange in which at least one alternative local exchange
22 telecommunications company has been certified under section 392.455
23 and has provided basic local telecommunications service in that exchange
24 for at least five years."

25

26 The statute further states:

27

1 "The commission shall, from time to time, on its own motion or motion by
2 an incumbent local exchange telecommunications company, investigate
3 the state of competition in each exchange where an alternative local
4 exchange telecommunication company has been certified to provide local
5 exchange telecommunications service and shall determine, no later than
6 five years following the first certification of an alternative local exchange
7 telecommunication company in such exchange, whether effective
8 competition exists in the exchange for the various services of the
9 incumbent local exchange telecommunications company."
10

11 **Q. DOES THE STATUTE PROVIDE THAT SWBT SHOULD RECEIVE A**
12 **COMPETITIVE CLASSIFICATION ON ITS SERVICES?**

13 A. Yes. The statute clearly establishes the presumption that SWBT should receive a
14 competitive classification and the burden is on other parties to demonstrate
15 SWBT is not entitled to equal regulatory treatment. By structuring the legislation
16 in this fashion, lawmakers recognized that the fullest consumer benefit will be
17 derived from a level playing field.

18
19 **Q. DOES SWBT HAVE THE BURDEN OF PROOF IN THIS CASE?**

20 A. No. The burden is on other parties to prove that effective competition does not
21 exist. However, in order to make it easier for the Commission, we are
22 affirmatively demonstrating through SWBT's direct testimony that effective
23 competition does exist throughout SWBT's exchanges in Missouri.

24
25 **Q. THE STATUTE INDICATES THAT THE COMMISSION MUST**
26 **EXAMINE THE STATE OF COMPETITION, WITH THE INTENT OF**
27 **ELIMINATING PRICE CAP REGULATION, NO LATER THAN FIVE**
28 **YEARS AFTER A CLEC HAS BEEN CERTIFICATED TO PROVIDE**

1 **SERVICE IN AN EXCHANGE. WHEN WAS THE FIRST CLEC**
2 **CERTIFICATED IN MISSOURI?**

3 A. Communications Cable-Laying Company, d/b/a Dial US became certificated
4 when its tariffs were approved in January 1997.

5

6 **Q. DID DIAL US RECEIVE A CERTIFICATE TO SERVE STATE-WIDE?**

7 A. Yes.

8

9 **Q. WHAT DOES THE COMMISSION NEED TO DO WITH RESPECT TO**
10 **SWBT'S EXCHANGES?**

11 A. Since Dial US received a statewide certificate in January 1997, the Commission
12 must examine the state of competition in all of SWBT's exchanges and confirm
13 that SWBT does face effective competition and therefore, should receive a
14 competitive classification on its services no later than January 2002. A list of
15 SWBT's exchanges in Missouri is identified in SCHEDULE 2. This schedule
16 further identifies the number of CLECs who provide service in each exchange.

17

18 5) How SWBT meets the definition of effective competition

19 **Q. AS YOU EXPLAINED EARLIER, IF OTHER PARTIES SEEK TO**
20 **PROVE THAT SWBT SHOULD NOT RECEIVE A COMPETITIVE**
21 **CLASSIFICATION FOR ITS SERVICES, THE COMMISSION MUST**
22 **FIND THAT EFFECTIVE COMPETITION DOES NOT EXIST. WHAT IS**
23 **THE DEFINITION OF EFFECTIVE COMPETITION?**

1 A. Effective competition is defined in section 386.020.13 of the Missouri Statute.

2 The definition states: "Effective competition" shall be determined by the

3 Commission based on:

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

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

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

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

12 (e) Any other factors deemed relevant by the commission and necessary to
13 implement the purposes and policies of chapter 392, RSMo.
14

15 **Q. DO SWBT'S SERVICES MEET THE DEFINITION OF EFFECTIVE**
16 **COMPETITION?**

17 A. Yes. SWBT's services meet the definition of effective competition in all SWBT
18 exchanges.
19

20 **Q. THE FIRST AND SECOND CRITERIA FOR EVALUATING EFFECTIVE**
21 **COMPETITION IS THAT THERE ARE ALTERNATIVE PROVIDERS**
22 **PROVIDING FUNCTIONALLY EQUIVALENT OR SUBSTITUTABLE**
23 **SERVICES. ARE THERE ALTERNATIVE PROVIDERS PROVIDING**
24 **FUNCTIONALLY EQUIVALENT OR SUBSTITUTABLE SERVICES IN**
25 **ALL OF SWBT'S EXCHANGES?**

26 A. Yes. As the other SWBT witnesses will show in greater detail, there are several
27 alternate providers who have been providing functionally equivalent and
28 substitutable services in SWBT's exchanges for years. For example, the

1 Commission determined that the SWBT's Maximizer 800, WATS, MTS, digital
2 private line, special access, and operator services were also provided by
3 interexchange carriers and SWBT's speeding calling services were available via
4 CPE.

5
6 As the Commission found in Case No. TO-99-227, CLECs are providing facilities
7 based service to both residential and business customers. The services offered by
8 CLECs are functionally equivalent to and substitutable for the services offered by
9 SWBT. The services are being provided by CLECs either via their own facilities
10 or the facilities of SWBT. No matter the method of providing service, the
11 services offered by CLECs are equivalent and substitutable. CLECs are providing
12 service to customers in all of SWBT's exchanges.

13
14 In addition, IXCs provide services that are also functionally equivalent to or
15 substitutable for SWBT's services such as interexchange services (e.g.,
16 intraLATA toll, 800), operator and directory services, and dedicated services
17 (e.g., private line, special access).

18
19 Furthermore, there are a number of other alternate providers of functionally
20 equivalent or substitutable services that are not under the jurisdiction of this
21 Commission. Some of these alternate providers include, but are not limited to
22 wireless carriers, cable TV providers, internet service providers, fixed satellite
23 providers, and CPE manufacturers.

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Q. WHILE THE OTHER WITNESSES WILL GO INTO GREATER DETAIL ABOUT THE AVAILABILITY OF FUNCTIONALLY EQUIVALENT OR SUBSTITUTABLE SERVICES, DO YOU HAVE A GENERAL COMMENT ABOUT THE FACT THAT SINCE RESALE OF SWBT'S RETAIL SERVICES IS AVAILABLE, THIS CLEARLY ESTABLISHES THAT FUNCTIONALLY EQUIVALENT OR SUBSTITUTABLE SERVICES EXIST FOR SWBT'S SERVICES?

A. Yes. Since SWBT is required under the federal Telecommunications Act of 1996 ("Act") to resell its retail telecommunications services, this provides the opportunity for competitors to provide the same services that SWBT provides since SWBT is the underlying provider of the service. The FCC in its First Report and Order at paragraph 332 discusses that CLECs offering services via resale are offering the same service that the incumbent is offering at retail. This demonstrates that CLECs are providing substitutable services when they are reselling SWBT's services.

Q. THE THIRD CRITERIA OF THE DEFINITION OF EFFECTIVE COMPETITION IS THAT THE PURPOSES AND POLICIES OF CHAPTER 392, RSMO. ARE BEING ADVANCED. WHAT ARE THE PURPOSES AND POLICIES OF CHAPTER 392, RSMO.?

A. Section 392.185 of the statute outlines that the provision of telecommunications services should be maintained and advanced. In a competitive market such as the

1 one that exists throughout SWBT's territory, it is the market place that will
2 maintain and advance the services offered to customers. When all competitors
3 who serve the same market are allowed to compete equally, customers will
4 benefit from the competitors' ability to quickly adapt to a changing market place.
5 An important purpose specified in the statute is to allow for full and fair
6 competition to function as a substitute for regulation. The statute we are
7 implementing in this proceeding is the mechanism that legislators gave to the
8 Commission to permit this purpose to be achieved.

9
10 **Q. CAN THESE PURPOSES AND POLICIES BE ADVANCED IN A**
11 **COMPETITIVE MARKET?**

12 **A.** It is possible. However, when one competitor is regulated differently, the market
13 will not fully advance the intent of this statute. Since 1) SWBT maintains its
14 carrier of last resort obligation, 2) SWBT has committed to offering Lifeline
15 service and 3) the Commission continues to have the authority over the prices
16 SWBT charges the CLECs for services the CLECs purchases from SWBT, the
17 Commission can be assured that the purposes of the statute will be advanced.

18
19 **Q. AS DESCRIBED IN THE FOURTH CRITERIA OF THE DEFINITION OF**
20 **EFFECTIVE COMPETITION, ARE THERE ECONOMIC OR**
21 **REGULATORY BARRIERS TO ENTRY IN MISSOURI?**

22 **A.** Given the multitude of providers providing functionally equivalent or
23 substitutable services that are highlighted in the other SWBT witnesses'

1 testimony, it is clear that there are no barriers to entry that are preventing
2 competitors from offering alternatives in the marketplace. In fact, the
3 Commission found in its March 15, 2001, Order in Case No. TO-99-227 at page
4 91 "that SWBT is providing competing carriers with all of the requisite checklist
5 items in a nondiscriminatory fashion."
6

7 There are over 600 interexchange carriers providing interexchange services in
8 Missouri. There are over 60 CLECs providing a wide range of services, including
9 local services, in Missouri. Moreover, as other SWBT witnesses demonstrate,
10 and in particular, SWBT witness Thomas Anvin, there are a variety of competing
11 technologies that are beyond the jurisdiction of the Commission that are also
12 providing functionally equivalent or substitutable services.
13

14 With respect to local competition, the Commission found in Case No. TO-99-227,
15 that SWBT has met the 14-point checklist that was outlined in the Act and that the
16 local market is open. The availability of resale and UNEs including UNE
17 combinations, provide effective ways to enter the market with little capital
18 investment. The Commission also determined that CLECs are providing facilities
19 based service to both business and residential customers. This is further proof
20 that the CLECs are able to compete in Missouri when it meets their business
21 plans.
22

1 Q. THE LAST CRITERIA OF THE DEFINITION OF EFFECTIVE
2 COMPETITION IS A GENERAL PROVISION REGARDING WHETHER
3 THERE ARE ADDITIONAL FACTORS THAT ARE NECESSARY TO
4 IMPLEMENT THE PURPOSES AND POLICIES OF CHAPTER 392,
5 RSMO. ARE THERE ADDITIONAL FACTORS THAT THE
6 COMMISSION SHOULD EXAMINE?

7 A. SWBT does not believe there are any other major factors that must be examined
8 in this proceeding. The Commission is, however, always cognizant of the interest
9 of the public. Along those lines, the Commission found SBC's offering of
10 interLATA long distance in Missouri would be in the public interest in Case No.
11 TO-99-227. This finding was after the Commission determined that facilities
12 based competition existed for both residential and business customers and that
13 SWBT was providing its competitors with nondiscriminatory access to the 14-
14 point checklist of the Act.

15

16 Q. IN SUMMARY, DOES SWBT MEET THE DEFINITION OF EFFECTIVE
17 COMPETITION?

18 A. Yes.

19

20 6) The history of competition in Missouri

21 Q. HOW LONG HAS SWBT HAD COMPETITORS PROVIDING SERVICE
22 ALTERNATIVES TO ITS CUSTOMERS?

1 A. SWBT's customers have had the choice of competitive alternatives for many
2 years. Beginning with competition in the PBX market, customers were able to
3 choose services to meet their communication needs from providers other than
4 SWBT. The services available out of the PBX are directly substitutable to
5 SWBT's Plexar® services.

6

7 **Q. ARE THERE OTHER EXAMPLES OF SUBSTITUTABLE SERVICES**
8 **OFFERED BY ALTERNATE PROVIDERS?**

9 A. Yes. Interexchange carriers have been providing competitive services to
10 customers since the 1980's. This includes services such as intraLATA toll, 800
11 service, operator and directory services, and private line and special access
12 services. In addition, Competitive Access Providers ("CAPs") came into
13 prominence in the 1990's. These CAPs offered directly substitutable services that
14 competed with SWBT's private line and special and switched access services.
15 The Commission previously approved the classification that resulted in MTS,
16 WATS, digital private line, special access, operator services and speed calling
17 now being classified as competitive.

18

19 7) The entrance of competitive local exchange carriers ("CLECs") in Missouri

20 **Q. WHEN DID CLECS ENTER THE LOCAL MARKET IN MISSOURI?**

21 A. With the passage of the Act in 1996, SWBT began negotiating interconnection
22 agreements with CLECs. By the summer of 1996, SWBT was actively involved
23 in negotiations with numerous CLECs in Missouri. The entry of CLECs clearly

1 expanded and hastened the move to the competitive market that we see today
2 where there are numerous alternative providers providing functionally equivalent
3 or substitutable services throughout SWBT's exchanges in Missouri.
4

5 **Q. WHO WAS THE FIRST CLEC TO BECOME CERTIFIED AND**
6 **PROVIDE SERVICE IN MISSOURI?**

7 A. SWBT and Dial US filed an application requesting approval of their negotiated
8 interconnection agreement on June 17, 1996. The Commission approved the
9 certification of Dial US in Case No. TA-96-347 on December 20, 1996. Dial US
10 began providing service in January of 1997.
11

12 **Q. WHO WERE THE NEXT CLECS PROVIDING LOCAL SERVICE IN**
13 **MISSOURI?**

14 A. Brooks Fiber, MFS, and TCG were the next CLECs to begin providing local
15 service in Missouri. These CLECs offered services to both residential and
16 business customers primarily over their own facilities. The facilities that they
17 utilized for providing local service were the same facilities they used for years to
18 provide service to IXCs and large business customers as a CAP. These providers
19 initially began to provide local service in the MCA areas in Kansas City and St.
20 Louis in 1997.
21

22 8) The status of CLEC competition in Missouri

23 **Q. WHAT IS THE STATUS OF COMPETITION IN MISSOURI?**

1 A. As of April 30, 2001, 175 companies have filed applications for certificates of
2 service authority to provide basic local exchange service in Missouri. The
3 Commission has granted at least 145 of these applications. SWBT has entered
4 into interconnection/resale agreements with 113 CLECs. In addition, SWBT
5 currently is negotiating over 90 additional agreements. 52 CLECs have tariffs
6 that allow customers throughout the state to choose them as their local service
7 provider. Other CLECs have chosen not to provide service throughout the state
8 rather making the business decision to file tariffs offering to serve customers only
9 in selected markets in the state (e.g., Adelpia Business Solutions Operations, Inc.
10 (KC area-business only), Allegiance Telecom of Missouri (St. Louis-business
11 only), Central Missouri Telecommunications Inc. (Lake Ozark area only-
12 residential & business)). The consumers in Missouri have been provided
13 significant additional choices in the local market for years and will have still more
14 choices in the future.

15
16 **Q. HAVE THE CLECS GAINED MARKET SHARE IN MISSOURI?**

17 A. Yes. While specific market share thresholds should not be utilized to determine
18 whether or not SWBT faces effective competition, competition in the local
19 markets is flourishing in Missouri. As of April 2001, SWBT estimates that the
20 market share gained by CLECs is over 17%. The Commission found on page 20
21 of its March 15, 2001, Order in Case No. TO-99-227 "that CLEC serve
22 approximately 12% of the access lines in SWBT territory." This is based upon
23 data collected by the Staff of the Commission from CLECs in August 2000,
24 almost one year ago. CLECs are providing local service in Missouri via resale,
25 the use of unbundled network elements and entirely through their own facilities.
26 Both the business and the residential markets are being served by CLECs using all
27 three methods defined by the Act.

28
29 There are CLECs operating in all of SWBT's exchanges. My Schedule 2 shows
30 the number of CLECs that are providing service in every exchange. This
31 information is based on resale, unbundled switch ports (generally this means

1 UNE-P), and 911 listings. My Schedule 3 shows the same information sorted by
2 the number of CLECs providing service in the exchange. This schedule shows for
3 example that in St. Louis and Kansas City there are more than 50 CLECs
4 operating. This schedule demonstrates that at least 10 CLECs are serving
5 customers in 48% of SWBT's exchanges and that at least three CLECs are
6 serving customers in 90% of SWBT's exchanges. It is clear that the vast majority
7 of customers in SWBT's exchanges can choose from a large number of active
8 CLECs. The CLECs also serve the market on a pure facility basis. While only
9 the CLECs can accurately provide the exchanges they are serving on total
10 facilities basis, SWBT believes that there are facilities-based CLEC providers in
11 more than 80% of SWBT's exchanges.

12
13 As Dr. Aron explains in her testimony, examining trends in competitive activity is
14 important because looking at activity at a certain point in time can understate the
15 degree of competition in markets (such as telecommunications) undergoing
16 deregulation. While an estimated market share loss of greater than 17% is
17 certainly a significant number, the growth in CLEC activity provides additional
18 evidence that SWBT faces effective competition. Based on year over year data,
19 there has been a growth of 53% in interconnection trunks, 103% in E-911 listings,
20 over 200% in unbundled switch ports provisioned (generally this means UNE-P),
21 and 140% in collocation arrangements. These trends demonstrate, not only that
22 facilities-based competition exists in Missouri, but it is growing rapidly.

23
24 9 The "future" of competition in Missouri

25 **Q. IS IT APPROPRIATE TO FOCUS SOLELY ON COMPETITION BY**
26 **CLECS IN THIS DOCKET?**

27 **A.** No. As I have detailed above and as Thomas Anvin describes in his testimony,
28 SWBT is facing competition in all arenas, from many different angles. Not only
29 do the consumers have their choice of local service provider, long distance

1 company and internet service provider, they have their choice of receiving service
2 from non traditional providers. The days of traditional voice competition
3 provided by traditional voice providers are over.

4
5 **Q. WHAT TYPES OF NON TRADITIONAL SERVICE PROVIDERS ARE**
6 **YOU DESCRIBING?**

7 A. I have previously discussed that customers are able to choose from services
8 provided by PBX providers, CAPs, IXCs, and CLECs. These are not, however,
9 the only competitive choices for customers. Wireless providers have been
10 providing substitutable service to customers for years. In a January 13, 1998 PR
11 Newswire article, Dan Warkentin, President and CEO of Aerial Communications
12 said, "We see an opportunity to capture not only a larger share of the wireless
13 usage, but a bigger portion of total telecom usage as customers increasingly
14 migrate from wireline to wireless."¹ The service these providers are offering is
15 not limited to "car phones". Wireless providers today are marketing their services
16 to customers in much the same manner as local telephone companies. Wireless
17 phones offer the same features (e.g., caller ID, call waiting, voice mail) that
18 customers have grown accustomed to receiving from their local telephone
19 company. Customers are now making their wireless phone their only phone.
20 These wireless carriers are providing local service to customers.²

21

¹ PR Newswire, dateline Chicago, Tuesday January 13, 1998, Financial News section

² St. Louis Post Dispatch article "What's the Frequency?..." by Jerri Stroud, 9/14/98

1 As Mr. Anvin describes in his testimony, it is estimated that 3% of customers now
2 use wireless service as their only "telephone" service. Additionally, as Mr.
3 Anvin's testimony shows, 12% of customers surveyed indicated they purchased
4 their wireless phone instead of adding an additional landline telephone line. It is
5 estimated that there are over 1.8M wireless customers in Missouri.

6
7 In addition, the explosion of the internet allows consumers to surf the world wide
8 web and to make and receive voice calls to family and friends. Companies such
9 as Net2Phone are providing voice service to customers via the Internet. There is a
10 host of Internet-enabled capabilities that provide alternative means of
11 communication which can replace SWBT's traditional telephone services. These
12 include Internet-telephony that I mentioned, and services like email and instant
13 messaging which have become accepted means of communication, and e-
14 commerce applications which reduce the need for services provided by SWBT
15 (e.g., 800 services).

16
17 Moreover, as Dr. Aron describes in her testimony, cable TV providers have been
18 making the upgrades necessary to make their cable plant capable of providing two
19 way service, which paves the way for telephony over cable. High speed Internet
20 access (provided through competing technologies such as cable modems, DSL
21 and satellite) is being positioned as the communications line of the future. In this
22 market, the cable TV industry serves a majority of the customers with an

1 estimated 70% market share³. AT&T is the largest cable TV provider in the
2 nation and provides the most high speed Internet access lines via cable modems⁴.

3
4 **Q. ARE THERE OTHER COMPANIES PLANNING TO PROVIDE VOICE**
5 **SERVICE?**

6 A. Yes. Microsoft recently announced that it plans to include a telephone in all of its
7 computer software. This is yet another example of how the telecommunications
8 market place is changing and how fully competitive companies can provide
9 services to customers that are outside the norm as we know it today.

10
11 **Q. IS THE "FUTURE" OF COMPETITION HERE TODAY?**

12 A. Absolutely. As mentioned earlier, there are alternative providers in many forms
13 providing services to customers today. The choices available to consumer for
14 services are not limited to CLECs and IXC's. SWBT must be cognizant of all
15 forms of technology that can impact its business and must have the flexibility to
16 respond to changes in the marketplace brought about by changing customer
17 demands and changing technology.

18
19 10. Why effective constraints on SWBT will still exist

20 **Q. DOES THE COMMISSION HAVE A BACK-STOP THAT IT CAN**
21 **RESORT TO ONCE IT CONFIRMS THAT EFFECTIVE COMPETITION**

³ Cable Datacom News, Cable Modem Market Stats and Projections, updated June 1, 2001;
<http://www.cabledatcomnews.com/cm/cmic16.html>.

⁴ Id.

1 **EXISTS AND GRANTS A COMPETITIVE CLASSIFICATION ON**
2 **SWBT'S SERVICES?**

3 A. Yes. The statute provides that the Commission has the ability to place SWBT
4 back under price cap regulation following a hearing if it subsequently determines
5 that effective competition no longer exists. See RSMo. Section 392.245.5.

6

7 **Q. DOES THE FACT THAT THE COMMISSION WILL MAINTAIN**
8 **CONTROL OVER SWBT'S UNE RATES AND RESALE DISCOUNT**
9 **PROVIDE AN EFFECTIVE CONSTRAINT ON SWBT'S RETAIL**
10 **SERVICES?**

11 A. Yes. As explained more in Dr. Aron's testimony on behalf of SWBT, continuing
12 regulation of SWBT's wholesale UNE offerings, will provide an effective
13 constraint over SWBT's retail services. If SWBT attempted to raise pricing levels
14 above market-based levels, customers would not pay for the service. With
15 competitors having nondiscriminatory access to SWBT's wholesale services at
16 rates determined by the Commission, competitors will be able to offer the same
17 retail services at competitive prices that will constrain any attempt by SWBT to
18 price at above market rates.

19

20 11. Benefits to the Missouri consumers

21 **Q. WILL THERE BE BENEFITS TO MISSOURI CUSTOMERS FROM THE**
22 **COMMISSION'S GRANT OF COMPETITIVE CLASSIFICATION FOR**
23 **SWBT'S SERVICES?**

1 A. Yes. From the Commission's standpoint, the most important point in this
2 proceeding is that consumers will ultimately benefit from an environment where
3 all providers are free to compete on equal terms. It is in this unfettered
4 environment where service innovation flourishes, customer demands dictate
5 outcomes and maximum benefits are derived. The legislature understood this
6 when it passed SB 507 with the clear intent that price caps be an interim measure
7 and the real goal was to have providers competing for customer's service on equal
8 terms. This is also why one of the overall purposes and policies of the statutes is
9 to provide for reduced regulation.

10

11 **Q. UPON COMMISSION CONFIRMATION THAT EFFECTIVE**
12 **COMPETITION EXISTS THROUGHOUT SWBT'S EXCHANGES, HOW**
13 **WILL SWBT BE ABLE TO BETTER SERVE CUSTOMERS?**

14 A. With the ever changing technology and the scores of new and different entrants to
15 the marketplace, SWBT will be able to fully respond to competition once it is
16 under the same terms and conditions as the rest of the marketplace. SWBT's
17 ability to compete on equal footing will allow the consumers to have more choice
18 for the services they receive, since all providers will have the same ability to serve
19 the customers. This will also increase SWBT's ability to restructure services and
20 offer value-added packaging that better meets customers' changing needs.

21

22 12. What the Commission should find in this proceeding

23 **Q. WHAT SHOULD THE COMMISSION FIND IN THIS PROCEEDING?**

1 A. The Commission should confirm that SWBT faces effective competition for all of
2 its services in all of its exchanges throughout Missouri. The statutory intent is
3 clear – the presumption is for the replacement of price caps, which is an interim
4 measure. SWBT's services meet the definition of effective competition. We now
5 must move past the time for competitors to be given regulatory advantages.
6 Competition will continue to flourish and consumers will benefit.

7
8 **CONCLUSION**

9 **Q. CAN YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

10 A. Yes. SWBT is requesting the Commission confirm that SWBT faces effective
11 competition throughout its territory. This would allow all of SWBT's services to
12 classified as competitive. The Commission has previously found several services
13 offered by SWBT to be competitive. SWBT would be allowed to compete as a
14 competitive company rather than the current price cap regulation which was
15 designed by the legislature as an interim method of regulation. As the
16 Commission has previously found, SWBT is providing nondiscriminatory access
17 to CLECs to the elements necessary to provide substitutable and equivalent
18 services to local customers. The CLECs are utilizing this access to provide
19 services to residential and business customer via all three methods of local market
20 entry, i.e., resale, purchase of UNEs and use of their own switch. CLECs
21 however definitely aren't the only competitive choice for customers. IXCs,
22 CAPs, wireless providers, and CPE have provided consumers with many choices
23 for substitutable and functionally equivalent services for many, many years. In

1 addition, new competitors such as internet service providers and cable TV
2 providers are providing consumers with new choices each and every day. An
3 environment where all competitors are allowed to compete on equal ground is the
4 unfettered environment where service innovation flourishes, customer demands
5 dictate outcomes and maximum benefits are derived.

6

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A. Yes.**

SUMMARY OF EDUCATION AND WORK EXPERIENCE

Q: WHAT IS YOUR EDUCATIONAL BACKGROUND?

A: I graduated with a BS in Engineering Management from the University of Missouri - Rolla in 1991. I earned a Master of Business Administration from St. Louis University in 1995.

Q: PLEASE OUTLINE YOUR WORK EXPERIENCE.

A: I began my career with Southwestern Bell in 1991 as a Manager Installation/Repair. After assignments in Finance and with Southwestern Bell's Payphone division, I began working in the St. Louis Market Area. There I held positions as Manager Business Office Support and Area Manager Installation and Repair. In 1995, I helped form SBC's Wholesale Marketing Organization. Over the course of 3 years, I held various positions with responsibilities including Resale, SBC's CLEC training and the CLEC website. In 1998, I was appointed Director of the AT&T local account team. I served in that capacity until accepting my current position in October of 1999.

Q: HAVE YOU PREVIOUSLY APPEARED AS A WITNESS BEFORE THE MISSOURI PSC?

A: Yes. I appeared before the PSC in numerous dockets, including

- TX-2000-160 – Rulemaking regarding snap back procedures for CLECs
- TX-2000-708 – Rulemaking Surety Bond
- TO-2000-258 – Local Plus Promotion for SWBT business customers
- TO-99-483 – investigation for the purpose of clarifying and determining certain aspects surrounding the provisioning of Metropolitan Calling Area Service
- TC-2000-325 et al, Southwestern Bell Telephone Company's Complaint Against Mid-Missouri Telephone Company for Blocking Southwestern Bell's Maximizersm 800 Traffic and Request for an Order Requiring Mid-Missouri to Restore the Connection
- TO-2000-261 – in the Matter of the Application of SBC Advanced Services, Inc. for Approval of an Interconnection Agreement with Southwestern Bell Telephone Company
- TO-99-227 - In the Matter of the Application of Southwestern Bell Telephone Company to Provide Notice of Intent to File an Application for Authorization to

Provide In-Region InterLATA Services originating in Missouri Pursuant to Section 271 of the Telecommunications Act of 1996

- TT-2001-139, et al – In the Matter of Mark Twain Rural Telephone Company's Proposed Tariff to Introduce its Wireless Termination Service
- TO-2000-667 – In the Matter of the Investigation into the Effective Availability for Resale of Southwestern Bell Telephone Company's Local Plus Service by Interexchange Companies and Facilities-Based Competitive Local Exchange Companies
- TO-99-593 – In the Matter of the Investigation into Signaling Protocols, Call Records, Trunking Arrangements, and Traffic Measurement
- TO-2001-455 – Application of AT&T Communications of the Southwest, Inc., TCG St. Louis and TCG Kansas City, Inc. for compulsory arbitration of unresolved issues with Southwestern Bell Telephone Company pursuant to section 252(b) of the Telecommunications Act of 1996.

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)**

Exchange Count	SWBT Exchange Name	Number of CLECs
1	Adrian	6
2	Advance	8
3	Agency	6
4	Altenburg-Frohna	10
5	Antonia	17
6	Archie	5
7	Argyle	2
8	Armstrong	1
9	Ash Grove	6
10	Beaufort	5
11	Bell City	4
12	Benton	4
13	Billings	6
14	Bismarck	8
15	Bloomfield	8
16	Bloomsdale	9
17	Bonne Terre	17
18	Boonville	13
19	Bowling Green	12
20	Brookfield	10
21	Camdenton	19
22	Campbell	6
23	Cape Girardeau	19
24	Cardwell	5
25	Carl Junction	10
26	Carrollton	8
27	Carthage	16
28	Caruthersville	14
29	Cedar Hill	17
30	Center	4
31	Chaffee	6
32	Charleston	10
33	Chesterfield	26
34	Chillicothe	15
35	Clarksville	6
36	Clever	5
37	Climax Springs	7
38	De Soto	20
39	Deering	6
40	DeKalb	3
41	Delta	6
42	Dexter	14
43	Downing	4
44	East Prairie	10
45	Edina	2
46	Eldon	17

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)**

Exchange Count	SWBT Exchange Name	Number of CLECs
47	Elsberry	8
48	Essex	4
49	Eureka	19
50	Excelsior Springs	21
51	Farley	1
52	Farmington	16
53	Fayette	12
54	Fenton	27
55	Festus-Crystal City	30
56	Fisk	6
57	Flat River	24
58	Frankford	2
59	Fredericktown	19
60	Freeburg	1
61	Fulton	19
62	Gideon	7
63	Glasgow	5
64	Grain Valley	1
65	Gravois Mills	15
66	Gray Summit	16
67	Greenwood	1
68	Hannibal	18
69	Harvester	31
70	Hayti	11
71	Herculaneum-Pevely	19
72	Higbee	4
73	High Ridge	23
74	Hillsboro	16
75	Holcomb	4
76	Hornersville	7
77	Imperial	23
78	Jackson	14
79	Jasper	5
80	Joplin	28
81	Kansas City (1)	51
82	Kennett	18
83	Kirksville	10
84	Knob Noster	13
85	Lake Ozark-Osage Beach	20
86	Lamar	18
87	La Monte	2
88	Lancaster	1
89	Leadwood	10
90	Lilbourn	6
91	Linn	6
92	Lockwood	3

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)**

Exchange Count	SWBT Exchange Name	Number of CLECs
93	Louisiana	9
94	Macks Creek	10
95	Malden	13
96	Manchester	29
97	Marble Hill	9
98	Marceline	9
99	Marionville	9
100	Marshall	13
101	Marston	8
102	Maxville	27
103	Meta	2
104	Mexico	20
105	Moberly	18
106	Monett	15
107	Montgomery City	7
108	Morehouse	7
109	Neosho	16
110	Nevada	16
111	New Franklin	6
112	New Madrid	10
113	Oak Ridge	3
114	Old Appleton	6
115	Oran	6
116	Pacific	20
117	Patton	6
118	Paynesville	1
119	Perryville	17
120	Pierce City	5
121	Pocohontas-New Wells	2
122	Pond	19
123	Poplar Bluff	23
124	Portage Des Sioux	4
125	Portageville	9
126	Puxico	8
127	Quilin	5
128	Richmond	18
129	Richwoods	4
130	Risco	3
131	Rushville	6
132	San Antonio	1
133	Scott City	8
134	Sedalia	21
135	Senath	7
136	Sikeston	21
137	Slater	4
138	Smithville	8

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)**

Exchange Count	SWBT Exchange Name	Number of CLECs
139	Springfield (2)	36
140	St Charles	37
141	St Clair	15
142	St Joseph	30
143	St Louis (3)	59
144	St Marys	7
145	Stanberry	1
146	Ste Genevieve	16
147	Trenton	12
148	Tuscumbia	4
149	Union	20
150	Valley Park	23
151	Versailles	13
152	Vienna	6
153	Walnut Grove	3
154	Wardell	4
155	Ware	6
156	Washington	19
157	Webb City	15
158	Wellsville	8
159	Westphalia	1
160	Wyatt	3

(1) Includes the following zones:

Kansas City Principal
MCA-1 Zones
Gladstone
Nashua
Independence
Parkville
Raytown
South Kansas City
MCA-2 Zones
Belton
Blue Springs
East Independence
Lees Summit
Liberty
Nashua
Tiffany Springs

(2) Includes the following zones:

Springfield Principal
MCA-1 Zones
Fair Grove
Nixa
Republic
Rogersville
Strafford
Willard

(3) Includes the following zones:

St. Louis Principal
MCA-1 Zones
Ferguson
Ladue
Mehlville
Overland
Riverview
Sappington
Webster Groves
MCA-2 Zones
Bridgeton
Creve Coeur
Florissant
Kirkwood
Oakville
Spanish Lake

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)
Sorted by number of CLECs**

Exchange Count	SWBT Exchange Name	Number of CLECs	% of Total Exchanges*
1	St Louis (3)	59	1%
2	Kansas City (1)	51	1%
3	St Charles	37	2%
4	Springfield (2)	36	3%
5	Harvester	31	3%
6	Festus-Crystal City	30	4%
7	St Joseph	30	4%
8	Manchester	29	5%
9	Joplin	28	6%
10	Fenton	27	6%
11	Maxville	27	7%
12	Chesterfield	26	8%
13	Flat River	24	8%
14	High Ridge	23	9%
15	Imperial	23	9%
16	Poplar Bluff	23	10%
17	Valley Park	23	11%
18	Excelsior Springs	21	11%
19	Sedalia	21	12%
20	Sikeston	21	13%
21	De Soto	20	13%
22	Lake Ozark-Osage Beach	20	14%
23	Mexico	20	14%
24	Pacific	20	15%
25	Union	20	16%
26	Camdenton	19	16%
27	Cape Girardeau	19	17%
28	Eureka	19	18%
29	Fredericktown	19	18%
30	Fulton	19	19%
31	Herculaneum-Pevely	19	19%
32	Pond	19	20%
33	Washington	19	21%
34	Hannibal	18	21%
35	Kennett	18	22%
36	Lamar	18	23%
37	Moberly	18	23%
38	Richmond	18	24%
39	Antonia	17	24%
40	Bonne Terre	17	25%
41	Cedar Hill	17	26%
42	Eldon	17	26%
43	Perryville	17	27%
44	Carthage	16	28%
45	Farmington	16	28%
46	Gray Summit	16	29%
47	Hillsboro	16	29%
48	Neosho	16	30%
49	Nevada	16	31%
50	Ste Genevieve	16	31%
51	Chillicothe	15	32%

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)
Sorted by number of CLECs**

Exchange Count	SWBT Exchange Name	Number of CLECs	% of Total Exchanges*
52	Gravois Mills	15	33%
53	Monett	15	33%
54	St Clair	15	34%
55	Webb City	15	34%
56	Caruthersville	14	35%
57	Dexter	14	36%
58	Jackson	14	36%
59	Boonville	13	37%
60	Knob Noster	13	38%
61	Malden	13	38%
62	Marshall	13	39%
63	Versailles	13	39%
64	Bowling Green	12	40%
65	Fayette	12	41%
66	Trenton	12	41%
67	Hayti	11	42%
68	Attenburg-Frohna	10	43%
69	Brookfield	10	43%
70	Carl Junction	10	44%
71	Charleston	10	44%
72	East Prairie	10	45%
73	Kirksville	10	46%
74	Leadwood	10	46%
75	Macks Creek	10	47%
76	New Madrid	10	48%
77	Bloomsdale	9	48%
78	Louisiana	9	49%
79	Marble Hill	9	49%
80	Marceline	9	50%
81	Marionville	9	51%
82	Portageville	9	51%
83	Advance	8	52%
84	Bismarck	8	53%
85	Bloomfield	8	53%
86	Carrollton	8	54%
87	Elsberry	8	54%
88	Marston	8	55%
89	Puxico	8	56%
90	Scott City	8	56%
91	Smithville	8	57%
92	Wellsville	8	58%
93	Climax Springs	7	58%
94	Gideon	7	59%
95	Homersville	7	59%
96	Montgomery City	7	60%
97	Morehouse	7	61%
98	Senath	7	61%
99	St Marys	7	62%
100	Adrian	6	63%
101	Agency	6	63%
102	Ash Grove	6	64%

Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)
Sorted by number of CLECs

Exchange Count	SWBT Exchange Name	Number of CLECs	% of Total Exchanges*
103	Billings	6	64%
104	Campbell	6	65%
105	Chaffee	6	66%
106	Clarksville	6	66%
107	Deering	6	67%
108	Delta	6	68%
109	Fisk	6	68%
110	Lilbourn	6	69%
111	Linn	6	69%
112	New Franklin	6	70%
113	Old Appleton	6	71%
114	Oran	6	71%
115	Patton	6	72%
116	Rushville	6	73%
117	Vienna	6	73%
118	Ware	6	74%
119	Archie	5	74%
120	Beaufort	5	75%
121	Cardwell	5	76%
122	Clever	5	76%
123	Glasgow	5	77%
124	Jasper	5	78%
125	Pierce City	5	78%
126	Quilin	5	79%
127	Bell City	4	79%
128	Benton	4	80%
129	Center	4	81%
130	Downing	4	81%
131	Essex	4	82%
132	Higbee	4	83%
133	Holcomb	4	83%
134	Portage Des Sioux	4	84%
135	Richwoods	4	84%
136	Slater	4	85%
137	Tuscumbia	4	86%
138	Wardell	4	86%
139	Lockwood	3	87%
140	Oak Ridge	3	88%
141	Risco	3	88%
142	Walnut Grove	3	89%
143	Wyatt	3	89%
144	DeKalb	3	90%
145	Argyle	2	91%
146	Edina	2	91%
147	Frankford	2	92%
148	La Monte	2	93%
149	Meta	2	93%
150	Pocohontas-New Wells	2	94%
151	Armstrong	1	94%
152	Farley	1	95%
153	Freeburg	1	96%

**Number of CLECs Providing Service in SWBT Exchanges
(Based On Resale, UNE-P and E-911 Listings)
Sorted by number of CLECs**

Exchange Count	SWBT Exchange Name	Number of CLECs	% of Total Exchanges*
154	Grain Valley	1	96%
155	Greenwood	1	97%
156	Lancaster	1	98%
157	Paynesville	1	98%
158	San Antonio	1	99%
159	Stanberry	1	99%
160	Westphalia	1	100%

* Cumulative percent of total SWBT exchanges
(For example, 10% of SWBT exchanges have 23 or more CLECs providing service)

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| <p>(1) Includes the following zones:</p> <ul style="list-style-type: none"> Kansas City Principal MCA-1 Zones Gladstone Nashua Independence Parkville Raytown South Kansas City MCA-2 Zones Belton Blue Springs East Independence Lees Summit Liberty Nashua Tiffany Springs | <p>(2) Includes the following zones:</p> <ul style="list-style-type: none"> Springfield Principal MCA-1 Zones Fair Grove Nixa Republic Rogersville Strafford Willard | <p>(3) Includes the following zones:</p> <ul style="list-style-type: none"> St. Louis Principal MCA-1 Zones Ferguson Ladue Mehlville Overland Riverview Sappington Webster Groves MCA-2 Zones Bridgeton Creve Coeur Florissant Kirkwood Oakville Spanish Lake |
|--|--|---|