

EXHIBIT

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Case No.:

TO-2001-467

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Service Commission

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

In the matter of the investigation of the state of competition
in the exchanges of Southwestern Bell Telephone Company.

Case No.: TO-2001-467

September 11, 2001

Exhibit No. 21
Date 9/24/01 Case No. TO-01-467
Reporter REM

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

In the matter of an investigation of the state)
of competition in the exchanges of) Case No. TO-2001-467
Southwestern Bell Telephone Company.)

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

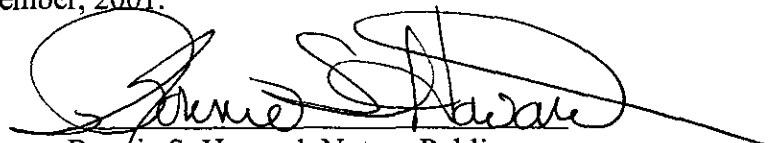
Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony consisting of pages 1 through 17.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Barbara A. Meisenheimer

Subscribed and sworn to me this 11th day of September, 2001.




Bonnie S. Howard, Notary Public

My Commission expires May 3, 2005.

**SURREBUTTAL TESTIMONY
OF
BARBARA A. MEISENHEIMER**

**INVESTIGATION INTO THE STATE OF COMPETITION IN SOUTHWESTERN
BELL LOCAL EXCHANGES**

CASE NO. TO-2001-467

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
3 Box 7800, Jefferson City, Missouri 65102. I am also employed as an adjunct Economics
4 Instructor for William Woods University.

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?**

6 A. Yes, I filed rebuttal testimony on August 16, 2001.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. To present Public Counsel's comments and response to the rebuttal testimony filed by
9 William L. Voight on behalf of the Staff of the Missouri Public Service Commission
10 (Staff), R. Matthew Kohly on behalf of AT&T Communications of the Southwest
11 (AT&T), Donald Price on behalf of WorldCom and Dawn Rippentrop on behalf of Sprint

1 regarding the current state of competition in Southwestern Bell Telephone Company
2 (SWBT) exchanges and the appropriate classifications for SWBT's services.

3 **Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?**

4 **A.** I have reviewed the rebuttal testimony of Staff witness William L. Voight, AT&T witness
5 R. Matthew Kohly, MCI witness Donald Price and Sprint witness Dawn Rippentrop and
6 additional responses to Public Counsel's and Staff's data requests.

7 **Q. BASED UPON YOUR REVIEW OF THAT TESTIMONY AND RESPONSES TO DATA REQUESTS**
8 **AND YOUR PRIOR REBUTTAL TESTIMONY, PLEASE SUMMARIZE PUBLIC COUNSELS**
9 **GENERAL OBSERVATIONS REGARDING THE STATE OF COMPETITION IN SWBT'S LOCAL**
10 **SERVICE TERRITORY.**

11 The testimony reaffirms Public Counsel's primarily observation that effective
12 competition does not exist for residential and small business customers. While large
13 business customers or customers with high usage may be prime targets for competition,
14 there is little evidence that the single residence or small business subscriber have received
15 any meaningful benefit in the five years since the implementations of the 1996 Act.
16 Based on the data and assumptions identified in my rebuttal testimony, it appears that, in
17 total, CLECs serving in SWBT territory have only about 5% of the market share. Based
18 on an exchange by exchange evaluation of CLEC lines, changes in the numbering
19 resources assigned to particular carriers, current and past tariff offerings, and annual
20 report information, I do not believe that, even where it is most prevalent in SWBT
21 territory, competition rises to the level of "effective competition."

1 In an effectively competitive market, no single provider, or group of providers acting in
2 concert, could sustain price increases at any meaningful level above costs. I do not
3 believe this is the case for SWBT's local services. SWBT continues to monopolize the
4 local exchange market in the overwhelming majority of its exchanges. Even in the two
5 exchanges experiencing the most residential local competition, service is primarily
6 provided by a single CLEC and SWBT, constituting a market that can be characterized as
7 highly concentrated. Additionally, both the CLEC and SWBT have argued before the
8 Commission that basic local residential service prices are too low and should be
9 increased. This carrier mindset provides little confidence that SWBT's local service
10 prices will be sufficiently contained by competitors once it is released from price cap
11 limitations. For business access lines, the exchange markets are still highly concentrated.
12 This again raises doubts that competitive forces at work in Missouri are sufficient to
13 contain SWBT's prices for business local services.

14 Consumers have paid up front for the promise of future competitive benefits. They
15 should not be short-changed by the premature release of SWBT from the protections
16 afforded by the price cap statute. Over the past five years, consumers have experienced a
17 plethora of new or increased fees and added surcharges on their bills. Most of these
18 charges have been touted as necessary to usher in a competitive market. In addition,
19 within Missouri, consumers have lost services of great value to them, such as Community
20 Optional Service (COS), Outstate Calling Area (OCA) and, in some cases, the Block of
21 Time Plans and other services previously offered in their exchanges by the Primary Toll
22 Carriers, all in the name of setting the stage for telecommunications competition. So far,
23 the only thing these consumers have received in return for their loss is the explanation
24 that "continuation of this service is incompatible with the development of a competitive
25 market place."

At both the federal and state level, interexchange carriers have played a "shell game" with their rates by pushing for more and more of the network cost to be recovered through inescapable separate charges on customers' bills. Most local companies have not opposed recovery of more mandatory charges from the local customer because those customers are more likely to pay these additional charges than to disconnect service. In my opinion, it is completely fair and reasonable to step back and consider whether or not SWBT has demonstrated that effective competition truly exists and whether this experiment in competition can advance to the next stage without harming consumers and without imposing additional burdens on basic service subscribers.

Q. THE STAFF INDICATES THAT IT AGREES WITH SWBT THAT A NUMBER OF "TRANSITIONALLY COMPETITIVE" SERVICES AUTOMATICALLY BECAME CLASSIFIED AS COMPETITIVE ON JANUARY 10, 1999. AT&T REFUTES THIS CONCLUSION. WHAT IS PUBLIC COUNSEL'S VIEW ON THIS ISSUE?

A. Public Counsel disagrees with the Staff's legal position on this issue. Instead we agree with AT&T that Section 392.245, RSMo. 2000 sets forth the regulatory plan for SWBT's provision of intrastate regulated services, especially on SWBT's ability to change prices and the process for designating services offered by SWBT as competitive. After SWBT petitioned and was approved for price cap regulation, compliance with Section 392.245.5 became the applicable method for attaining a competitive service classification. Section 392.200.8, RSMo 2000, does not free SWBT from any price ceilings on its prices for these services. It simply allows pricing on an individual case basis:

8. Customer specific pricing is authorized for dedicated, nonswitched, private line and special access services and for central office-based switching systems which substitute for customer premise, private branch exchange (PBX)

services, provided such customer specific pricing shall be equally available to incumbent and alternative local exchange telecommunications companies

Section 392.245 became the appropriate and only avenue for upward pricing flexibility after SWBT's price cap regulation was granted. This is clearly indicated in Section 392.245. 1. which states:

The commission shall have the authority to ensure that rates, charges, tolls and rentals for telecommunications services are just, reasonable and lawful by employing Price Cap regulation. As used in this chapter, "price cap regulation" shall mean establishment of maximum allowable prices for telecommunications services offered by an incumbent local exchange telecommunications company, **which maximum allowable prices shall not be subject to increase except as otherwise provided in this section.** (Emphasis added).

Section 392.245.11 also establishes a maximum price for non-basic telecommunications services including dedicated, nonswitched, private line and special access services and centrex type services which apply until the service achieves a competitive classification under the price cap regulatory structure:

11. The maximum allowable prices for nonbasic telecommunications services of a small, incumbent local exchange telecommunications company regulated under this section shall not be changed until twelve months after the date the company is subject to regulation under this section or, on an exchange-by-exchange basis, until an alternative local exchange telecommunications company is certified and providing basic local telecommunications service in such exchange, whichever is earlier. *The maximum allowable prices for nonbasic telecommunications services of a large, incumbent local exchange telecommunications company regulated under this section shall not be changed until January 1, 1999, or on an exchange-by-exchange basis, until an alternative local exchange telecommunications company is certified and providing basic local telecommunications service in such exchange, whichever is earlier. Thereafter, the maximum allowable prices for nonbasic telecommunications services of an incumbent local exchange telecommunications company may be annually increased by up to eight percent for each of the following twelve-month periods upon providing notice to the commission and filing tariffs establishing the rates for such services in such exchanges at such maximum allowable prices. This subsection shall not preclude an incumbent local exchange telecommunications company from*

1 *proposing new telecommunications services and establishing prices for such*
2 *new services. An incumbent local exchange telecommunications company*
3 *may change the rates for its services, consistent with the provisions of section*
4 *392.200, but not to exceed the maximum allowable prices, by filing tariffs*
5 *which shall be approved by the commission within thirty days, provided that*
6 *any such rate is not in excess of the maximum allowable price established for*
7 *such service under this section. (Emphasis supplied).*

8 AT&T's Mr. Kohly points out that, after Commission approval of SWBT's request for
9 price cap regulatory treatment, the previous structure for classifying regulated services
10 was no longer applicable.

11 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY STRUCTURED?**

12 A. I generally structured this testimony to conform to the service categories outlined in
13 pages 3-6 of Staff witness William Voight's rebuttal testimony because Mr. Voight's
14 testimony provides the most comprehensive discussion of the various service categories.
15 However, I have regrouped and renumbered some of the service categories. For each of
16 the service categories for which Public Counsel has taken a position, I will describe the
17 similarities and differences between Public Counsel's position and those of the other
18 parties. Where relevant, I discuss Public Counsel's position by exchange. I will then
19 discuss Public Counsel's response to the other parties' positions on the state of
20 competition for that service in SWBT's local exchanges.

21 **Q. PLEASE PROVIDE A LIST OF THE SERVICE CATEGORIES AS ADDRESSED IN THIS**
22 **TESTIMONY.**

23 A. I will address the categories in the following order.

- 24 (1) Message Telecommunications Service "MTS or Long Distance"
25 (2) Wide Area Telephone Service (WATS)

- (3) Centrex Service
- (4) Private Line Service (including Special Access and non-switched High Capacity Service)
- (5) Signaling System 7 (SS7)
- (6) Line Information Data Base (LIDB)
- (7) Business Telephone Service
- (8) Residential Telephone Service
- (9) Switched Access Service
- (10) Operator Services and (11) Directory Assistance Services and
- (12) Local Plus Service
- (13) Optional Metropolitan Calling Area Service (MCA)

Q. PLEASE ADDRESS THE POSITIONS OF THE PARTIES REGARDING (1) MESSAGE TELECOMMUNICATIONS SERVICE "MTS OR LONG DISTANCE."

A. The Staff supports price deregulation of SWBT's MTS for business and residential service in all of SWBT's telephone exchanges. A primary consideration for the Staff is that there are numerous retail 1 + long distance providers and a number of underlying facilities-based networks available to facilitate long distance offerings throughout SWBT's territory. The Staff suggests that this number of carriers is sufficient to provide adequate consumer choice for long distance and can discourage SWBT from raising prices for long distance service to an unreasonable level.

AT&T opposes a competitive classification for intraLATA toll pointing to SWBT's monopoly in the access services necessary to originate and terminate calls to SWBT's local customers over the switched network. AT&T suggests that it is necessary to maintain the requirement that SWBT price its toll above an imputed cost of access plus other provisioning costs to ensure that SWBT does not price its services below a level of cost reasonably achievable by its competitors. AT&T argues that an imputation test is

1 necessary because SWBT does not pay in the same manner as its competitors for the
2 ability to originate and terminate calls to its own local customers. Therefore, SWBT may
3 have the ability to undercut its competitors' prices for toll services.

4 WorldCom appears to oppose SWBT's request for a competitive classification for all of
5 services based on a lack of effective competition, the financial condition of competitors
6 and SWBT's continuing ability to exercise market power. Sprint's rebuttal focuses on
7 the classification of switched access services and does not appear to specifically address
8 this service.

9 Public Counsel's position recognizes some merit in both the Staff's and in the IXC's
10 positions and recommends a compromise position. We agree with Staff in that there is
11 effective competition for some of SWBT's long distance service offerings. For per-
12 minute offerings, these services may be subject to effective competition sufficient to
13 contain the prices charged to customers and, therefore, may be classified as competitive.
14 Public Counsel does not agree that flat-rated, unlimited use toll offerings should receive a
15 competitive classification. Public Counsel is unaware of independent competitive
16 offerings that rival SWBT's offerings being ubiquitously offered throughout its territory.
17 This is certainly not due to a lack of consumer preference for such service. Allowing a
18 competitive status absent effective competition for these services opens the door for
19 SWBT to increase the price to the detriment of current and potential subscribers.

20 Additionally, Public Counsel's proposal mitigates AT&T's concern on the potential
21 impact of such services on the long-run competitiveness of the toll market. For toll
22 service offered on a per-minute basis or flat-rated, block of time service offerings, it
23 should be possible for competitors and regulators to gauge SWBT's prices compared to
24 its competitors' cost to provide a similar service. In theory, this should make it less likely
25 that SWBT would attempt to engage in predatory pricing or that competitors would lodge

1 unjustified complaints regarding SWBT's toll pricing. Furthermore, comparing SWBT's
2 prices with its competitors' cost of providing flat-rated, unlimited use plans is much more
3 problematic than making per-minute comparisons. For unlimited use offerings, the
4 comparison would require obtaining and evaluating information about the volume of
5 minutes provided under the flat-rated unlimited use service offerings. Making a
6 distinction between per-minute type and flat-rated unlimited use service offerings creates
7 a basis upon which predatory pricing claims can be judged. If flat-rated unlimited use
8 service offerings are treated as a distinct subset of Message Telecommunications Service,
9 then predatory pricing can be evaluated based on a comparison of aggregate prices and
10 costs.

11
12 **Q. PLEASE ADDRESS THE POSITIONS OF THE PARTIES ON (2) WIDE AREA TELEPHONE**
13 **SERVICE. (WATS)**

14 **A.** The Staff supports a competitive classification for this service. AT&T and WorldCom
15 appear to oppose SWBT's request for a competitive classification for all of services based
16 on a lack of effective competition, the financial condition of competitors, and SWBT's
17 continuing ability to exercise market power. Sprint does not appear to specifically
18 address this service. It is my understanding that the delivery of this service does not deal
19 with flat-rate unlimited use for which originating and terminating access is paid. Instead,
20 this long distance service provided within a wide service area is billed at a bulk rate. It is
21 based on total calling hours either received by the WATS subscriber (Inward WATS) or
22 placed by the subscriber. (Outward WATS) Therefore, Public Counsel does not oppose
23 this service receiving a competitive classification.

Q. PLEASE ADDRESS THE POSITIONS OF THE PARTIES ON (3) CENTREX SERVICE.

A. The Staff supports price deregulation of SWBT's Centrex Service in all SWBT exchanges suggesting that the price for this service was deregulated by the Missouri legislature with passage of Senate Bill 507. AT&T and WorldCom opposes SWBT's request on the same grounds as the other services. (a lack of effective competition, the competitors' financial condition and SWBT's market power)

Regarding the competitiveness of Centrex services, Mr. Voight aptly demonstrates that one of the two CLECs that SWBT identifies as providing a similar service reports no local offerings in the state. Despite the significant level of fiber deployed along certain corridors in the Kansas City and St. Louis Metropolitan exchanges and its proximity to business customers in that area, the Staff's analysis of fiber deployment reveals only a fraction of fully facilities-based lines compared to SWBT's business lines.

Public Counsel is not convinced that effective competition has sufficiently developed to contain SWBT's pricing. Further, Section 392.200.8 provides SWBT with the opportunity to meet downward competitive prices on a customer specific basis, subject only to the price cap established by Section 392.245. Unlike Mr. Voight, I do not believe that the evidence of effective competition for this service is sufficient to now warrant removing price cap regulation for this service.

Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (4) PRIVATE LINE SERVICE (INCLUDING SPECIAL ACCESS AND NON-SWITCHED HIGH CAPACITY SERVICE).

A. The Staff supports price deregulation of SWBT's Private Line Service in all SWBT exchanges suggesting that the price for this service was deregulated by the Missouri legislature with passage of Senate Bill 507. AT&T and WorldCom appear to oppose

SWBT's request. Public Counsel takes no position at this time regarding the appropriate classification for these services. However, as is true for all the services identified in Section 392.200.8, RSMo 2000, Public Counsel recognizes that the section that allows pricing on an individual case basis subject to the Price cap established in 392.245.

Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (5) SIGNALING SYSTEM 7. (SS7)

A. The Staff supports price deregulation for SWBT's SS7 interface service in all SWBT exchanges. AT&T and WorldCom appear to oppose a competitive classification for all of services based on a lack of effective competition. Public Counsel takes no position at this time regarding the appropriate classification for this service category.

Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (6) LINE INFORMATION DATA BASE. (LIDB)

A. The Staff supports price deregulation for SWBT's LIDB service. AT&T and WorldCom opposes a competitive classification. Public Counsel takes no position at this time regarding the appropriate classification for this service category.

Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (7) BUSINESS TELEPHONE SERVICE.

A. The Staff supports deregulation of prices for business local telephone service, associated vertical services, operator services, and directory assistance service in the Kansas City and Saint Louis Metropolitan Exchanges. This includes for each MCA all the exchanges in the Principle Zones, Tier 1 and Tier 2. The Staff opposes deregulation of prices for

1 business local telephone service (and all associated vertical features) in all other SWBT
2 exchanges. For areas other than Kansas City and St Louis, the Staff believes that SWBT
3 relies too heavily on resale. The Staff does not consider resale as a viable alternative for
4 customers. AT&T and WorldCom appear to oppose competitive classification.

5 Public Counsel opposes deregulation of prices for business local telephone service,
6 associated vertical services, local operator services, and local directory assistance services
7 in all local exchanges served by SWBT. The data provided in the Highly Confidential
8 Schedules included in my rebuttal testimony indicate that effective competition does not
9 exist for business local services in any SWBT exchange. The data shows that SWBT
10 enjoys market dominance by virtue of control of the loop. The only exception is in one
11 exchange where the Staff is not supporting a competitive service classification. The
12 existence of fiber networks in the metropolitan areas is a positive indicator of the
13 potential for facilities-based competition to develop or expand. But as Mr. Voight
14 pointed out with respect to CLEC tariff filings, it is not a conclusive indicator of effective
15 competition. Furthermore, there is no guarantee that extending those fiber networks to
16 reach the customer premises will prove cost effective for any consumer group except the
17 highest volume business customers. Mr. Voight suggests that, as an alternative, UNE-P or
18 UNE loops might be another option for reaching customers on a facilities-basis in the
19 Metro areas. I don't disagree provided, however, that CLECs were assured with some
20 certainty that the facilities would be available on an ongoing basis. We have been at the
21 task of establishing ground rules and implementing the provisions of the 1996 Act for
22 about 5 years. However, the work is not done, UNE related issues at both the state and
23 federal levels remain unresolved. Mr. Kohly's testimony demonstrates that the CLECs
24 continue to face uncertainty regarding the UNEs that will be available to them.

25 Public Counsel also recommends that the Commission should not rely on the prospect of
26 re-imposing price cap regulation if effective competition did not exist or eventually

1 materialize for a service receiving a competitive classification. As I have pointed out in
2 my rebuttal testimony and as suggested by other parties, a process to re-impose price cap
3 regulation could be a lengthy process and could unnecessarily expose consumers to
4 unreasonable prices.

5 **Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (8) RESIDENTIAL TELEPHONE**
6 **SERVICE.**

7 A. The Staff opposes deregulation of prices for residential basic local telephone service (and
8 associated vertical services) in all SWBT exchanges except the Harvester and St. Charles
9 exchanges. Staff states that SWBT relies too heavily on resale to demonstrate effective
10 competition in all other exchanges. AT&T and WorldCom opposes a competitive
11 classification for this service as they do for other services.

12 Public Counsel opposes deregulation of prices for residential local telephone service,
13 associated vertical services, local operator services, and local directory assistance services
14 in all local exchanges served by SWBT. The data provided in the Highly Confidential
15 Schedules included in my rebuttal testimony indicate that effective competition does not
16 exist for residential local services in any SWBT exchange. Public Counsel believes that
17 the evidence clearly demonstrates that SWBT retains a virtual monopoly in residential
18 service offerings. In the Harvester and St. Charles exchanges, SWBT retains market
19 dominance. Effective competition simply does not exist.

20 Mr. Voight's support for granting SWBT a competitive classification for residential
21 service in the Harvester and St. Charles exchanges is primarily based on the belief that
22 AT&T's offering over cable television facilities rises to a level demonstrative of effective
23 competition. I do not agree. Highly concentrated markets in which only a few firms (in
24 this case, two firms) share primary control of the market may not provide a sufficient

1 deterrent to unreasonable price increases. AT&T and SWBT have repeatedly argued that
2 residential local service is priced below cost. Despite the lack of an appropriately
3 conducted cost study supporting this claim, these "competitors" have a common incentive
4 to increase local residential rates. If SWBT is granted competitive status, it may be able
5 to sustain price increases above the levels currently allowed by the price cap formula. As
6 I indicated in my rebuttal testimony, in instances such as resale where the ALEC's
7 wholesale cost is tied to SWBT's retail prices and would use with these retail prices and
8 would rise with these retail prices, customers would not have adequate protection against
9 unreasonable price increases. This would have a particularly detrimental impact on low-
10 income and fixed-income consumers.

11 **Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (9) SWITCHED ACCESS**
12 **SERVICE.**

13 **A.** The Staff, Public Counsel, AT&T, WorldCom and Sprint all oppose deregulation of
14 prices for switched access service. Interexchange carriers are captive to the local service
15 providers control over the loop and do not have meaningful alternatives to originate and
16 terminate toll calls over the switched network. If SWBT were allowed to raise access
17 charges, and did so, it could adversely affect both customers in and outside of SWBT's
18 service territory. In my rebuttal testimony, I also pointed out that if SWBT is allowed
19 upward pricing flexibility, there is a realistic threat that CLECs will request similar
20 treatment in an effort to increase their terminating access rates.
21

1 **Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (10) OPERATOR AND**
2 **DIRECTORY SERVICES.**

3 A. The Staff is opposed to deregulation of prices for operator and directory services except
4 for those service to end users whose basic local service is also price deregulated. AT&T
5 and WorldCom again oppose SWBT's request for a competitive classification for these
6 services.

7 Public Counsel agrees with Staff that that control of Operator and Directory Services are
8 closely linked to basic local telephone service and should not receive a competitive
9 designation prior to the basic local telephone service receiving a competitive
10 classification for the exchange. Public Counsel states that SWBT business or residential
11 basic local service does not face effective competition and, therefore, these operator and
12 directory services should not be classified as competitive at this time. Public Counsel
13 believes that Staff's Schedules illustrating the regular increases in Operator and Directory
14 Service provide substantial evidence that retaining price cap regulatory to contain the
15 prices for these services is essential to protect consumers because, as Mr. Voight
16 suggests, natural market forces are not doing so.

17 Public Counsel disagrees with Staff's legal position that Operator Services automatically
18 received a competitive classification on January 10, 1999. As discussed previously, when
19 SWBT was granted price cap status the classification, pricing, and regulatory
20 requirements became governed by Section 392.245, RSMo.

21 **Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (12) LOCAL PLUS SERVICE.**

22 A. Staff opposes Commission approval of a competitive classification for Local Plus based
23 on concerns that SWBT may still not be making this service available for resale as

1 ordered by the Commission and that the service may be priced below cost . AT&T and
2 WorldCom oppose SWBT's request for a competitive classification for this service.

3 Public Counsel shares Staff's concern regarding the availability of Local Plus for resale
4 and opposes granting this service a competitive service classification at this time. This
5 service is extremely attractive to some customers and must be available to competitors on
6 a facilities-based and resale basis. Our position regarding the service classification for
7 this service is consistent with our position on flat-rated, unlimited use toll services.

8 **Q. PLEASE ADDRESS THE PARTIES' POSITIONS REGARDING (13) OPTIONAL**
9 **METROPOLITAN CALLING AREA SERVICE. (MCA)**

10 A. The Staff opposes deregulation of the prices for MCA service unless effective
11 competition exists for basic local service. As with operator and directory services, Staff
12 believes that MCA service is too closely linked to basic local telephone service to be
13 considered for price deregulation independent of the basic local service. AT&T and
14 WorldCom oppose SWBT's request for a competitive classification of this service.

15 Public Counsel opposes granting a competitive classification for MCA service offerings.
16 MCA is a geography-based local calling plan that is available to customers in designated
17 exchanges regardless of the customer's local service provider. This service has been
18 extremely popular with consumers and should not be jeopardized by potential price
19 increases above current prices. The service also helps to mitigate differentials in the
20 scope of services and the price of services offered by companies operating in the MCAs
21 and between rural and non-rural areas within the MCAs. This is fully consistent with the
22 stated goal of the 1996 Act and Senate Bill 507 to promote comparability in services and
23 rates between rural and urban areas. Public Counsel reminds the Commission that MCA
24 was developed as a reasonably priced flat rate, two-way toll free calling plan to address

1 calling needs that were not being satisfied by competitive offerings in the toll market.
2 Public Counsel urges the Commission not to prematurely dismantle regulatory pricing
3 safeguards designed to protect consumers in the event that effective competition is slow
4 in coming or never arrives at all.

5 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

6 A. Yes, it does.