

1 REBUTTAL TESTIMONY OF
2
3 ROBERT C. SCHOONMAKER
4
5

6 **Section I – Witness Background and Testimony Overview**

7 **Q. Please state your name and address.**

8 **A.** My name is Robert C. Schoonmaker. My business address is 2270 La Montana Way,
9 Colorado Springs, Colorado 80918.

10 **Q. By whom are you employed and in what capacity?**

11 **A.** I am President and CEO of GVNW Consulting, Inc., a consulting firm specializing in
12 working with small telephone companies.

13 **Q. Would you please outline your educational background and business**
14 **experience?**

15 **A.** I obtained my Masters of Accountancy degree from Brigham Young University in
16 1973 and joined GTE Corporation in June of that year. After serving in several positions in
17 the revenue and accounting areas of GTE Service Corporation and General Telephone
18 Company of Illinois, I was appointed Director of Revenue and Earnings of General
19 Telephone Company of Illinois in May, 1977 and continued in that position until March,
20 1981. In September, 1980, I also assumed the same responsibilities for General Telephone
21 Company of Wisconsin. In March, 1981, I was appointed Director of General Telephone
22 Company of Michigan and in August, 1981 was elected Controller of that company and
23 General Telephone Company of Indiana, Inc. In May, 1982, I was elected Vice President-
24 Revenue Requirements of General Telephone Company of the Midwest. In July, 1984, I
25 assumed the position of Regional Manager of GVNW Inc./Management (the predecessor
26 company to GVNW Consulting, Inc.) and was later promoted to the position of Vice

1 President. I served in that position until October 1, 2003 except for the period between
2 December 1988 and November, 1989 when I left GVNW to serve as Vice President-Finance
3 of Fidelity and Bourbeuse Telephone Companies. I was elected to the position of President
4 and Chief Executive Officer of GVNW Consulting, Inc. effective October 1, 2003. In
5 summary, I have had over 30 years of experience in the telecommunications industry
6 working with incumbent local exchange carrier companies.

7 **Q. What are your responsibilities in your present position?**

8 **A.** In my current position I have overall responsibility for the management and direction
9 of GVNW Consulting, Inc. In addition, I consult with independent telephone companies and
10 provide financial analysis and management advice in areas of concern to these companies.
11 Specific activities which I perform for client companies include regulatory analysis,
12 consultation on regulatory policy, financial analysis, business planning, rate design and tariff
13 matters, interconnection agreement analysis, preparation of cost studies, and general
14 management consulting.

15 **Q. Have you previously testified in regulatory proceedings?**

16 **A.** Yes, I have submitted testimony and/or testified on regulatory policy, local
17 competition, rate design, accounting, compensation, tariff, rate of return, interconnection
18 agreements, and separations related issues before the Illinois Commerce Commission, the
19 Public Service Commission of Wisconsin, the Michigan Public Service Commission, the
20 Iowa Utilities Board, the Tennessee Public Service Commission, the New Mexico Public
21 Regulation Commission, the Public Utilities Commission of the State of South Dakota, the
22 Public Service Commission of West Virginia, the Public Utility Commission of Texas, the
23 North Carolina Utilities Commission, and the Missouri Public Service Commission. In

1 addition, I have filed written comments on behalf of our firm on a number of issues with the
2 Federal Communications Commission and have testified before the Federal-State Joint Board
3 in CC Docket #96-45 on Universal Service issues.

4 **Q. On whose behalf are you testifying in this docket?**

5 A. I am testifying on behalf of BPS Telephone Company.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to set forth the position of BPS Telephone
8 Company ("BPS") in regard to the application of Big River Telephone Company
9 ("Big River") for a certificate of service authority to provide basic local
10 telecommunications services in the exchanges of BPS. I will review the statutory
11 requirements related to the application and Big River's compliance with those
12 requirements.

13 **Q. Is the Big River application before the Commission different from prior**
14 **applications that the Commission has reviewed in the numerous applications**
15 **that it has approved over the years?**

16 A. It is. Virtually all of the applications that the Commission has reviewed and
17 approved over the past several years have been applications for the provision of basic
18 local telecommunications services in the exchanges of large telephone companies in
19 the state under the provisions of §392.450 RSMo. This application is the first for a
20 facilities-based, Competitive Local Exchange Carrier (CLEC) for the provision of
21 basic local telecommunications services in a small telephone company exchange
22 under the provisions of §392.451 RSMo.

1 **Q. Are there significant differences between the provisions applying to**
2 **CLEC applications in large company serving areas as compared to small**
3 **company serving areas such as that of BPS?**

4 A. There are a number of significant differences, with the criteria being more
5 stringent in small telephone company service areas. I have included as RCS Schedule
6 1 a copy of excerpts from Chapter 392 of the Missouri Revised Statutes that contain
7 the requirements related to the granting of certificates of service authority for the
8 provision of basic local telecommunications services. Section 392.455 contains the
9 statutory requirements regarding the process the Commission must use to determine
10 whether a certificate of service should be issued. Section 392.450 contains the
11 requirements for obtaining a certificate of basic local telecommunications services in
12 large telephone company serving areas. Section 392.451 contains the requirement for
13 obtaining a certificate of basic local telecommunications services in the serving areas
14 of small incumbent telephone companies.

15 **Q. Can you highlight the differences between the requirements related to**
16 **small telephone company areas as outlined in §392.451 in comparison with those**
17 **contained in §392.450?**

18 A. Yes. There are several. First, §392.451.1(1) requires that service, including
19 all the services determined by the Commission to be essential services, must be
20 provided *throughout* the small telephone company's service area. Second,
21 §392.451.1(2) requires that the provider will advertise, in media of general
22 distribution, the availability and cost of these essential services. Third, §392.451.2(3)
23 requires that the competitive carrier will file all the same reports that the small

1 incumbent telephone company is required to provide. Fourth, §392.451.2(4) requires
2 the competitive company to comply with all the same rules and regulations that are
3 imposed on the small incumbent telephone company with which it is competing.
4 None of these requirements are imposed on Big River under §392.450 when it seeks
5 to compete with AT&T and other large telephone companies.

6 **Q. Does the Big River application and Mr. Howe's supporting testimony**
7 **comply with §392.451.2(4) RSMo?**

8 A. They do not. Both the Big River application and Mr. Howe's testimony (Page
9 13 and the following page) request that the Commission waive the application of a
10 number of statutes and rules. I recognize that it has been common practice to waive
11 these statutes and rules in certificate applications in large telephone company serving
12 areas. However, it appears to me (admittedly as a non-attorney) that the waiver of
13 these statutes and rules would not be consistent with the plain reading of
14 §392.451.2(4). It is BPS's recommendation that the Commission not grant the
15 requested waiver of these statutes and rules, if it determines that Big River should be
16 granted a certificate in this case.

17 **Q. In your opinion, which of these requirements are likely to have the largest**
18 **impact on Big River?**

19 A. In my opinion, the requirement to comply with the Uniform System of
20 Accounts is likely to have the most significant impact on Big River.

21 **Q. The third requirement that you mentioned is a requirement that Big**
22 **River would be required to file all the same reports as BPS does with the**
23 **Commission. Can you indicate what this requirement would entail?**

- 1 A. Yes. These reports would include:
- 2 a. An annual financial report to the Commission in the same format as
- 3 required of incumbent local telephone companies as required by 4 CSR 240-
- 4 3.540.
- 5 b. Quarterly service reports required by 4 CSR 240-3.550(5) including
- 6 reporting on:
- 7 1. Orders for basic local telecommunications service
- 8 2. Installation commitments
- 9 3. Operator assisted calls
- 10 4. Customer assistance calls
- 11 5. Originated switched calls
- 12 6. Local exchange switched call completions
- 13 7. Interexchange switched call completions
- 14 8. Customer Trouble Reports - Frequency
- 15 9. Customer Trouble Reports – Clearing Time
- 16 10. Customer Trouble Reports – Repair Commitments
- 17 c. A disaster recovery plan as required by 4 CSR 240-3.550(5)(E)
- 18 d. An annual report on gross intrastate operating revenues as required by
- 19 §386.370.5.
- 20 e. Reports to the Missouri USF administrator on net jurisdictional
- 21 revenues as required by 4 CSR 240-31.060(4)(B).

1 f. Reports to the Missouri USF administrator regarding end user
2 surcharges along with the submission of funds as required by 4 CSR 240-
3 31.065.

4 **Q. Did Mr. Howe, in his testimony, indicate that Big River would file such**
5 **reports if they are granted a certificate?**

6 A. Without enumerating those reports, he made that commitment on the top of
7 the "second" Page 2, (what should be Page 15), Lines 1-2, of his testimony. I would
8 recommend that if the Commission grants a certificate to Big River, that it clearly
9 recite the requirement for Big River to file each of these reports in the same time
10 frames as BPS is required to file the reports.

11 **Q. Did Mr. Howe address the issue of advertising essential services and the**
12 **charges for them?**

13 A. He addressed how Big River would market their services on Pages 9-10 of his
14 testimony and made a commitment to advertise the availability of and charges for
15 essential services throughout the area using media of general distribution.

16 **Q. The first requirement that you listed above that was different for**
17 **obtaining a certificate in BPS's service area as compared to the large companies'**
18 **areas relates to the provision of the Commission designated essential services**
19 **throughout the BPS service area. What concerns do you have regarding Big**
20 **River's ability to meet this requirement?**

21 A. My concerns fall into two general areas. First, I am concerned about whether
22 Big River will offer service to end users in areas not served by its cable TV partners
23 and whether the services will be the same in those areas as in the areas where Big

1 River's cable TV partners have facilities. Secondly, it is not clear to me whether Big
2 River will be providing service to the end user customers, or whether the cable TV
3 partners will be providing such service.

4 **Q. How does Mr. Howe indicate that Big River will provide service**
5 **throughout BPS's service area?**

6 A. Mr. Howe's testimony indicates that Big River has "...network access
7 agreements..." with cable TV partners that are franchised to provide service in the
8 Parma, Bernie, and Steele exchanges. He also indicates that Big River intends to
9 enter into an interconnection agreement with BPS so that Big River can provide
10 service to "...those few end-user customers that are not accessible via the cable TV
11 network."¹

12 **Q. Does it appear from Mr. Howe's testimony that Big River has many**
13 **customers that they serve using non-cable TV facilities?**

14 A. It does not. On Page 7 of his testimony, Mr. Howe indicates that Big River
15 provides telephone services to approximately 4,500 customers in four different states.
16 On Page 6 of his testimony (Line 13) he indicates that Big River provides service to
17 approximately 4,500 customers "...by accessing the customer's premise via a hybrid
18 fiber coax connection." This indicates that Big River currently serves very few, if
19 any, customers using telephone company leased or resold facilities.

20 **Q. You quoted Mr. Howe's testimony that the Interconnection Agreement**
21 **that Big River intended to seek from BPS was so Big River could provide service**
22 **to "...those few customers..." that Big River could not serve through its cable**

¹ Howe Direct Testimony, p. 6-7.

1 **TV partners. Do you have any estimate of the percentage of BPS's customers**
2 **that might not be reached by Big River's cable TV partners?**

3 A. Yes. BPS was able to identify its customers in the three towns separately
4 from those customers who live outside the city boundaries. While the town
5 boundaries of Bernie, Parma, and Steele probably do not comport identically with the
6 service areas of the cable TV providers, the BPS employees believe that they provide
7 a reasonable dividing line for estimating the customers that could be reached using
8 the cable TV facilities. Approximately one-third of the BPS customers live outside of
9 the three towns and would not be able to be accessed by the cable TV facilities.

10 **Q. So, in order to serve approximately one-third of the BPS customers, Big**
11 **River would have to do that either through building its own facilities or**
12 **contracting to use BPS facilities or services?**

13 A. That is correct.

14 **Q. Does BPS currently have an Interconnection Agreement with Big River?**

15 A. It does not.

16 **Q. Let's turn to your concern that Big River might offer different services to**
17 **customers served through the cable TV facilities than through the use of**
18 **telephone company facilities. Do you have any evidence to support this concern?**

19 A. I do have some evidence that raises that concern. Big River currently offers
20 telephone service in the AT&T Poplar Bluff exchange. On Big River's web site
21 (www.bigrivertelephone.com), it is currently promoting a special offer for Poplar
22 Bluff customers of internet service plus digital phone service. RCS Schedule 2 is a

1 printed rendition of that offering.² RCS Schedule 3 is a printed rendition of the terms
2 and conditions associated with that offer.³ From the first two bullet points on RCS
3 Schedule 3, it is clear that this particular offering is only available where the service
4 can be provided through the city cable TV facilities. This raises the concern in my
5 mind as to whether Big River would provide services in the BPS exchanges that are
6 different when cable TV facilities are used vs. telephone company facilities.

7 **Q. On Page 12 of his testimony, Mr. Howe states that "Big River currently**
8 **provides and intends to continue providing its telephone services under tariffs**
9 **filed with the Commission." Is the offering of digital phone service as shown on**
10 **RCS Schedule 2 consistent with Big River's tariff?**

11 A. I could not find such an offering in Big River's tariff, which was attached to
12 his testimony as Exhibit H. I did see on Sheet No. 103.1 a Residential Savings
13 Package that had a bundle of basic service, extended area service, and several features
14 (but not including toll service) at \$28.44, but I could not find a package similar to the
15 one offered on Big River's web site. This raises a question in my mind as to whether
16 Big River's service offerings are consistent with its tariffs filed with the Commission.

17 **Q. Were you able to find other service offerings at different prices for Poplar**
18 **Bluff or customers in other areas where Big River may provide service on their**
19 **web site?**

20 A. I was not able to find that type of information on their web site. I could not
21 find a description of the locations where they provide service or prices of any other

² Printed from <http://www.bigrivertelephone.com/PBOverview.htm> on January 15, 2007.

³ Printed from <http://www.bigrivertelephone.com/termsandconditions.html> on January 15, 2007.

1 telephone services in any other locations. That information is apparently available by
2 calling the service number and talking to a service representative.

3 **Q. You indicated earlier that you had concerns as to whether Big River, or**
4 **its cable TV partners, was really going to be the company providing service in**
5 **the BPS service area. Is there any statement in Mr. Howe's testimony that raises**
6 **this concern?**

7 A. Yes. On Page 10 of his testimony, Mr. Howe states, "In most cases, Big River
8 will allow our cable partners to contract the services for us with the customer." It is
9 unclear to me what this statement means, and we have sent data requests to Big River
10 to get a better understanding of the business relationships it has with its cable
11 partners. I have also done some research on Big River's cable TV partners to see
12 how and where they provide service.

13 **Q. Were you able to identify some of Big River's cable partners?**

14 A. Yes. On Big River's web site, four companies, as shown on RCS Schedule 4,
15 are identified as their cable TV partners: Cebridge Connections, Galaxy Cablevision,
16 NewWave Communications, and SEMO Communications Corporation. According to
17 Big River's web site, each of these cable TV partners provide voice telephone
18 services themselves. It seems unlikely that both the cable TV company partnering
19 with Big River, and Big River partnering with the cable TV company would provide
20 telephone service to end-users in the same area.

21 **Q. Were you able to find anything further about any of the cable TV**
22 **partners that provide service in the BPS exchanges?**

1 A. Yes. NewWave Communications is the cable TV provider in Bernie and a
2 number of other Missouri communities, including Dexter and Malden which are in
3 close proximity to Bernie, as shown in RCS Schedule 5. In reviewing NewWave's
4 web site (www.newwavecom.com) it is clear that NewWave is offering telephone
5 service in many of its locations. RCS Schedule 6 is a copy of NewWave's web page
6 regarding telephone services offered. The web page specifically describes that for
7 NewWave cable TV customers, the telephone service will be billed by NewWave,
8 along with the cable TV service bill. If the Dexter, Missouri location is accessed on
9 the NewWave web site, the web site displays the information shown on RCS
10 Schedule 7. This Schedule indicates that NewWave offers "phone" service in the
11 Dexter exchange adjacent to Bernie.

12 **Q. Do you have further evidence that NewWave is offering telephone service**
13 **in exchanges adjacent to Bernie?**

14 A. Yes. RCS Schedule 8 is a copy of a four-page ad printed in the *Delta News*
15 *Citizen* in late October or early November 2006 advertising the provision of telephone
16 service as part of the overall NewWave service offering in Malden, which is also
17 adjacent to Bernie. It clearly appears that Big River's partner, NewWave, is offering
18 telephone service in other areas that it serves like Malden, rather than Big River.

19 **Q. Does another of Big River's cable TV partners provide service in Steele**
20 **and Parma?**

21 A. It is my understanding that Cebridge Connections (through its successor) is
22 the cable TV provider in Parma and Steele. Based on news articles available on the
23 web, Cebridge acquired some cable TV properties from Cox Communications and

1 became known as Suddenlink in 2006. The web sites of both Cebridge Connections
2 and Suddenlink indicate that they provide telephone service, although I was unable to
3 find specifics about the locations in which they are currently providing that service.
4 However, this again raises the question of whether Big River or Suddenlink will be
5 the provider of telephone service using the cable TV facilities. We hope to have
6 further clarification of the business relationships between Big River and its cable TV
7 partners after receiving responses to data requests which we recently submitted to Big
8 River.

9 **Q. What implications does the provision of telephone service or the potential**
10 **provision of telephone service by the cable TV providers in BPS service area**
11 **have on Big River's applications?**

12 A. One of the key questions that this raises in my mind is whether Big River
13 should be applying for a certificate or the cable TV providers should be requesting a
14 certificate to provide telephone service. Hopefully, sufficient information will come
15 to light from discovery and further testimony to make this determination.

16 **Q. Can you summarize your position in regard to the Big River application**
17 **for certification in the BPS exchanges?**

18 A. Yes. First, it is important that the Commission recognize that the
19 requirements for obtaining certification in the serving area of a small telephone
20 company are different from those in large telephone company areas, and that it should
21 give careful attention to these additional requirements before granting a certificate to
22 Big River. Secondly, there are, at this point in time, substantial questions about
23 whether Big River or its cable TV partners will offer telephone service using the

1 cable TV facilities in the BPS exchanges. The Commission needs clarification on this
2 issue before determining whether it is appropriate for Big River to be granted a
3 certificate, and if so, under what conditions.

4 **Q. Does this conclude your rebuttal testimony?**

5 **A.** Yes, it does.