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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 23, 1997
Jefferson City, Missouri
Volume I

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

REPORTED BY:

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Chariton Valley Telephone Corporation.
Modern Telecommunications Company.
Mid-Missouri Telephone Company.
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4 FOR: BPS Telephone Company.
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7 Ellington Telephone Company.
Farber Telephone Company.
8 Fidelity Telephone Company.
Goodman Telephone Company, Inc.
9 Granby Telephone Company.
Grand River Mutual Telephone Corporation.
10 Green Hills Telephone Corporation.
Holway Telephone Company.
11 KLM Telephone Company.
Kingdom Telephone Company.
12 Lathrop Telephone Company.
Le-Ru Telephone Company.
13 Mark Twain Rural Telephone Company.
McDonald County Telephone Company.
14 Miller Telephone Company.
New Florence Telephone Company.
15 New London Telephone Company.
Orchard Farm Telephone Company.
16 Oregon Farmers Mutual Telephone Company.
Ozark Telephone Company.
17 Rock Port Telephone Company.
Seneca Telephone Company.
18 Steelville Telephone Exchange, Inc.
Stoutland Telephone Company.

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1 P R O C E E D I N G S

2 (Written Entries of Appearance filed.)

3 (EXHIBIT NOS. 1 THROUGH 33 WERE MARKED FOR
4 IDENTIFICATION.)

5 ALJ ROBERTS: Good morning, ladies and
6 gentlemen. My name is Dale Roberts. I am the
7 Administrative Law Judge to whom this case is
8 assigned. We're here on Commission Case
9 No. TW-97-333, which is in the matter of an
10 investigation into the provision of community optional
11 calling service in Missouri.

12 Before we went on the record, we marked
13 Exhibits No. 1 through 33 inclusive, and it's my
14 understanding that those are all of the exhibits we
15 have available at this time to be marked. We've got
16 that out of the way.

17 Are there any motions or pending requests?

18 (No response.)

19 ALJ ROBERTS: Hearing none, I would like to
20 take entries of appearance in the order that your
21 witnesses will appear, which means we'll start first
22 with Mid-Missouri Group, please.

23 MR. JOHNSON: Thank you, your Honor.

24 Craig Johnson, Andereck, Evans, Milne, Peace
25 and Baumhoer, 305 East McCarty, Post Office Box 1438,

1 Jefferson City, Missouri, 65102, appearing today on
2 behalf of Mid-Missouri Group of local exchange
3 companies. Thank you.

4 ALJ ROBERTS: STG?

5 MR. ENGLAND: Thank you, your Honor.

6 Let the record reflect the appearance of
7 W.R. England of the law firm of Brydon, Swearingen and
8 England, appearing on behalf of the Small Telephone
9 Company Group, a group of small local exchange
10 companies, and more particularly listed or described
11 in our written entry of appearance. Our mailing
12 address is Post Office Box 456, Jefferson City,
13 Missouri, 65102.

14 ALJ ROBERTS: Thank you.

15 Office of the Public Counsel?

16 MR. DANDINO: Michael Dandino, Office of the
17 Public Counsel, Post Office Box 7800, Jefferson City,
18 Missouri, 65102, representing the Office of the Public
19 Counsel and the Public.

20 ALJ ROBERTS: Thank you.

21 CompTel?

22 MR. ANGSTEAD: Thank you, your Honor.

23 Robert K. Angstead with the law firm of Newman, Comley
24 and Ruth, P.C., P.O. Box 537, Jefferson City,
25 Missouri, 65102, here on behalf of CompTel Missouri.

1 ALJ ROBERTS: AT&T?

2 MR. DeFORD: Thank you, your Honor.

3 Paul S. DeFord with the law firm of Lathrop
4 and Gage, 2345 Grand Boulevard, Kansas City, Missouri,
5 64108, appearing on behalf of AT&T Communications of
6 the Southwest, Incorporated.

7 ALJ ROBERTS: Thank you.

8 MCI?

9 MR. CURTIS: Thank you.

10 Leland B. Curtis and Carl J. Lumley of the
11 law firm of Curtis, Oetting, Heinz, Garrett and Soule,
12 130 South Bemiston, Suite 200, St. Louis, Missouri,
13 63105, appearing on behalf of MCI Telecommunications
14 Corporation.

15 ALJ ROBERTS: Thank you.

16 GTE?

17 MR. STROO: James C. Stroo, 1000 GTE Drive,
18 Wentzville, Missouri, appearing on behalf GTE Midwest,
19 Incorporated.

20 ALJ ROBERTS: Southwestern Bell?

21 MR. BUB: Thank you, your Honor. Paul Lane
22 and Leo Bub for Southwestern Bell Telephone Company.
23 Our address is 100 North Tucker Boulevard, St. Louis,
24 Missouri, 53101 one.

25 ALJ ROBERTS: Sprint/United.

1 MS. GARDNER: Linda K. Gardner appearing on
2 behalf of United Telephone Company of Missouri d/b/a
3 Sprint, 5454 West 110th Street, Overland Park, Kansas,
4 66211.

5 ALJ ROBERTS: Staff for the Public Service
6 Commission?

7 MS. MCGOWAN: Cherlyn McGowan and Carol
8 Keith representing the Staff of the Missouri Public
9 Service Commission, address: P.O. Box 360, Jefferson
10 City, Missouri, 65102.

11 ALJ ROBERTS: Any other attorneys here in
12 this case?

13 I'm sorry.

14 MS. FORREST: Dallas Forrest with the law
15 firm of Goller, Gardner and Feather, 131 East High,
16 Jefferson City, Missouri, 65101, appearing on behalf
17 of TCG St. Louis.

18 ALJ ROBERTS: I'm sorry. I lost you on the
19 order of cross. That's why I lost you. You-all don't
20 have a witness, do you?

21 MS. FORREST: No, we don't have a witness.

22 ALJ ROBERTS: Okay. That was it. I was
23 going by the witness list.

24 Anything else, any other requests?

25 MR. ENGLAND: Excuse me?

1 ALJ ROBERTS: Yes, sir.

2 MR. ENGLAND: I now have six copies of that
3 revised schedule, RCS-II.

4 ALJ ROBERTS: Thank you very much.

5 MR. ENGLAND: You bet. Thank you.

6 ALJ ROBERTS: And this goes to Schoonmaker's
7 direct, Mr. England?

8 MR. SCHOONMAKER: Correct.

9 ALJ ROBERTS: Is that right? Okay. So that
10 goes to Exhibit No. 6.

11 MR. ENGLAND: I'm sorry. Yes.

12 ALJ ROBERTS: Okay. Well, I don't think
13 there is anything else to do until I get the
14 commissioners in here.

15 I would note you might, as you probably
16 would, introduce yourselves. I'm not sure how many of
17 you have appeared in front of the new commissioners.
18 Commissioners Murray and Lumpe are both here and
19 should be here for this hearing. In case you haven't
20 met them, you might introduce yourself to them again
21 for their purposes.

22 With that we'll go off the record, please.

23 (A discussion off the record.)

24 ALJ ROBERTS: Good morning ladies and
25 gentlemen. We are back on the record in TW-97-333,

1 the COS case.

2 And earlier this morning we marked Exhibits
3 1 through 33. As I indicated earlier, I had asked the
4 parties to not only do an opening statement but to
5 perhaps give us some kind of a background on COS, both
6 technically how the service is provided and also how
7 the service has evolved in the state of Missouri.

8 I personally tried to read up on it, do some
9 extra reading this weekend, and I read Case TO-92-306
10 and that led me back to TO-90-232 and that led me back
11 to TO-87-131, and there's been a lot of litigation on
12 COS service.

13 So I've asked Staff to go first and give a
14 brief explanation about the service itself, and then
15 we'll start with the usual order of opening
16 statements, and that order, as I understand it, is
17 going to be in the same order in which you're
18 presenting your witnesses.

19 I would also note for the record, there was
20 one -- we didn't take this up this morning. It's my
21 understanding there are no motions or any issues to be
22 addressed at this time.

23 There was one motion regarding the discovery
24 issue which I think was filed by STG upon which the
25 Commission didn't rule and that -- STG filed a letter

1 indicating that that situation was under control or
2 that some resolution had been reached on that matter,
3 so there was no ruling on that.

4 I also want to note for the record there
5 were some documents filed by Mid-Missouri Group, I
6 believe by Mr. Johnson, which were inadvertently
7 filed -- I found those this morning -- were filed in
8 the letters file in the case instead of in the regular
9 file having to do with discovery, so that -- does that
10 sound right?

11 MR. JOHNSON: I don't know.

12 ALJ ROBERTS: Well, there was -- well, you
13 look puzzled. There was an order which indicated that
14 nothing had been filed, and after --

15 MR. JOHNSON: Oh, oh, I know what you're
16 referring to.

17 ALJ ROBERTS: And I looked back and found
18 that those had been filed in the letters file instead
19 of the regular pleadings file, and I apologize for
20 that. We've had some changes in the records room, but
21 the documents are there, just in the wrong section.

22 So I think those are the only loose ends to
23 be cleared up unless there are any other requests?

24 Off the record for a moment, please.

25 (A discussion off the record.)

1 ALJ ROBERTS: So if the Staff would like to
2 give us some sort of brief presentation on COS, that
3 would be helpful. Ms. McGowan?

4 MS. MCGOWAN: Before I begin, I know there's
5 been a request, I'm Cherlyn McGowan with General
6 Counsel's Office. Also with me is Carol Keith. I
7 don't believe I have met Commissioner Lumpe yet, but
8 just for your information.

9 I'm going to be referencing tele-
10 communication exchanges. I have a larger copy, too,
11 because this is all they have left. But I have a
12 small unofficial version --

13 ALJ ROBERTS: That's okay.

14 MS. MCGOWAN: -- where if everyone cannot
15 see the incredibly detailed and large map, in case
16 anyone -- we've got one up here. Could you see it
17 from over here, or would you prefer to have it --
18 okay.

19 I am going to try to summarize first the
20 technical differences between the various COS
21 proposals before the Commission and then give a brief
22 outline of the history of how we have evolved into the
23 two-way COS as we have today. As with many of the
24 commissioners, I was not here for any of the prior
25 proceedings, so I'm counting on Staff Witness Gay

1 Smith to correct me, as I'm sure many of the other
2 attorneys here today would be more than happy to
3 correct me if I misspeak in any manner.

4 Okay. First, although the implementation of
5 competition for local telephone service may bring
6 changes in the near future, today Missouri telephone
7 serving areas are classified by exchanges, and in each
8 exchange a particular local telephone company offers
9 the service. On the chart that I have before you, you
10 just see the various exchanges that are outlined. As
11 you can tell, there are many exchanges.

12 Okay. I wanted to begin -- I'm going to go
13 over to the board. Hopefully, this will help.

14 For an example of a two-way COS exchange, I
15 would like to draw the Commission attention to the
16 Fulton/Auxvasse exchange, which is Fulton and
17 Auxvasse. They are side by side. Note that not all
18 COS exchange routes require that the two exchanges be
19 together. They can be separated by interim exchanges.

20 But for purposes of this, I'm going to try
21 to explain these. First, we have two-way COS. With
22 two-way COS, Auxvasse would petition for a COS route
23 to Fulton. When the petition came in, the Commission
24 would order a calling usage study to be performed on
25 that route to determine if there was sufficient

1 interest from the members of the community of Auxvasse
2 to establish the route. This is your standard COS
3 that we have today.

4 If there was sufficient calling usage based
5 on the calling study in that area, the Commission
6 would order the local exchange carrier for both the
7 petitioning and the target exchange as well as the
8 primary toll carrier, or PTC, in the area to initiate
9 a COS route.

10 I'm going to switch to blue since the black
11 marker isn't working very well.

12 Fulton would be your target exchange and
13 Auxvasse would be your petitioning exchange.

14 Once you have the exchange established, any
15 customer of the petitioning exchange could at their
16 choice buy into the COS service. With the COS service
17 they would pay a basic flat monthly rate, and with
18 that flat monthly rate, they could make unlimited
19 calls into the target exchange. They could call
20 anyone in that exchange.

21 Okay. This could be fun. So they could
22 call anyone in the exchange and that would be
23 toll-free. Then anyone in the target exchange could
24 call the customer and that would also be toll-free.

25 However, if someone from the target exchange

1 wanted to call a non-customer from the petitioning
2 exchange, that would be a toll call. It's in red
3 because you don't want to do that if you can help it.
4 Nobody wants to pay the rates.

5 Does that make sense, how it works? And
6 this service is only available in the petitioning
7 exchange, so no one in the toll exchange can purchase
8 this service. A separate COS study would have to be
9 conducted to start the COS service to the petitioning
10 exchange.

11 I'm going to hit Tripp with one of these
12 before the day is over.

13 Okay. There is a slight difference between
14 standard COS and COS into a metropolitan exchange. On
15 your handouts, the easiest example to see of this is,
16 if you go down to the corner, there is a Springfield
17 exchange. It's one of the bigger exchanges in the
18 corner. If you go down about three or four exchanges
19 you see the Branson exchange. Note that the two
20 exchanges are not touching.

21 Okay. I want to give you another small
22 handout.

23 When you have COS into a municipal area, the
24 primary difference is that you may have access to
25 extra exchanges because in the municipal area you

1 won't get necessarily every exchange in between your
2 exchange and the municipal exchange, but you may get
3 access to other exchanges in the interim.

4 This is the city of Springfield. There is a
5 "C" in the center zone. The center zone would
6 represent Springfield's exchange itself. And in this
7 example, the exchanges with the "1" represent Tier 1
8 exchanges.

9 In the municipal example, if you were the
10 petitioning exchange, which would be Branson, Branson
11 would be able to call both the center exchange and the
12 Tier 1 exchanges. However, you have to note that if
13 there is any charge for the Branson exchange to call
14 into the Tier 1 exchanges -- or excuse me -- for the
15 Springfield to call into the Tier 1 exchanges, then
16 the Branson exchange would also have to pay those
17 extra charges.

18 So here you have the target exchange which
19 is your center exchange, and these are Tier 1
20 exchanges that are actually separate exchanges located
21 outside the center exchange.

22 The petitioning customer, if it purchased
23 COS, could make free calls to any of these exchanges.
24 The reason they can make those calls is because the
25 caller in the target exchange can call the toll -- the

1 T1 exchanges. That's generally considered an EAS
2 route, which was an extended area service offered in
3 similar call toll areas.

4 There is also similar areas in Kansas City
5 and St. Louis. The second sheet shows the Kansas City
6 area. And in Kansas City, it's my understanding that
7 if you are from an outside exchange and you buy the
8 service into Kansas City, you get the Kansas City
9 center zone plus Tier 1 and Tier 2 exchanges at
10 whatever additional rate the people in the Kansas City
11 rate -- or center zone would have to pay for access to
12 those.

13 This is wasteful.

14 Okay. Then it gets a little more
15 complicated when you get to the 800 service.

16 I really wonder where I keep sticking my
17 markers.

18 Oh, thanks. Oh, great. Thanks, Tripp.

19 Okay. The 800 service from the customer and
20 the petitioning exchange is exactly the same as
21 two-way COS. Again, we have our petitioning exchange
22 and our target exchange. You will have customers and
23 non-customers.

24 Okay. The customer can call -- as a two-way
25 COS they can call anyone in the target exchange, and

1 as usual the non-customer will have to pay. The
2 difference is that for the person to call into the
3 petitioning exchange customer free of charge they have
4 to use an 800 number. If they call without an 800
5 number, they pay the toll rate even though the
6 petitioning exchange person may be a customer of COS.

7 Similarly, if an outside exchange -- you
8 have someone from another exchange that calls in and
9 tries to use the 800 number, too bad. You have to pay
10 anyway because they are not part of the target
11 exchange. Does that make sense? Okay. I hope so.

12 Okay. Then things get incredibly
13 complicated when you get to reciprocal COS because
14 reciprocal COS you have to bring in the issue of both
15 customers and non-customers in both exchanges because
16 reciprocal COS your customer can make any call into
17 the target exchange toll-free; however, you cannot
18 call from the target exchange to the petitioning
19 exchange toll-free. You have to pay for those calls
20 yourself. However, it's reciprocal in that the people
21 in the target exchange can also subscribe to the
22 service, and that way if they want to pay, then they
23 can call either a customer or a non-customer in the
24 petitioning exchange.

25 Okay. This gets into some confusion when

1 you have an area that has the EAS with the expanded
2 calling area scopes, but I'm sure that will be
3 addressed in everyone's opening statements. But the
4 theory behind it is, say this has EAS services where
5 they have calling plans into the outside services, if
6 this customer purchases a COS route to this state,
7 technically it should also get access at whatever rate
8 a customer pays out into the expanded areas as well.

9 Have I lost everybody yet? They had to tell
10 me twice.

11 All right. Now, that's basically it.

12 Then when you get to one-way COS it's very
13 simple. You have your petitioning exchange and your
14 target exchange and you have your customer that can
15 call anywhere in the target exchange, has no impact on
16 the target exchange customer whatsoever. Any time
17 they call anyone, customer or non-customer, it doesn't
18 matter what number they use, they have to pay the toll
19 charges for those calls, and it's not reciprocal like
20 reciprocal one-way in that they don't automatically
21 get the opportunity to purchase COS back into the
22 petitioning exchange.

23 To have this exchange get an COS route back,
24 they have to go ahead and have their own calling usage
25 study to make sure that there is enough interest in

1 the Fulton exchange, in our example, wanting to call
2 Auxvasse to justify the service.

3 Okay. Hopefully, everyone is not completely
4 lost now. Hopefully, all of my papers aren't
5 completely lost.

6 Okay. And that's basically the different
7 COS options just from a technical standpoint that are
8 before the Commission.

9 As we get into the history, historically
10 calling within a commission -- excuse me -- a
11 customer's exchange was completed by switching
12 equipment that was actually located within that
13 exchange and any outside calling exchanges like from
14 one exchange to another required an operator to
15 connect the call. That was true whether they were
16 exchanges right next to each other or that were across
17 the state.

18 Interexchange service was provided as a flat
19 rate while the extra exchange service, or service
20 between exchanges, was done on a usage-sensitive toll
21 basis like we're used to today where you pay for every
22 outside call.

23 Due to the high cost of operator services
24 and the development of new technology at the time, it
25 became much more financially reasonable to offer

1 expanded calling areas in some of the areas where they
2 had high calling usage between close exchanges and
3 resulting from that a lot of the companies in the area
4 began putting in the equipment necessary to complete
5 those calls and offered them at a flat rate similar to
6 intra-exchange service.

7 Then new technology again messed everything
8 up with the advent of direct distance dialing
9 technologies in the late 1960s where you could bypass
10 the operator to make long distance phone calls. There
11 was no longer the financial incentive for the
12 companies to offer this expanded flat rate calling.

13 However, responding to strong customer
14 demand in areas with high calling volumes, many
15 telephone companies began offering a wide variety of
16 EAS plans, which, again, is extended area calling, in
17 several areas. However, a customer dissatisfaction
18 continued due in part to looking over the fence and
19 seeing different plans, different prices offered in
20 their neighboring exchanges.

21 Okay. Based upon customer demand for
22 continued extended area calling, the Commission
23 conducted and instigated several studies into the
24 process and different options.

25 The Commission finally established an

1 extended area service rule that set out the standard
2 to obtain EAS and how the service would be billed.
3 Unfortunately, early EAS didn't meet the customers'
4 needs for several reasons; including, among other
5 problems, that it was billed equally to every member
6 of the exchange regardless of their calling usage to
7 the other exchange.

8 Additionally, since the cost to offer EAS
9 was based on the direct cost to offer the service, it
10 varied from exchange to exchange, and, again, there
11 was a looking over the fence and seeing that your
12 neighbor in another exchange had a lower rate.

13 Further, since a vote of the customers in
14 the exchange was necessary since they were all going
15 to be billed to institute the service, very few
16 exchanges met the test because there were always
17 people within the exchange that weren't willing to pay
18 based upon the usage. And in several other areas, the
19 customers could agree that they wanted some type of
20 EAS service, but they generally couldn't agree on
21 which of their surrounding exchanges they wanted the
22 service to.

23 Then in Case No. TA-86-8 the Commission
24 determined that EAS was no longer in the public
25 interest and rescinded the EAS rules. The Commission

1 also ordered the trial on selected routes of a new
2 service -- or rather services that they called
3 extended measured services which offered an extended
4 calling option at a more user-sensitive rate in an
5 attempt to get away from the flat rate that had to be
6 voted on and charged to everyone within the exchange.

7 The Commission then initiated Case
8 No. TO-87-131 to evaluate the data on the EMS
9 experiment because EMS was initiated -- I don't
10 remember the exact number, but around 24 exchanges
11 where they did the survey to see what people's
12 interest was in the offering of the service on a
13 usage-sensitive basis.

14 In 1988 all of the primary toll carriers in
15 Missouri, secondary carriers and the Staff filed joint
16 agreements that were referred to collectively as the
17 PTC plan. The PTC plan was adopted by the Commission
18 to replace toll pooling which was then being utilized
19 by the primary toll carriers and all other carriers
20 for intercompany compensation.

21 Under the toll pooling all telephone
22 carriers put money into a joint pool that was then
23 withdrawn to cover their expenses. The PTC plan
24 established the use of access rates as the new
25 mechanism to determine the intercompany compensation

1 between the many carriers involved in a given area.

2 The switch to access rate as a mechanism for
3 intercompany compensation and the PTC plan paved the
4 way for the Commission to adopt COS in 1989. COS
5 would not exist today if it had not been for the PTC
6 plan.

7 At the time expended calling scopes were
8 being considered, not all LECs could technically
9 provide COS or any similar service between exchanges
10 and other local exchange companies couldn't provide
11 the service without building dedicated facilities or
12 devising a specialized database.

13 The PTC plan provided the avenue necessary
14 whereby the PTC carriers could handle the traffic
15 between the various exchanges.

16 Part of the problem was if you had a local
17 exchange company in one exchange, it would not have
18 the capacity to determine the cost of calls through
19 other exchanges, but the primary toll carrier, since
20 they technically, with the plan now, had access
21 charges to all different rates, they could just modify
22 their system a little bit to calculate the different
23 rates and get the compensation straight.

24 Early COS was more complex than it is today.
25 Initially if a route met the requirements for COS,

1 three COS options were required to be offered in the
2 petitioning exchange. They required one-way flat rate
3 COS, which was not reciprocal. Then they required a
4 two-way flat rate COS which could be substituted with
5 a one-way reciprocal COS service if there were not
6 the -- the technology didn't exist in those particular
7 exchanges to do the two-way COS. And they also had to
8 provide a \$4 flat rate plus a 50 percent discount COS
9 service.

10 Because the demand for COS was much higher
11 than anticipated, the Commission placed implementation
12 of the future COS routes on hold pending an analysis
13 of the actual cost of the process. The Commission
14 established a task force comprised of representatives
15 from the LECs, the interexchange carriers, the Public
16 Counsel, the Staff, the Commission and state
17 legislators.

18 The task force was to recommend a statewide
19 solution for the calling scope problems. Various
20 members of the task force ended up submitting four
21 separate proposals to the Commission.

22 The Commission established TO-92-306 to
23 review those proposals. Based upon its review, the
24 Commission revised the COS plan and determined that
25 COS should be offered as a two-way-only service and

1 that the pricing and cost mechanisms -- excuse me --
2 that the pricing and rates for COS would be changed to
3 reflect more the cost of the actual provision of the
4 service.

5 And that's basically how we get to the
6 two-way COS we have today.

7 ALJ ROBERTS: Thank you very much.

8 The traditional, or the planned order of
9 witnesses I've noticed -- and I hadn't caught this
10 before. I apologize. The order of witnesses which is
11 the order of opening statements that we've worked from
12 this morning is different than that which was in the
13 original Issues and Memorandum. I take it that we're
14 going with the new order. I haven't heard any
15 complaints in response to that.

16 That being the case, then opening statements
17 starting with Mid-Missouri Group.

18 And I don't know -- not that I need to do
19 this for Mr. Johnson, but for all of you, for all of
20 the attorneys, I'll remind you that -- slow down a
21 little bit for the court reporter since you know that
22 taking opening statements is a little harder than Q
23 and A.

24 MR. JOHNSON: Thank you.

25 ALJ ROBERTS: Thanks.

1 MR. JOHNSON: May it please the Commission?

2 My name is Craig Johnson. I represent the
3 Mid-Missouri Group of local exchange companies. There
4 is about 45 telephone companies, local exchange
5 telephone companies, in the state and approximately
6 40 of those, I would estimate, are what we call small
7 telephone companies. They primarily serve in rural
8 areas.

9 And between myself and Mr. England, we
10 represent those 40 small telephone companies. The
11 larger phone companies, the toll carriers and the
12 PTCs, Southwestern Bell, United and GTE, they have
13 separate attorneys here today.

14 Just to give you an idea of where my clients
15 are on this map, three of my larger clients in this
16 group of the eight companies that I represent would
17 include Chariton Valley, which is up around the
18 Moberly area and their exchanges are in green. The
19 Mid-Missouri Group is in and around the Boonville to
20 Marshall area, and their exchanges are in orange.
21 Some of their exchanges are down around Tipton as
22 well.

23 And then Northeast Missouri Rural Telephone
24 Company and Modern are in yellow, and they are
25 primarily up in the north part of the state around

1 Kirksville.

2 I would like to maybe get to give my
3 rendition of how we got to where we are today and try
4 to make it simple and quick.

5 Every company has one or more exchanges. An
6 exchange is where you live and usually the number --
7 the telephone number you have -- for example, if I'm
8 634, that's a number that's only available in
9 Jefferson City. And when you can make all of the
10 calls to that number, the 634 numbers in your
11 exchange, that's what we call a local call. And the
12 limits of the exchange are limited by the facilities
13 that serve that area and they come into a central
14 switch. Some companies have one exchange. Some
15 companies have many, many, many exchanges.

16 When you pay your local bill, you buy the
17 right for that month to make as many calls as you want
18 within your local exchange. An interexchange service
19 or a toll service or typically what we think of as a
20 one-plus call is where you make a call that goes to
21 another exchange. And as we all know, toll rates cost
22 you so much per minute and the rates change at night,
23 holidays, weekends and things of that nature.

24 What I would say happened to create the
25 pressures of the '70s and '80s that led the Commission

1 in the '90s to create COS is that in rural areas you
2 had school consolidations. At the same time commerce
3 gets focused in the larger towns, the county seats,
4 where traditionally the larger companies had come
5 first and they had provided service to those more
6 heavily populated areas. More and more commerce gets
7 there, more school business gets done there, more
8 educational things are done there.

9 But at the same time you have people that
10 don't want to necessarily live in Kirksville or a
11 Columbia or a St. Louis. They will move out in the
12 country, live in the bedroom communities which may be
13 in a different exchange. And so they, in moving
14 away -- Suzie may be going to school at a different
15 town than where they live or Mom and Dad may work in
16 Springfield, but the kids are back going to school in
17 a different town.

18 So when you get used to the great big
19 calling scope that you have for your local rates in
20 the city and then you move to a rural exchange, you
21 don't like the toll bill that you get. And so there
22 was pressure created on the Commission to solve this
23 problem because people who lived in the bedroom
24 communities wanted to have calling scopes that were
25 similar to flat-rate or toll-free calling scopes that

1 were similar to the ones that were enjoyed in the
2 metropolitan area.

3 And we've referred to this generally in the
4 past as looking over the fence. Just because I live a
5 mile from you, but I'm in a different exchange, the
6 same call I make to the same school is a toll call,
7 when where I used to live a mile down the road it's
8 free. So that is the essence, I think, of the
9 pressure that we see to create these extended calling
10 plans.

11 COS was created by the Commission finally in
12 1993. It went through several iterations. There was
13 EAS. There was EMS. There was COS-1. And now there
14 is COS. I want to confine by comments to COS as it
15 exists today because that's what the Commission is
16 confronted with today, is what changes, if any, that
17 need to be made to COS.

18 And I think, for an example, if you will
19 look at these exchanges, Pilot Grove has the -- I
20 mean, Mid-Missouri Telephone Company owns and operates
21 the Pilot Grove exchange which is about 15 miles from
22 Boonville. Boonville is a Southwestern Bell exchange.
23 I think Pilot Grove has got about 750 access lines.
24 Boonville probably has around 4,000.

25 It is an existing COS route, so the numbers

1 and the examples I'm giving you are something that
2 exists out there today.

3 Southwestern Bell offers COS service.
4 Because Southwestern Bell is a toll carrier it offers
5 toll to its exchanges, customers that live in its own
6 exchange, but it also offers toll to customers that
7 live in Mid-Missouri Telephone Company exchanges. So
8 it's a local carrier for its own exchanges; it's a
9 toll carrier for its own exchanges. In the small
10 company exchanges, we're the local carrier, but
11 Southwestern Bell or a PTC would be the toll carrier.

12 Southwestern Bell offers COS for \$16 a
13 month. That's the residential rate. And if you live
14 in Pilot Grove and you subscribe to that \$16, you get
15 the ability to call anybody in Boonville as much as
16 you want for that \$16 a month.

17 That is the originating direction or the
18 one-way. Pilot Grove petitioned for the service.
19 They had an adequate calling history of calls to
20 Boonville that they met the Commission's qualifying
21 criteria and so they became eligible for the service.
22 And not everybody in Pilot Grove has to buy it. Only
23 the ones that want it have to buy it.

24 Besides getting the one-way calling ability
25 to Boonville, the return-call feature, which is the

1 one that presents the complexities in this docket, is
2 the unique -- it's what makes this a two-way service.
3 Anybody with a phone in Boonville can call that
4 subscriber back in Pilot Grove, and it's also a
5 toll-free call. Even though these calls are dialed
6 one-plus, both of those types of calls are toll-free.

7 And the reason why they are toll-free is
8 that right now, before we get into the competition of
9 tomorrow, all of those calls that are dialed one-plus
10 are handled by the PTCs, and since they're on both the
11 originating end and they're on the return end, they
12 have the ability to screen out in their computer
13 systems calls to and -- well, the calls from Pilot
14 Grove to Boonville on the Pilot Grove customer are all
15 zero rated, so they get them all for that \$16. They
16 also are able to identify all of the subscribers in
17 Pilot Grove, so any call from Boonville back to those
18 subscribers is also zero rated.

19 The problem is when we go to presubscription
20 MCI, AT&T, Sprint, the other interexchange carriers by
21 federal law are going to get the ability for their
22 customers to make calls in these same areas using
23 one-plus as well. They won't have to dial ten triple
24 X or anything of that nature.

25 In the dockets of United and GTE, to adopt

1 their plan, they told the Commission that two-way COS
2 can't work anymore. New carriers are going to be
3 coming into the market. The AT&Ts and the Sprints and
4 the MCIs, they either don't have the ability or they
5 don't have the willingness to do all of this computer
6 work to allow these calls to be zero rated. And there
7 is a question as to whether you can force these new
8 companies in a competitive environment to offer these
9 services, so the two-way has to go.

10 When this commission opened this docket in
11 March, they opened the docket with a straw proposal
12 that was designed to test that theory. Does two-way
13 COS really have to go? And the straw proposal of the
14 Commission submitted here was let's look at whether we
15 can save COS, and there's going to be two alternatives
16 we want you to look at.

17 One is a one-way reciprocal, which
18 Ms. McGowan explained to you. The second one is, let's
19 have a two-way COS but instead of using the PTCs'
20 computer systems to provision the return call from
21 Boonville back to Pilot Grove, let's use it -- let's
22 examine using an 800 or an 888 number system whereby
23 the people in Pilot Grove would get an 800 number, and
24 then anybody in Boonville can call that 800 number and
25 have a toll-free call that way. The return call would

1 be just the same in scope. It would just be
2 provisioned by an 800 dialing number, as opposed to
3 dialing the old one-plus customer number in Pilot
4 Grove.

5 And my clients are here today because we
6 want COS preserved for our rural customers. It's not
7 a financial issue for us. Because of the way we're
8 compensated on access, return calls with the two-way
9 return calls do not generate additional money for us.
10 We are paid for those return calls as what we call
11 terminating access, and that does not generate
12 additional revenues for us.

13 We want this service to be there so our
14 rural subscribers are not what we -- are not deprived
15 of service. And without going overly much into all of
16 the regulatory history underlying universal service
17 principles, what I want to suggest to you all is that
18 when you make your decisions in this case, you need to
19 keep in mind that people that live in rural exchanges
20 that only have 750 lines they can reach for their
21 local bill that month, or even if they have COS into
22 Boonville and can reach another 4,000 there, for \$16 a
23 month plus their local bill, that's all they can reach
24 without having to make a toll call. So buying COS and
25 their local, they can get a scope of 4,700 access

1 lines.

2 Someone that lives in downtown St. Louis,
3 Springfield or Kansas City or Columbia, for their
4 local bill they can reach tens of thousands of
5 customers, hundreds of thousands of customers, and
6 with some of the other expanded calling services in
7 those areas, MCA service in the Springfield, Kansas
8 City and St. Louis areas, they even have more expanded
9 calling scopes.

10 When the Commission started this docket,
11 they put out a straw proposal, and about one-fourth of
12 the prefiled testimony in this case was directed to
13 the straw proposal. About three-fourths of it is
14 directed to what I would call secondary
15 considerations.

16 The Commission in the straw proposal was
17 saying let's look at one-way reciprocal, or the 800
18 database system said the straw proposal means let's
19 keep the service as a toll service and let's keep the
20 existing intercompany compensation mechanism. There
21 was wording in the order that allowed the parties to
22 address other topics which they have, but when I refer
23 to those as secondary topics, that's what I'm
24 referring to.

25 Primarily, the PTCs have come in and

1 suggested because of those secondary topics that COS
2 should be changed from a toll service to a local one.
3 They suggested the small companies should offer COS so
4 that Mid-Missouri should offer COS to the Pilot Grove
5 people for them to call to Boonville, and they
6 suggested that the intercompany compensation mechanism
7 be changed.

8 And one of the labels or the spins or the
9 spin doctoring that is being used here to justify
10 their position is the PTC kept saying, "You small
11 companies just want us to serve your customers, and
12 why don't you step up to the plate and serve your
13 own?" Great spin, but the fact is that for purposes
14 of toll and interexchange calling, for decades our
15 customers have two relationships. We are their local
16 service provider and the PTCs are their toll service
17 provider, and there are reasons for that, and I'm
18 going to get into them now.

19 Both the state law that was passed last year
20 and the federal law that was passed last year both
21 have as a primary purpose in them a preserving of
22 parity between rural and urban areas both in terms of
23 services that are available in rural and urban areas
24 as well as the prices for those services. And both
25 the state and federal laws require or at least have a

1 presumption in favor of what we call geographical
2 averaging.

3 And in the past, and under these new laws
4 that's supposed to continue in the future the policy
5 is to promote geographical averaging. Geographical
6 averaging is a concept that requires statewide
7 carriers with a statewide presence to, number one,
8 offer their services on a statewide basis, and, number
9 two, to price them the same on a statewide basis.

10 It is only when these large carriers with
11 large amounts of traffic volumes and large numbers of
12 customers do that that prices for toll are kept the
13 same in rural and urban areas, and the reason why the
14 large companies do that is because only they are the
15 ones that have the power to do real geographic
16 averaging.

17 The 40 companies that are represented by
18 Mr. England and myself only serve about 150,000
19 customers or access lines in this state. The PTCs
20 have about 3 1/2 million. So when it comes to looking
21 at the power to promote this parity of rural and urban
22 areas, it's a power that solely lies in their hands.
23 If they come to you and ask us to offer all of the
24 toll services that are currently being offered to our
25 customers, we don't have the amounts of traffic, the

1 volumes of traffic or the number of minutes to be able
2 to bring forth our prices in the rural areas to be
3 comparable to those in the urban areas.

4 So I would ask you when you're looking at
5 these issues to confine yourself to the straw proposal
6 in this case and to not get drawn off into the
7 secondary issues, because I think there is another
8 docket pending where we're going to have to get into
9 those issues and that docket is the one that's looking
10 at the continuity or the continuation or the
11 elimination of the PTC plan.

12 I don't have the data available in this
13 docket to take a realistic look at whether we should
14 be taking over toll services in our exchanges or
15 whether the PTC plan company compensation mechanism
16 should be changed. That data is going to be massive.
17 You've got another docket that's going to be running
18 until the fall, the PTC plan docket, and that would be
19 the better place to do it. I think when you opened
20 this docket in March, you intended it to be closed in
21 time to get an order out to coincide with the
22 presubscription which is going to be taking place in
23 the GTE and United exchanges, I believe, in August.

24 So I would suggest to you that from our
25 interest in trying to preserve two-way COS for our

1 rural customers, we want you to take a serious look at
2 the 800 database service method of keeping the return
3 call service intact. In the United case, Southwestern
4 Bell suggested in their testimony that that was
5 probably the most viable service, but now they've
6 prefiled testimony that says they don't have enough
7 800 numbers or 888 numbers being assigned on a regular
8 basis to be able to do that.

9 I would ask you to really look at that
10 testimony, look at the numbers, and keep in mind how
11 conversions would be sequential and not all of those
12 changes would go at once and explore whether there can
13 be sufficient 800 database numbers made available.
14 And I'd also ask you to remember your status as a
15 commission gives you certain prerogatives with the
16 numbering administrators that may or may not be of
17 assistance in this case. I don't think it's fair that
18 the carriers should have their allocated numbers
19 depleted in order to provision 800 or 888, and it
20 could be that for this task an unassigned block of
21 numbers could be dedicated.

22 Is two-way COS important? I think the
23 answer to that is yes when you look at your rural
24 customer for all of the reasons I've told you as to
25 what COS affords them, that one-plus toll does not.

1 And when you look at the data in this docket about how
2 much people are actually using that return call, when
3 people that live in Pilot Grove are at work and
4 they're calling back to their families, they're
5 calling back to check their schools, they're calling
6 back to check their doctors or churches or whatnot or
7 even if they're in -- when you look at that data in
8 our exchanges, the return calling traffic in some
9 cases exceeds the amount of the one-way traffic going
10 from Pilot Grove to Boonville.

11 So in conclusion we would ask you to retain
12 the two-way COS so that we can keep some semblance to
13 parity in rural Missouri, and we would ask you at this
14 time to reject any proposed system change in toll
15 classification or the intercompany compensation, and
16 we would suggest to you that if you start doing that
17 now, you're going to be leading us down a path that's
18 going to make rural consumers second-class phone
19 citizens, which we don't want. Thank you.

20 ALJ ROBERTS: Thank you.

21 Small Telephone Group?

22 MR. ENGLAND: Thank you.

23 May it please the Commission?

24 My name is Tripp England. I represent the
25 Small Telephone Company Group, and I think as Craig

1 explained to you the Small Telephone Company Group and
2 the Mid-Missouri Telephone Company Group make up a
3 number of small local exchange incumbent telephone
4 companies that serve primarily the rural areas of this
5 state, and as Craig also told you, although we only
6 serve 150,000 access lines of the total 3 1/2
7 million-plus lines in the state, we serve a
8 significant geographic area.

9 And if I can use the MTA map, because I'm
10 better with the colors on this map than I am on the
11 one that Ms. McGowan handed out to you, the exchanges
12 that the small telephone companies serve are those
13 exchanges that aren't in red, that aren't in light
14 blue, and that aren't in purple. And that's a
15 significant amount of territory in the state, and as
16 you can imagine, 150,000 access lines spread over
17 those areas creates, as they say, low density, high
18 cost.

19 Both Ms. McGowan and Mr. Johnson have talked
20 about some of the history, some of the various
21 expanded calling plans this commission has dealt with,
22 has implemented, to get us where we are today, and
23 without belaboring the point, I would like to make a
24 couple of points.

25 Prior to 1986, expended calling was

1 primarily handled through extended area service, or
2 EAS. Between 1986 and roughly 1990, this commission
3 enacted an experimental service that Ms. McGowan told
4 you about known as Extended Measured Service.

5 In 1990 this commission established the
6 first version of COS. And, again, as Ms. McGowan told
7 you, there were three versions. There was a
8 discounted toll version, there was a one-way version,
9 and there was a two-way version.

10 In 1993 the Commission revised COS, but
11 significantly it also implemented for the first time
12 two additional services known as Metropolitan Calling
13 Area, or MCA, and Outstate Calling Area, or OCA.

14 The MCA service serves predominantly the
15 three large metropolitan areas in the state, St.
16 Louis, Kansas City and Springfield, Missouri. It is a
17 flat rated services. It is optional, as Ms. McGowan
18 told you, in some of the outer tiers. It is mandatory
19 in the inner tiers of those metropolitan areas.

20 The OCA is a radius-type planning in that
21 the customer can choose to call an exchange within a
22 23-mile radius and can receive discounts on their toll
23 calling to those areas by purchasing two blocks of
24 time. I think it's three and five hours. Usage over
25 those blocks of time are rated -- are measured and

1 billed on a measured basis at either toll rates or
2 something less than toll rates.

3 And, finally, the Commission revised COS as
4 it had previously implemented it and simply offered it
5 as a two-way service because in large measure MCA
6 service took care of a significant amount of calling
7 needs in the metropolitan areas and OCA took care of a
8 significant amount of the needs to call in a one-way
9 direction.

10 In the testimony, I believe, of Southwestern
11 Bell witness Ms. Bourneuf, she notes that prior to
12 implementation of the two-way only COS there were
13 48,000 two-way COS subscribers. Today there are
14 18,000. That gives you an idea of the impact that MCA
15 and OCA had on the calling needs of a number of
16 customers in the state.

17 Let me also recap as far as the primary toll
18 carrier, or PTC plan, is concerned. When the
19 Commission revisited COS in 1993, it determined that
20 COS would be a toll service -- Mr. Johnson told you
21 that -- that it would be tariffed by the toll
22 providers, the PTCs, that's Southwestern Bell, United
23 and GTE and Fidelity; that the primary toll carriers
24 would pay to secondary carriers access charges on
25 those COS calls, even though COS was a flat rated

1 calling services to the end user.

2 The Commission also acknowledged at that
3 time, and I think it's significant because it seems to
4 be lost in the testimony, that because COS was a flat
5 rated service, because the PTCs would be required to
6 pay usage-based access rates to the underlying or
7 secondary carriers, that it was likely that the PTCs
8 would experience revenue losses. In other words, the
9 revenues the PTCs received from COS would be less than
10 the access expense they actually had to pay to
11 underlying or secondary carriers.

12 As a result, in 1993 the Commission
13 authorized or allowed primary toll carriers to
14 implement revenue-neutral adjustments to their
15 tariffs. What that means is they were allowed to
16 increase rates for other services, usually what I
17 called discretionary-type service, maybe touch tone,
18 custom-calling features, directory listings, things of
19 that nature, but allowed rate increases commensurate
20 or simultaneous with the implementation of COS so that
21 the PTC would be made whole for the revenue loss they
22 would experience in providing COS.

23 Now, it's no secret that the PTCs are losing
24 money today and that money loss has grown as a result
25 of the stimulation or the growth in usage of COS as

1 well as the growth in COS routes that exist today that
2 did not exist in 1993. But the fact of the matter is,
3 when it was established, everyone knew that COS was a
4 money loser. Nevertheless, the Commission determined
5 that it was an appropriate and valuable service that
6 needed to be provided and it made at that time
7 adjustments to offset the losses that would be
8 anticipated with that service.

9 The previous opening statements have talked
10 about the impact of presubscription. Well,
11 presubscription means that customers now have the
12 ability to choose their intraLATA carrier, the one
13 carrier they want to contact, or they want to carry
14 their intraLATA toll calling on a one-plus dialed
15 basis. They can't do that today.

16 One of the premises or underlying
17 assumptions in the primary toll carrier plan when it
18 was enacted in 1988 was that the primary toll carrier
19 would receive all of the one-plus intraLATA toll
20 calling emanating from these secondary exchanges.
21 Similarly, the obligation on the secondary carriers
22 was to deliver to its primary toll carrier all
23 one-plus dialed intraLATA traffic.

24 Well, that paradigm has been changed. Now
25 we have intraLATA presubscription, or are about to

1 have it, for the intraLATA calling jurisdiction and
2 that means carriers such as AT&T, MCI, Sprint and the
3 members of CompTel can carry that traffic, but those
4 carriers were not mandated by this commission back in
5 1993 to provide COS.

6 So as Mr. Johnson said, there is a threshold
7 question whether or not you were going to require all
8 interexchange carriers to provide this service,
9 whether you were going to require any carriers to
10 provide this service in a competitive environment,
11 and even if you get to the point where you want to
12 maintain this service as much as possible,
13 particularly the two-way version, you have to ask
14 yourselves whether or not you can mandate that all
15 carriers provide this service, because the way it is
16 configured today through the billing system adjustment
17 that Mr. Johnson mentioned, it is downright difficult,
18 if not impossible, for the companies to exchange all
19 of the data necessary to make the necessary billing
20 system adjustments between all of the billing systems
21 of the carriers so that that end user who has
22 subscribed to COS will have the toll call erased from
23 his bill, or more difficultly, if that's the right
24 word, to have the toll call from the target exchange
25 customer who called the COS customer in the

1 petitioning exchange erased from his bill.

2 I think this commission has determined that
3 that billing system adjustment is just not going to
4 work in a competitive environment, and as a result, it
5 proposed some straw proposals in this case to get
6 around that problem. And as I understand and read the
7 Commission's order, we were required to address three
8 different scenarios. One is a one-way-only COS, and
9 Ms. McGowan talked about that. Another is a one-way
10 reciprocal, and, again, Ms. McGowan talked about that,
11 and I'm not even going to try to compete with that,
12 because she's absolutely right, it's a difficult
13 concept to understand, but essentially it means that
14 customers in the target exchange can buy COS back to
15 the petitioning exchange. And then, finally, the
16 third alternative is to try to maintain as much of the
17 two-way feature as possible by provisioning it over
18 800, 888 or similar toll-free calling numbers.

19 Our preference, of course, as is stated in
20 our testimony, is to maintain the two-way feature as
21 much as possible. We think it's a valuable service
22 that our customers not only want but have utilized and
23 is appropriate at least insofar as outstate expanded
24 calling services is concerned.

25 Now, the one feature about any one of the

1 three scenarios, or straw proposals, that the
2 Commission has proposed is that any one of them can be
3 implemented without much change, without much
4 adjustment to the primary toll carrier plan.

5 What else you have going on in this docket
6 is proposals by some parties to, in our opinion,
7 expand the scope of this proceeding, take on a rather
8 overly ambitious review or referendum of intercompany
9 compensation, the way in which the companies
10 compensate themselves for these calls. Several
11 parties have suggested that we classify COS not as
12 toll but as local, and that, in turn, precipitates a
13 complete review of how are the companies going to
14 compensate each other in a local environment as
15 opposed to a toll environment.

16 We don't do that today. We don't compensate
17 each other for COS or any other interexchange calling
18 as a local service.

19 Those parties that have suggested that this
20 be classified as local do not suggest how to do that,
21 and Mr. Schoonmaker has three to four pages of
22 testimony in his surrebuttal testimony that explains
23 the difficulties in the administrative issues involved
24 with converting toll to local, the billing problems
25 associated with converting toll to local, and the

1 networking problems of converting toll to local, but
2 no party who advocates a conversion of this or
3 reclassification to local tells you how to do it.

4 They also don't tell you how much it's going
5 to cost, and believe me, it's going to cost. Again,
6 Mr. Schoonmaker has tried to make an estimate based on
7 one proposal, that being Southwestern Bell's proposal,
8 and it includes some assumptions that quite frankly
9 we're not very comfortable with but in an effort to
10 provide some parameters to this proposal we felt we
11 had to make. One is we assumed two-way CO-- well,
12 excuse me.

13 The first is we assumed COS will be called
14 local. Next we assumed that it will be two-way. I'm
15 not sure that's a valid assumption. Most importantly,
16 it assumes that calling from the return exchange or
17 the target exchange to the petitioning exchange is
18 going to be equal with that from the petitioning
19 exchange to the target exchange. Again, I'm not sure
20 that's a valid assumption because when you begin to
21 charge people in the target exchange for that return
22 call feature, I'm not sure as many people will
23 subscribe to that service as they will from the
24 petitioning exchange to the target exchange.

25 Nevertheless, those reservations about our

1 assumptions aside, Mr. Schoonmaker has calculated a
2 \$2.7 million revenue shift from Southwestern Bell
3 Telephone Company to the local or small local exchange
4 companies.

5 No other party -- significantly no other
6 party that proposes this classification even attempts
7 to put a number or a cost figure with this proposal,
8 so I submit to you that without the cost data
9 necessary to make a decision, without the explanation
10 of how we're going to administer this, how are we
11 going to bill this and how are we going to network
12 this, and taking into consideration that it took us
13 ten years and three generic dockets to get where we
14 are today, to simply convert COS from toll to local
15 and implement a new compensation mechanism is not
16 something we are going to do in the near term. And if
17 this commission is interested in rolling out intraLATA
18 presubscription as quickly as possible, I don't
19 believe that's the way to do it.

20 The good news is that this commission has
21 undertaken a complete review of the PTC plan, the
22 issue of intercompany compensation in another docket
23 that currently pends before this commission. That, in
24 our opinion, is the place to get into intercompany
25 compensation, classification of local versus toll and

1 things of that nature.

2 Let me conclude my remarks by talking about
3 the internet and its use of COS, or the use by internet
4 service providers, some of which are our clients
5 either on their own or through an affiliate utilizing
6 COS. And if I may, I'm going to try to use at least
7 the diagram that Cherlyn has put up here for you-all.

8 What has happened is that rural telephone
9 companies, as are all telephone companies, are under
10 a great deal of pressure from federal, state, local
11 government agencies, educational institutions, medical
12 people and medical facilities to provide internet
13 services not just to the metropolitan areas but the
14 rural areas.

15 Small telephone companies have attempted to
16 do that and have established points of presence in
17 their exchanges so that their customers can call a
18 local number in their exchange and access the
19 internet. Once they did that, they found that
20 customers in the target exchange, if they had a COS
21 route, were also interested in accessing the internet
22 but to do so would require them to dial and make a
23 toll call.

24 They asked our companies if they could
25 provision internet service on a toll-free basis in

1 their exchanges, and we did, and it's no secret. It's
2 in the pleadings. We did it by subscribing to COS in
3 the petitioning exchange, establishing a modem pool
4 here, allowing people in the target exchange to call
5 back on a toll-free basis to access that modem pool.

6 Now, the interesting thing here is the
7 people that are crying foul about how we've
8 provisioned that internet service in some instances
9 are the same people, the same companies, that served
10 this target exchange.

11 For example, Kirksville, Missouri, a
12 Southwestern Bell Telephone Company exchange, neither
13 Southwestern Bell nor any other independent internet
14 service provider had established a point of presence
15 in the Kirksville exchange. Otherwise these people
16 would have been able to access that through a local
17 call. Instead, via the COS route from the Mark
18 Twain/Hurdland exchange to Kirksville, these people
19 were able on the return to access the internet modem
20 pool in Hurdland.

21 The irony here is the reason we put it in
22 this exchange is the telephone company serving that
23 exchange would not provide it nor would any other
24 internet service provider, and why not, because it
25 costs money to do that. Establishing data links

1 connecting this with the internet is not a cheap
2 process. And the parties that suggest to you that
3 we're doing this to make money are dead wrong. It's a
4 public service, and it's not a moneymaker.

5 And another reason it's not a moneymaker, so
6 I can dispel any fears that were somehow gaming the
7 system and making money on the return call here, every
8 single secondary carrier in this state charges its
9 primary toll carrier on what is known as a
10 terminating-to-originating ratio. That means that for
11 every minute originating in the petitioning exchange
12 that minute is recorded and access is paid on it. But
13 for every minute that terminates in that exchange
14 there is no recording and there is no payment.

15 What this petitioning exchange refers is an
16 amount of access charges based upon the originating
17 calling. So let's say, for example, that the
18 terminating-to-originating ratio was one to one, and
19 if 100,000 access minutes are generated in the
20 petitioning exchange, then we assume 100,000 minutes
21 are terminating in the petitioning exchange.
22 Regardless of whether it's actually 80,000 or 120,000,
23 there is no payment based on actual terminating
24 minutes.

25 What is happening with this internet

1 provider is that there is no originating calling. The
2 modem pool isn't generating any calls. This modem
3 pool is simply receiving calls so that every call,
4 every minute that's coming back this way is not being
5 paid for, and that's fine. That's the way the T/O
6 ratio works. But to suggest that somehow we're making
7 out like bandits on terminating access rates is simply
8 not true. There is no payment going back.

9 To also assume that if we hadn't established
10 that link via the COS line and assume that people in
11 the target exchange would pay toll rates to access
12 that internet provider is also an invalid assumption.
13 That's dead wrong.

14 Now, some parties have argued that COS was
15 never intended for this type of internet service. I
16 agree. COS was created, at least initially in 1989,
17 or revised in 1993, at a time when internet service as
18 we now know it rarely, if at all, existed. So nobody
19 knew at the point in time it was created that internet
20 service could be provisioned in this fashion. So it
21 was never discussed. It was never included or
22 specifically excluded from COS.

23 Parties argue that it's a violation of a
24 tariff prohibition against resale. It's not resale.
25 That internet service provider is no different than a

1 law firm, a car dealer, a retailer in the petitioning
2 exchange who utilizes COS to expand its market into
3 the target exchange so customers here can call back.

4 Let me also say another thing: I mean,
5 internet, I believe this commission has determined, is
6 not a telecommunication service. At least you've
7 dismissed one complaint involving America On Line, and
8 to the best of my knowledge no carrier tariffs
9 internet service in this state. That's consistent
10 with the federal statutes, by the way. And that's
11 cited in Bob Schoonmaker's rebuttal or -- and/or
12 surrebuttal testimony. Internet services are not
13 telecommunication services. They are not regulated.

14 Finally, the resale argument has become a
15 real red herring because everyone has conceded in the
16 hearing memorandum, the issues memorandum, that you
17 can't prohibit resale in any way in light of the
18 Telecommunications Act. So that's really a moot
19 point.

20 But I submit that even if it was a viable
21 point, it isn't resale. It isn't sharing. For
22 customers in the target exchange to call back to
23 access the internet is no more sharing than for
24 customers in the target exchange to call their car
25 dealer in the petitioning exchange to find out prices

1 of a car and/or availability of cars or things of that
2 nature, or to call their lawyer, their doctor or
3 what-have you. It is available to the universe in the
4 target exchange for calling back to the petitioning
5 exchange.

6 Some parties argue that it's aggregation.
7 There is a definition of aggregation in your statutes.
8 I don't believe it fits. More importantly, check the
9 COS tariff. There is no prohibition against
10 aggregation. There is in the designated number
11 tariff, but there is no prohibition in the COS tariff
12 against aggregation.

13 Others argue that the trunk-hunting
14 arrangement where calls coming back to the petitioning
15 exchange if its busy on the first line hunts to
16 another line to another line to another line is
17 prohibited. Check the tariff. There is no
18 prohibition against COS on trunk-hunting lines, some
19 or all. There is on the MCA tariff a tariff that was
20 developed and implemented at the same time as the COS
21 tariff, but for some reason there is no specific
22 prohibition or discussion of trunk hunting in the COS
23 tariff as there is in the MCA tariff.

24 This is not a violation of the tariff. It
25 is certainly not the clear violation that some have

1 argued. It's an effort by small telephone companies
2 to provide internet service to their customers and
3 others located in communities in and around them. And
4 I think it was in Mr. Godfrey's testimony who stated
5 if this commission however determines that that's not
6 an appropriate use of COS, we'll stop. But we don't
7 think we did anything wrong and we don't think it's
8 prohibited by the existing tariffs and we think what
9 we're doing has provided a valuable public service to
10 our people. And, more importantly, we haven't made a
11 killing doing it.

12 Thank you very much.

13 ALJ ROBERTS: Thank you.

14 We're obviously in the lunch hour. It's ten
15 after 12:00 by the clock in the back of the room, and
16 I think it's probably a good time to go ahead and
17 break.

18 Mr. Dandino, unless you think your opening
19 statement is five, seven minutes -- I don't want to
20 rush you. I'll give you the time you need, but I
21 don't want to go too far into the lunch hour.

22 MR. DANDINO: I've got probably about ten
23 minutes.

24 ALJ ROBERTS: That's ten lawyer minutes. I
25 think we might as well go ahead --

1 MR. DANDINO: Whatever your pleasure is.

2 ALJ ROBERTS: I think we might as well go
3 ahead and break and come back here at 1:15.

4 Off the record, please.

5 (A recess was taken.)

6 ALJ ROBERTS: Back on the record, please.

7 Good afternoon, ladies and gentlemen. We
8 are back on the record for the afternoon session of
9 today's hearing.

10 We were just about to proceed with the
11 opening statement from the Office of the Public
12 Counsel.

13 Mr. Dandino, would you like to proceed?

14 MR. DANDINO: Thank you, your Honor.

15 ALJ ROBERTS: Thank you.

16 MR. DANDINO: May it please the commission?

17 This morning you heard Mr. England and
18 Mr. Johnson and Ms. McGowan speak about the history of
19 COS, and in that I noticed that they talked that COS
20 was developed because of customer demand, customer
21 needs. The Office of the Public Counsel is here to
22 tell you that the customer needs and the customer
23 demands and the customer wants -- still wants COS,
24 two-way COS. They want reasonable and affordable
25 prices.

1 They are not too concerned whether you call
2 it toll or whether you call it local service. They
3 want the bottom line results.

4 I think we're looking at revisiting COS
5 obviously from the intraLATA presubscription which
6 stems from the Telecommunication Act of 1996 and
7 Senate Bill 507. And a theme that this commission and
8 everyone in this office has heard me say for the
9 Office of the Public Counsel and are probably rolling
10 their eyes when I say it every time, but the Federal
11 Telecommunication Act made a promise with the
12 consumers, the General Assembly made a promise with
13 the consumers, a covenant with the consumers, and that
14 was the promise of competition, was to lower prices,
15 better service and more choices. That is what the
16 customers, that is what the people of the state of
17 Missouri, want from COS.

18 This was made in exchange for a substantial
19 deregulation of the telephone industry. The
20 Commission has a duty to keep this promise, to fulfill
21 this covenant. The credo of the medical profession is
22 "Above all, do no evil." Here we want to say above
23 all, the consumers should be no worse off than they
24 were under the rate of return regulation prior to
25 competition. We think that this standard that the

1 consumer should be no worse off should be the standard
2 of performance when you're looking at COS or any other
3 suggestions for service.

4 That should be the goal of the public
5 interest and sound public policy.

6 I think the testimony of Mr. Jones, Barbara
7 Meisenheimer and others indicate that COS is a very
8 popular service and I think it's in the public
9 interest to maintain this -- a two-way COS at
10 reasonable and affordable prices until such time as
11 competition develops to provide a suitable substitute
12 service.

13 So right now we're at a situation where when
14 we have full competition, we're going to hopefully
15 have competitors offering other services which will
16 substitute for COS, and we have -- today we have just
17 the beginnings of competition. We're in between that
18 time, how to get from the beginning of competition and
19 COS until we get to the actual full-blown competition
20 where you're going to have some service offerings.
21 That road is something that I think the Commission is
22 struggling with now and the Office of the Public
23 Counsel wishes to make a suggestion on.

24 As of right this moment we see that the best
25 alternative for COS is to maintain the current system.

1 We think it is probably doing the best job possible.
2 Using the 800 numbers seems to be a reasonable
3 response. We did raise some questions, some
4 reservations about the 800 series: use of the 800
5 numbers or the 888 primarily because a problem once
6 again of exhausting those numbers. There is also
7 always a problem about identifying an 800 number which
8 could result in toll charges. But I think primarily
9 this office is looking to any way we can maintain COS
10 as a two-way service we would support.

11 In Barbara Meisenheimer's testimony, she's
12 offered kind of a plan for consideration of this
13 commission and the industry as a -- mainly as a
14 transitional plan on how do we get to the ultimate
15 competitive environment. That plan as she'll freely
16 admit is not exactly a perfect plan, about what -- it
17 was developed with the idea that she was looking at it
18 from the consumer's point of view, from the customer's
19 point of view, where the customers are being able to
20 maintain this two-way service and without regard to
21 how it was characterized.

22 She termed it that perhaps we ought to
23 consider it as a local service, mostly in terms of a
24 local service because of the uncertainty in the PTC
25 plan and because perhaps in some way it can be used

1 as -- to allow the rural areas to qualify for some
2 high-cost funds under the universal service.

3 I don't believe that -- the elimination of
4 two-way COS, I think, would violate the promise and
5 the covenant that this commission needs to enforce. I
6 think that it will have a negative impact on the
7 consumer.

8 In any event, whatever this commission does,
9 I believe that they should take an extensive public
10 relations effort to explain its decision to the public
11 and in those areas affected by COS to hold public
12 hearings.

13 Now, in some of the testimony we may have
14 caused some concern when it was said that we implied
15 that the exchange boundaries need to be rethought.
16 Obviously, we're not thinking in terms of such a
17 drastic move, but what we were trying to suggest is
18 that the same way this competition has brought a new
19 era, we think that we need to be rethinking the same
20 calling scopes, maybe the same boundaries, boundary
21 lines in effect, if not exactly -- if not physically.

22 We realize that we have a conflict between
23 the architecture of the telecommunications system and
24 the needs and desires of the customers. The question
25 is how to mesh those together. Right now the

1 exchanges mean very little to the customers. They
2 don't see what the exchange boundaries are. I don't
3 think they really understand them. And trying to
4 explain to them, all they understand is the community
5 of interest, I think.

6 I think finally, just to summarize the
7 Office of the Public Counsel's position, in the middle
8 of June I received a letter from a William Davis in
9 Lebanon, Missouri, and he talks about reading an
10 article in the Lebanon Daily Record about the COS
11 system. I just want to -- there is just a few lines
12 here, and I think it's a good summary of our position.

13 "I'm opposed to any changes. We are on a
14 fixed income and have two children that live outside
15 the Lebanon phone area. COS lets us talk to them as
16 needed for a reasonable charge. When phone companies
17 want changes it usually is an end around to higher
18 costs and less service. I well remember when sugar
19 was five pounds and went to four pounds and the price
20 stayed the same. Coffee was one pound, now 11 to 13
21 ounces and costs more."

22 I think that's essentially what we're
23 looking at. We want to maintain the covenant with the
24 people of less prices or lower prices, better service
25 and more choices. Thank you.

1 ALJ ROBERTS: Thank you.

2 CompTel?

3 MR. ANGSTEAD: Thank you, your Honor.

4 May it please the Commission?

5 My name is Rob Angstead. I am an attorney
6 with the law firm of Newman, Comley and Ruth here in
7 Jefferson City, and we are here on behalf of CompTel,
8 Missouri, which is a trade association composed of
9 several small interexchange carriers, or IXCs, who are
10 headquartered or serve large customer bases in
11 Missouri. Two of the members of CompTel serve a large
12 majority of the state, WorldCom and CGI. And then
13 there are three regional members, Dial US, which has a
14 presence in the southwest part of the state; LDD,
15 which has a presence in the southeast part of the
16 state and is headquartered in Cape Girardeau; Value
17 Line of St. Joe, which has a presence in the northwest
18 part of the state; and then the last member of CompTel
19 is CNI, which provides services to other carriers and
20 has a presence in the southeast part of the state.

21 The Commission carefully outlined in its
22 order establishing this docket the issues that it
23 wanted addressed in the testimony. And, initially, I
24 want to point out to the Commission that CompTel
25 respects the choice of issues that were listed in the

1 order; however, community optional service is and has
2 historically been an object of intense dislike for
3 CompTel. And CompTel is taking another opportunity on
4 this occasion to advocate the elimination of COS in
5 its present form. CompTel did not ignore the
6 instructions of the Commission; however, it did
7 address the other issue contained in the order
8 establishing the docket.

9 CompTel's witness in this proceeding is
10 Mr. Michael Ensrud and he essentially divided his
11 direct testimony into two parts: one which discussed
12 the failings of COS and an alternative quasi local
13 service that CompTel could tolerate, and then,
14 secondly, a part devoted to the five or six questions
15 asked by the Commission.

16 Here is what CompTel expects the evidence in
17 this proceeding to show: As Ms. McGowan, Mr. Johnson
18 and Mr. England and Mr. Dandino have explained, COS is
19 a service by which a person in the petitioning
20 exchange can call all of the telephone subscribers in
21 the designated exchange or targeted exchange for a
22 flat rate. That same person can receive calls from
23 subscribers in the targeted exchange under the present
24 COS.

25 If this service was not available, callers

1 would use the competitive toll network and pay the
2 applicable toll charges for these calls. Even without
3 COS the customer would have a choice between a number
4 of normal toll services offered by various carriers.
5 However, the customer's choice would be limited to the
6 services that are economically viable in a competitive
7 environment.

8 COS is not an economically viable service in
9 a competitive environment. Despite its pleasant
10 appearance, particularly to the subscriber, COS in
11 reality detrimentally affects two groups that are
12 large players in this industry: one, other customers
13 and subscribers to telephone service, and, two,
14 interexchange carriers who watch as traffic they would
15 otherwise handle is diverted to local exchange
16 companies.

17 If the carrier tries to reclaim that lost
18 customer, it does so in the presence of a subsidized
19 rate for COS service. The situation is patently
20 inconsistent with the spirit of competition, now made
21 a matter of law under the Federal Telecommunications
22 Act of 1996.

23 COS is not alone in causing this effect.
24 Other COS-like services pose similar threats, and they
25 include the out-state calling area, metropolitan

1 calling area and extended area service plans. CompTel
2 has no affection for any of these plans either. The
3 subscribers who utilize these services all have one
4 thing in common: They will pay less for these
5 services than they would pay for toll service.

6 The problem is that in many cases somewhere
7 someone is paying the difference between the toll
8 charge and the charge for COS or COS-like service.
9 Much is said about the fact that these services are
10 optional, but very little is said about the fact that
11 in many cases these services are subsidized.

12 COS and its cousins take traffic from
13 interexchange carriers. CompTel members offer their
14 services in secondary markets, and it is there where
15 COS and competitive intraLATA toll services coincide.
16 CompTel members admittedly serve a small share of the
17 intraLATA market. The lack of one-plus intraLATA
18 dealing parity has limited carrier market penetration.

19 The provision of dialers by CompTel members
20 to our customers has somewhat overcome the dialing
21 disparities present in the intraLATA market.
22 Therefore, the COS conversions that have already
23 taken place have deprived CompTel members of a
24 disproportionately larger percentage of traffic that
25 traffic lost by large carriers who have abandoned the

1 use of the dialers.

2 Likewise, further COS expansion will
3 disproportionately harm CompTel members vis-a-vis the
4 large carriers. In other words, CompTel members have
5 some traffic today, but that share will grow smaller
6 and smaller as COS continues or enlarges.

7 Mr. Ensrud also discusses the discriminatory
8 effect of flat-rated service and the likelihood the
9 cost of access will eventually exceed the charge for
10 COS. The very real prospect of losing money if a
11 carrier was to attempt to duplicate COS has resulted
12 in CompTel members relinquishing traffic once COS
13 becomes a customer's option.

14 It is unrealistic to expect a competitive
15 provider to attempt to respond to a heavily subsidized
16 service offered by another. This is especially true
17 if the source of subsidy is not available to all of
18 the providers. This has anti-competitive effects that
19 this commission can overcome.

20 If nothing else, this commission should
21 alleviate the anti-competitive effects caused by this
22 service. It can do so in two ways. First, the rate
23 for COS should be priced to reflect underlying costs.
24 Second, the Commission should allow carriers to resell
25 COS and like services.

1 CompTel also proposes that the Commission
2 eliminate COS as it is now and replace it with a
3 system that makes an exchange-wide conversion to COS
4 rather than allowing just a few customers to be
5 converted in an exchange. Furthermore, the flat-rated
6 price for COS, even in the exchange-wide conversion
7 plan must cover the underlying cost of that service.

8 Mr. Ensrud sets out the particulars of the
9 alternative to COS on Page 9 of his direct testimony,
10 so I will not recite the components of that
11 alternative here today. However, the alternative he
12 testifies to is clearly superior to the present COS.
13 It more reliably matches the person who pays for the
14 service with the person who either actually uses the
15 service or at least has an opportunity to use the
16 service.

17 It incorporates a requirement of a majority
18 of customers in the exchange benefiting by analyzing
19 the customer's bill or by a majority vote in the
20 petitioning exchange before COS is considered. A
21 majority vote concept on issues like this is a very
22 popular concept in this country. The greatest
23 advantage of CompTel's COS alternative is that it
24 properly matches those who will pay for the service
25 with those who will ultimately use it or at least have

1 an opportunity to do so.

2 Existing COS on the other hand can make
3 those who will never use the service pay for service
4 received by others. Even those who never have the
5 option to use COS but must pay normal toll are
6 required to subsidize customers using COS.

7 Mr. Ensrud addresses the Commission's
8 specific questions in the second half of his direct
9 testimony. Regarding Question No. 1, which concerns
10 the appropriate pricing mechanism for one-way COS, he
11 testifies that Staff's proposal of cutting rates in
12 half to reflect only one-way service is inappropriate.
13 COS is a subsidized service when offered on a two-way
14 base.

15 There is no indication that the elimination
16 of the reverse calling feature of COS will cause the
17 service to be priced above cost. It is easy for a
18 customer to reach a level of usage where the customer
19 pays less on a permanent basis than a carrier would
20 for the access component. Cutting the COS rate in
21 half cuts the break-even point in half and greatly
22 exacerbates the anti-competitive effect of this
23 service. All indications are that it will remain
24 subsidized; therefore, it is totally inappropriate to
25 cut the existing price of COS in half to recognize the

1 fact that reverse calling is no longer available.

2 As mentioned earlier, CompTel proposes an
3 alternative service with these features: exchange
4 conversion, cost-based rates, and resale at a
5 wholesale rate. The service should be priced to
6 reflected underlying costs in order to force COS
7 routes to become subject to competition. Proper
8 pricing would eliminate cross-subsidization, and
9 eliminating cross-subsidization would remove the
10 unfair burden placed on non-users of COS that exists
11 today.

12 Regarding Question No. 2, Mr. Ensrud states
13 that competitive LECs should not be required to offer
14 this service. Aside from questions regarding a
15 regulator's authority to command the provision of a
16 service, requiring provision of a particular
17 telecommunications service runs counter to the
18 competitive market envisioned by federal policy.

19 Regarding Question No. 3, which concerns
20 changes, if any, to the primary toll carrier plan,
21 CompTel's testimony is that PTCs should not be
22 required to carry this traffic as anything other than
23 traditional toll. Again, this does not mean only
24 traditional basic MTS, but any toll service which is
25 viable in a competitive market. The PTCs should be

1 barred from collecting a cross-subsidy that is today
2 an essential component of the service.

3 With the advent of one-plus presubscription,
4 the market should dictate the services provided
5 between the exchanges currently covered by COS.
6 Competition should act as a constraint as to how high
7 the special prices can go. The various tariffed rates
8 for traditional toll will act as a Commission-imposed
9 rate ceiling in such an environment. On the other end
10 of the spectrum, underlying costs will act as a rate
11 floor for traffic covered by COS.

12 In response to Questions 4 and 5, CompTel
13 recommends that the Commission stay all pending and
14 future COS applications and believes that the use of a
15 separate mailing to subscribers will be enough to
16 notify them of any changes, although CompTel is not
17 opposed to the other plans of educating the public
18 that are referred to in the other parties' testimony.

19 Finally, when asked to explore and discuss
20 the potential for LATAwide or statewide flat-rate COS,
21 Mr. Ensrud explains in his testimony that existing COS
22 is riddled with deficiencies. The further COS
23 expands, the more material these failings and
24 deficiencies become. Instead of facing customer
25 suppression in a discreet region where COS may be

1 offered, interexchange carriers like the CompTel
2 members will encounter widespread loss of customers if
3 COS is offered throughout the LATA or throughout the
4 state.

5 CompTel respectfully asks the Commission to
6 seriously consider a dramatic transfiguration of COS
7 to the more participatory version advocated by
8 Mr. Ensrud in his testimony and hopes that its
9 responses to the Commission's questions will be
10 helpful in justifying that decision. Thank you.

11 ALJ ROBERTS: Thank you.

12 AT&T?

13 MR. DeFORD: Thank you, your Honor, my name
14 is Paul DeFord, and I'm here on behalf of AT&T.

15 AT&T has determined not to burden the record
16 with an opening statement. I believe that most of the
17 points will be covered adequately in, I think, our
18 testimony as well as our cross-examination.

19 ALJ ROBERTS: Thank you.

20 MCI?

21 MR. CURTIS: My name is Leland Curtis. I
22 represent MCI.

23 MCI concurs with AT&T's position. MCI
24 generally supports the position enunciated by
25 Mr. Angstead for CompTel.

1 We will waive any further opening statement.

2 Thank you.

3 ALJ ROBERTS: Thank you.

4 GTE?

5 MR. STROO: May it please the Commission?

6 My name is Jim Stroo, and I represent GTE
7 Midwest, Incorporated, and I have decided to burden
8 the record with an opening statement.

9 GTE is one of the so-called large carriers,
10 and we have about 400,000 lines in Missouri, and if
11 you look at the map that Ms. McGowan gave to you and
12 you look at the red, that's GTE. And if you look at
13 those exchanges, despite what this commission had to
14 say last fall about our application for a rural
15 exemption, if you look at that, that's pretty rural
16 area, just as rural as the small companies.

17 We've got two fairly large exchanges or
18 areas of exchanges, Columbia and the St. Charles
19 exchanges of O'Fallon, Wentzville, St. Peters, that
20 area, but the rest of our territory is not
21 significantly different than the small carriers.

22 The other kind of unique position we have
23 here is that there is about 17,000 to 18,000 COS lines
24 currently in service, and GTE has about 9,500 of them,
25 so GTE is by far and away the largest COS provider in

1 the state.

2 Now, as I was going through this weekend and
3 trying to think about what I was going to say, it
4 seemed to me that this COS is a lot like the legendary
5 gordian knot, and if you recall the gordian knot in
6 ancient, I think it was, Asia Minor, it was a knot
7 made up of so many strands and so many knots that
8 until Alexander the Great came long no one could
9 figure out how to unravel it.

10 And this process is much like that. If we
11 can go through some of those strands you -- first of
12 all, historically COS was largely politically driven,
13 if you will. There were hearings, and those of us who
14 have been through some of the public hearings at one
15 point or another on COS under what the public pulse
16 was in those public hearings. People wanted COS.
17 They wanted OCA. They wanted MCA. There was a very
18 strong push. It was always a small number of people.
19 Even with OCA and MCA it was a relatively small number
20 of people, but it was a very vocal group of people.
21 So you have that political aspect to it.

22 Now, you also currently have very few people
23 taking COS if you really think about it. GTE has got
24 9,500 out of about 400,000 lines. There is about
25 18,000 -- 17,000, 18,000 total out of, what, 3 1/2,

1 4 million lines in Missouri. It's not very many
2 people. So we're talking about a very low population
3 base that use it.

4 Mr. Dandino talked about a covenant with the
5 people. I thought there was a very nice phrase, but I
6 thought this was a pretty small subset of the people,
7 not a very -- not a very significant subset in terms
8 of size.

9 The second strand that you have to think
10 about here is that it's pretty clear that in a
11 one-plus intraLATA equal access environment, in a
12 one-plus environment where you can have more than one
13 carrier providing interexchange service, two-way COS
14 as it's currently configured just plain doesn't work.
15 That was pretty clear from the GTE and United cases,
16 and I think that's reflected in the record in this
17 case, too.

18 The third strand is, as Mr. England
19 mentioned earlier today and is shown in the testimony
20 of Mr. Evans, COS currently is provided below cost,
21 and even at the current rates if we went to one-way
22 COS, it would be below cost.

23 Now, one of the primary drivers of that is
24 the high access charges that we have in this state,
25 and I don't want to point a hand at the small

1 companies as theirs being high, because, quite
2 frankly, GTE's are among the highest in the state as
3 well, and I'm sure that causes the folks over at
4 United and Southwestern Bell problems with providing
5 COS with the cost of it. And that's one of the
6 primary drivers. That is the primary driver of the
7 high cost of COS.

8 Now, another strand, the fifth strand, is
9 what happens with the PTC plan, the primary toll
10 carrier plan. GTE is one of the primary toll
11 carriers. We've only got about six or seven
12 exchanges, small company exchanges, behind us that we
13 provide service for, but we do provide some of that
14 service. It seems to GTE that COS doesn't necessarily
15 so much affect the PTC plan as changes to the PTC
16 change might affect COS.

17 Six, you've got the whole issue of universal
18 service and how does that play into the issue of COS,
19 the subsidies that are going to COS and where they
20 should come from, if they should come in at all, if
21 you should have those subsidies at all.

22 Seven, you have the whole legal and
23 regulatory COS change that has happened in the last
24 year and a half. The history that we have is all very
25 good and very nice, and the fact that we agreed to

1 things in '88 or '89 is well and good. But it was a
2 whole different regulatory and legal system then.

3 The Telecommunications Act, the Federal
4 Telecommunications Act, basically pushes to eliminate
5 subsidies, or at least if you don't eliminate them,
6 make their funding come from explicit sources rather
7 than from implicit sources like access charges or like
8 caller ID or any of those charges that Mr. England was
9 talking about this morning as being subsidies for COS.

10 They open up the -- they open up the market
11 to competition. Both Senate Bill 507 and the
12 Telecommunications Act do that. We no longer can get
13 all of the one-plus traffic as a PTC. Moreover, there
14 are competitors coming into the market for local
15 traffic, and some of the things that we used to be
16 able to -- to put costs onto, they aren't going to be
17 there to put costs onto because competitors will come
18 in and take away that traffic, that high-margin
19 traffic. So you've got that issue.

20 Finally, I think you've got a whole legal
21 question under -- particularly under Senate Bill 507
22 as to whether you even have the authority to mandate
23 continued COS. The IXCs currently are competitive
24 carriers under Missouri statute, and it seems to me
25 that there is a very real question whether you can

1 mandate them to provide any particular service beyond
2 basic interexchange service.

3 GTE and Southwestern Bell currently have
4 transitionally competitive status or MTS, or
5 interexchange service. Now, maybe under
6 transitionally competitive status you can continue to
7 mandate it. I don't know. I think there is a
8 question there. Certainly it seems to me that within
9 a couple of years we will have competitive status, and
10 when we get to that point, we will be like the IXCs.
11 It is a service that you probably won't be able to
12 mandate anymore as a toll service. So there is that
13 strand to it.

14 Now, GTE recognizes that this is not an easy
15 decision. Quite frankly, GTE's position has evolved
16 over the course of this proceeding. If you read Mary
17 Kahnert's direct testimony, we take the position there
18 that you ought to implement one-way -- two-way --
19 reciprocal one-way COS. I'm sorry.

20 And we've had a lot of internal debates
21 about what we should do with COS. We have people who
22 say, no, you can't take away two-way COS because of
23 the customer demand, but then we have technical people
24 saying but you can't provide two-way COS, so you've
25 got to do something. We looked at one-way reciprocal

1 and we looked at one-way.

2 And in the end when we take all of these
3 factors together, I guess our view is that that
4 gordian knot -- you have to do the same thing that
5 Alexander did to get to unraveling that gordian knot,
6 and what he did was he cut it. He didn't try and
7 unravel it strand by strand. He cut it.

8 And I think that's what you need to do, too.
9 You need to recognize that these things are playing
10 into each other, that we're in a different ballgame
11 today than we were in five years ago or ten years ago
12 when COS was instituted. And if you're going to cut
13 it, that basically means that you no longer mandate
14 that COS be provided by particular companies. If a
15 company wants to provide COS, they ought to be allowed
16 to do so.

17 But the way to cut that gordian knot is to
18 no longer mandate it. That may be a difficult thing
19 to do politically. If you decide to do that, GTE and
20 the other carriers will certainly take publicity hits
21 and you will take publicity hits. We'll all be in it
22 together. But it is the right thing to do, and GTE
23 would urge you to do that. Thank you.

24 ALJ ROBERTS: Southwestern Bell?

25 MR. BUB: Thank you, your Honor.

1 Good afternoon, and may it please the
2 Commission?

3 My name is Leo Bub, and I'm an attorney with
4 Southwestern Bell Telephone Company. Do you-all still
5 have your maps? We're the company in the light blue.
6 We're one of the companies that provide community
7 optional service. We appreciate your giving us the
8 opportunity to participate in this docket and to help
9 you determine whether COS should be a service that's
10 continued in Missouri, and, if so, how.

11 In a recent case many made mention of the
12 veterans of the COS cases, and I have to admit that
13 I'm not one of them, but we have brought today two of
14 those veterans, Debbie Bourneuf and Rich Taylor. Both
15 of them have filed extensive testimony in this case,
16 and as their testimony shows, they and our company
17 have given much thought to what needs to be done with
18 COS.

19 Are we advocating its complete elimination?
20 No, we're not. We recognize that the service that the
21 COS veterans developed does meet important needs of a
22 certain group of customers, a small group, but a
23 customer group nonetheless. We agree that we should
24 try to address these customer needs if we reasonably
25 can and keep in -- keep the big picture in mind as we

1 do so.

2 But do we think that COS needs to change,
3 yes, we do. We agree with many of the other parties
4 that companies should not be required to offer
5 specific expanded calling services due to the high
6 degree of competitions in the market today. Like
7 them, we believe that competition will drive
8 individual companies to offer services that customers
9 desire at competitive prices.

10 For example, Southwestern Bell would
11 consider offering a LATAwide-COS-type alternative
12 under certain conditions that are outlined in our
13 testimony. But we can understand if the Commission is
14 reluctant to immediately eliminate COS and would
15 prefer, instead, to require some form of COS be
16 provided during the transitional period, and if the
17 Commission believes it necessary to continue to
18 require companies to provide COS, we think that
19 two-way COS should be made into a one-way-only local
20 service to be offered by local exchange companies in
21 their own exchanges. Doing so would recognize what's
22 actually being provided, expanded local calling.

23 It would also help avoid the negative
24 impacts of one-plus intraLATA presubscription. That
25 is, as a local service, COS's availability to

1 customers wouldn't be affected by their choice of an
2 intraLATA toll provider. Moreover, doing so would
3 also help avoid negative impacts on the primary toll
4 carrier plan docket, TO-97-220, which is presently
5 before the Commission.

6 As you know, Southwestern Bell has expressed
7 its desire to be relieved of its primary toll carrier,
8 or PTC, responsibility to provide intraLATA toll
9 services in secondary carrier exchanges. Although we
10 believe it appropriate that this responsibility revert
11 to the secondary carriers, they don't want it. But
12 several large interexchange carriers, however, have
13 indicated that they are willing to provide intraLATA
14 toll services in all secondary carrier exchanges as
15 well as throughout the state.

16 But if the Commission determines that COS
17 would remain a toll service, that decision could
18 potentially alter these carriers' willingness to be
19 intraLATA toll providers in secondary carrier
20 exchanges.

21 It will also most likely cause COS issues to
22 resurface and have to be revisited in that PTC plan
23 case.

24 Let's talk a little bit about why COS needs
25 to change now. The reasons are technical and policy

1 based. Most are due to the growth of competition. We
2 believe the Commission is right in recognizing that
3 competition will have a profound impact on COS and in
4 moving now to address it early.

5 What are the technical reasons? Right now
6 the four primary toll carriers in the state provide
7 COS as well as all one-plus intraLATA long distance
8 toll calling. These four carriers are Southwestern
9 Bell, GTE, United and Fidelity Telephone.

10 We provide these services to secondary
11 carriers that we've each been assigned which are
12 basically the members of the Small Telephone Company
13 Group and the Mid-Missouri Groups in this case. We do
14 this under contracts that require these secondary
15 carriers to send us all of their customers' one-plus
16 intraLATA toll calls. And under these agreements, the
17 PTCs receive their respective toll rates and pay the
18 secondary carriers their respective originating and
19 terminating access rates. And this plan has been in
20 place since about 1988 and has been the basis of the
21 arrangement that's now being used to provide COS since
22 about 1993.

23 But once a secondary carrier implements
24 intraLATA toll presubscription, customers in those
25 secondary carrier exchanges can choose any certified

1 interexchange carrier to be their one-plus intraLATA
2 toll carrier. If customers in a petitioning exchange
3 choose anyone other than the PTC for this traffic, COS
4 as it stands now won't be available to them. Also if
5 customers in a target exchange choose anyone other
6 than the PTC, those customers won't be able to take
7 advantage of COS's return calling feature.

8 The bottom line is that presubscription is
9 going to degrade COS at the very least. You might be
10 wondering, well, how come these interexchange carriers
11 just can't make similar arrangements like the PTCs
12 have with the secondary carriers so that the IXC's
13 continue to provide COS and return calling just like
14 the PTCs do.

15 On this point testimony shows that all
16 parties pretty much agree with the existing billing
17 system method that's used to implement COS now cannot
18 feasibly be expanded to accommodate all IXC's that
19 potentially could serve COS exchanges. So something
20 is going to have to be done.

21 You'll see in the testimony that proposals
22 range all of the way from eliminating COS to using 800
23 and 888 numbers to provision return calling. Now, as
24 I indicated earlier, Southwestern Bell's
25 recommendation is to make COS a one-way-only service

1 that's local to be provided by the LEC serving the
2 exchange that requests the COS route.

3 We were a little surprised that the small
4 companies are now claiming that they don't know how to
5 provide COS as a local service, and they gave a lot
6 of -- they raised a lot of issues about why it might
7 be hard to convert COS from toll to local, but in
8 their recitation of COS's history they didn't tell you
9 that COS used to be a local, or at least a
10 non-toll-based service. In fact, all of the
11 precursors to COS were local. EAS, which goes back to
12 the '50s was local. EMS was local. And in the
13 beginning, COS was local. It's just since 1993 that
14 COS has been provided as a toll service.

15 Debbie Bourneuf in her testimony explained
16 that these -- at least from the way we look at it,
17 there is no technical impediments to making COS local.
18 It also indicated that there are some policy reasons
19 necessitating changes to COS.

20 When the Commission established COS, it
21 sought to meet an expressed community of interest
22 calling need of a discreet customer group. It also
23 sought to ensure that in meeting these needs some
24 companies would not profit at the expense of the
25 others, but that's not what happened here.

1 The Commission recognized that establishing
2 a low-cost, flat-rated plan that provided unlimited
3 calling between exchanges that have a community of
4 interest would stimulate or increase calling between
5 those exchanges. It also recognized that because the
6 PTCs will be providing the service, such stimulation
7 would cause the PTCs' access expense to increase, and
8 that's because PTCs have to pay originating or
9 terminating access or both, to the secondary carriers
10 on COS calls. So to prevent a windfall gain to the
11 secondary carriers, the Commission required them to
12 make a one-time access charge adjustment. The intent
13 was to keep all companies, PTCs and secondary
14 carriers, revenue neutral.

15 If the PTCs were ever revenue neutral
16 because of this reduction, it didn't last long. Many
17 subsequent routes were established after the secondary
18 carriers made their one-time adjustments, and we
19 acknowledge that much of this growth in COS was just
20 natural growth over time, but in some instances we
21 believe that some carriers ganged the system that you
22 set up, holding back on the establishment of new
23 routes until after they made their access charge
24 reduction.

25 But purposeful or not, the point we want to

1 make here is that the arrangements under which we're
2 required to provide COS pits the interests of the
3 secondary carriers against those of the PTCs. Because
4 we're required to pay full access charges on all COS
5 traffic, the addition of each COS route and each
6 increase in COS calling means increased losses for the
7 PTCs which have to pay access charges. On the other
8 hand, such increases mean increased profits for the
9 SCs, or secondary carriers, reflecting those access
10 charges.

11 The diametrically opposed financial
12 incentives here are obvious and this conflict isn't
13 good. It's not good policy for the Commission; it's
14 not good for the industry, and ultimately it's not
15 good for customers.

16 That's why Rich Taylor in his testimony has
17 proposed changing the intercompany compensation on COS
18 traffic away from full access charges. Instead, he
19 suggests using switched access charges less the
20 carrier common line, or CCL, element. Reducing access
21 charges for COS traffic in this manner would refocus
22 COS on the community of interest calling needs that it
23 was established to meet and helps remove this
24 unintended incentive that has tarnished the plan.

25 Now, we also have some other quarrels with

1 how some of the SCs have been using our COS service.
2 During the course of this docket we've learned that
3 some secondary carriers have been aggregating usage
4 from multiple lines in a hunt group, but paying us COS
5 rates only on the primary line.

6 Some SCs after we inquired acknowledged that
7 this wasn't appropriate and it was just a mistake on
8 their part or on the part of a vendor and have
9 promised to pay us back. Others are now somehow
10 trying to twist our tariff, claiming that they only
11 have to pay one COS subscription for all lines in a
12 monthly line hunt group if those lines aren't combined
13 billed, even though all of the lines in that group are
14 handling COS traffic.

15 Some of these same SCs are also using the
16 return calling feature as Mr. England pointed out as a
17 component of their or their affiliate's internet
18 service. In our testimony we've described how this
19 use violates at least three of our -- of the COS
20 tariff provisions, all of which have been approved by
21 the Commission.

22 But I don't want to leave the impression
23 that we're trying to discourage use of the internet,
24 because we're not. The Commission is aware of our
25 efforts to help make the internet service available to

1 customers in Missouri both through services that we
2 offer like designated number optional calling plan and
3 our community service programs like the telecommunity
4 centers. But the SCs' use of COS to provide internet
5 we don't believe is proper. If the SCs believe COS
6 should be offered and used in this manner, let them do
7 it with their own service, just not ours.

8 Under the current arrangement, secondary
9 carriers market COS to their customers, and as we have
10 found here, purchase a great deal of it themselves.
11 We've little control over how it's used. The tariff
12 is our only protection. But because we have no direct
13 relationship to the COS subscriber, we're not in a
14 position to know how our service is being used or to
15 ensure tariff compliance. The SC is the only one with
16 that relationship.

17 One might think, well, can't the PTCs just
18 ask the secondary carriers how the service is being
19 used? Well, in this docket we did and the secondary
20 carriers objected and they refused to answer. Some
21 finally did, but others didn't until compelled to do
22 so by the Commission.

23 You might be wondering why is Southwestern
24 Bell bringing up all of this stuff? Well, we're
25 telling you this not because we think remedying these

1 tariff violations will solve all of the serious
2 problems with COS because they won't. We're bringing
3 up these examples to show how the relationship between
4 the PTCs and the secondary carriers and the incentives
5 that now exist between them are just out of whack.

6 As we've stated, we believe the best
7 alternative is to make COS a one-way local service
8 provided by each LEC and to change intercompany
9 compensation to access charges less CCO. This was our
10 position even before we discovered the tariff
11 violations and it would be our position if these
12 violations never occurred.

13 From where we stand, the current arrangement
14 just isn't working. It's only going to get worse once
15 one-plus intraLATA presubscription is implemented. In
16 our testimony, we've set out what we think needs to be
17 done, and we want to let you know that we stand ready
18 to work with the Commission in its efforts to conform
19 COS to the new competitive environment. Thank you.

20 ALJ ROBERTS: Thank you.

21 United Telephone?

22 MS. GARDNER: Thank you.

23 My name is Linda Gardner, and I represent
24 United Telephone Company of Missouri d/b/a Sprint.
25 We're probably the littlest large guy from what you've

1 heard today. On the small map, we're the pink; on the
2 large map, we're the purple.

3 Our largest exchange is still smaller than
4 GTE's large exchange. Our largest exchange is right
5 here, is Jefferson City, Missouri. We also serve such
6 large areas as Otterville with about 550 customers,
7 Deepwater with about 330, and Ionia with about 450
8 customers. We serve some really tiny exchanges as do
9 the small carriers that Mr. England and Mr. Johnson
10 represent. We don't have millions of customers.

11 It's perhaps an obvious understatement to
12 say that this is going to be a very difficult case.
13 It always has been every time the Commission has
14 looked at it, and there is certainly no reason to
15 expect it to be very simple here.

16 There is no easy, simple answer that's going
17 to address everybody's concerns and balance all of the
18 interests. No matter what you do, you're going to
19 make some unhappy, and we know that. And when we
20 attempted to fashion our position, we knew that some
21 of our customers were going to be unhappy with the
22 recommendations that we're offering today.

23 COS has a very long history, and you've
24 heard that today and I'm not going to repeat that.
25 Those that subscribe to the service are very, very

1 happy with the service and for good reason. COS is a
2 tremendous benefit to those customers that subscribe,
3 and no one really disputes this.

4 But the question is, first, should COS
5 continue? Does it continue to make sense and is it
6 consistent with full and fair competition? And,
7 secondly, if it should continue, what form should it
8 take?

9 Should it continue? Well, again there is no
10 dispute that it's a benefit to the small number of
11 customers that subscribe and also to those people that
12 do the return calling. We don't know how many of
13 those customers that do that and we don't even know if
14 they're aware of it, but I'll admit that it's
15 beneficial to both sides of the equation, but at what
16 cost?

17 Many of the witnesses point out the inequity
18 of forcing some carriers to offer the service at a
19 loss while that hamstringing their efforts to compete
20 elsewhere in the overall toll market. Other witnesses
21 will point out the inequity of subsidizing these toll
22 routes to the point where their competitive offering
23 cannot possibly attract these customers, not because
24 they don't have a good product or an efficient
25 product, but because they simply cannot compete when

1 the market's distorted due to this service.

2 Because of this distortion and inconsistency
3 with the competitive market, we support the
4 recommendation to eliminate the existing COS service.

5 But for a transition, we would recommend converting
6 the COS routes to a one-way only, from petitioning to
7 target, until the secondary carriers convert to
8 intraLATA presubscription. After that, we agree with
9 GTE. If the carrier wants to continue to provide it,
10 they certainly can be free to do so. But it should
11 not be mandatory on any carrier.

12 We recognize, though, that distorting a
13 competitive market was not the intent of this service.
14 The service was ordered to address a perceived
15 community of interest need, and if meeting that
16 legitimate community of interest need of the exchange,
17 not of one or two customers, but of the exchange is
18 still a goal, and the Commission believes that
19 competition is not going to step up and offer
20 attractive services to these customers in these
21 exchanges, then make the service local, which is not
22 impossible, it's been done before, and that is what a
23 community of interest standard is designed to do -- it
24 is designed to recognize the local community of
25 interest needs of the customers -- and convert the

1 service then to mandatory EAS.

2 We believe mandatory EAS is the best
3 solution to the two-way calling needs when there is a
4 recognized community of interest between the
5 exchanges. With mandatory EAS the majority of
6 customers make the decision.

7 Now, granted, EAS was stopped a long time
8 ago because some customers were unhappy that they
9 couldn't meet the calling criteria, but when you look
10 at what alternatives those unhappy customers had
11 before, they had none. That should no longer be the
12 case once you change the market distortions that COS
13 cause and you implement intraLATA presubscription.
14 Then those customers that can't pass the criteria
15 should have some alternatives that they don't have
16 today.

17 By classifying the service as local,
18 intraLATA presubscription can take place and toll
19 competition can operate free of the market distortion
20 that will happen if COS continues. Thank you.

21 ALJ ROBERTS: Staff?

22 MS. MCGOWAN: May it please the Commission?

23 Okay. A lot of the positions that Staff has
24 on the issues are very adequate and thoroughly set out
25 in the hearing memorandum, and I will not burden the

1 record any more than I have already done this morning
2 with repeating them. However, some comments were made
3 that I believe don't represent the Commission's
4 intention based on its earlier order.

5 Specifically, I agree with statements made
6 by Mr. Johnson that the Commission's order requesting
7 the parties to respond to the three proposals in issue
8 was an attempt to determine whether any form of COS is
9 practical to be retained in the telecommunications
10 market in Missouri. However, I disagree with
11 Mr. Johnson and Mr. England's contentions that the
12 Commission intended to limit the parties' responses to
13 those three proposals in considering this issue. I
14 think it's clear from the massive response from all of
15 the companies involved that this is a bigger issue
16 than was originally perceived.

17 Mr. Dandino also raised the issue of the
18 Federal Telecommunications Act contending that there
19 is a contract of sorts between the Act's drafters and
20 the Commission and the public in general that will
21 ensure that no individual customer will ever be
22 injured based on a telecommunications action or
23 withdrawing a service.

24 The Staff agrees that it is the intention of
25 the Act to minimize any detrimental impact that would

1 result from increasing competition; however, the Staff
2 does not believe that the intention of the Act is to
3 bar any change to the current telecommunications
4 market in Missouri that will negatively impact any
5 customer for any period of time.

6 To that end we agree with the statements
7 made by United's attorney, Ms. Gardner, that some
8 people are naturally going to be negatively impacted.
9 In fact, Staff sees that under the current two-way COS
10 mechanism, due to the subsidization and the
11 detrimental impacts on competition, that some
12 customers are currently being negatively impacted by
13 its continuance.

14 The Staff believes that the Commission must
15 determine whether any form of COS should be retained.
16 The Staff, as is clear from our position, believes
17 that two-way COS is definitely not applicable in the
18 future in Missouri due to the changing conditions in
19 the telecommunications market because it would be, as
20 I stated, a hindrance to competition and it must be
21 subsidized.

22 The question then becomes whether a
23 transitional form of COS should be implemented or
24 whether COS should be eliminated in its entirety. The
25 Staff believes this is going to be a tough question

1 for the Commission, and it will be up to you to
2 determine whether there is enough competition at this
3 point to justify completely eliminating COS, and we
4 think that the Commission has to consider that any
5 change to the COS docket is going to have a negative
6 impact and going to upset the customers that currently
7 have COS. And the question is, well, is it better to
8 eliminate the service in one step or to do it through
9 a series of steps as you modify the proposal as the
10 competition increases.

11 If the Commission determines that a
12 transitional form of COS is necessary, that
13 competition has not reached a sufficient level, the
14 Staff believes that that should be one-way-only COS.
15 There are several problems associated with the other
16 proposals that are, again, set out in detail in the
17 witness of Gay Smith, which has been in this docket,
18 as well the Staff's issues memorandum responses.

19 One other comment that Staff would like to
20 address in opposition to the continuance of two-way
21 COS and also the 800 access COS two-way option relates
22 to the uses of minutes that was addressed earlier.
23 While it may be true that the local exchange companies
24 don't receive a benefit based on minutes of usage as
25 explained by Mr. England, the Staff does feel that

1 they receive a benefit from the rates they charge for
2 the access to the internet, and that's something I
3 think should also be considered in reaching your
4 decision on this issue. Thank you.

5 ALJ ROBERTS: TCG?

6 MS. FORREST: I am Dallas Forrest. I
7 represent TCG St. Louis. TCG is proposing to waive
8 opening statements. Their positions will be set forth
9 adequately in their briefs.

10 ALJ ROBERTS: Thank you.

11 That concludes the opening statements. I'd
12 like to say thank you-all for coming. Whoever called
13 me and asked is there going to be cross, maybe I
14 should have said no.

15 I think we can go ahead and start with the
16 first witness, which I believe is going to be
17 Mr. Jones. Is that correct?

18 MR. JOHNSON: Yes.

19 ALJ ROBERTS: Off the record, please.

20 (A discussion off the record.)

21 (Witness sworn.)

22 ALJ ROBERTS: Back on the record, please.

23 Witness Jones is on the witness stand.

24 Mr. Johnson, this is your witness?

25 MR. JOHNSON: Yes, your Honor.

1 ALJ ROBERTS: You may proceed.

2 MR. JOHNSON: Thank you.

3 DAVID LEE JONES testified as follows:

4 DIRECT EXAMINATION BY MR. JOHNSON:

5 Q. Mr. Jones, would you state your full name
6 and business address for the record, please?

7 A. David Lee Jones, Post Office Box 38, Pilot
8 Grove, Missouri. The zip code is 65276.

9 Q. What company do you work for?

10 A. I work for Mid-Missouri Telephone Company.

11 Q. Referring if you will to what have been
12 premarked as Exhibits 2, 3 and 4, are those copies of
13 the direct, rebuttal and the surrebuttal testimony
14 that you've had filed in this case?

15 A. Yes, they are.

16 Q. Any changes that need to be made to any of
17 those exhibits?

18 A. Yes, there is. On Page 5 of my direct
19 testimony, the very bottom line, Line 20, I used the
20 word "most." It should have been the word "all." It
21 was a poor choice of words.

22 Q. And that would be Page 5 of Exhibit 2 for
23 the record.

24 Any other changes?

25 A. No.

1 Q. If I were to ask you today the same
2 questions that are contained in Exhibits 2, 3 and 4,
3 would your answers be the same?

4 A. Yes, they would.

5 MR. JOHNSON: I would offer the exhibits
6 into evidence and tender the witness for
7 cross-examination, your Honor.

8 ALJ ROBERTS: You've offered Exhibits No. 2,
9 3 and 4?

10 MR. JOHNSON: Yes, sir.

11 ALJ ROBERTS: Any objection to the admission
12 of those exhibits?

13 (No response.)

14 ALJ ROBERTS: Hearing none, 2, 3 and 4 will
15 be admitted.

16 (EXHIBIT NOS. 2 THROUGH 4 WERE RECEIVED INTO
17 EVIDENCE.)

18 ALJ ROBERTS: I'm also going to go ahead and
19 if there are any -- is there any objection to the
20 admission of Exhibit No. 1, which is the issues
21 memorandum?

22 (No response.)

23 ALJ ROBERTS: Hearing none, that's admitted.

24 (EXHIBIT NO. 1 WAS RECEIVED INTO EVIDENCE.)

25 ALJ ROBERTS: And while we're on the issue

1 of exhibits, maybe I should have noted this after the
2 opening statements. There was no request for the
3 admission of any exhibits from the presentation at the
4 board. I don't think those are necessary. I think
5 they were really illustrative and not evidentiary, but
6 I want to make that clear on the record.

7 Okay. Thanks.

8 The witness then goes to, let's see, the
9 Small Telephone Group first.

10 MR. ENGLAND: Thank you.

11 No questions.

12 ALJ ROBERTS: Public Counsel?

13 MR. DANDINO: I have no questions, your
14 Honor.

15 ALJ ROBERTS: TCG?

16 MS. FORREST: No questions.

17 ALJ ROBERTS: AT&T?

18 MR. DeFORD: No questions, your Honor.

19 ALJ ROBERTS: MCI?

20 MR. CURTIS: No questions.

21 ALJ ROBERTS: GTE?

22 MR. STROO: No questions.

23 ALJ ROBERTS: CompTel?

24 MR. ANGSTEAD: No questions.

25 ALJ ROBERTS: Southwestern Bell?

1 MR. LANE: Questions.

2 ALJ ROBERTS: Thank you.

3 CROSS-EXAMINATION BY MR. LANE:

4 Q. Mr. Jones, on Page 4 of your surrebuttal
5 testimony you make the assertion that elimination of
6 COS would be financially detrimental to the secondary
7 carriers like your company. What's the basis of that
8 assertion?

9 A. Well, for one thing, we've seen access in
10 the aggregate grow dramatically over the past two
11 years. Part of that growth on the originating side
12 was the introduction of COS.

13 If you eliminate that traffic today, you'll
14 see a dramatic reduction in the demand units of
15 access. And as you reduce the demand units of access,
16 one would assume the access rates would have to go
17 even higher than they are today, and with the
18 destimulating effect, it creates a spiral that
19 continues to put even more and more pressure on access
20 rates than we have today. So we're looking for ways
21 to stimulate the demands versus destimulating.

22 Q. You also make the assertion on the same page
23 that moving COS -- leaving it as it is but reducing
24 the access rates that the secondary carriers like your
25 company charge to the primary toll carriers would be

1 financially detrimental. Is that the same reason,
2 that you would have a reduction in demand or a
3 reduction in revenues presumably for your company as a
4 result of that?

5 A. Okay. Restate the question, please.

6 Q. Sure. On Page 4 you make the assertion in
7 your testimony that making the SC the provider of COS
8 with reduced access rates would have a detrimental
9 impact on the SCs. You would be net worse off, would
10 you not, than you would be today?

11 A. If you look at your access rate structure we
12 have today, and I'm speaking for Mid-Missouri
13 Telephone in particular, a large portion of our rate
14 makeup is the common line piece, and that proposal, as
15 I understand it, would eliminate the common line rate
16 element totally.

17 Q. On Page 6 of your surrebuttal testimony, you
18 make the claim that the return calling feature of COS
19 does not increase your access revenues. Would you
20 agree with me that when a new route is established for
21 COS, that that has the impact of increasing both the
22 number of originating minutes of access on which you
23 get paid and the number of terminating minutes of
24 access on which you get paid by the primary toll
25 carrier?

1 A. I would agree that when you add new routes
2 and there is a stimulation, it stimulates the
3 originating access minutes of use and also that
4 increases the terminating via the T/O factor.

5 Q. Right.

6 A. In Mid-Missouri's case we've never added any
7 routes since the initial implementation.

8 Q. But if you have an increase in originating
9 minutes of use, that corresponds to an automatic
10 increase in terminating minutes of use and you get
11 paid for those terminating minutes of use; is that
12 correct?

13 A. That's true with COS and MTS. It's true
14 with any of our intraLATA access with a PTC. It's all
15 based on whatever the originating minutes are.

16 Q. Now, the determination of whether you
17 measure the number of terminating minutes or whether
18 you use a ratio, that determination is made, is it
19 not, by the secondary carrier?

20 A. No, I wouldn't concur with that. I mean, I
21 think we have the legal right to go to actual
22 terminating. However, every time we've approached,
23 meaning Mid-Missouri Telephone, has approached
24 Southwestern Bell about the possibility of going to
25 actual, it's been indicated to us that Southwestern

1 Bell is not willing to go to actual on a company-
2 specific basis. They're willing to do it in total if
3 all of the small companies want to go in and go to
4 actual, they'll do it as a total, but independent of
5 that, they are not interested.

6 Q. Let's talk about the legal right for a
7 minute to do it on a measured basis. Your company as
8 well as most of the other small telephone companies
9 concur in the Oregon Farmers Mutual Telephone Company
10 access tariff; isn't that correct?

11 A. That is correct.

12 Q. That tariff gives you the opportunity to
13 decide for yourself whether you want to measure the
14 terminating traffic or whether you want to use a
15 ratio; is that correct?

16 A. Well, I have to have -- there is some
17 language in there that would imply that we have the
18 right to go to actual but also need some assistance
19 from my primary toll carrier because there is
20 additional traffic that comes across those facilities,
21 such as cellular terminating, feature group pay,
22 LATAwide terminating and others that we don't have the
23 ability to measure and segregate out, so, I mean, it
24 requires some assistance from the primary toll carrier
25 to go to actual.

1 Q. All right. But your company is the one that
2 makes the determination of whether it wants to spend
3 the money to put in the equipment necessary to measure
4 the traffic. Correct?

5 A. Well, I mean, if that's what -- I'm under
6 the assumption that we have a legal right to do that.
7 I think we'd have an objection from Southwestern Bell,
8 but I would agree that we probably have the right to
9 do it if he wants to force the issue.

10 Q. All right. And let's talk about the
11 terminating-to-originating ratio for a moment. Would
12 you agree with me that that terminating-to-originating
13 ratio on which you're paid terminating access is not
14 fixed forever in time, but, instead, it's allowed to
15 vary as to traffic ratio of terminating to originating
16 varies.

17 A. I'm unclear as to what the policy is there.
18 I'd have to go back and research it.

19 I know for our company that ratio is the
20 same ratio that was in effect when the plan was first
21 implemented.

22 Q. Would you agree with me that the Oregon
23 Farmers Mutual Telephone Company access tariff with
24 which your company concurs provides that you "shall
25 review for reasonableness on a quarterly basis all

1 factors used in imputing terminating minutes. Factors
2 will be modified when necessary based on the review"?

3 A. Well, I would agree that that's the language
4 in the tariff.

5 Q. And so if following the language in the
6 tariff the ratio of terminating to originating varies,
7 then that could impact the net amount of terminating
8 access minutes on which your company would get paid on
9 a COS route?

10 A. I would tend to agree with that.

11 Q. Now, on Pages 10 and 11 of your surrebuttal
12 testimony, you state that you understand the logic of
13 the line of thought that mandated non-cost-based
14 optional calling plans such as COS should not exist in
15 a competitive environment. Could you explain what you
16 mean by that? What's the logic of that, in your view?

17 A. Well, in a pure world, a world where
18 everything was truly purely competitive, I understand
19 that carriers would not survive if they continued to
20 price below cost.

21 Q. And COS is provided on a below-cost basis,
22 is your understanding?

23 A. It's my understanding that, yes, the
24 revenues -- if you look at it on an isolated
25 route-by-route basis or company-by-company basis, this

1 service is under water. I think if you look at COS in
2 conjunction with intraLATA toll carried by the primary
3 toll carriers and look at the big picture, I would
4 assume it's above water.

5 Q. Are you familiar with testimony -- well,
6 never mind. Strike that.

7 You state also on Page 11 that you can't
8 support the elimination of COS for political reasons.
9 Correct?

10 A. Correct.

11 Q. My question then is would you continue to
12 support COS if the Commission were to determine that
13 secondary carriers, local exchange companies like
14 yours, were required to be the provider and were
15 required to pay access to other companies to terminate
16 or originate traffic as the PTCs do today?

17 A. Well, I -- let me say I don't support taking
18 the service away from the customers. I think it's
19 premature for me to make assumptions based on
20 hypothetical equations.

21 You know, I don't know all of the facts and
22 figures. If the end result of implementing COS in
23 that manner created an impact on local rates or other
24 rates I charge my customers, I would have to
25 reevaluate, you know, all relevant factors.

1 Q. One of the proposals in front of the
2 Commission is to make the COS provider the local
3 exchange company like yourself. You're familiar with
4 that. Right?

5 A. I understand, yes.

6 Q. And my question to you is, everything else
7 remaining the same, you become the COS provider and
8 you pay access to the other local exchange companies
9 when you originate or terminate a COS call in their
10 territory, if the Commission adopted that, would you
11 continue to support the continuation of COS?

12 A. I'm not sure.

13 Q. Are you not sure because you're unclear as
14 to whether your company would be willing to bear the
15 financial detriment of offering the service under
16 those circumstances?

17 A. No, I haven't -- I haven't looked at the --
18 you know, I haven't run the numbers. I don't know
19 what the impacts are.

20 If you -- if you assume for discussion
21 purposes there were no other impacts doing that, I
22 wouldn't have a problem doing it. But I think there
23 will be other impacts associated with it.

24 Q. And if you were made whole for the COS, the
25 price were adjusted up front so that you were made

1 whole if you were made a provider of COS, would you
2 consider that to be fair?

3 A. Would it be a two-way or a one-way service?

4 Q. Either way.

5 A. I mean, I'm a strong advocate of the two-way
6 service, and I would do anything I could to continue
7 to support the concept of a two-way service because
8 our customers have grown to love it and expect it.

9 Q. And if you were made whole out of the
10 process in terms of the price that was paid to your
11 company to be the provider of COS, that would be a
12 reasonable solution in your opinion, would it not?

13 A. That would certainly be one solution. I
14 wouldn't say I would have to be made whole. There
15 would have to be some other probably trade-offs, but I
16 wouldn't want to leave the impression that making me
17 whole is the only piece of the puzzle I'm interested
18 in.

19 Q. You're aware today, are you not, that the
20 way COS works is that when an additional route is
21 added, then the net effect to the PTC provider is
22 typically negative, that they pay out more in access
23 than they take in in COS revenues on those new routes.
24 Correct?

25 A. I'm -- you know, it's been a long time since

1 we added any routes. We haven't added any since the
2 initial routes, and I'm not familiar, I'm not versed
3 with the procedures. I don't know if there is a
4 true-up on new routes or not.

5 Q. You're aware, aren't you, that other
6 companies have added COS routes --

7 A. Yes.

8 Q. -- since COS was first adopted --

9 A. Certainly.

10 Q. -- whether your particular company has or
11 not?

12 A. Right. I'm aware that other companies have
13 added COS routes. I'm not aware of the underlying
14 process.

15 Q. And if the Commission were to decide that
16 your company was to be the COS provider, would you
17 believe that it would be reasonable that as new COS
18 routes are added that you should continue to be made
19 whole on those new routes?

20 A. I would certainly want the opportunity, yes.

21 Q. And that would be a reasonable opportunity
22 that the PTCs should want as well. Would you agree
23 with that?

24 A. I would agree.

25 Q. On Page 11, again, of your surrebuttal

1 testimony you talk about your customers might not
2 accept the benefits of competition as an adequate
3 trade-off, and I want to focus on your phrase "your
4 customers."

5 The customers to whom your company provides
6 service, they are also your -- they are your local
7 exchange customers, are they not?

8 A. That is correct.

9 Q. And if the service were taken away, you're
10 the person to whom they would probably complain, are
11 you not?

12 A. I would be one of them that they would
13 complain to. I would envision that the complaints
14 would go well beyond my company. I would expect that
15 they would call everybody they could trying to get
16 resolution of the problem.

17 Q. But your company is the one that they call
18 to order the service. Correct?

19 A. Yes.

20 Q. And your company is the one that bills the
21 service to them; isn't that right?

22 A. That's correct.

23 Q. Most of them believe that you're the
24 provider of the service; isn't that correct?

25 A. Well, they also believe I'm the provider for

1 AT&T, MCI and Sprint long distance too. They call me
2 continually complaining about problems.

3 And I'm not just picking on those three, but
4 I'm local, and if they've got a problem, they tend to
5 call me. Whether it -- I mean, I have people that
6 call me from Columbia needing help with their local
7 telephone service, so, I don't think our customers
8 totally understand the telecommunications environment
9 and quite often they're confused.

10 Q. In your testimony and then earlier today you
11 said that in your view you shouldn't look at COS by
12 itself to see whether it's a moneymaker. You ought to
13 look at the PTC plan as a whole. Do you recall that?

14 A. Yes, I do.

15 Q. Okay. And we agreed that COS by itself was
16 a money loser. Do you recall that?

17 A. Well, it's -- you know, I don't have the
18 data. I have to trust your word on that. But I know
19 in my exchanges if you look at it it would be pretty
20 safe to assume that Southwestern Bell would be losing
21 money on COS.

22 Q. It's possible, isn't it, Mr. Jones, that the
23 Commission may reach one decision for what to do with
24 the PTC plan and have another decision on what they
25 want to do with COS. That's possible, isn't it?

1 A. It's possible, but the two are in a lot of
2 ways interlocked.

3 Q. But if the Commission decides for the PTC
4 plan, for example, that they can eliminate that plan
5 as each exchange goes into presubscription, so long as
6 they have one, two, or three interexchange carriers
7 that provide the service, that might be a reasonable
8 solution to the PTC plan, might it not?

9 A. The IXCs provide what service?

10 Q. IntraLATA toll service.

11 A. Yes.

12 Q. Okay. And then the Commission, though,
13 would still be left with the question of what to do
14 with COS. Right?

15 A. That's correct.

16 Q. And they could decide either to try to
17 require the IXCs to do it, require the PTCs to do it,
18 or to require the secondary carriers like yourself to
19 do it. Those would be the three choices. Right?

20 A. That would appear to me to be the three
21 obvious choices.

22 Q. And so if that's the choice, then, among
23 those three, then whether COS is or is not a
24 moneymaker on its own becomes a very relevant
25 question, doesn't it?

1 A. Yes.

2 Q. On Pages 12 and 13 of your surrebuttal
3 testimony you have a discussion in there of the impact
4 of the Federal Telecommunications Act of '96. And as
5 I understand your point, you believe that COS rates
6 would be lower if larger companies were the ones that
7 offer them than if smaller companies like yourself are
8 the ones ordered to provide the service because the
9 larger ones could spread the cost over a bigger group
10 of customers. Is that a fair summary of what you
11 pointed out there?

12 A. Well, I think -- I think the key piece there
13 is a larger chunk of minutes of use. I mean, it's
14 real obvious in today's telecommunications environment
15 that volume means everything when it comes to pricing.
16 And, you know, the larger carriers have the volumes to
17 get the better -- better rates and the better savings
18 and the lower cost facilities.

19 Q. You'd have to raise the rates for COS in
20 your exchanges, wouldn't you, if you were to be made
21 whole and were made the provider of COS compared to
22 what the rates are today?

23 A. I would assume that to be a correct
24 statement.

25 Q. Sure. And so when you talk about a larger

1 company doing it, what we're talking about is having
2 people elsewhere in the state pay higher rates for
3 some services so that your customers will have the
4 ability to continue to have COS calling at below cost
5 rates. Correct?

6 A. Well, yeah, I would agree. I think that
7 gets back to the point of geographic rate averaging.
8 I think the statute makes it clear that the federal
9 statute expects similar services to be offered in
10 urban and rural areas and I see COS as a rural
11 counterpart to MCA.

12 Q. I guess my question, though, Mr. Jones, was
13 do you believe that it's reasonable to have customers
14 in St. Louis and Kansas City and Springfield pay more
15 so that customers in Pilot Grove will have the ability
16 to make COS calls in Kirksville (sic)?

17 A. Yeah, that's part of the geographic rate
18 averaging, and it's been a longstanding part of the
19 industry for years because not only do those people in
20 the Kansas City and St. Louis and other areas have the
21 ability to call locally, they also have the ability to
22 call into those rural exchanges that might otherwise
23 not exist.

24 Q. But many of the customers in Pilot Grove
25 that call into Kirksville (sic) with COS, they could

1 afford to pay the higher costs of actually providing
2 the service, couldn't they?

3 A. You mean in the Boonville or some -- you
4 said Kirksville.

5 Q. I'm sorry. Pilot Grove into Boonville.

6 A. Okay. You're saying could they pay the --

7 Q. I'll start over. I'll start over.

8 A. Okay.

9 Q. The question that I have for you, isn't it
10 correct that several or many of the customers that
11 subscribe to COS in Pilot Grove is they can call into
12 Boonville? They could actually afford to pay
13 cost-based rates for that service, couldn't they?

14 A. They paid -- they paid MTS rates prior to
15 the implementation of COS. I haven't studied the
16 market to see what cost-based rates would be and
17 whether they would be willing to pay it.

18 Q. Well, let's assume, just to pick a number,
19 that the cost-based rate is double what the COS rate
20 is today. There are many customers there that --

21 A. I would agree.

22 Q. -- could afford to pay, couldn't they?

23 A. I would agree.

24 Q. Wouldn't you agree that if we're trying to
25 create something that's to make the service affordable

1 that we ought to try to target it just to those who
2 need it from an affordability standpoint rather than
3 give it to all?

4 A. I don't know that I would agree with that
5 statement totally. I mean, I think one of the
6 objectives of COS to -- was to recognize the expanded
7 communities of interest and make calling between those
8 affordable for all, not just the people that can pay
9 large amounts.

10 Q. But if we're pricing it below the cost of
11 it, we're having people elsewhere in the state pay
12 higher rates so that people in COS locations can pay
13 below cost rates for that COS, isn't it better to have
14 a system where those that can afford to pay for it
15 actually pay the true cost of it?

16 A. Well, that's not the way the
17 telecommunications industry was created in this
18 country. It was kind of like the highway system. I
19 mean, you don't pay more when you travel across the
20 rural portions of the highway system and less when
21 you're in the metro areas. I mean, I see
22 telecommunication very similarly.

23 Q. On Page 16 of your surrebuttal testimony you
24 make the assertion that the Mid-Missouri Group
25 companies do not and have not professed to provide

1 COS and have not and do not profess to provide any
2 services to or in the COS target exchange. Do you see
3 that in your testimony?

4 A. That's correct.

5 Q. I was puzzled by the purpose of that. Are
6 you stating -- are you saying in there that if the
7 Commission orders the Mid-Missouri Group of companies
8 to take over and become the providers of COS that you
9 aren't willing to do it?

10 A. No. I just said that we haven't professed
11 to -- and currently we don't have facilities in place
12 to provide services in those areas. We've never
13 professed to provide it.

14 Q. You don't have any quarrel with the
15 proposition that if the Commission orders you to take
16 over and provide this service, that you can -- can and
17 would do that?

18 A. I think there has to be more -- more
19 information than I have today to evaluate that. But
20 we'd certainly look at it and look at the merits.

21 Q. If I add in that you would be made whole out
22 of it, would that resolve most of the considerations?

23 A. It's part of it. Part of it has to deal
24 with facilities and so forth.

25 Q. On Page 17 of your surrebuttal testimony you

1 deal with the internet access issue that has been
2 touched upon in the opening statements and I wanted to
3 ask you a little bit about that.

4 You understand, don't you, that Southwestern
5 Bell has no objections to your providing internet
6 access service to customers in your Mid-Missouri
7 telephone company exchange. Right?

8 A. Yes, I understand that.

9 Q. Okay. You're not using COS in that example,
10 are you, to provide service to your own customers?
11 You're simply providing internet access?

12 A. They dial a local seven-digit number and
13 access a local modem pool.

14 Q. And let's take Pilot Grove as an example.
15 That's a city you serve. Right?

16 A. Uh-huh.

17 Q. And you offer internet access to those
18 customers that live in Pilot Grove, don't you?

19 A. That's correct.

20 Q. Now, the problem that arises that creates
21 the issue we've got here is when your company seeks to
22 go beyond the exchange boundaries that the Commission
23 has certificated you for and provide exchange --
24 provide internet access to customers of other
25 companies.

1 MR. JOHNSON: I would object, your Honor. I
2 think the question is argumentative. It sort of
3 implies that there is something improper about
4 providing internet access service outside their
5 certificated area. And to that extent, I object to
6 the question.

7 ALJ ROBERTS: Mr. Lane?

8 MR. LANE: It's a proper question. We're
9 trying to get to the use of internet access using COS.

10 ALJ ROBERTS: Overruled.

11 THE WITNESS: Okay. Restate the question,
12 again, please.

13 BY MR. LANE:

14 Q. All right. I'll try again.

15 You understand that the issue that we're
16 debating here or talking about here revolves around
17 Mid-Missouri and other companies' desire to go outside
18 their certificated boundaries and provide internet
19 access to customers of other telephone companies.
20 Correct.

21 A. Well, I don't -- I don't know that we're
22 going outside of our certificated boundaries because
23 to my knowledge this commission has never determined
24 that internet is a regulated service and has to
25 conform to exchange boundaries.

1 Q. Well, let's try it this way: Pilot Grove
2 has COS service into Boonville?

3 A. Correct.

4 Q. Is Boonville a certificated service area of
5 Southwestern Bell or is it of Mid-Missouri Telephone
6 Company Group?

7 A. To my knowledge, it's Southwestern Bell's
8 certificated area.

9 Q. And your company, Mid-Missouri Telephone
10 Company, offers internet access service to customers
11 that live in Southwestern Bell's Boonville exchange;
12 isn't that correct?

13 A. We make our internet service that's in Pilot
14 Grove available to them on a toll-free basis, yes.

15 Q. Right. You use COS service to do that.
16 Correct?

17 A. That's correct.

18 Q. And you do that because in your view -- you
19 said in your testimony that that's a public service.
20 Right?

21 A. Well, we didn't initially make it toll free
22 to the Boonville area, but we had many community
23 leaders and county extension agents and others
24 approach us because at the point in time we rolled
25 internet out in Pilot Grove it was not available in

1 Boonville and the surrounding communities. And it was
2 only after they came to us and begged us to make it
3 available, we figured out a way to do it on toll-free
4 basis.

5 Q. Does Mid-Missouri offer internet access
6 service itself directly or does it do it through an
7 affiliate?

8 A. Both. Mid-Missouri offers as a
9 non-regulated service internet access, and then it
10 partnerships with a wholesale provider who is also an
11 affiliate.

12 Q. Is that affiliate RAIN?

13 A. That's correct.

14 Q. And who is RAIN owned by?

15 A. RAIN is a consortium of ten different
16 telephone companies. Do you want me to name all of
17 the companies?

18 Q. Sure.

19 A. Okay. Modern Telephone Company, Northeast
20 Missouri Rural Telephone Company, Mark Twain Rural
21 Telephone Company, Green Hills Telephone Company,
22 Chariton Valley Telephone Company, Citizens Telephone
23 Company, Alma Telephone Company, Mid-Missouri
24 Telephone Company, Kingdom Telephone Company, and
25 there is one more.

1 MR. SCHOONMAKER: Green Hills?

2 THE WITNESS: I said Green Hills. Who am I

3 missing? Was it --

4 MR. JOHNSON: You can't ask them.

5 THE WITNESS: Okay. I'm drawing a blank.

6 There is one more. There is ten telephone companies,

7 and I can't think who the tenth one is.

8 BY MR. LANE:

9 Q. And is it owned equally between all of the

10 ten telephone companies?

11 A. Yes, uh-huh.

12 Q. And is it a corporation or is it a

13 partnership or is it something else?

14 A. It's a non-profit corporation.

15 Q. So it's organized as a not-for-profit

16 corporation under Chapter 353 of the Internal Revenue

17 Code?

18 A. I'm not sure. I'd have to research that.

19 It's a not-for-- it's a not-for-profit, as I recall.

20 Q. Now, are you saying that it's designed that

21 you're not intending to make a profit, or are you

22 saying that you're prohibited under the tax laws from

23 making a profit in the operation?

24 A. It was designed to not make a profit. And

25 it's not under the tax laws prohibited from making a

1 profit. It was just designed to be a non-profit.

2 Q. So you're not set up as a charitable
3 organization under the tax code?

4 A. No. We're not a 50-C, whatever.

5 Q. 501-C-3. That's what I was trying to say.
6 You're not that, are you?

7 A. No.

8 ALJ ROBERTS: Excuse me, Mr. Lane. Is that
9 RAIN, R-A-I-N?

10 MR. LANE: Yes.

11 ALJ ROBERTS: Thank you.

12 BY MR. LANE:

13 Q. What does RAIN stand for?

14 A. The Rural Area Information Network.

15 ALJ ROBERTS: Thank you.

16 BY MR. LANE:

17 Q. When you decided to go and serve customers
18 in Boonville, you had choices to serve them other than
19 COS, did you not?

20 A. That's correct.

21 Q. Could you describe what some of those
22 choices were available to you?

23 A. Require -- you know, put in an 800 number
24 and allow them to dial the 800 number, put modem pools
25 and so forth in the Boonville area. Let's see. Those

1 would probably be the two -- two main choices.

2 Q. Would FX service have been available to you?

3 A. Certainly.

4 Q. And you examined all of those possibilities
5 and determined that using COS would be the least
6 expensive alternative. Right?

7 A. We didn't look at FX. Frankly, I didn't
8 even think about it. But the reason we used COS is it
9 didn't require us to duplicate the very expensive
10 equipment as far as routers and modem pools and so
11 forth.

12 Q. Now, when you -- how many lines do you have,
13 COS lines, to serve Boonville customers out of Pilot
14 Grove?

15 A. I don't know. I believe that information is
16 in a data request that you requested of us. I don't
17 recall off the top of my head. If I had to guess, I
18 would guess it's around 17.

19 Q. Okay. Well, we'll assume 17 for purposes of
20 my question here. If you have 17 lines, then, that
21 are available, does that mean that there can be 17
22 customers in Boonville that are accessing the internet
23 through your Pilot Grove facilities at any one time?

24 A. That is correct.

25 Q. Okay. And do you -- do those lines hunt

1 over from one to the next so that if a number is busy,
2 in succession each of the 17 become available to
3 customers calling?

4 A. Right. They're in a trunk-hunting
5 arrangement.

6 Q. And do you pay Southwestern Bell for each of
7 the 17 lines that are used in the COS?

8 A. Yes, we pay the business rate on all 17
9 lines.

10 Q. And you have since the beginning of setting
11 that up?

12 A. That is correct. It hasn't been -- I mean,
13 as the pool grew, we added more lines, but, yes, we've
14 always paid it for every line in the pool.

15 Q. And that's the right way to do it under the
16 tariff, isn't it?

17 A. The tariff is not clear. The tariff says it
18 should be charged on an account -- per account basis,
19 not per line, so one would argue that we may or may
20 not be doing it correctly. The tariff is vague.

21 Q. It was clear enough to you to pay it and not
22 to raise a question about it from the very beginning,
23 wasn't it, Mr. Jones?

24 A. Yes. It was my assumption that that was the
25 right way to do it.

1 Q. And do you have customers that are in
2 Mid-Missouri's territory that have more than one COS
3 line?

4 A. Yes, I do.

5 Q. And you always charged them for each of the
6 COS lines that they have ordered, didn't you?

7 A. I -- let me clarify something. Are you
8 talking about in a hunting arrangement?

9 Q. Yes, I am. I'm sorry.

10 A. Yes. Affirmative.

11 Q. And Southwestern Bell relies upon your
12 company to identify and bill out COS bills to
13 customers in your territory of order. Right?

14 A. Yes, you do.

15 Q. If the Commission were to order that your
16 company take over the provision of COS service, would
17 you agree that Southwestern Bell could go ahead and
18 buy COS service out of your company and use it to
19 provide internet access to their customers residing
20 elsewhere?

21 A. Give me a more specific example. I think I
22 would -- the answer is yes, but be more specific.

23 Q. Well --

24 A. Meaning if I'm the target exchange?

25 Q. Either one.

1 A. In that example, am I the petitioning or the
2 target?

3 Q. I'll ask it both ways.

4 A. Okay. If -- for instance, if I serve
5 Boonville and you serve Pilot Grove, yes, you would be
6 able to buy -- you would be able to put modem pools in
7 Pilot Grove and buy COS on it. If you were to put
8 modem pools in Boonville, I don't believe you would be
9 eligible to buy COS on those.

10 Q. And the way we are eligible in your view to
11 do it, if we had a multiple line hunt group, you would
12 expect us to pay for each of the COS lines in that
13 multiple line hunt group, wouldn't you?

14 A. That's always been my impression of how it
15 was supposed to work, yes.

16 Q. Now, you make the claim in your surrebuttal
17 testimony that Southwestern Bell isn't financially
18 harmed because all of the access in a COS arrangement
19 like that is terminating access and because the ratio
20 doesn't change, the amount that's paid to your company
21 doesn't change. Correct?

22 A. That's -- yes, that's correct.

23 Q. And if we recall our earlier conversation
24 where we went through the Oregon Farmers tariff with
25 which your company concurs, we agreed that your

1 terminating ratio may change if you retained the
2 ability to change that terminating ratio as the ratio
3 of originating to terminating varies over time.

4 Correct?

5 A. The language in the tariff does, subject to
6 check, indicate that I can adjust that T/O ratio, but
7 I would need your assistance in helping me develop the
8 minutes of use that actually apply.

9 Q. Sure. Same conversation as we had earlier.

10 And so if as you add internet access
11 customers in Boonville, for example, the ratio of
12 terminating to originating over time would vary and
13 Southwestern Bell would ultimately wind up paying more
14 access to your company as that ratio changed, would it
15 not?

16 A. That's correct. If we would update the T/O
17 ratio and the actual terminating ratio was higher,
18 that would be the case.

19 If it were lower, it would be less.

20 Q. But if you're adding internet access
21 customers, that ratio is going to go up, isn't it?
22 You're increasing your number of terminating minutes,
23 are you not?

24 A. One would assume that to be true, subject --
25 with no unforeseen changes, that's decrease demand.

1 Q. That's your testimony, isn't it, that
2 Southwestern Bell isn't affected because it's all
3 terminating minutes and you're not paying extra?

4 A. And the ratio has never been adjusted,
5 that's correct.

6 Q. Right. But if you adjust the ratio as
7 you're permitted to do under the tariff, then
8 Southwestern Bell would be paying more?

9 A. That is correct. Would be paying more or
10 less depending on what the adjusted ratio was. If the
11 ratio went down, it would be less. If the ratio went
12 up, it would be more.

13 Q. If there is no other changes other than that
14 you're providing additional services now to internet
15 access customers in Southwestern Bell's Boonville
16 exchange, there is no question but that the ratio is
17 going to go up and we'll be paying more. Correct?

18 A. Unless customers in my area were to
19 subscribe to internet services in the Boonville area
20 because -- for whatever reason.

21 Q. Which you say aren't available. Right?

22 A. They weren't when we started in the
23 business. There are several today.

24 Q. Are you ready to exit the business then
25 because the public service no longer requires you to

1 do that?

2 A. I think from a pricing standpoint we're
3 exiting it through attrition to other competitors
4 so . . .

5 Q. Well, if there's other ones now providing it
6 in Kirksville (sic) and you were doing it because it
7 was in your view of what was in the public interest,
8 are you willing to exit now if the public interest is
9 otherwise being met?

10 A. Possibly. I'm not doing it in Kirksville
11 today.

12 Q. I'm sorry?

13 A. I say I'm not doing it in Kirksville today.

14 Q. Not offering internet access?

15 A. No, never have.

16 Q. Boonville?

17 A. Okay.

18 Q. I've done this several times. I apologize.
19 Boonville.

20 A. Yes. I mean, we've considered it. At some
21 point -- at some point it would be uneconomical for us
22 to continue to pay COS on the modem pool lines given
23 the amount of traffic we had -- our customers we had
24 that subscribe to the service.

25 Q. On Page 18 of your surrebuttal testimony you

1 criticize Southwestern Bell's position on the resell
2 of COS and discuss the Federal Telecommunications Act
3 again. Would you agree with me that Mid-Missouri
4 Telephone Company has not sought interconnection with
5 Southwestern Bell pursuant to the terms of the
6 Telecommunications Act of 1996?

7 A. I would agree with that.

8 Q. And, in fact, would you agree that when you
9 purchase COS that you're acting as a customer of
10 Southwestern Bell under our tariffs?

11 A. Yes.

12 Q. And would you agree that you, like other
13 customers of Southwestern Bell, would be required to
14 comply with the tariff terms of the services that
15 you're ordering?

16 A. I would agree.

17 ALJ ROBERTS: Excuse me, Mr. Lane. Unless
18 you're about to wrap up, we probably need to take a
19 break.

20 MR. LANE: Okay.

21 ALJ ROBERTS: Do you have a number of
22 questions to go yet?

23 MR. LANE: We can take a break. That's
24 fine.

25 ALJ ROBERTS: All right. I think it's time

1 we stop and go off the record.

2 We'll come back in about 15 minutes, please.

3 Thank you very much.

4 We're off the record.

5 (A discussion off the record.)

6 ALJ ROBERTS: Ladies and gentlemen, we're
7 back on the record after our afternoon break. The
8 witness Mr. Jones is still on the witness stand and is
9 still under oath.

10 And I apologize. I had interrupted Mr. Lane
11 so we could take a break.

12 Mr. Lane, questioning back to you.

13 MR. LANE: Thank you.

14 BY MR. LANE:

15 Q. Mr. Jones, in your direct testimony on
16 Pages 10 and 11, you make the statement that if the
17 Commission decides to change COS from a two-way
18 service to a one-way service, then the price should
19 fall by more than one-half to reflect the lesser value
20 to the customer. Do you recall that?

21 A. Yes, I do.

22 Q. And my question to you is if the Commission
23 decides to make COS a one-way service and the
24 Commission also decides that they will require the
25 local exchange companies like yourselves to become the

1 provider of COS, do you continue to believe that the
2 price of COS should be reduced by more than half to
3 reflect the lesser value?

4 A. Okay. That's in the event they make it a
5 one-way-only service?

6 Q. Yes.

7 A. It's no longer a two-way service?

8 Q. Yes.

9 A. I certainly don't believe it has the same
10 attractiveness to the customers. And so I would say
11 that, you know, if you assume the original price was
12 correct, I would say the ultimate resulting price
13 would have to be less than half to have the same level
14 of attractiveness to the customer.

15 Q. So you would be willing to commit on behalf
16 of your company that if the Commission makes it a
17 one-way service and makes your company the provider of
18 that service that you would be willing to reduce the
19 current rate by more than one-half?

20 A. No, I didn't say that. I'm saying if you
21 compare -- I mean, here -- this is talk about the
22 value to the customer. It has nothing to do with the
23 cost of providing the service. I'm saying if you take
24 away the two-way piece, you reduce the value of the
25 service by more than half, in my opinion.

1 Q. But you're not saying that the price ought
2 to be reduced by more than half?

3 A. I'm saying you reduce the value. Yes.

4 Q. And the price, though, ought to reflect the
5 cost, not the reduction in value?

6 A. I didn't say that either.

7 Q. Okay.

8 A. I don't think -- I mean, you're making the
9 assumption that COS is priced based on cost today?

10 Q. And it's not, is it?

11 A. No.

12 Q. And so if you reduce it to a one-way
13 service, you really shouldn't reduce the price by more
14 than one-half because you're making the cost-to-price
15 ratio even worse, aren't you?

16 A. I don't know.

17 Q. You're not recommending to the Commission
18 that they make the price less than one-half of what it
19 is today regardless of who the COS provider is if they
20 change it to a one-way service?

21 A. I don't think I'm making a recommendation on
22 the price here. I'm talking about the value of the
23 service.

24 MR. LANE: That's all I have. Thank you.

25 ALJ ROBERTS: United?

1 CROSS-EXAMINATION BY MS. GARDNER:

2 Q. Mr. Jones, you mentioned in response to a
3 question by Mr. Lane that when you looked at -- or
4 when RAIN looked at the provisioning of the service,
5 you considered 800 number service.

6 A. Uh-huh.

7 Q. Is that correct?

8 Do I take it that you chose COS because of
9 the price advantage with COS and not because the 800
10 number service was technically impossible for you to
11 provision?

12 A. Yes. I would agree that the 800 was not
13 technically impossible to provision. It just made
14 more sense to use COS.

15 MS. GARDNER: That's all I have. Thank
16 you.

17 ALJ ROBERTS: Staff?

18 MS. MCGOWAN: Just a few questions.

19 CROSS-EXAMINATION BY MS. MCGOWAN:

20 Q. Does Mid-Missouri Telephone Company charge a
21 fee to provide internet access?

22 A. Yes, we charge the customers a fee.

23 Q. Do you know what that fee is?

24 A. In real approximate dollars. I think I
25 provided that information to Staff in a data request.

1 I'd rather rely on that data request.

2 Q. I'm not so much asking for an exact number.

3 Do you know if it's a set fee or user-
4 sensitive?

5 A. It's -- it's a block of time. They pay so
6 much for so many hours, and then it's a \$1.20 for each
7 additional hour or fraction thereof.

8 Q. So kind of an incremental flat rate?

9 A. (Witness nodded head.)

10 Q. Okay. We were talking about RAIN. Do you
11 know why RAIN was originally established?

12 A. Yes. It was originally established as a
13 consortium to provide access to the internet, access
14 that educators -- I mean, it originally started as a
15 network to serve schools and libraries and evolved
16 from there.

17 In the early days of RAIN, we didn't have
18 any idea that the end user, customer, residential,
19 business, what-have-you, would have an interest in
20 the internet. We thought it was purely an
21 educational --

22 Q. So when you started RAIN, you started
23 offering internet services to, like, schools and
24 public --

25 A. And libraries in our service area.

1 Q. Let's see. What method did RAIN initially
2 use to provide that access? Do you know?

3 A. Yeah. We had -- we had local modem pools
4 and just local access, and we also -- that was
5 initially. Yes. We just used modems and local
6 numbers.

7 Q. Do you know what backbone you used to run
8 that?

9 A. Yes. We used to connect through MORENET,
10 the Missouri Online Research and Educational Network.

11 Q. Do you know what MORENET is for?

12 A. No, not really. I mean, one of their
13 charges is to provide internet access to schools and
14 libraries, and RAIN partnered with them early on to
15 make that possible in a lot of the rural areas we
16 serve.

17 Q. Are you aware that MORENET is not considered
18 for commercial use?

19 A. Yes.

20 MS. MCGOWAN: I don't think I have any
21 further questions of this witness.

22 ALJ ROBERTS: Redirect?

23 MR. JOHNSON: Now or -- at this time, no,
24 your Honor.

25 ALJ ROBERTS: Vice Chair Drainer?

1 QUESTIONS BY COMMISSIONER DRAINER:

2 Q. Good afternoon, Mr. Jones.

3 A. Hi.

4 Q. Hi. I have a few questions I would like
5 some clarification on.

6 First of all, would you -- in general, can
7 you tell me, when was the last time that your company
8 and Missouri was in the PSC -- to the PSC for a rate
9 case?

10 A. It was before I started working for the
11 company, so it's been many years. I would say it was
12 in the early '80s.

13 Q. So you haven't had to come to the PSC to
14 have your customers' rates increased?

15 A. Right.

16 Q. And have there been any complaint cases
17 against your company for rate reductions in that time
18 that you've been with the company?

19 A. Formal complaint cases, no.

20 Q. Okay. Help me out. You-all are a lot more
21 familiar with the settlement with COS than a lot of us
22 up here, so let's use the example that you've been
23 using with Pilot Grove and Boonville.

24 Now, Pilot Grove is a Mid-Missouri company
25 and, therefore, a secondary carrier company and

1 exchange, and Boonville is an exchange for
2 Southwestern Bell or a primary toll carrier; correct?

3 A. That is correct.

4 Q. And also Pilot Grove is the petitioning
5 exchange into Boonville, which is a private exchange?

6 A. Correct.

7 Q. All right. Tell me how this works as far as
8 the settlements or the transfer of any types of
9 dollars between Mid-Missouri and Southwestern Bell.
10 If I'm a customer of Pilot Grove and I have two-way
11 COS, I understand from your attorney this morning that
12 the monthly charge is \$16 for a residential rate
13 payer?

14 A. That sounds correct.

15 Q. So I would pay Mid-Missouri \$16?

16 A. No.

17 Q. No.

18 A. You would say Southwestern Bell.

19 Q. Is that who I would send the check to?

20 A. It's billed on the Southwestern Bell portion
21 of the bill. We are a billing agent for Southwestern
22 Bell.

23 Q. All right. So I would pay on my monthly
24 bill \$16, and as the billing agent you would then turn
25 that \$16 over to Southwestern Bell?

1 A. That's correct. We'd -- we collect that
2 money and then remit it to Southwestern Bell.
3 Q. All right. Now, what does Mid-Missouri get
4 in revenues?
5 A. Our revenues are just our normal customary
6 access charges for accessing the exchange.
7 Q. Accessing which exchange? Boonville?
8 A. Pilot Grove -- no originating access from
9 Pilot Grove.
10 Q. Okay. I'm in Pilot Grove. I call
11 Boonville.
12 A. Right.
13 Q. Now, a call has been originated from Pilot
14 Grove and is terminated in Boonville?
15 A. Correct.
16 Q. So there is an originating charge?
17 A. Originating -- intraLATA originating access
18 charge would apply on that.
19 Q. And that access charge is not billed to the
20 customer. It is captured and then you bill --
21 A. Southwestern Bell.
22 Q. And they pay you originating access?
23 A. Uh-huh, that is correct.
24 Q. Now, do they do it on all actuals?
25 A. The only thing that's on actual today is the

1 originating piece.

2 Q. Okay.

3 A. If you were in Boonville and you turned
4 around and called back to your -- say you went to the
5 doctor's office and you called back to your home, that
6 call would not be recorded by Mid-Missouri Telephone.

7 Q. The terminating?

8 A. Right.

9 Q. How would -- would Southwestern Bell have to
10 pay you something for terminating, though?

11 A. They would pay the terminating piece as a
12 factor applied against originating. So let's say the
13 T to O factor at Pilot Grove is one to one, so for
14 every originating minute of use, they would give us
15 one terminating minute of use?

16 Q. Automatically?

17 A. Uh-huh.

18 Q. So it's measured -- is it measured on, then,
19 just an originating piece?

20 A. That's correct.

21 Q. So if there are a huge number of minutes
22 originating in Boonville and terminating in Pilot
23 Grove, Southwestern Bell doesn't have to pay the
24 terminating for all of those?

25 A. That's correct. They are only paying us

1 terminating based on the factor that's applied to
2 originating. And if the originating minutes are zero
3 and you apply a one factor against them, it's still
4 zero.

5 Q. All right. So as the originating access
6 increases through time, as usage increases through
7 time, then Southwestern Bell has to pay you more
8 dollars?

9 A. That is correct. As originating access
10 increases or grows over time, the resulting
11 terminating access is increased by that same factor.

12 Q. So they are paying you both more originating
13 and more terminating?

14 A. If the originating access grows, that's
15 correct.

16 Q. Now, when there was a cut date to put the
17 current two-way COS into place, there would have been
18 an estimate on the COS customers and the revenues that
19 the primary toll carriers were going to receive and
20 the access revenues they were going to have to pay out
21 and the access revenues they were going to have to pay
22 out were higher than the revenues they received for
23 COS. Correct?

24 A. I would assume that in our company,
25 Mid-Missouri Telephone Company's case, that would be

1 correct.

2 Q. And when that happened then -- I was told
3 this morning in opening statements that that
4 allowed -- that we had to allow for revenue neutrality
5 for the primary toll carriers which meant that then
6 whatever losses they were going to have because they
7 were paying more in access than receiving from COS,
8 that that difference they would capture from their
9 customers. Correct?

10 A. I don't remember -- Dianne, I don't have
11 recollection of exactly what the revenue make-whole
12 item was for the PTCs. I wasn't really -- I mean, I
13 was involved in the proceedings, but I just don't
14 recall if it was -- if they had the rights to raise
15 toll services or if it was local services or where
16 they went to get made whole.

17 Q. Well, they did not go to your customers, did
18 they?

19 A. I don't believe they -- no, I don't believe
20 they did unless they raised toll rates in some other
21 bands, and I -- I just don't recall. I'm sorry.

22 Q. Okay. Well, I can ask them, but I guess the
23 point I want to get to is that for revenue neutrality
24 purposes, the primary toll carriers would increase
25 revenues -- or generate revenues through increasing

1 charges to their customers, which if that is true and
2 if Southwestern Bell had to raise any rates, it would
3 have gone to the Boonville customers and to all of
4 their exchanges. Thereby their customers were
5 subsidizing Pilot Grove's customers and having COS?

6 A. Yeah.

7 Q. Wouldn't that be true if that's the way it
8 came down?

9 A. I would agree if they -- I mean, if they
10 increased toll services, that would be applied across
11 the board to our customers as well because our
12 customers are customers of theirs for toll services.

13 Q. Well, I think Mr. England this morning was
14 talking about discretionary services.

15 A. Okay.

16 Q. And it --

17 A. Yeah, if it's discretionary services, it
18 would not have been applied to Mid-Missouri's
19 customers.

20 Q. All right. You stated that you may not have
21 the facilities to be a provider of COS?

22 A. Correct.

23 Q. What facilities would Mid-Missouri not have?

24 A. The interexchange toll facilities,
25 facilities connecting our exchanges with other

1 exchanges. Today we rely on Southwestern Bell's
2 facilities to terminate that traffic and them acting
3 as a primary toll carrier.

4 Q. Is it possible that you could use their
5 facilities through some type of a contract
6 arrangement?

7 A. That is correct. We could use their
8 facilities or contract with other carriers.

9 Q. And you believe that COS should be
10 maintained as a two-way service?

11 A. Absolutely.

12 Q. If this commission were to make COS a
13 one-way service and a local service and mandatory, do
14 you believe that Mid-Missouri Telephone would have a
15 mandatory obligation to provide it to its customers?

16 A. Well, certainly, if the Commission ordered
17 me to provide it, I would provide it.

18 Q. What would be the down side?

19 A. Meaning "mandatory," every customer in the
20 exchange would have to subscribe?

21 Q. No. Mandatory in that you, Mid-Missouri,
22 would have to designate it as a local service to
23 provide to any customer that wanted it.

24 A. Well, the down side is clearly that today I
25 think there has been enough evidence presented here

1 that the service doesn't cover its costs, so to the
2 extent I provide it, I've got to take that cost and
3 redistribute it over a customer base that is
4 substantially smaller than what a primary toll carrier
5 would have, so one might have to assume that the cost
6 per customer would be substantially higher.

7 I think that leads to a looking-over-the-
8 fence issue. All of a sudden the Southwestern Bell
9 customer that lives in Slater, Missouri, may be
10 getting COS to Marshall at a far reduced price over
11 the Mid-Missouri customer living in Gilliam, Missouri,
12 that has the same COS to Marshall. So I think we get
13 back to the old looking-over-the-fence equation.

14 Q. What would be wrong with having EAS, if
15 anything?

16 A. I remember -- it's been a long time since
17 we've had EAS proceedings, but I remember the last EAS
18 route we studied was Speed to Boonville, Missouri,
19 Boonville being a Southwestern Bell exchange and Speed
20 being a Mid-Missouri exchange. And we took the cost
21 of that EAS facility and divided it pretty much
22 equally. Mid-Missouri bore half of it and
23 Southwestern Bell bore half of it, and we sent the
24 notice out to the customers saying, "Here is what it's
25 going to cost." And as I recall, we were looking at

1 an \$8 to \$9 additive on every bill in the Speed
2 exchange and only about a nickel additive on the
3 customers in the Boonville exchange.

4 And that seemed -- I mean, it was
5 unacceptable to the customers because it was every
6 customer whether they wanted it or not would have had
7 to pay the \$8. And I think that's one of the things
8 that became a barrier to the implementation of EAS was
9 the cost and the way the -- I mean, the customer in
10 Boonville who is paying a nickel gets the same access
11 to it that the customer in Speed gets when he pays the
12 \$8.

13 Q. Do you think it's appropriate that a primary
14 toll carrier's customers, which are the vast majority
15 of customers in Missouri, should have to pay for a
16 very small percent of customers that have the service?

17 A. Well, I see the communications network much
18 like the highway system today. If you go out into the
19 rural areas, there is certainly a lot less customers
20 per mile of highway than there is in the urban areas,
21 but, yet, I think we all pay the same fuel tax. And I
22 see telecommunications being much the same way.

23 Q. But it's really not because you're asking
24 other customers in Missouri, rate payers, to pay for a
25 small group to get a subsidy for their toll services.

1 A. I -- I don't -- I see the -- I don't see the
2 difference. I mean, how is that different than the
3 highway system? I mean, wouldn't you agree that
4 people in the metropolitan areas call the rural areas?
5 Is it important to them that they can call their
6 friends?

7 Q. I think I'm supposed to ask you the
8 questions.

9 A. Okay. I'm sorry.

10 Q. Okay. Let me ask you -- your attorney this
11 morning seemed to indicate that COS was important
12 because it allowed parents to call their children and
13 children to call their parents from schools. That
14 seems to be an example that's usually given for the
15 importance of COS. If that's the importance of COS,
16 then why does there even need to be a COS service for
17 businesses?

18 A. Why -- I think that's one example. Other
19 examples would be, we don't have doctors in Pilot
20 Grove. We don't have a hospital in Pilot Grove. I
21 mean, we don't have access to a lot of the businesses
22 that are located in the county seat town. I mean, we
23 have very few businesses that are local and so people
24 use COS to access their source and supply of
25 day-to-day items, not to mention medical and health

1 care needs and certainly educational needs. And we
2 don't have the small towns -- I mean, we've got towns
3 that we serve that don't really have a single business
4 left in the town, and clearly they are dependent upon
5 neighboring communities for those services.

6 Q. But then the business -- if there is not a
7 business in the small town, then it doesn't need COS.
8 Correct?

9 A. That's correct. In that case, by the same
10 token, the same business that does happen to be
11 located in Pilot Grove relies on COS as a way to
12 attract patrons in the surrounding communities.

13 Q. Do you live in Pilot Grove?

14 A. Yes, I do.

15 Q. Do you have any benefits that you think you
16 have from living in an area like Pilot Grove versus a
17 metropolitan area in the city?

18 A. I certainly do.

19 Q. Such as --

20 A. They're numerous, but I guess my personal
21 nature is that I don't -- I don't like the crowded
22 highways and byways of, I guess, the metropolitan
23 lifestyle. I grew up in the country and that's kind
24 of where I belong, so I think the quality of life in
25 the rural area -- it's different and it's more suited

1 to my tastes, I guess.

2 Q. So there might be some trade-offs in living
3 in a more rural environment. There may be, as you
4 said, numerous benefits, and some of the trade-offs
5 are that then there are some costs, that we don't have
6 easy access to telecommunications, to all of the
7 services you might want?

8 A. That's certainly one way to look at it.

9 COMMISSIONER DRAINER: Okay. I have no
10 other questions.

11 ALJ ROBERTS: Commissioner Crumpton?

12 COMMISSIONER CRUMPTON: Yes.

13 QUESTIONS BY COMMISSIONER CRUMPTON:

14 Q. How are you, Mr. Jones?

15 A. All right.

16 Q. I have a group of questions, some of which
17 may have to be done in camera because they deal with
18 finances. Other questions don't have to be treated
19 that way.

20 My first question is, what percent of your
21 customers use COS?

22 A. I can get you that information. I don't
23 have it readily available. I've looked at it, but I
24 don't recall the numbers. It might be included in Bob
25 Schoonmaker's attachment as well.

1 COMMISSIONER CRUMPTON: Bob, do you have --

2 ALJ ROBERTS: There may be a number --

3 Commissioner Crumpton, I think there may be a number
4 of questions that will address highly confidential
5 information, and if you can separate those from your
6 other questions, I think Vice Chair Drainer may have
7 some, as well, and we'll close and -- I mean, unless
8 you want to go ahead and do those now.

9 COMMISSIONER CRUMPTON: I have an internet
10 question which may not --

11 ALJ ROBERTS: We probably -- if you want to
12 do the internet question and then we'll go into a
13 closed session for the highly confidential questions.

14 COMMISSIONER CRUMPTON: And then come back
15 out?

16 ALJ ROBERTS: Yes, sir. Go ahead and do
17 your internet questions before we break.

18 BY COMMISSIONER CRUMPTON:

19 Q. Yes. Mr. Jones, I am struggling with this
20 internet issue. I was very proud of the fact that
21 your company was working so hard to provide internet
22 service to citizens of Missouri who normally don't
23 have access until I realized that you charge for the
24 service, and so I want to look at that a little.

25 A. Sure.

1 Q. How does the internet service work when the
2 dialing customer is a Southwestern Bell customer, and
3 how are you paying for the work that your company
4 does, and how is Southwestern Bell paying for the work
5 that it does, assuming that you're using COS to
6 provide that service?

7 A. Okay. Currently, as has been mentioned many
8 times, Mid-Missouri uses what we call T-to-O factors,
9 because on a COS modem pool, a modem pool that has COS
10 on it, there is no originating records. The fact that
11 the originating record is zero, when you apply the
12 T-to-O factor times the zero, you still end up with a
13 zero. So there is no minutes of use, access minutes
14 of use, billed on those lines to Southwestern Bell or
15 anyone else.

16 Q. Okay. So the Southwestern Bell customer
17 dials your modem pool?

18 A. Correct.

19 Q. And is access -- this access is provided
20 through COS?

21 A. Correct.

22 Q. And so -- now, is this the COS service that
23 Southwestern Bell as a primary toll carrier would be
24 carrying?

25 A. Right. And their revenue would be the \$33

1 per month times each one of the modems.

2 Q. Okay. I'm not talking about that right now.

3 A. Okay.

4 Q. I'm talking about internet service.

5 A. Okay.

6 Q. So what you're telling me is Southwestern
7 Bell receives no competition other than this \$16 a
8 month, assuming this is a residential customer?

9 A. That's right. In this case it's their
10 business line, so it's \$33 per modem.

11 Q. Oh, okay. But your company charges for the
12 service?

13 A. Okay. My company's -- Mid-Missouri
14 Telephone Company's revenue would be the revenue, the
15 monthly charge, off the phone lines that the modems
16 are hooked to. Okay? And then on the non-regulated
17 piece, the internet service provider piece, their
18 revenue would be the monthly fee they charge customers
19 for internet access.

20 Q. But you testified earlier that your company
21 charges a fixed price plus incremental charges for
22 usage above a certain limit?

23 A. That's for the internet itself, yes.

24 Q. Okay. Would you mind providing that
25 information to us for this record?

1 A. No, not at all.

2 Q. Okay.

3 A. I think I've probably already provided that
4 to the Staff, but I would be glad to provide it.

5 Q. I would like to get it in the record and I
6 would like to see it. I've been reading all of these
7 records. There are so many here. I might have missed
8 it.

9 Now, how many minutes of use are used for
10 internet service through the COS system by RAIN?

11 A. I don't have that -- I don't have that
12 knowledge. I mean, we can research it and provide
13 that information and it may be in some of the
14 proprietary information that one of the other
15 witnesses has already provided. I don't have it with
16 me.

17 COMMISSIONER CRUMPTON: Would any witness
18 know of that information being available? Is that
19 information available?

20 ALJ ROBERTS: It would be to the attorneys.
21 I don't know if any of you know if your witnesses
22 provided that information. Otherwise, we'll just ask
23 it be provided, the minutes of use from the internet
24 from RAIN.

25 BY COMMISSIONER CRUMPTON:

1 Q. Okay. Now, this next question, you'll have
2 to tell me if it's -- if it's proprietary.
3 Can you identify your top 20 COS users in
4 terms of volume, in terms of minutes of use?
5 A. Yes, it can be done.
6 Q. Would you do that for me?
7 A. Okay. Right now, you mean, or provide it
8 later?
9 Q. Provide it to this record.
10 A. Certainly. I think we can, yes.
11 Q. Okay. I have some other questions that may
12 not be proprietary.
13 COMMISSIONER DRAINER: Excuse me.
14 Commissioner Crumpton, if you're going to have him
15 provide the top 20 users, would you also want the toll
16 number originating and terminating?
17 COMMISSIONER CRUMPTON: Access minutes?
18 COMMISSIONER DRAINER: Uh-huh.
19 COMMISSIONER CRUMPTON: Yes. That's a great
20 additive to my request.
21 COMMISSIONER DRAINER: Thank you.
22 BY COMMISSIONER CRUMPTON:
23 Q. I would like to turn to your direct
24 testimony --
25 A. Sure.

1 Q. -- Page 5, Line 18 -- beginning on Line 18,
2 ending on Line 19. You state that, "Serving the
3 status quo will not be peaceful." Is this a threat to
4 the Commission or what is that? Should I start
5 looking for a job?

6 A. As several other people that are in the room
7 can recall, I was involved with the COS task force and
8 got the privilege of attending the public meetings we
9 held to discuss the implementation at that time of
10 COS. And I would say at a few of those meetings,
11 people were a little bit on the hostile side. They
12 were demanding expanded calling scopes and were quite
13 adamant about it.

14 I have to believe if we go out and remove
15 those, there is going to be a lot of people that are
16 going to be upset.

17 And, no, I didn't mean it as a threat.

18 Q. So what you're saying is they will be most
19 upset if they do not continue to receive free service.
20 Is that what you're telling me?

21 A. It's not free. It's -- it's -- you know,
22 there's --

23 Q. Well, in your testimony -- I think in much
24 of the testimony you-all are describing the service --
25 the call back to the petitioning exchange as a free

1 service, a free call?

2 A. It's paid for on the originating side.

3 Q. Okay. So whenever you said on -- for
4 instance on the same -- on Page 6, Line 14, to call
5 home toll-free, is -- what are you trying to tell me?

6 A. Well, I mean the calls from the target
7 exchange to the petitioning exchange is not assessed a
8 toll charge in the target exchange.

9 Q. But isn't that a toll service? Isn't that
10 what you're telling us?

11 A. Well, under the terms of COS, if the
12 customer purchases the service -- you know, the
13 customer in the target exchange is not the one
14 purchasing the service. It's the customer in the
15 petitioning exchange.

16 Q. I understand.

17 A. Okay.

18 Q. But it's still free.

19 A. It is free --

20 Q. It is not a toll service.

21 A. It is free to the petitioning exchange
22 custom-- or the target exchange customer.

23 Q. Do you believe that people who value these
24 services are willing to pay for them?

25 A. Yes, as a -- I mean --

1 Q. Are they willing to pay a fair market price
2 for them?

3 A. The only thing that I have to -- to go -- I
4 mean, if you look historically, they were unhappy with
5 the existing MTS long distance rates at the time COS
6 was implemented, and I assume the Commission
7 implemented COS to solve that problem.

8 Q. Okay. On Page 8 of your direct testimony
9 you make the statement that 800 number assigned for
10 two-way COS subscribers should have the necessary
11 database restrictions to assure the number is only
12 available for use from the target exchange.

13 Why would the Commission want to get
14 involved in that? If it's an 800 number, why wouldn't
15 the normal 800 number service suffice?

16 A. Well, I think it's a matter of price. Here
17 we're talking about an 800 number that's part of a
18 two-way service. It could be that you don't put the
19 restrictions on, but you have a different price for
20 those calls when they're coming from other than the
21 target exchange.

22 Q. If I dial call AT&T, 1-800 call AT&T --

23 A. Uh-huh.

24 Q. -- to access a service of theirs, that's a
25 free call?

1 A. Correct, to the person making the call.

2 Q. Right, to me. Now, were I in the target
3 exchange, and a company in the originating or
4 petitioning exchange has an 800 number and I call that
5 800 number, that call to me would be free, would it
6 not?

7 A. That is correct.

8 Q. So that 800 number with no restrictions
9 would still meet that requirement, would it not?

10 A. Yes, it would.

11 Q. Okay. That's all.

12 On Page 9 you talk about the digital
13 technology remote call forwarding and you make the
14 statement that it could be utilized to provision a
15 return call. And you further state -- this is on
16 Page 9, Lines 7 through 9.

17 You further state on Page 14 that this
18 technology may again be worthy of consideration as the
19 BSA is not utilized by the new entrants and because
20 exchanges will now be digitized at the time of the
21 presubscription.

22 Can you explain to me, you know, what this
23 means?

24 A. Okay. In the early days of COS we used
25 remote call forwarding as the way or the means of

1 provisioning the return calling before the billing
2 system modification was used. At that time we had a
3 lot of electromechanical or what we call analog
4 offices in the state that could not do remote call
5 forwarding.

6 But once you get to a point that you're
7 going to do intraLATA or intraLATA presubscription,
8 you have to have a digital office in that exchange to
9 accommodate that. So the issue of the analog offices
10 not being able to do RCF shouldn't be an issue any
11 longer.

12 Q. So are you saying that RCF is a viable
13 alternative then?

14 A. It may be. It would need to be explored
15 further by the industry to make sure there weren't
16 some technical constraints that I'm not aware of.

17 Q. Okay. On Page 10, Lines 13 through 18, you
18 mention that these reduced rates benefit the PTCs and
19 IXCs and you go on to make some other statements.

20 Mr. Ensrud, and I hope I'm pronouncing his
21 name correctly, said this was anti-competitive. Do
22 you agree with that?

23 A. The fact that we reduced access rates to
24 adjust for stimulation? I don't believe reducing
25 access rates in this manner was anti-competitive, no.

1 It was competitively neutral for all carriers at the
2 time it was done.

3 Q. In your rebuttal testimony I was a little
4 surprised that you did not discuss Mr. Ensrud's cost
5 analysis. Did you read his testimony?

6 A. No.

7 Q. You did not?

8 A. I did not.

9 Q. Okay. Is anyone -- I mean, did any of your
10 witnesses read his testimony?

11 A. I'm not sure.

12 ALJ ROBERTS: The only other witness would
13 be Godfrey when he comes up.

14 BY COMMISSIONER CRUMPTON:

15 Q. On Page 7 of your rebuttal testimony you
16 discuss the need to extend out the time -- I guess
17 the transition period. Can you explain to me what
18 you're trying to say here beginning with your answer
19 on Line 4.

20 A. Yeah, Line 4 on Page 7. What I'm saying is
21 that we would need to coordinate the elimination or
22 the changes associated with return calling to be
23 commensurate with the new directory publications
24 because today the directory publications contain
25 dialing information and rate information about the

1 return calling. The customer is identified in the
2 directory as being a COS customer indicating that that
3 call is a toll-free or a free call. And my concern is
4 if we don't time it to coordinate, there are customers
5 who are going to have information in front of them
6 that's not accurate, and it would be misleading.

7 Q. We change area codes quite often before
8 publications come out. Is it possible that an
9 intercept could direct a customer to -- or help the
10 customer avoid the problems that you're pointing out
11 here, or help them get around the problems you're
12 pointing out?

13 A. There is other tools that could be used.
14 Intercept might be one of those, direct mailers to
15 those customers and bill inserts.

16 Again, if a customer picks up the directory,
17 though, and looks at it, which is traditionally what
18 they do when they get ready to make a call, they may
19 be misinformed because the information in the
20 directory is inaccurate.

21 Q. Well, directories are not perfect, are they?

22 A. No, certainly not.

23 Q. They do have errors in them, don't they?

24 A. They certainly do.

25 Q. And customers will have their numbers

1 changed. Right?

2 A. That's correct.

3 Q. Some customers will go out of business and
4 move to another city; is that correct?

5 A. That's correct.

6 Q. So -- okay. I just wanted to make sure that
7 you do -- you are saying that intercept might be a way
8 to speed up the process and help the customer avoid
9 the pitfalls that you were alluding to?

10 A. Yeah, that's one of many technologies that
11 could be used.

12 Q. And you would be willing to help us identify
13 other technologies?

14 A. Certainly.

15 COMMISSIONER CRUMPTON: Okay. I think that
16 concludes my questions except for the in camera
17 questions.

18 ALJ ROBERTS: You want to hold those
19 until --

20 Commissioner Murray, do you have any
21 questions?

22 COMMISSIONER MURRAY: Yes.

23 QUESTIONS BY COMMISSIONER MURRAY:

24 Q. I'd like to try to clarify a couple of
25 things here that I'm confused about.

1 If we go back to the very basic target
2 exchange and petitioning exchange --
3 A. Uh-huh.
4 Q. -- your customer would be the Pilot Grove --
5 A. Correct.
6 Q. -- customer in the petitioning exchange, and
7 Southwestern Bell's customer would be the Boonville
8 customer?
9 A. That is correct.
10 Q. Your customer signs up for COS for \$16 a
11 month?
12 A. For residential, and 33 for business.
13 Q. Okay. They remit that payment to who?
14 A. Southwestern Bell.
15 Q. And then what does Southwestern Bell do with
16 it?
17 A. Well, we hope they deposit it in the bank,
18 but it's their revenue just like any other revenue
19 they have.
20 Q. And that is Southwestern Bell's revenue to
21 compensate them for the calls that their customer
22 makes from Boonville to Pilot Grove that they would
23 otherwise be charging long distance toll service for?
24 A. That's correct.
25 Q. So if -- but you say they are compensated

1 based upon the originating access from Pilot Grove?

2 A. No. That's Mid-Missouri Telephone for our
3 role in providing that call. We are compensated on
4 access, and that access is a ratio between originating
5 and terminating. I could draw a diagram that might
6 make it simpler, if you would like.

7 Q. I'm having trouble seeing where your
8 compensation comes in if the \$16 goes to Southwestern
9 Bell.

10 A. There is an underlying wholesale charge
11 you might call -- called access that we charge
12 Southwestern Bell for the facilities we use to
13 provide that service and that's our revenue.

14 Q. An access charge?

15 A. Uh-huh.

16 Q. And that is based upon the -- your
17 originating access?

18 A. Right. That's my originating access. Every
19 time they originate a call out of my exchanges, one of
20 their long distance customers uses my facilities to
21 place a call or to receive a call, I have an access
22 rate that I charge Southwestern Bell.

23 Now, for the terminating piece -- and that's
24 where the confusion is coming in. The terminating
25 piece is really not actually measured. It's a

1 relationship of the originating traffic from my
2 exchanges, so if one of my customers makes a call from
3 Pilot Grove to Boonville, Missouri, and it's a
4 one-minute call, I bill Southwestern Bell for one
5 minute of originating access, and then I take a factor
6 and say, "Okay, because I had one minute of
7 originating, it's safe to say that I have one minute
8 of terminating," so I bill them for one originating
9 minute and one terminating minute.

10 Okay. When the Boonville customer calls
11 Pilot Grove, I don't bill Southwestern Bell anything.

12 Q. But when the Boonville customer calls Pilot
13 Grove, if you did not -- if they were not calling a
14 COS customer --

15 A. Uh-huh.

16 Q. -- Southwestern Bell would be billing them a
17 toll charge --

18 A. That is correct.

19 Q. -- for calling Pilot Grove?

20 A. Uh-huh.

21 Q. So what I'm trying to understand here is,
22 for example, if you have ten times as many calls
23 coming back to your COS customers from Boonville as
24 you have going from your COS customers from Pilot
25 Grove to Boonville, is that not costing Southwestern

1 Bell a loss of revenue that they are not being
2 compensated for?

3 A. Well, first of all, to have calls
4 terminating to a COS number, there has to be a
5 customer subscribing to COS, and so the revenue is no
6 longer associated with the customer in Boonville
7 placing the call. The call -- the revenue is
8 associated with the customer in Pilot Grove who has
9 subscribed to COS.

10 So COS actually allows one customer to pay
11 the cost of originating and terminating traffic, not
12 unlike when you call an 800 number today. You, the
13 person placing the call, don't pay anything. It's a
14 free call for you, but someone on the other end of
15 that call is paying.

16 And in this case, it's the Southwestern Bell
17 customer in Pilot Grove that's paying the cost of that
18 call through the COS service.

19 Q. But in setting up the COS service, are you
20 not normally assuming that it's going to be fairly
21 even calls, going out versus calls coming in, so that
22 if you have the internet usage where you may have,
23 say, take a figure, ten times as many calls coming
24 back as going out, is that not creating some disparity
25 in compensation?

1 A. Yes. I would -- I would agree what there is
2 disparity in compensation, but in that case, the
3 disparity would be that the fact that there is a lot
4 of terminating minutes that no one is paying for
5 because we're not being compensated for those either.

6 Q. But they are being placed by Southwestern
7 Bell's customers to your COS customers?

8 A. Correct.

9 Q. And therefore Southwestern Bell, if you did
10 not have the COS service, would be charging a toll
11 service for those calls?

12 A. Well, in the case of the internet calls, I
13 don't think the calls would exist if the COS -- if
14 they couldn't call toll-free. I don't think they
15 would exist. I mean, it would be very expensive for
16 people to browse the internet paying a long distance
17 charge.

18 COMMISSIONER MURRAY: Thank you.

19 ALJ ROBERTS: I want to ask one question on
20 the internet, and then I think Commissioner
21 Crumpton -- we're going to go back and do the highly
22 confidential.

23 QUESTIONS BY ALJ ROBERTS:

24 Q. You said there is a charge for each phone
25 line that a modem is hooked to. Who pays all of those

1 lines?

2 A. Okay. In our case, it's our -- the
3 non-regulated side of our business pays the COS -- the
4 business COS rate to Southwestern Bell for each one of
5 those modem lines.

6 Q. Well, wait a minute. Doesn't there have to
7 be a line, a customer line, before you can subscribe
8 to COS?

9 A. Yes.

10 Q. So who pays for that line?

11 A. The non-regulated subsidiary --

12 Q. RAIN?

13 A. -- also pays -- pays for the telephone line
14 and the COS rate. The telephone line revenue would go
15 to Mid-Missouri Telephone. The COS line revenue would
16 go to Southwestern Bell.

17 Q. So I got the impression earlier that the
18 whole internet process was a non-profit public service
19 sort of thing that Mid-Mo is doing, but in actuality
20 when you formulated this partnership with the members
21 of RAIN, a side effect is that they're buying lines
22 from you from which you get revenue so that you can
23 sell internet service to the Bell customers in
24 Boonville?

25 A. Yeah. The internet subsidiary, or

1 non-regulated piece, does buy telephone lines from the
2 telephones companies.

3 Q. And is Mid-Mo one of the members of RAIN?

4 A. Yes.

5 ALJ ROBERTS: Commissioner Crumpton, do you
6 have any other questions?

7 COMMISSIONER CRUMPTON: I thought
8 Commissioner Lumpe --

9 ALJ ROBERTS: Commissioner Lumpe does not
10 have any questions.

11 FURTHER QUESTIONS BY COMMISSIONER CRUMPTON:

12 Q. I was just going to -- before we go in
13 camera I would like you to explain to me this
14 comparison that you make between the highways in
15 Missouri and the telephone system that we're dealing
16 with here. And I'd like to say that when I drive from
17 St. Louis to Jefferson City, when I get there, I don't
18 have to pay the city fathers of Jefferson City for
19 having used that highway. But when we're dealing
20 with these telephone systems, when you make a call
21 from St. Louis and it terminates in United's
22 territory, United gets paid, am I right?

23 A. Yeah, I would assume that United would get
24 paid based on their terminating access rates.

25 Q. Okay. So would you kindly explain to me how

1 you draw the analogy between the Missouri -- the main
2 highways in Missouri which are owned by the state and
3 the federal government and are paid when I buy gas?

4 A. Yeah. What I was saying is there is
5 averaging going on in the telecommunications industry
6 much like there is in the highway and transportation
7 industry. Today when I buy fuel, the tax -- I don't
8 pay a different tax in Kansas City than I pay in Pilot
9 Grove, Missouri. I pay a statewide tax that gives me
10 access to the highways statewide, or I pay a
11 federal -- whatever the tax is, it's the same tax.

12 And, you know, if you look at the rural
13 areas, we got a lot more miles of highway in the rural
14 areas per people traveling there per car than we do in
15 the metropolitan areas, but, yet, the tax is
16 consistent across all of it.

17 Q. When was the last time you were in a
18 metropolitan area?

19 A. Last Thursday.

20 Q. Last Thursday. Did you notice how many
21 miles of streets they have?

22 A. Oh, yeah. I also noticed how many cars they
23 had.

24 Q. Right. So you're saying that if we take the
25 collective metropolitan areas of the state of Missouri

1 and measure their streets and alleys, in the end we
2 would have fewer miles than you have in the rural
3 area?

4 A. No. I'm saying the miles -- the cost per
5 driver would be probably dramatically lowered just
6 because of the volume of drivers. Out in my area of
7 the country, I've got two-point-some customers per
8 mile of line, so if we -- if we base the -- what the
9 customer pays on cost, each customer is going to be
10 buying 2.9 miles of line, in my case; whereas, in --
11 in Kansas City that customer might be sharing that
12 mile of line with 250,000 other customers.

13 Q. Okay. Now, do you feel like you have drawn
14 for me an analogy between the highway system and the
15 telephone system that we're dealing with here? Do you
16 feel like you've done it?

17 A. I've tried.

18 Q. Okay. When you have exchanges -- as many
19 exchanges as you have running down Highway 70 --

20 A. Uh-huh.

21 Q. -- to Kingdom City, each one of those has an
22 ability to receive some type of originating or
23 terminating access for any services that I requested
24 in those exchanges. Are you saying that that is like
25 the -- the system of highways that we have?

1 A. What I'm saying is if you look at the long
2 distance rates that are charged, COS rates, if you
3 look at the rates, the rates are consistent or
4 averaged across the state. Everybody pays roughly the
5 same rate for a one-minute call that is 20 miles in
6 length. However, the cost is not consistent. The
7 cost of providing that same call in a rural area
8 whether it be served by Mid-Missouri or Southwestern
9 Bell, GTE or United is much higher than the cost of
10 providing that same call in an urban area. Because
11 the rates are averaged, but the costs are not, you end
12 up with disparities.

13 And I'm likening that to the highway system
14 in the fact that the cost per mile of highway and per
15 customer using the highway is much, much higher in the
16 rural areas than it is in the metro, but, yet, we all
17 pay the same rate per gallon of fuel.

18 Q. Okay. My last question: Should we permit a
19 two-tier system in this state that denies CompTel
20 members of Missouri an opportunity to participate and
21 compete for that toll traffic.

22 A. I think there is ways that you can
23 accommodate their concerns, but by the same token, I
24 think the Telecom Act has provisions in it that
25 foresaw the need for expanded calling plans, and I

1 don't believe it intended to disrupt those options the
2 customers already have. And I think there is a way we
3 can accommodate both of the concerns.

4 Q. And --

5 A. Well, I think -- I think that if you allow
6 intraLATA presubscription, by and large for most
7 calls, the customers have the opportunity to use the
8 presubscribed carrier. But by the same token, if you
9 implement the 800-type return-call solution to COS,
10 you don't take away the expanded calling opportunities
11 people have today, and I think that -- that does give
12 both parties the benefit.

13 Q. So as a way of being fair to CompTel
14 Missouri members, then we ought to have -- are you
15 suggesting that we should have one-way COS with an
16 800-number solution to bring the traffic back to the
17 petitioning exchange?

18 A. That -- that's my recommendation.

19 COMMISSIONER CRUMPTON: That is your
20 recommendation. Well, thank you.

21 That was my last question.

22 ALJ ROBERTS: Do you have questions for
23 highly confidential?

24 COMMISSIONER CRUMPTON: In camera, yes, I
25 do.

1 ALJ ROBERTS: In a moment we're going to go
2 off the record to clear the room so that we can go in
3 camera and ask questions regarding highly confidential
4 information.

5 Those of you -- the attorneys in this room
6 know who among your parties or your clients are
7 cleared to be in the room during that type of a
8 session, during an in camera session. There is
9 certainly no way that I know who all of the
10 individuals are in the audience and who should be in
11 here and who should not, so I would leave it up to the
12 attorneys so see to it that your parties stay or leave
13 according to the rules that we follow. And if you
14 identify anyone who shouldn't be in here, you may feel
15 free to bring that to my attention.

16 Mr. Johnson?

17 MR. JOHNSON: Yes, your Honor. Before we
18 leave today, I would like to get a list of the things
19 I need to provide because I wasn't sure I got all of
20 those notes down adequately.

21 ALJ ROBERTS: Sure.

22 COMMISSIONER DRAINER: I'd like to add
23 something to that, or clarify. If Commissioner
24 Crumpton objects, he will let me know. But I thought
25 that what we would like to have from Mid-Missouri were

1 the top 20 COS customers with their total number of
2 access minutes.

3 I would like to ask that there be two more
4 columns added, one denoting the exchange that the
5 customer resides in, whether it is a business or a
6 residential customer, and, finally, a notation if it
7 is an internet customer versus a customer that would
8 be using COS for other purposes.

9 THE WITNESS: I don't know that we have that
10 distinction. I mean to us it's --

11 COMMISSIONER DRAINER: Well, if you do --

12 THE WITNESS: Okay.

13 COMMISSIONER DRAINER: If you do, I would
14 like to have that.

15 COMMISSIONER CRUMPTON: Commissioner
16 Drainer, my question was pertaining to his company
17 only. Is that --

18 COMMISSIONER DRAINER: Right.

19 COMMISSIONER CRUMPTON: Okay. Right.

20 Because I may ask the other companies to help me with
21 the same issue.

22 ALJ ROBERTS: All of the other attorneys
23 might make note of that request.

24 THE WITNESS: The other thing I might add is
25 that COS data does -- that it is Southwestern Bell's

1 data, so we will need -- I guess we will need their
2 concurrence to provide that.

3 COMMISSIONER DRAINER: I think that was a
4 yes.

5 COMMISSIONER CRUMPTON: For each one of COS
6 exchanges.

7 ALJ ROBERTS: As I said, I would imagine
8 that a similar request to that would be made to most
9 of the parties here who would have that type of
10 information to provide.

11 MR. JOHNSON: You want the top 20 COS
12 customers in each COS exchange?

13 THE WITNESS: No. By company.

14 COMMISSIONER CRUMPTON: Each company.

15 THE WITNESS: Top 20 in my company.

16 COMMISSIONER CRUMPTON: The top 20 in each
17 one --

18 THE WITNESS: You are wanting the top 20 COS
19 subscribers in Mid-Missouri. Right?

20 COMMISSIONER DRAINER: Right. But he should
21 designate -- how many exchanges of yours have COS?

22 THE WITNESS: I've got 12 COS routes.

23 COMMISSIONER DRAINER: And they should also
24 designate which route that customer is on.

25 ALJ ROBERTS: And, Mr. Johnson, that will be

1 Exhibit No. 34. I will reserve Exhibit No. 34 for
2 that.

3 MR. LANE: Does the request go to the number
4 of lines that the company or the customer in issue has
5 ordered?

6 COMMISSIONER CRUMPTON: Minutes of use.

7 MR. LANE: Because if you're looking to know
8 internet providers, you'll need to ask the number of
9 lines because on the -- on the internet providers,
10 it's all return traffic from the target exchange to
11 the petitioning, and we don't count those minutes.

12 COMMISSIONER CRUMPTON: You have no way
13 of --

14 MR. JOHNSON: Right.

15 THE WITNESS: There is no way.

16 MR. JOHNSON: We have no way on the
17 originating end of distinguishing --

18 COMMISSIONER CRUMPTON: You don't, but they
19 may. See, they record all traffic.

20 MR. JOHNSON: They don't send us their
21 information on the terminating side.

22 COMMISSIONER CRUMPTON: They don't want you
23 to have that. They record everything.

24 THE WITNESS: That information may already
25 exist elsewhere. Does it not or not?

1 ALJ ROBERTS: Just --

2 COMMISSIONER CRUMPTON: I'm -- are we on the
3 record or off?

4 ALJ ROBERTS: Yes, sir, we're on the record.
5 Let's just hold this for a minute.

6 Mr. Lane -- I think Mr. Lane is checking
7 with his people to see what kind of information we can
8 find, and we don't need to know that right now. You
9 understand the basic request, and if you can let us
10 know later today or in the morning how close you can
11 get to that request, we can adjust it accordingly if
12 that's all right. I see you nodding your head yes.

13 COMMISSIONER CRUMPTON: If we can go off the
14 record, I will explain.

15 ALJ ROBERTS: All right. So if the
16 appropriate parties would leave the room so that we
17 can go in camera -- and this in camera session, I'll
18 tell you, may take the remainder of our hearing time
19 today, just guessing. I'm not sure how much we'll get
20 done beyond that -- I would appreciate that very much.

21 We'll go off the record, please.

22 (REPORTER'S NOTE: At this time, an
23 in-camera session was held, which is contained in
24 Volume II, Pages 183 through 197, of the transcript.)

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 23, 1997
Jefferson City, Missouri
Volume II

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

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8 Fidelity Telephone Company.
Goodman Telephone Company, Inc.
9 Granby Telephone Company.
Grand River Mutual Telephone Corporation.
10 Green Hills Telephone Corporation.
Holway Telephone Company.
11 KLM Telephone Company.
Kingdom Telephone Company.
12 Lathrop Telephone Company.
Le-Ru Telephone Company.
13 Mark Twain Rural Telephone Company.
McDonald County Telephone Company.
14 Miller Telephone Company.
New Florence Telephone Company.
15 New London Telephone Company.
Orchard Farm Telephone Company.
16 Oregon Farmers Mutual Telephone Company.
Ozark Telephone Company.
17 Rock Port Telephone Company.
Seneca Telephone Company.
18 Steelville Telephone Exchange, Inc.
Stoutland Telephone Company.

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1 I N - C A M E R A P R O C E E D I N G S

2 ALJ ROBERTS: Back on the record, please.

3 We are back on the record for an in-camera
4 portion. The appropriate parties have remained in the
5 room.

6 You may proceed with your questions,
7 Commissioner Crumpton.

8 COMMISSIONER CRUMPTON: Yes.

9 DAVID JONES testified as follows:

10 FURTHER QUESTIONS BY COMMISSIONER CRUMPTON:

11 Q. Mr. Jones, during earlier cross you
12 mentioned that your company had not had a rate case
13 with this commission since you've been here. Can you
14 tell me when you arrived at this company?

15 A. Yes. I started work there in August of
16 1985.

17 Q. 1985. Do you know how many access lines
18 your company has.

19 A. Approximately 3,400?

20 Q. That customers are using?

21 A. Right.

22 Q. Okay. Now, can you tell me what your
23 current assets are on your last balance sheet?

24 A. As of, like -- I would be glad to get that
25 information for you. I've got a general rule, a

1 little over \$20 million.

2 Q. Okay. Can you tell us the meaning of
3 "current assets"?

4 A. Yeah. That is assets that are used in the
5 provision of telecommunications service, and I assume
6 you're talking about regulated or non-regulated
7 assets, or both. I don't --

8 Q. No. If you were General Motors, how would
9 you define "current assets"?

10 A. All plant facilities that are in use to
11 produce a product.

12 Q. Okay. Now, we have a misunderstanding.
13 What I mean by "current assets" are assets that are in
14 cash or near cash or can be quickly converted to cash.

15 A. Okay. You're asking capital assets.

16 Q. No, not capital assets.

17 A. If you're talking about cash on hand, we
18 have approximately, the last time I looked, about
19 7 million, cash in hand.

20 Q. About 7 million. Now, do you have other
21 current assets that could be converted to cash in a
22 very short period of time?

23 A. I tell you what. I would like to have --

24 Q. Would you take a look --

25 A. Yeah. I would like to have a current

1 statement in front of me, because I'm shooting in the
2 dark.

3 Q. Okay. Now, could you divide the 7 million
4 by 3,400 and tell me what you get?

5 A. What does that come out to? About 200,000.
6 I don't know. Who has a calculator?

7 MR. JOHNSON: 2,000.

8 THE WITNESS: 2,000. Thank you.

9 BY COMMISSIONER CRUMPTON:

10 Q. So you've got -- so you think -- you're
11 going to correct this if there is any
12 misunderstanding -- about \$2,000 per customer line
13 in cash in advance.

14 Let's see. What is your gross annual
15 revenue in your last reporting cycle?

16 A. I don't -- I don't have that information in
17 front of me.

18 Q. Okay. Would you get that for me?

19 A. Okay. Make a list of this, Craig.

20 Q. And would you also give me that gross annual
21 revenue per customer line?

22 A. Sure.

23 COMMISSIONER CRUMPTON: And that's all.

24 Those are the questions I have.

25 ALJ ROBERTS: And, Mr. Johnson, that will be

1 Exhibit No. 35. If you would, please, I'll reserve
2 that number for each -- actually it will be just
3 35-HC. Well, there may be a 35-NP, but I think it
4 would be a blank piece of paper.

5 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

6 Q. May I ask one question? And I'm not sure if
7 it is confidential, and so I would like to ask you and
8 then you can let me know.

9 We've been talking about your originating
10 and terminating ratio. What is the originating and
11 terminating ratio for Mid-Missouri?

12 A. It varies by exchange. I can provide
13 that -- I'd be glad to provide that to you, but it
14 varies on each exchange. It is exchange and traffic
15 specific. So operator traffic might have one ratio,
16 direct dial another, and so forth, and --

17 Q. And we'd be dealing with direct dial for
18 COS. Correct?

19 A. Correct.

20 COMMISSIONER DRAINER: Just so we're not
21 having people re-invent the wheel, does Staff by any
22 chance have a sheet that has everybody's O&T ratio?
23 Does anyone have -- does anybody keep the O&T ratios
24 by exchange?

25 MR. LANE: I could ask Mr. Taylor?

1 COMMISSIONER DRAINER: Okay. Well, I would
2 appreciate it if you would do that, but . . .

3 Yes, Mr. England?

4 MR. ENGLAND: I believe Bob may have that
5 for the COS exchanges, the T/O ratios.

6 COMMISSIONER DRAINER: Okay. Is it -- it's
7 not filed, though, is it?

8 MR. ENGLAND: I don't believe so.

9 COMMISSIONER DRAINER: I would be interested
10 in the -- in the T/O ratios.

11 BY COMMISSIONER DRAINER:

12 Q. So -- okay. So two to one, it's terminating
13 to originating, so for every one minute of
14 originating, it would be two minutes of terminating;
15 is that the way it would go?

16 A. Yeah. If it's two to one, every minute of
17 originating would be two minutes of terminating.

18 Typically -- I can give you a range of what
19 it falls within if that will answer your question. It
20 falls from something less than one to probably 1.2 at
21 the most, would be my recollection. But I would be
22 glad to provide it, if Robert doesn't have it.

23 COMMISSIONER DRAINER: All right. I would
24 appreciate that, and I guess we'll follow up when
25 Mr. Schoonmaker is on the stand and deal with that.

1 Thank you.

2 ALJ ROBERTS: So, Mr. Johnson, were you
3 going to ask me a question about reserved Exhibit
4 No. 35 and the gross revenue questions?

5 MR. JOHNSON: No.

6 ALJ ROBERTS: Okay. Then reserved
7 Exhibit 36-HC, Mr. England, can your client -- or your
8 witness provide that as Reserved No. 36-HC, the COS
9 T&O or O&T?

10 MR. ENGLAND: We can provide that
11 information. I need to visit with Bob whether that is
12 truly HC, proprietary or none proprietary. We'll
13 notify you when we provide it.

14 ALJ ROBERTS: Sure. And whatever it is,
15 I'll save 36 for that.

16 Yes, Mr. Johnson?

17 MR. JOHNSON: That was the point I was going
18 to make earlier. The information that Mr. Crumpton
19 wants about gross annual revenue and then the number
20 of customers I'm not sure is highly confidential
21 because it should be on Mid-Missouri's annual report.

22 ALJ ROBERTS: Okay. I mean, if that's just
23 plain old 35, that's fine. If you want to file it as
24 NP, that's fine. I was trying to make sure you were
25 covered.

1 MR. JOHNSON: We'll make it HC if you want.

2 ALJ ROBERTS: No. Whatever is appropriate,

3 that's what you need to make it.

4 Commissioner Murray, do you have questions

5 in camera?

6 COMMISSIONER MURRAY: No.

7 ALJ ROBERTS: Anything further?

8 COMMISSIONER CRUMPTON: I don't think so.

9 ALJ ROBERTS: In that case, we'll go off the

10 record.

11 (A discussion off the record.)

12 ALJ ROBERTS: We're back on the record. I

13 apologize. I almost prevented the attorneys from

14 their opportunity to ask questions based upon highly

15 confidential questions. Since we're only going to do

16 that here and now.

17 Mr. DeFord has one or more. You may

18 proceed.

19 MR. DeFORD: I only have one, unless someone

20 is supposed to go first.

21 ALJ ROBERTS: Why don't you go ahead.

22 CROSS-EXAMINATION BY MR. DeFORD:

23 Q. I was following up on a question that

24 Commissioner Crumpton asked concerning the last rate

25 case. I guess it's been quite some time. Is that

1 what your testimony was?

2 A. (Witness nodded head.)

3 Q. Could you tell me just a ballpark what your
4 growth in access revenues has been since your access
5 rates were established?

6 A. No, I don't have that information, I mean,
7 with me. I'm not versed -- I'm not -- I don't have
8 any way to give you that information accurately. It
9 would just be a guess.

10 Q. Do you know what your current access
11 revenues are? Could you get that?

12 A. I can provide it.

13 Q. Could you --

14 A. It's also in our annual report as well.

15 Q. Access revenues -- it's broken down by
16 access revenues on your annual report?

17 A. The PSC report, I'm just sure, gives you
18 access revenues.

19 Q. And could you go back and determine how much
20 revenue those rates were designed to generate when
21 they were established at the demise of the pool? That
22 number wouldn't be in your annual report, I don't
23 think.

24 A. We can tell you -- we can look and tell you
25 what our last -- what the revenues were the last year

1 of the pool, yes, and I think we'd have the
2 information somewhere to say what our pool draw was
3 when we went to an access system.

4 Q. Could you provide that as a late-filed
5 exhibit?

6 ALJ ROBERTS: No. 37-HC.

7 THE WITNESS: Okay.

8 ALJ ROBERTS: And I apologize. Were there
9 any highly-confidential-only questions based upon
10 questions from the Bench from Small Tel Co?

11 MR. ENGLAND: No questions.

12 ALJ ROBERTS: Public Counsel?

13 MR. DANDINO: No questions, your Honor.

14 ALJ ROBERTS: TCG?

15 MS. FORREST: No questions.

16 ALJ ROBERTS: AT&T? Sorry.

17 MCI?

18 MR. CURTIS: No questions.

19 ALJ ROBERTS: GTE?

20 MR. STROO: No questions.

21 ALJ ROBERTS: CompTel?

22 MR. ANGSTEAD: No.

23 ALJ ROBERTS: SWBT?

24 MR. BUB: No.

25 ALJ ROBERTS: United?

1 MS. GARDNER: No.

2 ALJ ROBERTS: Staff?

3 MS. MCGOWAN: No.

4 ALJ ROBERTS: Mr. Johnson?

5 MR. JOHNSON: Redirect?

6 ALJ ROBERTS: Redirect or any other --

7 MR. JOHNSON: Certainly.

8 REDIRECT EXAMINATION BY MR. JOHNSON:

9 Q. Would you be willing to provide the

10 Commissioner with an exhibit of all of the exchange,

11 the switch upgrades and the plant investment you've

12 made since 1995?

13 A. Sure.

14 ALJ ROBERTS: Is that going to be HC also

15 then?

16 MR. JOHNSON: Certainly.

17 ALJ ROBERTS: I don't want it to be if it's

18 not. We're in camera, so I assume that's why you

19 would ask that.

20 MR. JOHNSON: We will make it -- well, it's

21 no more highly confidential than some of the other

22 information that's been requested in camera. We're

23 turning this into a rate case, but if that's what we

24 wanted, we ought to be able to get all sides of the

25 picture in.

1 ALJ ROBERTS: I certainly do think we want
2 to see all sides of the picture, so I'll reserve
3 No. 38 if you want to reserve that information.

4 If there is no other requests then, this
5 will conclude the in-camera portion.

6 And now we will go off the record.

7 WHEREUPON, the in-camera portion of David
8 Jones' testimony was concluded.)

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 23, 1997
Jefferson City, Missouri
Volume III

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

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Stoutland Telephone Company.

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1 P R O C E E D I N G S

2 ALJ ROBERTS: Back on the record, please.

3 We are back. We have finished the in-camera
4 session. The witness is still on the stand. This is
5 your opportunity for questions based only upon
6 questions from the Bench, and I believe that goes
7 first to Small Telephone Group.

8 MR. ENGLAND: No questions.

9 ALJ ROBERTS: Public Counsel?

10 MR. DANDINO: No questions, your Honor.

11 ALJ ROBERTS: TCG?

12 MS. FORREST: No questions.

13 ALJ ROBERTS: AT&T?

14 MR. DeFORD: No questions, your Honor.

15 ALJ ROBERTS: MCI?

16 MR. CURTIS: No questions. Thank you.

17 ALJ ROBERTS: GTE?

18 MR. STROO: No questions, your Honor.

19 ALJ ROBERTS: Comptel?

20 MR. ANGSTEAD: No questions, your Honor.

21 ALJ ROBERTS: SWBT?

22 MR. LANE: Just a couple.

23 FURTHER CROSS-EXAMINATION BY MR. LANE:

24 Q. In response to a question from Commissioner
25 Drainer about the facilities that Mid-Missouri

1 Telephone would need to provide COS service if it were
2 so designated as the provider, isn't it correct that
3 the facilities that are out there today are the same
4 facilities that would be used if Mid-Missouri were
5 named as the COS provider and that you would simply
6 pay Southwestern Bell access for the use of its
7 facilities.

8 A. No.

9 Q. Isn't -- when a COS route is implemented
10 today, isn't that exactly how it works, that
11 Southwestern Bell pays you for access from the meet
12 point back to the rest of your company's facilities?

13 A. That's correct.

14 Q. Couldn't you pay Southwestern Bell or the
15 other PTC from the meet point back to their
16 facilities?

17 A. That would -- that would be one way of
18 providing the service, but I wouldn't -- I wouldn't
19 make the assumption that that would be the way to do
20 it.

21 Q. Okay. But you could do it that way and you
22 could do it day one without any change in the network
23 if that's the way you chose to do it?

24 A. If Southwestern Bell allowed me to terminate
25 over their trunk groups. Otherwise Mid-Missouri would

1 have to establish trunk groups of its own.

2 Q. And assuming Southwestern Bell was agreeable
3 to that, you would pay the access rates from the meet
4 point book to Southwestern Bell's facilities?

5 A. Yes.

6 Q. I had a follow-up question to one that
7 actually, I guess, both Commissioners Drainer and
8 Murray asked.

9 Your customers, when they subscribe to COS
10 service, they get their bill from Mid-Missouri
11 Telephone and they write their check and send it to
12 Mid-Missouri Telephone; is that correct?

13 A. That is correct.

14 Q. Okay.

15 A. We're the billing vendor or we're the agent
16 acting on behalf of Southwestern Bell for COS service.

17 Q. You take their check and you put it in your
18 bank account. Right?

19 A. Uh-huh.

20 Q. And then you create each month, I believe,
21 what's called a netting statement in which you list
22 all of the revenues that you collected on behalf of
23 Southwestern Bell and then you list all of the access
24 charges that you're going to assess to Southwestern
25 Bell in connection with completing those calls; isn't

1 that right?

2 A. Along with intraLATA long distance
3 subscribed.

4 MR. LANE: Sure. Okay. That's all I have.
5 Thanks.

6 ALJ ROBERTS: United?

7 MS. GARDNER: I have a couple.

8 FURTHER CROSS-EXAMINATION BY MS. GARDNER:

9 Q. Mr. Jones, in response to, I believe,
10 Commissioner Crumpton, you were discussing remote call
11 forwarding and the fact that there are digital
12 switches out there now. The fact that there are now
13 digital switches doesn't change the fact that in order
14 to do that per customer you would still need two
15 telephone numbers, does it?

16 A. I would -- I would agree with that. That's
17 my recollection of the technology.

18 Q. And when you discussed that your proposal
19 was that the two-way portion be provided through an
20 800 number, is it your suggestion that the primary
21 toll carrier provide that 800 number, the serving LEC
22 provide it, or an IXC provide it, or a combination of
23 all of those three.

24 A. It would be my proposal that the 800-number
25 service merely replace the return calling that the PTC

1 is providing today.

2 Q. So you would not provide it. The PTCs would
3 provide it?

4 A. Right.

5 Q. Okay. Now, I may regret this, but if I can
6 approach the witness, I want to try to clarify some
7 of --

8 ALJ ROBERTS: You may.

9 BY MS. GARDNER:

10 Q. -- some of the confusion at least I had when
11 you and Commissioner Murray were discussing who gets
12 paid what and who pays what. I'll use Ms. McGowan's
13 chart.

14 Now, if it's not COS, then calls from target
15 to petitioning are toll calls, and petitioning to
16 target are toll calls; is that correct?

17 A. Correct.

18 Q. And if it's Boonville to Pilot Grove,
19 Southwestern Bell would get toll revenue from the
20 target customer when they call the petitioning
21 exchange and also from the petitioning customer when
22 they call the target exchange; is that correct?

23 A. That's correct.

24 Q. There would be two separate calls?

25 A. Correct.

1 Q. Okay. So they would get toll revenue on
2 both of those pieces?

3 A. Correct.

4 Q. Mid-Missouri would get access revenue, both
5 originating and terminating access revenue, on those
6 calls depending upon which direction it was; is that
7 correct?

8 A. Actually, we would bill originating access
9 on the call that goes from the petitioning to the
10 target only, and then we would take the duration of
11 that call times a factor to determine what the
12 terminating access was. We would never bill
13 terminating access on the call from the target to the
14 petitioning exchange.

15 Q. So you would get the factor paid?

16 A. Right.

17 Q. And that access rate is the same rate --
18 your access tariff would be the same whether it was a
19 toll call or a COS call; is that correct?

20 A. Yes. I only have one intraLATA access
21 tariff.

22 Q. Okay. So when that target to petitioning
23 call becomes COS -- so the petitioning customer
24 subscribes to COS and pays \$16 if it is a residential
25 customer; is that correct?

1 A. Correct.

2 Q. And that \$16 ultimately gets to Southwestern
3 Bell?

4 A. That is correct.

5 Q. And that will replace what used to be toll
6 from petitioning to target?

7 A. Correct.

8 Q. And also what used to be toll from target to
9 the subscribing petitioning customer?

10 A. Correct.

11 Q. Okay. But your access that's paid remains
12 the same, or, in fact, if simulation occurs, you
13 might, in fact, get more access?

14 A. It -- I stand the chance of gaining access
15 directly on the originating side and through factors
16 on the terminating side, but it depends on how the
17 traffic fits. If there is a lot of growth in the
18 terminating and no offsetting growth in the
19 originating, I wouldn't get any access increase for
20 the terminating stimulation. Likewise, if there was a
21 huge increase in originating but no result in
22 terminating, I would get more than my fair share of
23 access.

24 Q. And Southwestern Bell would get the \$16
25 whether there is one hour of toll -- what used to be

1 toll or 100 hours --

2 A. Correct.

3 Q. -- of what used to be toll?

4 A. Correct.

5 MS. GARDNER: I think that's all I have.

6 Thank you.

7 ALJ ROBERTS: And, once again, the art work
8 you've put up is not going to be in the record unless
9 there is some request or provision for that.

10 MS. GARDNER: It's not my art work.

11 ALJ ROBERTS: The last, I think, questions
12 for this witness are Staff. Cross based upon
13 questions from the Bench?

14 FURTHER CROSS-EXAMINATION BY MCGOWAN:

15 Q. The scenario that you just went through with
16 Miss Gardner with Southwestern Bell merely getting \$16
17 a month for the toll and all of the following rate
18 transfers, or rather, excuse me, money transfers,
19 would that be the same with current COS as well as
20 with the 800 COS option since both services are
21 two-way?

22 A. I would assume so, yes.

23 Q. Okay. So under current COS, Bell gets the
24 \$16, but if you're using an 800 service -- wait.
25 Actually, retract that.

1 MS. MCGOWAN: No questions.

2 ALJ ROBERTS: Now, Mr. Johnson, did you get
3 a chance to ask questions based upon questions from
4 the Bench?

5 MR. JOHNSON: I'm not sure.

6 ALJ ROBERTS: Do you want to?

7 MR. JOHNSON: I would like to ask one small
8 question.

9 ALJ ROBERTS: Take your best shot.

10 REDIRECT EXAMINATION BY MR. JOHNSON:

11 Q. Mr. Jones, after COS was initially
12 implemented in 1993, did the small companies do any
13 access rate adjustments to reflect the results of
14 stimulation?

15 A. Yes. As I recall, I believe it was six
16 months after implementation of COS, access rates were
17 reduced to reflect the stimulation such that it was a
18 revenue-neutral adjustment for the companies like
19 myself.

20 Q. And was that access rate reduction passed on
21 just to the PTCs or also to the interexchange
22 community?

23 A. Subject to check, it's my recollection that
24 the full reduction was given to the primary toll
25 carrier and then there was an additional adjustment

1 given to the IXC's because we didn't want to have
2 disparate rates. So we reduced the intraLATA rate to
3 reflect the stimulation and gave the benefit of that
4 to Southwestern Bell, and then there was a small
5 windfall that went to the IXC's over and above that.

6 And, you know, it wasn't material because at
7 that time the interexchange carriers weren't carrying
8 much intraLATA traffic.

9 MR. JOHNSON: Thank you.

10 ALJ ROBERTS: Commissioner Crumpton?

11 COMMISSIONER CRUMPTON: Yes.

12 FURTHER QUESTIONS BY COMMISSIONER CRUMPTON:

13 Q. Could the IXC's provide the 800 service?

14 A. Certainly. It's technically possible.

15 Q. Why is it that you want the PTC's to provide
16 the service and not the IXC's?

17 A. It -- with the PTC providing it, the
18 distribution of revenues is much simpler than if you
19 involve the IXC in the exchange of that traffic.

20 Q. Well, are you suggesting that we exclude
21 IXC's from providing this kind of service?

22 A. Well, my view of it is that -- that it would
23 be a service that is --

24 Q. I think the question could be answered yes
25 or no.

1 A. Yes.

2 Q. So --

3 COMMISSIONER CRUMPTON: Could you read the
4 question back to me, please?

5 (THE COURT REPORTER READ THE PENDING
6 QUESTION.)

7 QUESTION: Well, are you
8 suggesting that we exclude IXC's
9 from providing this kind of
10 service?

11 COMMISSIONER CRUMPTON: And his answer was
12 yes?

13 THE COURT REPORTER: Yes.

14 BY COMMISSIONER CRUMPTON:

15 Q. Is this fair to IXC's?

16 A. You know, if they were interested in
17 participating in the service, I don't have a problem
18 including them with it. I assume that -- it's my
19 assumption that they probably would not be interested
20 in assisting to provide it.

21 Q. If we have a competitive environment, which
22 we're trying to create, would we not want to have an
23 environment in which large numbers of service
24 providers would step forward and offer services?

25 A. I think that would be the ultimate desire,

1 yes.

2 Q. But you prefer that they not be given an
3 opportunity to participate. Is that your testimony?

4 A. It was -- it's my assumption that they
5 probably would not want to participate. I wouldn't --
6 I guess to go back and change my answer to the prior
7 question, if I could --

8 Q. Which question?

9 A. Whether I would excluded them.

10 Q. Okay.

11 A. -- I would include them if they were willing
12 to participate, but I guess that remains to be seen.

13 Q. Why would they not be willing, in your
14 opinion, to participate?

15 A. Well, I think for years the short-haul toll
16 calling and also the expanded COS-type calling, the
17 costs generally exceed the revenues.

18 Q. So your goal is to maintain that -- this --
19 that discrepancy?

20 A. I think it's a reality of the service.

21 Q. So your answer is yes or no?

22 A. Yes.

23 COMMISSIONER CRUMPTON: That's all.

24 ALJ ROBERTS: Vice Chair Drainer?

25 COMMISSIONER DRAINER: I need a

1 clarification on a couple of points.

2 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

3 Q. Mr. Jones, you're stating that in 1993 you,
4 Mid-Missouri, made adjustments to your access rates,
5 you lowered your access rates on originating and
6 terminating access? Is that what you're telling me?

7 A. After the implementation of COS -- and I
8 don't recall if that was '93 or '94, but I'll subject
9 it.

10 Six months after the implementation of our
11 COS routes, which we implemented all 12 routes day
12 one, as I recall, we did an access true-up to reduce
13 our access rates to reflect the stimulation that had
14 resulted from implementation of COS.

15 Q. So you did an overall reduction in your
16 access rates on originating --

17 A. That's correct.

18 Q. -- and terminating? Are you one of the
19 companies that have a cap --

20 A. Yes.

21 Q. -- on this?

22 And was there any adjustment to that?

23 A. I believe -- it's fuzzy, but I believe we
24 adjusted the capped access rate. But I'd have to go
25 back and check the methodology of those calculations

1 to be certain. But I believe we adjusted the capped
2 access rate, because we assumed that any new minutes
3 or stimulated minutes were over the cap.

4 Q. All right. Now, the other question I have
5 is you're proposing that there be two-way COS where
6 the COS back to -- the target exchange to the
7 petitioning exchange be an 800 number. So in our
8 Pilot Grove/Boonville example, you would propose that
9 it would be Southwestern Bell that would provide that
10 800 number from the target to the --

11 A. Petitioning.

12 Q. -- petitioning exchange. Correct?

13 A. Correct.

14 Q. So you would see then -- basically be seeing
15 the charge stay at \$16, that Southwestern Bell would
16 get the \$16; you would get originating and terminating
17 access, as you do now, and Southwestern Bell would
18 basically be having to write off whatever it normally
19 charges for an 800 number because you would not be
20 proposing that they charge your customer their current
21 800 rate?

22 A. Well --

23 Q. I don't want to put words in your mouth, but
24 I'm trying to get to the --

25 A. Yeah. I would assume that if there's --

1 there's new costs involved in providing the service
2 that we may have to adjust the rates to reflect the
3 new technologies we're using. So I wouldn't -- you
4 know, clearly there is different costs associated with
5 the 800 return than the return calling we've been
6 using. And I --

7 Q. What if they had the one-way COS and it was
8 their option to purchase 800 service at an existing
9 rate? Is there a problem with that?

10 A. The existing 800 number rate or COS rate?

11 Q. No. The COS -- the existing 800 rate.

12 A. It's certainly an op-- or an option that
13 could be explored. I don't know how the -- I don't
14 know what the customer reaction would be because I'm
15 not totally familiar with their 800 rates today. I
16 don't know what the best deal is out there.

17 COMMISSIONER DRAINER: Okay. Thank you.

18 ALJ ROBERTS: We have another opportunity
19 for questions based only upon these last few questions
20 from the Bench, starting with Small Telephone Group,
21 STG.

22 MR. ENGLAND: No, sir.

23 ALJ ROBERTS: Thank you.

24 Public Counsel?

25 MR. DANDINO: No, your Honor.

1 ALJ ROBERTS: TCG?
2 MS. FORREST: No questions.
3 ALJ ROBERTS: AT&T?
4 MR. DeFORD: No questions.
5 ALJ ROBERTS: MCI?
6 MR. CURTIS: No, thank you.
7 ALJ ROBERTS: GTE?
8 MR. STROO: No, your Honor.
9 ALJ ROBERTS: CompTel?
10 MR. ANGSTEAD: No, your Honor.
11 ALJ ROBERTS: Southwestern Bell?
12 MR. BUB: No.
13 ALJ ROBERTS: United?
14 MS. GARDNER: No, thank you.
15 ALJ ROBERTS: Staff?
16 MS. McGOWAN: No questions.
17 ALJ ROBERTS: Sorry?
18 MS. McGOWAN: No questions.
19 ALJ ROBERTS: All right. Mr. Johnson?
20 MR. JOHNSON: No questions.
21 ALJ ROBERTS: Thank you very much, sir. You
22 may step down.
23 MR. JOHNSON: May he be excused, your Honor?
24 ALJ ROBERTS: And he may be finally excused.
25 (Witness excused.)

1 ALJ ROBERTS: We will resume this hearing at
2 8:30 in the morning, I assume, with Mr. Godfrey.

3 Yes, Mr. Johnson?

4 MR. JOHNSON: I was going to beg the
5 Commission to let us get through with Mr. Godfrey
6 today. I take it that's not going to happen?

7 ALJ ROBERTS: I doubt it, I mean, unless you
8 think that's -- unless you have some good-faith reason
9 to believe he's only going to take 15 minutes or so.

10 MR. JOHNSON: He only filed one round of
11 testimony, and I don't know if anyone plans any
12 cross-examination.

13 ALJ ROBERTS: Let's go off the record,
14 please.

15 (A discussion off the record.)

16 ALJ ROBERTS: Back on the record.

17 I'm really going back on the record to make
18 clear that we're starting at 8:30 in the morning. We
19 should be starting with Witness Godfrey and the
20 Mid-Missouri Group.

21 If I don't hear any requests of any
22 particular kind, we'll go off the record for the day.

23 Thank you very much.

24 WHEREUPON, the hearing of this case was
25 adjourned until 8:30 a.m., Tuesday, June 24, 1997.

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