Exhibit No.:	
Issues:	Competitive Classification for Southwestern Bell Telephone Company's Services
Witness:	William L. Voight
Sponsoring Party:	MoPSC
Type of Exhibit:	Rebuttal Testimony
Case No.:	TO-2001-467
Date Testimony Prepared:	August 9, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

WILLIAM L. VOIGHT

CASE NO. TO-2001-467

Jefferson City, Missouri
August, 2001

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Q. Please state your name and give your business address.

A. My name is William (Bill) Voight and my business address is Post Office Box 360, Governor Office Building, Suite 500, 200 Madison Street, Jefferson City, Missouri 65102-0360.

Q. By whom are you employed?

A. I am employed by the Missouri Public Service Commission (MoPSC or Commission).

Q. How long have you been employed at the Commission?

A. I began my employment at the Commission in February 1994, as an economist in the Rates and Tariff Section of the Telecommunications Department.

Q. What are your current responsibilities at the Commission?

A. In June of 1995 I was promoted to the position of Assistant Manager of Telecommunications within the Rates and Tariff Section. My responsibilities include rate design for non-competitive telephone companies, reviewing tariff filings, certificate applications, interconnection agreements and special projects, as assigned. I supervise a staff of six co-workers who assist with these responsibilities.

Q. Have you previously testified before the Commission?

A. Yes, I have provided testimony on twelve other occasions; (see attached Schedule 1).

Q. What is your educational background?

A. I have a Bachelors of Science Degree with a major in economics from Lincoln University in Jefferson City, Missouri.

Q. Please describe your employment history.

A. In addition to regulatory experience, I have approximately 20 years of experience in the telecommunications industry. Prior to joining the MoPSC, my work experience included approximately eleven years with a local exchange carrier, approximately four years with an interexchange carrier, and approximately five years with an equipment manufacturer of telecommunications products. Previous to the Commission, all of my work history involved various technical, engineering, and supervisory positions. Further information regarding my employment background and technical credentials is attached to my testimony as Schedule 2.

Q. What is the purpose of your rebuttal testimony in this case?

A. Southwestern Bell Telephone Company (SWBT or Company) has asked the Commission for complete pricing flexibility for all of its services throughout the entire State of Missouri. My testimony will demonstrate considerable Staff agreement with SWBT's contention of "effective" competition in some areas for some services in Missouri, but at the same time my testimony rebuts the position of SWBT that local exchange telecommunications competition has developed to a point of where SWBT should be relieved of complete Commission oversight of its prices throughout the entire state of Missouri.

Q. How is your testimony arranged?

A. SWBT has divided its direct testimony between nine different subject matter experts who support deregulation of prices for all the various categories of SWBT services. Seven of those witnesses testify on specific SWBT service categories. My testimony is specifically responsive to the requests of these seven witnesses for price deregulation, and is arranged by service category. My testimony begins with a very brief summary of the Telecommunications Department Staff's (Staff's) position with respect to classification of each service category. I then offer some general comments responsive to SWBT's policy statements and contentions that all of its services are subject to "effective" competition. The bulk of my testimony rebuts the individual testimonies of SWBT's service category subject matter experts.

Summary of Staff's Support in Part and Opposition in Part of SWBT's Request for Competitive Classification

Q. Please provide a brief summary of the Staff's position on each service category for which SWBT is requesting competitive classification.

A. The Staff **completely supports** SWBT's request for statewide competitive classification for six services and **supports** competitive classification for two other services in four telephone exchanges. The Staff **does not support** price deregulation for seven other service categories. A brief explanation is as follows:

Services for Which the Staff Supports Competitive Classification

(1) **Message Telecommunications Service** "MTS or Long Distance" - The Staff supports price deregulation of SWBT's MTS for business and residential service in all of SWBT's telephone exchanges. There are a minimum of 74, 1+ long distance providers in each SWBT exchange. Staff believes this number is sufficient to provide adequate

consumer choice for long distance and to discourage SWBT from raising prices for long distance service to an unreasonable level. This service was previously declared transitionally competitive and pursuant to Missouri statutes, is now classified as competitive. Staff joins SWBT in requesting the Commission acknowledge the competitive status of MTS.

(2) **Wide Area Telephone Service** (WATS) – The Staff supports price deregulation of SWBT's WATS service. This service was previously declared transitionally competitive and pursuant to Missouri statutes, is now classified as competitive. Staff joins SWBT in requesting the Commission acknowledge the competitive status of WATS service.

(3) **Centrex Service** – The Staff supports price deregulation of SWBT's Centrex Service in all SWBT exchanges - The price for this service was deregulated by the Missouri legislature with passage of Senate Bill 507.

(4) **Private Line Service** (including Special Access and non-switched High Capacity Service) – The Staff supports price deregulation of SWBT's private line services in all SWBT exchanges. The price for this service was deregulated by the Missouri legislature with passage of Senate Bill 507.

(5) **Signaling System 7** (SS7) – The Staff supports price deregulation for SWBT's SS7 interface service in all SWBT exchanges. SS7 is a service provided to other telecommunications carriers. SWBT has provided sufficient justification to demonstrate the competitive nature of SS7.

(6) **Line Information Data Base** (LIDB) – The Staff supports price deregulation for SWBT's LIDB service. LIDB is a service provided to other telecommunications

carriers. SWBT has provided sufficient justification to demonstrate the competitive nature of LIDB.

(7) **Business Telephone Service in Two Exchanges** - The Staff supports deregulation of prices for business local telephone service, associated vertical services, operator services, and directory assistance service in the Kansas City and Saint Louis metropolitan exchanges.

(8) **Residential Telephone Service in Two Exchanges** - The Staff supports deregulation of prices for residential basic local telephone service, associated vertical services, optional metropolitan area calling service, operator services, and directory assistance service in the Harvester and St. Charles exchanges.

Services for Which the Staff Opposes Competitive Classification

(1) **Switched Access Service** - The Staff opposes deregulation of prices for switched access service under all circumstances. Interexchange Carriers have no viable alternative to reach their customers except through the bottleneck access service of local exchange carriers. In this regard, Switched Access service is a monopoly service with no opportunity for market based pricing to occur.

(2) **Business Telephone Service** – The Staff opposes deregulation of prices for business local telephone service (and all associated vertical features) in all SWBT exchanges except St. Louis and Kansas City. In all other exchanges, SWBT relies too much on resale to demonstrate effective competition. The Staff does not consider resale of local telephone service as constituting a viable alternative for customers.

(3) **Residential Telephone Service** - The Staff is opposed to deregulation of prices for residential basic local telephone service (and associated vertical services) in all

SWBT exchanges except Harvester and St. Charles. SWBT relies too heavily on resale to demonstrate effective competition in all other exchanges.

(4) **Operator Services** – The Staff is opposed to deregulation of prices for operator services except to end users whose basic local service is also price deregulated. Operator Services are too closely linked to basic local telephone service to be price deregulated.

(5) **Directory Assistance Services** – The Staff is opposed to deregulation of prices for directory assistance service except to end users whose basic local telephone service is also deregulated. As with operator services, directory assistance is too closely linked to basic local telephone service to be price deregulated.

(6) **Local Plus Service** – The Staff is opposed to deregulation of the prices for Local Plus service. Staff is concerned that SWBT may still not be making this service available for resale as ordered by the Commission. There continues to be some concern by the Staff that Local Plus is priced below the cost of providing the service. SWBT has appealed the Commission's decision on Local Plus.

(7) **Optional Metropolitan Calling Area Service** (MCA) – The Staff is opposed to deregulation of the prices for MCA service. As with operator services and directory assistance services, MCA service is too closely linked to basic local telephone service to be considered for price deregulation. Once effective competition exists for basic local service, MCA service should be price deregulated as well.

Q. Please explain why the Staff has grouped SWBT's services into the above categories.

A. In accordance with Section 392.245.5, RSMo 2000, this case has been established to allow the Commission an opportunity to examine "each

telecommunications service" in each SWBT telephone exchange in Missouri. Arguably, each pricing option of SWBT could constitute a telecommunications "service." This would entail an examination of roughly 5,000 SWBT "services" in each SWBT exchange – an undertaking that in my opinion would be impractical. For this reason, it seems necessary to categorize SWBT's various "services" into categories or what SWBT witness Tom Hughes refers to as "product families" (Hughes Direct Testimony; page 4, line 15). For example, all of SWBT's long distance service offerings should be lumped together to form a category (or basket) of "message telecommunications service" (MTS) or "long distance" service (SWBT includes its MTS as part of "Interexchange Services"). By placing its various services into categories, the task of examining competition of each SWBT "service" is made more manageable.

Q. Does the Staff agree or disagree with how SWBT has categorized its services?

A. For the purposes of this case, the Staff generally agrees with SWBT's method of categorizing its services.

General Opinion and Observations of SWBT's Prefiled Testimony

Q. Please state your general opinion and observations of SWBT's prefiled testimony in this case.

A. SWBT's prefiled testimony in this case is somewhat unusual in that none of its subject matter experts (except Tom Hughes) has ever filed testimony in Missouri, and I believe this lack of experience accounts for some misunderstandings of Missouri's regulatory history. This case lends itself to the economic theory of product substitutability and in prefiled testimony, SWBT's policy and economics witnesses quite properly point to statutory requirements for the Commission to consider the extent to

which a competitor's services are "substitutable" for SWBT's services. However, in examining the record in this case, the Staff suggests the Commission should carefully evaluate whether the alternative or "substitutable" forms of communications so heavily relied upon by SWBT can even satisfy the statutory definition of "effective" competition for SWBT's telecommunications *service* as defined by Chapter 386 of the RSMo 2000 statute. As will be shown, the Staff suggests SWBT's reliance on alternative forms of communications does not satisfy statutory requirements for "effective" competition of telecommunications "service."

In my opinion, SWBT's witnesses in this case rely too heavily on non-traditional and non-regulated forms of communications in efforts to persuade the Commission to grant complete pricing flexibility for SWBT's services. For example, witness after witness refers to the Internet, wireless carriers, E-Commerce, E-Mail, "surfing the net," customer premise equipment, equipment manufacturing, instant messaging and all manner of alternative and non-traditional forms of communications as a basis for "competition" to SWBT's traditional landline telephone network. The reader should prepare for a great deal of redundancy in SWBT's overall message - several witnesses overload the case file with redundant schedules.

I think it fair to characterize SWBT's supporting evidence in this case as short on demonstrable competition and long on newspaper articles, promotional advertisements, and sales brochures as supporting documents. Much emphasis is also placed on the tariff offerings of competitors and the total number of carriers certificated in Missouri, frequently with scant consideration given to the competitor's ability (or willingness) to actually deliver services. In this regard, much of SWBT's evidence in this case relies on "paper competition." The reader should also be prepared to hear considerable

protestations (almost to the point of complaint) from SWBT's witnesses about alleged disparate regulatory treatment.

My final observation concerns the practical aspects of price deregulation of SWBT's services. I believe that as a practical matter, SWBT is free to lower its prices and to introduce new services and bundles of services virtually at will any time it chooses, even under the current regulatory scheme. Indeed, in prior cases the Commission has fulfilled the very legislative intent of pricing flexibility for monopoly carriers by establishing rate bands for SWBT's competitive services. Such rate bands already allow SWBT to increase or decrease prices on very short notice to the Commission. Hence, for any service it considers competitive, SWBT already has the authority to raise and lower prices in response to competitive pressure. Given that SWBT currently has the ability to lower rates at will, it should be clearly understood that the call for deregulation of prices is little more than a euphemism to raise prices. Throughout SWBT's prefiled testimony, witness after witness exhorts pricing flexibility as the competitive answer to other carriers and companies providing "substitutable" services. Staff views these exhortations as little more than a request for authority to raise prices in a statewide environment of nascent competition. But, no SWBT witness addresses one very simple and fundamental question: If there indeed is as much competition as SWBT claims, why is SWBT so anxious for authority to raise prices in response to the competition?

Q. Please explain the Staff's Motion to Compel Answers to Data Request 2501.

A. Data Request 2501 is an attempt by Staff to determine the number of voice grade access lines for each competitive company in each SWBT exchange. The number

of access lines by exchange is relevant because the statute requires an exchange-by exchange investigation. The breakdown between residential and business lines is relevant because the statute requires a service-by-service investigation. The breakdown between pure resale, UNE Loop, UNE-P, and full facility-based lines is relevant so that the Commission may determine the extent to which competitors have utilized the various modes of market entry to penetrate SWBT's local exchange markets in Missouri. Finally, the date upon which a competitor began service is relevant to the development and extent of competition in an exchange. As of this writing, Staff has received satisfactory responses from only 21 carriers.

Rebuttal of SWBT's Policy Witness Mr. Tom Hughes

Q. Beginning at page 6 and ending on page 17 of his Direct Testimony, SWBT witness Tom Hughes provides considerable narrative of the "History of Competitive Classification in Missouri." What is your response to Mr. Hughes' statements on the history of competitive classification in Missouri?

A. I have no disagreement as to the factual matters contained in this part of Mr. Hughes' testimony. Overall, Mr. Hughes gives an accurate portrayal of House Bill 360, Senate Bill 507, SWBT's previous transitionally competitive cases, regulatory treatment of competitive services by competitive and non-competitive carriers and so on. However, the Staff does not agree with Mr. Hughes' statement(s) that effective competition exists for all services in each SWBT exchange (Hughes Direct Testimony, page 13, line 13). Nor does the Staff agree with Mr. Hughes' apparent contention that the legislative intent was for price cap regulation to be *automatically* eliminated after five years in exchange areas exhibiting the mere presence of competition (Hughes Direct

Testimony, page 14, line 5). Rather, the Staff believes the legislature intended for the Commission to have an opportunity to examine the state of competition in each SWBT exchange prior to SWBT receiving full pricing flexibility. Staff believes that upon examination of the state of competition in each exchange, the Commission may quite appropriately require SWBT to continue under price cap regulation if the Commission is not satisfied that competition in an exchange is "effective" in bringing viable choices to consumers and other end users. The Staff believes the Missouri Legislature intended that consumer benefit would be maximized only if the Commission had an opportunity to examine the state of actual competition in each exchange. Plainly stated, the Staff believes the legislature did not trust SWBT and other price cap carriers with complete pricing flexibility without first undergoing an examination by the Commission.

Q. Mr. Hughes states that the statute clearly establishes a burden on other parties to demonstrate that SWBT is not entitled to "equal" regulatory treatment (Hughes Direct Testimony, page 16, lines 13 and 20). What is your response, and in your opinion, is Mr. Hughes correct?

A. My first response is to the use of the term "equal" by Mr. Hughes. I believe Mr. Hughes is suggesting that SWBT should be allowed an opportunity to move its prices upwards and downwards for all its services, much the same as SWBT's competitors who are legally classisified as competitive carriers. I also believe Mr. Hughes is correct in his assessment that the burden is on other parties in this case. For this reason, the Staff's testimony demonstrates that SWBT should not receive the same "equal" regulatory treatment for *all its services* in each SWBT exchange area as does SWBT's competitors who are classified as competitive carriers offering competitive services. It should be understood that nothing in this proceeding would change the

statutory classification of SWBT as a non-competitive carrier. Rather, this proceeding undertakes the process of determining if SWBT's *services* should be classified as competitive.

Q. Mr. Hughes states that the first Competitive Local Exchange Carrier certificated in Missouri was Dial US, which received its certificate and tariff approval in January 1997. Is Mr. Hughes correct?

A. Yes, Mr. Hughes is correct. Dial US's tariffs became effective in January 1997 pursuant to an order by the Commission, which was issued on December 31, 1996. Dial US was a very experienced telecommunications company headquartered in Springfield. Dial US established itself in 1983 as a long distance "reseller" at the onset of divesture of the AT&T system. Mr. Jim Hedges was the president and proprietor of Dial US. I was actively involved with the Dial US competitive local exchange application in Case No. TA-96-347 and in helping the company receive regulatory approval.[1] The presence of Dial US as a reseller of basic local exchange telephone service in the Springfield exchange was the basis of SWBT's qualifying for price cap regulation on a statewide basis. As I recall, there was considerable jubilation at the prospect of the first local exchange competition occurring in Missouri. The Honorable Roger Wilson, Lieutenant Governor of Missouri, made the first competitive local exchange telephone call in Missouri over Dial US's resold network. The ceremony was witnessed by Ms. Karen Jennings, President of SWBT. A copy of the proclamation listing the participants and witnesses is attached to my testimony as Schedule 3.

[1] RE: *In the Matter of the Application of Dial U.S. for a Certificate of Authority to Provide Basic Exchange and Local Exchange Intrastate Telecommunications Services Within the State of Missouri.* Order Approving Tariff, And Order Correcting Certificated Name and Tariff Due Date *NUNC PRO TUNC*; issued December 31, 1996.

Q. Is Dial US still in business?

A. No, unfortunately not. The company sold its interexchange and local exchange customer base to McLeodUSA. Prior to selling his company, Mr. Hedges came to Jefferson City and explained to the Staff and to the Commission that, as a small reseller, profit margins for a small local exchange carrier were simply too small to make a profit by reselling basic local telephone service at SWBT's offered discount.

Q. Mr. Hughes' Schedule 2 lists SWBT's exchanges and the number of competitors operating in each exchange. What is your response to Schedule 2?

A. While the number of competitive carriers operating in each exchange is somewhat useful, many of these carriers are resellers and Staff does not consider resellers as constituting effective competition. Moreover, SWBT's data on the number of competitors in each exchange may not always be totally accurate because SWBT does not know the full extent of facility-based competition in its exchanges. In contrast, SWBT would be expected to know the full extent of reseller and unbundled network element (UNE) competition in its exchanges. Even though SWBT does not always know the extent of facility-based competition occurring in its exchanges, there are a variety of ways SWBT can reliably estimate the presence of competitors in a given exchange. As is shown on Hughes' Schedule 2, (Direct Testimony) in this instance SWBT is using E-911 data base listings as an indicator of the presence of competition in each exchange. As SWBT is always the database "custodian" in its area(s), the Staff considers this a generally reliable and somewhat conservative means of estimating the presence of competition and for this reason, the Staff is willing to accept Schedule 2 as a reliable estimate on the presence of competitors in each SWBT exchange. While Staff accepts Mr. Hughes' Schedule 2 as an indication of the presence of competition in each SWBT

exchange, the Staff does not accept Schedule 2 as representative of statutory requirements that "effective" competition must exist prior to granting complete price deregulation to SWBT or any other similarly situated price cap incumbent such as Sprint and Verizon.

Q. Why is Staff unwilling to accept the mere presence of competition as sufficient to grant SWBT complete pricing flexibility?

A. SWBT is relying heavily on resellers of basic local service and other "alternative" means such as wireless providers to demonstrate "effective" competition. The Staff does not accept that resellers of basic local exchange service and other "alternative" providers constitute "effective" competition.

Q. Mr. Hughes provides the statutory definition of "effective" competition (Hughes Direct Testimony, page 18, line 1) and states that SWBT meets the definition of effective competition as envisioned by the Missouri statute. Is Mr. Hughes correct in his conclusions?

A. While Mr. Hughes accurately recites the Missouri statute, Mr. Hughes' conclusion that SWBT meets the statutory definition of effective competition contains the same fatal flaw as does all the other SWBT witnesses.

Q. Please explain.

A. Section 386.020(13) RSMo 2000, lists five criteria to be used by the Commission in determining the existence of "effective competition." While the first four criteria are specific as to what should be considered in gauging effective competition, the fifth criteria specifically defers to the Commission to determine any other factors deemed appropriate by the Commission for the purposes and policies of Chapter 392, RSMo. While a plain reading of the statute makes it obvious that the legislature attempted to

provide some guidance by listing four criteria of effective competition, from my perspective it is equally obvious that the legislature did not view price deregulation in an automatic "cookie cutter" approach, but instead gave considerable weight to the MoPSC's subject matter expertise in determining "effective" competition. SWBT's economics expert, Dr. Debra J. Aron, recognizes as much when she states that the four specific criteria referenced by the legislature do not constitute an exhaustive list of the relevant factors as completely dispositive of the presence or absence of effective competition (Aron Direct Testimony, page 8, line 5).

Q. Does the Staff have additional criteria to recommend to the Commission when evaluating the existence of "effective" competition?

A. Yes. The Staff recommends the Commission examine the extent and presence of actual basic local service competition in each SWBT exchange. While the Staff is not recommending the Commission use any certain market share percentage as a measure of "effective" competition, the Staff does believe the extent of actual competitive lines provides probative value to the Commission's analysis. The Staff believes that in areas of very limited facility-based competition, SWBT may be able to exert market power and dominance over other carriers.

Summary of Commission Report and Order in Case No. TO-93-116

Q. Mr. Hughes joins numerous other SWBT witnesses in concluding that the first and second statutory criteria of effective competition are met because there are alternative providers providing functionally equivalent or substitutable services in each SWBT exchange (Hughes Direct Testimony, page 18, line 20). What are your comments regarding functionally equivalent or substitutable services?

A. In addition to the specific statutory references to these terms, Staff believes it is appropriate from the standpoint of economics to examine the extent to which a competitor's service is substitutable for a SWBT service. But examining this criterion exclusively does not in Staff's opinion satisfy the statutory requirement for complete price deregulation. However, to the extent one wishes to analyze substitutable services, I would like to point out that debates surrounding the economic theory of substitutability have a long and storied history at the MoPSC. Much of this history is associated with procedures which led to classification of certain SWBT services as transitionally competitive. In my view, the entire concept is appropriately rooted in the premise that some method needs to be in place which allows incumbents an opportunity to price competitively with competitors while at the same time an incumbent (such as SWBT) should not be allowed to use its dominance and market power to squeeze its competitors out of business. The main difference in this case as compared to prior cases in which the Commission examined SWBT's competitors is that the instant case involves granting SWBT complete pricing flexibility vis-à-vis "effective" competition whereas prior cases involved granting SWBT more limited pricing flexibility which placed a cap on SWBT's prices.

Many of the same substitutability theories espoused in prior cases are relevant to this case. For example, Mr. Hughes references Case No. TO-93-116 (Hughes Direct Testimony, page 10, line 7). In Case No. TO-93-166, the Commission, just as in the instant case, was required to investigate the extent of competition in SWBT's service area. In Case No. TO-93-116, just as in the instant case, the Commission was being asked to make decisions based upon economic theories designed to gauge the degree to

which one service could be substituted for another. In its Findings of Fact in the Report and Order in Case No. TO-93-116, the Commission stated:

> SWB takes the position that "substitutable" should be given a broad meaning so that if one service can be regarded as a replacement for another, then it is substitutable. Other parties argue for a stricter standard, which could be generally referred to as a "close substitute." The dispute, then, among the parties is how close a substitute must SWB's services be and what criterion should the Commission consider in determining what a "close substitute" is.
>
> The following factors have been proposed by the parties for determining whether a service is "substitutable" or a "close substitute":
>
> 1 interchangeability;
> 2 the Department of Justice merger guidelines;
> 3 market share;
> 4 costs of providing the service;
> 5 pricing policies;
> 6 market dynamics;
> 7 dialing disparities;
> 8 equal access;
> 9 financial strength of the companies;
> 10 entry barriers;
> 11 embedded customer base;
> 12 market segmentation;
> 13 cross-elasticity analysis;
> 14 no features obviously different;
> 15 replacement;
> 16 quality of service;
> 17 compensatory price differentials;
> 18 movement of prices together;
> 19 control of access;
> 20 number of lines;
> 21 sales volumes;
> 22 essentially the same;
> 23 customer choice based solely on price;
> 24 effective restraint on market power;
> 25 public interest in Section 392.530;
> 26 consumer acceptance;
> 27 existence of suppliers;
> 28 willingness of customers to use other service; and
> 29 "I know it when I see it."
>
> The Commission has reviewed the above criteria and finds that none is determinative of substitutability in all instances....The Commission

> finds that substitutability must be considered separately for each service and for each noncompetitive company. Different criteria may be given greater weight when considering one service than another. This case-by-case consideration is necessary because of the different characteristics of each service and each company. Although the same basic criteria will be reviewed, the weight given those criteria may differ.[2]

From my perspective, it is entirely appropriate for the Commission to consider the degree to which a competitive service may act as a substitute for a SWBT service. However, the Commission need not be bound by the same criteria for each and every service. Because of the nature of individual services, it would be entirely appropriate for the Commission to give greater weight to certain criteria when examining, say for example, basic local residential service as compared to special access service.

Q. Mr. Hughes states that services offered by CLECs are functionally equivalent to and substitutable for the services offered by SWBT. Mr. Hughes also opines that regardless of the method of providing service (i.e., either facility-based or reseller) the services offered by competitors are equivalent and substitutable to the services of SWBT (Hughes Direct Testimony, page 19, line 7 and again at page 20, line 9). What is your reaction to these statements?

A. My first reaction is one of surprise that SWBT would ask the Commission to consider resold basic local service as "effective" competition.

Q. Please explain.

A. As a practical matter, resellers of basic local service are locked into SWBT's existing retail service structures. For example, resellers are limited to the feature packages currently offered by SWBT as well as the existing local calling scopes

[2] Re: *In the Matter of Southwestern Bell Telephone Company's application for classification of certain services as transitionally competitive*. Report and Order, beginning at page 9.

of SWBT. Resale also places very little competitive pressure on prices offered to end users because the wholesale prices resellers must pay SWBT are based on SWBT's retail rates. Resale also denies a competitor the opportunity to provide innovative services through the use of new technology. Because resale provides a very limited form of competition, it is the Staff's view that resold basic local telephone service does not constitute effective competition.

Q. Has SWBT always viewed resold basic local service as effective competition?

A. No. As a matter of fact SWBT has proclaimed that "[r]esale is not real competition." In testimony before the Antitrust, Business Rights and Competition Subcommittee, Senate Judiciary Committee (March 4, 1998), SBC's President of Operations, Mr. Royce Caldwell, proclaimed resale as "sham" competition because resellers are nothing more than additional retail outlets for the network owned and operated by the facilities provider. Mr. Caldwell's testimony contained the statement: "[f]acility-based competition is the only real form of competition. It provides real choice not only in vendors but also in network features and functions." A copy of the relevant portion of Mr. Caldwell's testimony before the United States Congress is attached to my testimony as Schedule 4.

Q. Mr. Hughes states that a number of substitutable alternatives exist to SWBT's services and that many of the alternatives are not under the jurisdiction of the Commission (Hughes Direct Testimony, page 19, line 19). Mr. Hughes lists cable TV, Internet service providers, wireless carriers, satellite providers, and equipment manufacturers as examples of "effective" but "non-regulated" alternatives to

SWBT's services. Mr. Hughes also opines that it is not appropriate to focus solely on CLECs in this case and exhorts the Commission to examine non-traditional providers. Mr. Hughes states that "the days of traditional voice competition provided by traditional voice providers are over" (Hughes Direct Testimony, page 27, line 25). What is your response?

A. While I believe I understand SWBT's reasons for focusing so much of its prefiled energy on wireless and other "alternative" means of offering communications, I believe such efforts are entirely misplaced in terms of examining the statutory requirements for price deregulation of price cap carriers in Missouri.

Q. Please explain.

A. SWBT seems to be positioning itself in this case as someone who is left off the "non-traditional" competitive playing field. Insofar as wireless services and the Internet are concerned, SWBT (or its parent SBC) is a major industry player who by no means is limited to providing service by "traditional" means. Hence, any notion that SWBT is not able to compete in these non-traditional methods should quickly be disregarded by the Commission. Insofar as SWBT's ability to compete in other areas such as Cable TV and equipment manufacturing, the Company is certainly free to do so. If SWBT's business plans do not include non-traditional delivery avenues such as Cable TV and equipment manufacturing, it should not appear to present itself as one whose business decisions are the result of regulatory impediments.

Non-Traditional Service Substutability Arguments are Inconsistent with Missouri Statutes

Q. Are SWBT's "non-traditional" service substutability arguments consistent with Missouri statutes?

A. In my opinion they are not. Again, SWBT exhorts the Commission to examine alternative non-traditional service offerings (such as wireless service and the Internet) in determining the extent of "effective" competition in SWBT's exchanges. SWBT steadfastly holds that these alternative methods of communicating should satisfy the Missouri statutory requirement of "effective" competition. However, such arguments fail upon examination of the Missouri statutes. For example, it is clear that the legislature intended the presence of *regulated competitors* to be the catalyst for examining the presence of effective competition. In Staff's view, it is inconsistent with the statute for the Commission to consider non-regulated activities in examining "effective" competition. If the legislators had intended for the Commission to examine other forms of communications in an exchange, they would not have exempted these other forms of communications from the definition of telecommunications "service."

Q. Section 386.020(13)(a) RSMo, states that effective competition shall be determined by the Commission based on the extent to which *services* are available from alternative providers in the relevant market. Does SWBT's reliance on "alternative" and "non-traditional" providers fit with this statutory definition of effective competition?

A. No, it does not. The "alternative" providers referenced in the statute contemplates regulated providers – not unregulated providers relied upon by SWBT. The "competing technologies" beyond the jurisdiction of the Commission referenced by Mr. Hughes (Hughes Direct Testimony, page 22, line 10) are not telecommunications services as defined by the Missouri statutes. The "services" offered by "non-regulated" wireless carriers, Internet providers, satellite providers, Cable TV companies, and private

telecommunications systems are specifically exempted from the Missouri statutes as constituting telecommunications service and cannot possibly be relied upon as an available service from an alternative provider, as required by the statute. The Missouri statutes specifically define these alternative forms of communications as not constituting telecommunications *service*. Hence, SWBT cannot rely on non-regulated services of any sort as a means of escaping price cap regulation.

Q. Section 386.020(13)(b) RSMo states that effective competition shall be determined by the Commission based on the extent to which the *services* of alternative providers are functionally equivalent or substitutable at comparable rates, terms and conditions. Does SWBT's reliance on "alternative" and "non-traditional" providers fit with the statutory definition of effective competition?

A. No, in my opinion they do not. Again, the statutory reference is to regulated providers – not non-regulated providers. Moreover, neither Mr. Hughes nor any SWBT witness even attempts to show that the rates, terms and conditions of "alternative providers" such as wireless carriers, Internet providers, satellite providers, Cable TV companies, and private telecommunications system providers are comparable to SWBT. As previously stated, the "services" offered by such "alternative providers" are specifically exempted by the Missouri statutes and cannot possibly be relied upon as an available service from an alternative provider, as required by statute. The Missouri statutes specifically define these alternative forms of communications as not constituting telecommunications service. Clearly, the legislature intended the Commission's analysis to include only regulated service. Hence, SWBT cannot rely on non-regulated services of any sort as a means of escaping price cap regulation.

Q. Section 386.020(13)(c) RSMo states that effective competition shall be determined by the Commission based on the extent to which the purposes and policies of chapter 392, RSMo, including the reasonableness of rates, as set out in section 392.185, RSMo, are being advanced. Does SWBT's reliance on "alternative" and "non-traditional" providers fit with this statutory definition of effective competition?

A. No, in my opinion SWBT's over-reliance on wireless providers, Internet service providers and similar non-regulated providers as a means of fostering the purposes of chapter 392 is misplaced. Again, these alternative "services" are specifically exempt from regulation by chapter 386; are specifically defined as not constituting telecommunications service; and in my opinion, cannot possibly be relied upon as an alternative service as defined by Missouri statutes. Again, SWBT cannot rely on non-regulated services of any sort as a means of avoiding price cap regulation.

Q. Mr. Hughes states that the Commission can be assured that the purposes of the statute will be advanced because the Commission has the authority over the prices SWBT charges the CLECs for services the CLECs purchases from SWBT (Hughes Direct Testimony, page 21, line 15). Is the Staff satisfied that the Commission's mediation and arbitration awards involving SWBT will act as sufficient safeguard in satisfying the purposes of chapter 392?

A. No. SWBT has on occasion reacted quite negatively to the Commission's authority to set prices on services offered to competitors. For example, in Case TO-97-40 SWBT appealed the Commission's decision all the way to the 8th Circuit. More recently, in Case No. TT-98-351 the Commission dismissed its long standing imputation policy

and ruled that SWBT could offer unlimited intraLATA toll calling for as little at $30.00 per month, as long as SWBT made the service (called Local Plus) available for resale. SWBT continues to maintain that if a carrier (such as SWBT) does not have the switching, it cannot provide Local Plus for resale. SWBT continues to maintain that unless it provides the dial tone, it is technically impossible to provide Local Plus.[3] Calling the Commission's Local Plus decision unlawful, unreasonable, and unjust, SWBT has appealed the Commission's decision to the Cole County Circuit Court. Incredulously, SWBT now asks the Commission to consider ordering an imputation test for Local Plus. These and similar events cause me to question whether the Commission's oversight of wholesale prices of SWBT will act as sufficient safeguard to protect and promote the intent of chapter 392, as alleged by Mr. Hughes.

Q. Mr. Hughes notes that the Missouri Commission found that SWBT met the 14-point checklist outlined in the Telecommunications Act and offers this fact as further proof that CLECs are able to compete in Missouri (Hughes Direct Testimony, page 22, line 14). What is the relevance of Case No. TO-99-227 to the current proceeding?

A. In my view there is no relevance between the SWBT Section 271 proceeding and the instant case. Section 271 of the Federal Act even contains a so-called Track B proviso in the event no competitor desired to offer service in SWBT's area. Such scenarios provide a stark contrast to the Missouri price deregulation process, which requires the presence of "effective" competition for individual services in individual exchanges before SWBT can completely escape regulation of its prices.

[3] RE: Case No. TO-2000-667 In the Matter of the Investigation in to the Effective Availability for Resale of Southwestern Bell Telephone Company's Local Plus Service by Interexchange Companies and Facilities-Based Competitive Local Exchange Companies. SWBT's Application for Rehearing, page 3.

Q. Even though the statute specifically authorizes the Commission to consider any and all relevant factors in determining effective competition, Mr. Hughes states that the Commission need not consider any other factors other than those specifically set forth in the statutes (Hughes Direct Testimony, page 23, line 1). What is your response?

A. The Staff believes that the Commission should examine the extent of actual competition in each SWBT exchange and further examine the extent to which SWBT may be able to use its market power to influence competition on an exchange basis in all relevant markets (such as local, toll, etc.). In this regard, the Staff disagrees with Mr. Hughes' contention that the Commission should only consider the "functionally equivalent" and "substitutable" "services" of "alternative" providers. Much of the "competition" referenced by SWBT is mere paper competition that should be discounted by the Commission. Moreover and even assuming arguendo that non-regulated services should be considered in determining effective competition (which they cannot), the Staff suggests that the mere presence of "alternative" providers offering "substitutable" services is insufficient to determine whether competition is "effective."

Q. Mr. Hughes provides an analysis of the state of local exchange competition in Missouri (Hughes Direct Testimony, page 25, line 23). Mr. Hughes *reports the following trends which have occurred in Missouri:*

- **145 local exchange carriers have received certification**
- **SWBT has entered into 133 interconnection agreements involving some form of local service**

- **52 carriers have statewide tariffs (with numerous others offering service in only selected markets)**
- **CLECs have gained 17 percent of SWBT's market share**
- **there are more than 50 CLECs serving St. Louis and Kansas City**
- **there has been a 53% growth in interconnection growth (year-over-year data)**
- **there has been a 140% growth in collocation arrangements (year-over-year data)**
- **there has been over a 200 % growth in unbundled switch ports (year-over-year data)**
- **there has been a 103 % growth in E-911 listings (year-over-year data)**

What is your response?

A. I have no reason to dispute Mr. Hughes' data and as will be shown, the Staff supports SWBT's request for competitive classification for several of SWBT's services. And while Staff acknowledges the competitive trends pointed out by Mr. Hughes, these statistics fall far short of providing the type of service-by-service and exchange-by-exchange analysis required to satisfy statutory requirements for complete price deregulation for services such as basic local telephone service.

Q. At page 28 of his prefiled direct testimony, Mr. Hughes yet again refers the Commission to "non-traditional" wireless providers. Mr. Hughes also reiterates the testimony of Mr. Anvin by indicating that 3% of customers use wireless as their only telephone service, that 12% of customers surveyed purchased a wireless instrument instead of a 2nd landline telephone, and that it is estimated

there are over 1.8 million wireless customers in Missouri (Hughes Direct Testimony, page 29, line 1). What is your response?

A. While I have no reason to doubt the statistics cited by Mr. Hughes, I believe such data is not particularly relevant to these proceedings. Again, the type of "service" described by Mr. Hughes is specifically excluded by the Missouri statutes as constituting a telecommunications service. For this reason alone, the Staff suggests that SWBT cannot rely on non-regulated alternatives of telecommunications service as a basis for obtaining relief from the price cap statute. As previously stated, even assuming argunendo that Mr. Hughes is correct that wireless "service" should be considered as "effective" competition to regulated landline service (which it is not), Mr. Hughes provides no exchange-by-exchange breakdown and his analysis is substantiated by nothing more than hearsay sales exhortations from wireless corporate officials as described in newspaper articles from Chicago and the St. Louis Post Dispatch - copies of which he does not provide. In my view, little evidentiary weight should be given to SWBT's unsubstantiated exhortations for the Commission to deregulate traditional telephone service because of what amounts to little more than car telephones.

Q. Mr. Hughes discusses "surf[ing] the world wide web" and points to the Internet as an opportunity for people to make and receive voice calls from friends and family. Mr. Hughes also points to other forms of non-regulated communications such as email, instant messaging and "e-commerce" applications which "reduce the need for services provided by SWBT." (Hughes Direct Testimony, page 29, line 7). How do you respond?

A. In presenting the myriad of "substitutable" forms of communications which "reduce the need for services provided by SWBT," it appears SWBT has neglected only citizens band radios, Federal Express, and traditional "snail mail." Again, even assuming arguendo that the Internet and other such ancillary forms of communications could be statutorily relied upon to satisfy the "effective" competition standard of the Missouri statutes (which they can not), SWBT provides no plausible exchange-by-exchange breakdown as to the extent of such nascent "competition." Again, the Staff suggests the Commission impart only slight recognition to these "surfing the world wide web" type technologies referenced by Mr. Hughes.

Q. Mr. Hughes opines that "high speed internet" access is being positioned as the communications line of the future and that cable modems have an estimated 70% market share, with AT&T being the largest provider (Hughes Direct Testimony, page 30, line 1). How do you respond?

A. Although AT&T appears to have no future in the cable TV business in Missouri, there can be no doubt that carriers such as AT&T and SWBT continue to make engineering and marketing advances involving the delivery and packet switching aspects of "high speed Internet" service. In Missouri, when considering "high speed Internet" (i.e., greater than 64 KB/second) access, this form of communication utilizing dedicated access is considered a "private line" service and the Staff agrees with Mr. Hughes that SWBT should have complete pricing flexibility for "high speed Internet" access at this time.

Q. Mr. Hughes states that Microsoft has announced plans to include a telephone in all of its computer software and offers this as an example of a changing

telecommunications marketplace (Hughes Direct Testimony, page 30, line 6). How do you respond?

A. Presumably Mr. Hughes offers Microsoft as another example of "substitutable" telephone service. While such nascent examples may be novel, interesting, or even encouraging, I again believe the Commission should afford little weight to such non-regulated examples of "alternative" forms of communications.

Staff's Regulatory Approach to the Internet

Q. With regards to voice communications occurring over the Internet, would you please state the Staff's regulatory approach at this time?

A. Yes. At this time the Staff continues to maintain a "hands off " policy with regard to voice communications occurring over the Internet. Although the Staff has made inquiries involving such activity on behalf of various entities (including at least one regulated entity), the Staff does not at this time undertake efforts to "regulate" the Internet. For example, the Staff is aware of firms advertising voice over the Internet protocol telephony, which I will refer to as Voice over IP. Utilizing such technology, it is possible to make unregulated telephone calls without the use of a computer (often characterized as making Internet calls "from the kitchen telephone"). However, unlike more traditional forms of telecommunications utilizing circuit switching, the Staff makes no attempt to require Voice over IP companies, who utilize packet switching, to obtain certification from the MoPSC. The Staff's unwillingness to engage in enforcement efforts directed at providers of Voice over IP is largely due to the FCC's policies such as those enunciated in the Access Reform Order as referenced on page 17, line 13 in the

Direct testimony of SWBT witness Sandra Douglas. Lastly, the Staff has not detected any desire from policy makers nationally or at the state level to "regulate" Voice over IP.

Q. Mr. Hughes states that as a "backstop" mechanism under Section 392.245.5 RSMo, the Commission could place SWBT back under price cap regulation if effective competition no longer exists. How do you respond?

A. I agree with Mr. Hughes. As an example, the Staff suggests the Commission may in the future want to re-examine the extent to which operator services are currently said to be competitive. Even though operator services once received transitionally competitive status and are now said to have evolved to competitive status, the ever-escalating prices charged for operator services are an indication to Staff that a certain degree of market failure may be occurring. In any regard, Mr. Hughes is correct that the Commission does have a backstop mechanism to re-examine decisions to classify services as competitive.

The Commission's Authority to Establish UNE Rates and Wholesale Discounts Provides Insufficient Safeguards to Stabilize SWBT's Retail Prices

Q. Mr. Hughes opines in agreement with Dr. Aron that the Commission's authority over UNE rates and resale discounts will act as an effective price constraint on SWBT's retail services (Hughes Direct Testimony, page 31, line 7). How do you respond?

A. The Commission should be leery of such assertions. First, not all of SWBT's services under consideration in this case must be made available as an unbundled network element. For example, I believe SWBT would maintain that its directory assistance and operator services are not required to be made available as UNEs.

Second, as I have previously stated on page 24, SWBT has been known to react in an adverse manner to this Commission's arbitration awards. SWBT has shown a propensity to appeal this Commission's arbitration decisions to the highest levels of appeal. Thirdly, the evidence to this point indicates that SWBT is prone to raise prices the maximum allowable under the price cap law even in the face of this Commission's UNE rate and wholesale discount authority. These considerations cause me to look with considerable suspicion on the idea that, as of this time, wholesale competition acts as a form of stabilization of SWBT retail prices.

Q. Mr. Hughes believes that consumers will be better off if SWBT is granted complete pricing flexibility in this case. In providing his explanation, Mr. Hughes states that ultimately consumers benefit from an "unfettered" environment of service innovation where customer demand drives outcomes and maximum benefits are derived for all. Mr. Hughes states that such benefits represent the most important point for the Commission in this proceeding (Hughes Direct Testimony, page 32, line 1). What is your response?

A. I understand and appreciate Mr. Hughes' extolling the virtues of unfettered price deregulated environments and the Staff supports price deregulation for several SWBT services where Staff is convinced that effective competition exists. However, for most basic local service offerings, Staff is not convinced that competition has advanced to a point where total statewide price deregulation is appropriate. While I agree that it is appropriate (and even absolutely essential) for SWBT to be able to respond favorably to real competition, Staff simply believes that most consumers do not have a real choice in service providers at this time. Consequently, the Staff suggests that

it is inappropriate to institute total price deregulation at this time. From my perspective, the most important point in this proceeding is to avoid the inevitable backlash from consumers and commercial interests as a result of run-away price increases in the absence of viable choices for basic local telephone service.

Q. Mr. Hughes states that price deregulation would allow SWBT to compete on equal footing and to more fully respond to competition while allowing consumers to have more choices. According to Mr. Hughes, this would also increase SWBT's ability to restructure services and offer value-added packaging that better meets customers' changing needs (Hughes Direct Testimony, page 32, line 14). How do you response to these statements of Mr. Hughes?

A. In my experience, consumer choice has always been a Staff priority and in my opinion, the laws in Missouri and the policies of this Commission have always attempted to maximize consumer choice. For example, Mr. Hughes has referenced House Bill 360 and Senate Bill 507. I would point to these pieces of legislation and the manner in which they have been implemented by the Commission as an example of policies that have maximized consumer choice while at the same time enabled SWBT to fully respond to competition.

Although I fully recognize that SWBT still cannot bundle long distance service with local service, such matters are beyond the control of this Commission and have nothing to do with price cap regulation. From my experience, this Commission has always been receptive to new products and service bundles offered by SWBT and other incumbents. I could cite example after example (for example, EasyOptions Packages) of new products and services implemented by SWBT in just the few years I have been

employed at the Commission. I would also point to considerable technological innovations under the current system of regulation, which have contributed enormously to consumer choice. I do not accept the view of those who advocate deregulation as a prerequisite to consumer choice. From my perspective, the Commission should be leery of offers to "restructure" services in the absence of viable consumer choices. If granted complete "restructuring" authority, my concern is that SWBT would implement overall price reductions for business service and make up the difference by greatly increasing residential rates. And while I understand and to an extent advocate that prices must be more in line with costs in a competitive market, I would suggest that movement towards a cost based system of pricing for basic local telephone service should proceed more slowly than what I suspect would occur by total price deregulation of SWBT's basic local services.

Switched Access Service Should Not Receive Competitive Classification Under Any Circumstances. Rebuttal to Ms. Sandra Douglas

Q. SWBT witness Sandra Douglas advocates price deregulation of SWBT's switched access service. Does the Staff agree with Ms. Douglas that effective competition exists for switched access service?

A. Absolutely not. Switched access by its very nature is a situational monopoly bottleneck service which in my opinion should never be price deregulated for any carrier under any circumstance that I can think of. The Commission has recognized the unique circumstances of switched access service by conditioning the operating certificates of competitors by placing an upper limit, or cap, on the rates CLECs are permitted to charge long distance carriers (absent a showing of cost). As was pointed out

by witnesses for Sprint and AT&T in Case No. TO-99-596, price deregulation of switched access service ultimately leads to skyrocketing rate increases placed upon interexchange carriers who have no choice but to pay the monopoly rents in order to serve customers through the local exchange carrier's bottleneck access connection.[4] Beginning on page 17 of its Report and Order in Case No. TO-99-596, the Commission addressed the monopolies of switched access under a heading titled: "A Bottleneck Service."

> ...exchange access rates are not subject to competitive pressure because IXCs have no choice but to pay them in order to complete their subscribers' calls. An IXC cannot select a lower cost alternative because there is no lower cost alternative. Additionally, because access charges are not billed directly to individual LEC subscribers, the access charges are further insulated from competitive pressure. The LECs thus enjoy a locational or situational monopoly with respect to exchange access services. The IXCs are captive customers, with no choice other than the choice not to serve the customers of a LEC whose access rates are considered to be too high. There was testimony that, in jurisdictions where no cap is imposed on exchange access rates, CLECs have tended to set them very high, as much as 20 times the level of the directly competing ILEC. There was also testimony that Missouri CLECs have tended to set their access rates as high as permitted.

In recognition of the problems associated with pricing flexibility for switched access service, SWBT strongly advocated capping the competitor's price for switched access service. The following is but a sample of the prefiled testimony provided by SWBT's witness Debra Hollingsworth in Case No. TO-99-596:

> Absent cost justification to support higher access rates, CLECs should cap access charges at the current rate of the large incumbent in territories served by the CLEC. This lower level of access charge would benefit the public. Lower rates would decrease the likelihood

[4] Re: *In the Matter of the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri.* Report and Order issued June 1, 2000.

> that IXCs will choose not to serve an area. We [SWBT] have already experienced carriers attempting to limit service area because they consider access rates to be high (Hollingsworth rebuttal; page 5, line 5).
>
> If a CLEC believes it is appropriate to charge rates 50% above those of Sprint or GTE, then it should be required to show that the proposal is based on cost and is consistent with the public interest. CLECs should not receive blanket authority to charge these artificially inflated access rates (Hollingsworth Rebuttal Testimony, page 11, line 19).
>
> Finally, SWBT strongly believes that it is appropriate for the Commission to continue to require a CLEC to cost justify any proposed increase to its access rates (Hollingsworth Direct Testimony page 14, line 8).

Ms. Douglas' testimony is totally devoid of any meaningful analysis as to the extent of competition for switched access service in Missouri (rather, Ms. Douglas simply provides broad generalizations to wireless service, satellites, fiber optic cables, the Internet and the like). Indeed, it is impossible to conclude that there is competition for a monopoly bottleneck service such as switched access. If granted, SWBT's request for price deregulation of switched access service would in all likelihood lead to a round of escalating price increases between SWBT and competitors – much the same as occurs with commissions paid on pay telephones and other traffic aggregators whereby each carrier is continually upping the price to consumers in order to out bid and out monopoly profit the other. Ms. Douglas' exhortations for the Commission to now permit SWBT to engage in the type of unregulated price increases so stridently opposed by SWBT for CLECs just over one year ago should be summarily rejected by the Commission. The Staff is strongly opposed to any form of price deregulation for switched access service.

Q. Ms. Douglas states that in Missouri, competitors are allowed to provide flat-rated transport of switched access service but that the Commission has

refused such an opportunity for SWBT. Ms. Douglas points to the Commission's decision in Case No. TR-95-342 as a basis for her conclusion. Ms. Douglas represents this situation as constituting a competitive disadvantage for SWBT (Douglas Direct Testimony, page 8, line 9). Ms. Douglas also incorrectly characterizes this situation as a Commission "rule" (Douglas Direct Testimony, page 19, line 17). How do you respond?

A. I believe Ms. Douglas' unfamiliarity with the regulatory environment in Missouri has contributed to a substantial misunderstanding on her part. Ms. Douglas' suggestion that this Commission is responsible for some type of discriminatory treatment towards SWBT should be summarily rejected by the Commission. It is a fact that in Missouri, facility based local exchange competitors have been permitted to "restructure" local transport (in line with the FCC's guidelines which are now several years old) while the Commission rejected SWBT's attempts to "restructure" local transport.[5] However, the difference is that none of the competitive carriers have been permitted to institute a residually priced interconnection charge (RIC), which was the basis for the Commission's rejection of SWBT's attempt to restructure local transport. On page 20, line 4 of her direct testimony, Ms. Douglas even acknowledges that the Staff "will question any competitive rate element which appears to be residually priced."

Q. Would you please provide further explanation on the Commission's decision in Case No. TR-95-342?

[5] Ms. Douglas provides a history of the FCC's restructuring activities beginning on page 10 of her Schedule 3.

A. Yes. In Case No. TR-95-342 the Commission rejected SWBT's attempt at local switched access transport restructuring because SWBT loaded up approximately 80% of its total switched access revenue in the form of a new and unavoidable charge which it called a residual interconnection charge. As quite properly recognized by the Commission, this charge was nothing more than a "make whole" rate element with no basis in cost. Fundamentally it represented an unavoidable charge to interexchange carriers by SWBT because no matter how much of its local transport network an interexchange carrier such as MCI was able to provide for itself (i.e., "by-pass" the Bell network), the competitor still had to pay SWBT the same amount of money as before. SWBT's proposal represented the functional equivalent of paying full price for a 200 mile toll road when the traveler only got on at the next-to-last exit. The Commission rejected SWBT's proposal and a similar proposal by GTE was immediately withdrawn.

The restructured flat-rate transport offerings of competitors referenced by Ms. Douglas contain no such RIC. In my opinion, I am convinced that the Staff would give full consideration to any proposal by SWBT to restructure local transport (including flat-rate pricing elements) if SWBT's rate proposal had some basis in cost. It is unfortunate that SWBT now uses witnesses without experience in Missouri to complain that competitors have some sort of advantage just because SWBT wanted to price a supposed competitive service with monopoly rents and rates not supported by cost. From my perspective, this is further evidence that switched access is little more than a bottleneck monopoly service to begin with. In conclusion, the Staff exhorts the Commission to deny SWBT's request for any form of price deregulation of switched access service.

Q. Ms. Douglas opines that private networks represent competition to SWBT's switched access service (Douglas Direct Testimony, page 9, line2). What is your comment?

A. As with other "substitutable" or "alternative" forms of communications, private networks are specifically excluded by the Missouri statutes as even constituting a telecommunications service. In this example, private networks are exempt as constituting telecommunications service under Section 386.020(53) (e).

Q. Ms. Douglas references "collocation hotels" and represents that such providers do not obtain certification and are "not required to file tariffs with this Commission and may price their service in any manner the market dictates" (Douglas Direct Testimony, page 9, line 9). What is your response?

A. Again, Ms. Douglas appears to represent that somehow SWBT is being treated differently and Staff rejects any such contention. Indeed, in large measure I believe it may be precisely because of SWBT's own collocation policies that the collocation hotel industry has come about and from all outward accounts appears to be flourishing. As with references to other forms of deregulated service, the Commission should disregard the contention that the collocation hotel business has any bearing on Missouri's price cap statute. This is especially true of so called "collocation hotels." Ms. Douglas offers Schedule 10-4 and 10-5 as an example of a collocation hotel (Axon Telecom, LLC). It is evident from this schedule that collocation hotels specialize in providing equipment space and will even lease its space to Regional Bell Operating Carriers such as SWBT. What Ms. Douglas is describing is in all likelihood nothing more than a real estate proprietor very similar in nature to those providing overnight

lodging to transient guests. Such proprietors are no more required to obtain telecommunications certification for providing such items as electricity, space, heating, cooling, restrooms, parking, and a pleasant and safe environment to clients than is the Capitol Plaza Hotel required to obtain certification for providing electricity, sanitation facilities, and hot water to its room guests. If proprietors of "collocation hotels" are providing telecommunications service as defined by Missouri statute, they are required to obtain certification and provide the necessary tariffs and Staff would appreciate if in surrebuttal testimony Ms. Douglas would state SWBT's opinion of whether or not rule violations are occurring. However, Ms. Douglas makes no such claim in her direct testimony; Ms. Douglas makes only vague references with no substantiation beyond the advertisements and brochures of the alleged competitors. Moreover, if SWBT is interconnecting with non-regulated "collocation hotels" for the purposes of exchanging local telephone calls, Ms. Douglas should explain why no such agreements have been submitted to the Commission for its approval. Absent further showing, the Commission should disregard Ms. Douglas' contention that non-regulated real estate proprietors constitute "effective" competition to SWBT.

Q. Ms. Douglas represents that items such as "metropolitan fiber rings" and "satellite(s)" represent competition to SWBT's switched and special access services (Douglas Direct Testimony, page 12, line 13). What is your response?

A. Ms. Douglas appears to confuse telecommunications services with the delivery mechanism used to provide the services. For example, it makes no difference if a service is delivered via copper wires, coaxial cables, fiber optic cables, microwave towers, satellites, SONET rings or some combination of all these technologies.

Moreover, it usually makes little or no difference if the service has "route diversity" or if it is provided utilizing digital or analog technology. For regulatory purposes (and consequently for the purposes of the price cap statute), the technological delivery mechanism for a particular service does not matter. In this regard, it is said that the Missouri statutes are technology neutral. Ms. Douglas' reliance on the technology used to provide service is in my opinion overstated and misplaced. If SWBT's business plans do not include these various forms of delivery mechanisms, that fact is simply a result of SWBT's own business decision. In my opinion, with little or no reference to the carrier or circumstance involved, it is improper for SWBT to rely on "fiber rings" and satellites as evidence of competition. This is especially true because Ms. Douglas provides no exchange-by-exchange analysis as required by the statute. Rather, Ms. Douglas simply offers Schedules 8 and 9 as examples that alternative fiber rings have been constructed in "the St. Louis and Kansas City metropolitan areas."

Q. Ms. Douglas offers Schedule 11-12 as evidence that MCI/WorldCom plans on building a "network services facility" in St. Louis (Douglas Direct Testimony, page 16, line 19). Ms. Douglas offers this as an example of "effective" competition for switched and special access service. What is your response?

A. Although Ms. Douglas offers Schedule 11-12 as an example of "alternative" transport for SWBT's switched and dedicated access transmission, Schedule 11-12 appears to refer to the construction of a 100,000 square foot building in Overland, Missouri, so I have difficulty understanding the reason for Schedule 11-12. Schedule 11-12 is unfortunately nothing more than a St. Louis Post Dispatch news media report (apparently generated by SWBT's own internal sources), and indicating that MCI is

building some sort of facility in Overland, Missouri that will eventually employ "10 or 15" people. It is very difficult to glean any substanative relevance to Missouri's price cap statute from this and other newspaper articles provided by nearly all of SWBT's witnesses in this case. From my perspective, it is unfortunate that SWBT has chosen to rely so extensively on marketing brochures and newspaper articles as evidence in this case, rather than providing substanative analysis on the state of competition in SWBT's exchanges. In Case No. TO-98-115, SWBT argued that "[n]ewspaper articles have no place in the evidentiary record, unless they were authored by the sponsoring witness."[6] In my view, it is unfortunate that SWBT has not followed its own advice in the instant case. Staff believes the Commission would have been better served if SWBT would have provided a more substantive exchange-by-exchange analysis in describing the extent of competition in its service areas, rather than relying on so many newspaper articles.

Q. Ms. Douglas offers "free and flat rated regional and nationwide long distance calling" wireless service as a substitutable alternative to SWBT's switched access service (Douglas Direct Testimony, page 17, line 3). What is your response?

A. Even granting arguendo that wireless service constitutes a statutorily viable alternative to *any* SWBT service (which is does not), Ms. Douglas' argument must be rejected by the Commission because there is no such thing as "free" long distance under any circumstance. Rather, users pay for long distance use through various

[6] Re: *In the Matter of AT&T Communications of the Southwest, Inc.'s Petition for Second Compulsory Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Southwestern Bell Telephone Company.* Southwestern Bell Telephone Company's Response to AT&T's Reply to Motion to Strike. Page 9, paragraph 11.

bundling of service billing schemes, much the same as the Commission has already approved similar bundling of long distance and local service billing schemes for SWBT in its current landline network today. Moreover, Ms. Douglas offers no plausible evidence of her allegations that SWBT has experienced a reduction in switched access minutes of use supposedly attributed to wireless use. The contention that wireless service provides effective competition to SWBT's switched and special access service should not be accepted by the Commission.

Q. Ms. Douglas opines that Voice over IP is substitutable for SWBT's switched and dedicated access service (Douglas Direct Testimony, page 17, line 13). Ms. Douglas points to Net2Phone, Dialpad, Cisco, and Intel as Voice over IP companies providing substitutable services to SWBT's switched access service. How does the Staff respond?

A. While novel, interesting, and perhaps promising, such companies are in my opinion "not ready for prime time," even assuming arguendo that non-regulated services can statutorily be used by SWBT to escape price regulation (which Staff believes they cannot). For a description of the infirmities associated with Voice over IP and the announcement of Net2Phone's broadband offering as referenced on page 18, line 6 of Ms. Douglas' testimony, please read "Internet phones improving, but not ready for prime time," a newspaper article from the Jefferson City News Tribune's July 8, 2001 edition which I have attached as Schedule 5.

Q. Please describe the contents of your Schedule 5.

A. I would direct the reader to Schedule 5's discussion of the "echoes, static, delays, and weird beeps" associated with the service quality of Voice over IP which is

reportedly characterized as "often falling below even that of a cell phone" and sounding like "a long-distance call in the 1940s" or a "ship-to-shore radio." I would direct the reader to the reported current inability of such devices to allow emergency telephone (911) or directory (411) dialing and users should be aware that if the power goes off, so does the so called "telephone." Potential customers may also want to be aware that Net2Phone's current VoiceLine plans cost from "$9.95 to $49.95 per month," plus a per-minute use charge of from "2.9 cents to 4 cents per minute" for all domestic calls. Users should also be prepared to dial 10 digits even for a local call and to spend $179.00 for an "EtherFast Cable/DSL & Voice Router" to make the service work "high speed." The article also reports that Net2Phone and DialPad are "pushing ahead" with improvements to Voice over IP with breakthrough plans to offer 911, 411 and voice mail "later this year."

Staff's Support to Have Line Information Data Base (LIDB) and Signaling System 7 (SS7) Classified Competitive

Q. Ms. Douglas seeks price deregulation for SWBT's SS7 and LIDB services (Douglas Direct Testimony, page 18, line 16). Does the Staff support SWBT's request for total price deregulation for SS7 and LIDB?

A. Yes. Staff finds Ms. Douglas' arguments persuasive and we recommend statewide price deregulation for these services. Again, if market conditions fail, the Commission may institute proceedings to re-examine its decision.

Business Telephone Service Should Receive Competitive Classification Only in the Kansas City and Saint Louis Exchanges. Rebuttal to Ms. Sylvia Acosta Fernandez

Q. SWBT witness Sylvia Acosta Fernandez exhorts the Commission to deregulate the price of SWBT's business telephone services. In addition to CLECs, Ms. Fernandez points to wireless carriers, the Internet, email, and telephone equipment manufacturing as providing substitutable or functionally equivalent alternatives to SWBT (Fernandez Direct Testimony, page 5, line 5). What is the Staff response?

A. The Staff agrees with Ms. Fernandez that CLECs provide a viable choice for business customers but only in the St. Louis and Kansas City telephone exchanges. The Staff does not agree that non-regulated alternative providers satisfy the statutory requirement for effective competition. Even assuming arguendo that these alternative suppliers could qualify SWBT for price cap deregulation (which they cannot), Ms. Fernandez does not make an exchange-by-exchange showing of effective competition for business services, as required by statute.

Q. Ms. Fernandez opines that SWBT is restrained from responding to changing customer demands and a competitive marketplace (Fernandez Direct Testimony, page 5, line 15). How do you respond?

A. Other than being restrained from price increases, it is difficult to understand how SWBT is restrained in its ability to respond to customer demand. As I have previously stated, the record in Missouri is replete with example after example of how SWBT has responded to changing customer demand by introducing new products, new services, service bundling, technological innovations and a plethora of pricing

options. I simply cannot accept that SWBT is restrained from reacting to changing customer demand. From my perspective, such allegations are a red herring designed to draw attention away from SWBT's desire to have unregulated prices in areas of limited or non-existent competition such as the situation in predominately rural areas of Missouri.

Q. Ms. Fernandez states that SWBT's competitors do not have to balance revenue and contribution sources between an embedded base of lower margin residence and rural customers against higher margin business customers (Fernandez Direct Testimony, page 7, line 3). What is your response?

A. As with other SWBT witnesses, Ms. Fernandez attempts to paint a picture of different regulatory treatment for SWBT and other carriers. Unfortunately for the record, Ms. Fernandez's statements are not substantiated by any evidence whatsoever. In fact, it is the parent corporation of SWBT that (unlike WorldCom, Sprint, and AT&T) has chosen to disregard long distance customers in more rural non-SWBT areas of Missouri. In fact, it was SWBT that petitioned the Commission to be relieved of its intraLATA carrier-of-last resort obligation so that it would not have to provide long distance service in rural non-SWBT areas. Moreover, AT&T has made a substantial investment to serve residential customers in Missouri and other competitors do serve residential customers as well. As with other SWBT witnesses, Ms. Fernandez's testimony appears to reflect a misconception of the recent regulatory history of Missouri.

Q. Ms. Fernandez acknowledges facility based and reseller competition for business service in Missouri. She states that business customers in Missouri have

a variety of choices for most basic voice services as well as for the more complex voice services (Fernandez Direct Testimony, page 8, line 21). How do you respond?

A. Ms. Fernandez's testimony suffers from the same fundamental flaw as so much of SWBT's testimony in this case. Ms. Fernandez attempts to transpose the competition in core metropolitan areas to out-state rural areas. While the Staff acknowledges the existence of effective competition in St. Louis and Kansas City, we do not see any evidence of effective competition in rural SWBT exchanges. Staff respectfully disagrees with Ms. Fernandez that business customers have viable choices in rural areas of SWBT's service area.

Q. Ms. Fernandez notes that competitors are listed in every SWBT white page directory (Fernandez Direct Testimony, page 9, line 16). Is there any particular significance to competitive local exchange carrier listings in all of SWBT's white pages?

A. No. Ms. Fernandez's supporting schedules indicate that many such carriers are prepaid resellers specializing in providing service to accounts reflecting problematic credit histories. Such carriers serve individuals not served by traditional telephone companies because its customers have poor credit histories, cannot provide a security deposit, have had telephone service disconnected in the past, have past due balances, or lack sufficient identification. The Staff does not consider resellers of any sort as constituting effective competition, much less prepaid resellers.

Q. Ms. Fernandez states that because resellers are not bound by the same regulations as SWBT, they have a great opportunity to differentiate their service offerings. Please comment on Ms. Fernandez's statements that even though

SWBT's underlying service is being resold by resellers, the resellers can still differentiate their product through "robust billing" or offering packages of voice and data services (Fernandez Direct Testimony, page 12, line 9).

A. As with numerous other statements throughout her testimony, Ms. Fernandez offers no evidentiary support to substantiate her statements. Staff disagrees that regulations preclude SWBT from bundling data and voice service and Staff also disagrees that a competitor's monthly billing statement suffices to differentiate the competitor's product from SWBT. As with other SWBT witnesses, Ms. Fernandez's attempts to portray resellers as "effective" competitors is entirely inconsistent with SWBT's testimony before the Congress that characterizes resale as "sham" competition. Moreover and as previously mentioned, resellers are unable to differentiate their product from SWBT's offerings. In this regard, Staff suggests Ms. Fernandez's reliance on resellers as "effective" competitors is inconsistent with her own testimony on numerous points. For example, Ms. Fernandez states: (1) there is no functional difference between a reseller's business service and that of SWBT's (Fernandez Direct Testimony, page 15, line 8); (2) resellers' tariffs contain statements indicating concurrence with SWBT's tariff meaning that the resellers provide service under the exact same terms and conditions as SWBT (Fernandez Direct Testimony, page 17, line 16 and (3) there is not any functional difference between SWBT's resold Plexar Service and that of a reseller of SWBT's business Plexar service (Fernandez Direct Testimony, page 29, line 20).

Q. Ms. Fernandez offers wireless service, cable modems, the Internet, Voice over IP and e-mail as substitutable and effective competition for SWBT

traditional landline business telephone service (Fernandez Direct Testimony, page 13, line 1). What is your response?

A. As with similar arguments by other SWBT witnesses, Ms. Fernandez's over reliance on non-regulated alternatives must fail the statutory test of "effective" competition. Many of the technologies mentioned by Ms. Fernandez are specifically exempt by Missouri statutes as constituting a telecommunications service. Moreover, even if the Missouri statutes did allow consideration of these alternative services (which they do not), Ms. Fernandez provides no exchange-by-exchange breakdown as to the extent of real competition. Rather, the Commission is left with unsubstantiated claims such as "[w]ireless service is widely available throughout SWBT's exchanges in Missouri" (Fernandez Direct Testimony, page 13, line 5). Ms. Fernandez's testimony is devoid of any price analysis of wireless service nor does Ms. Fernandez provide any analysis as to the service quality of wireless service, which may be questionable in much of Missouri's hilly terrain.

Q. Ms. Fernandez offers Schedules 2 and 5 as evidence of over 40 competitors providing effective competition in each SWBT exchange (Fernandez Direct Testimony page 16, line 12 & again at page 19, line 6). What is your response?

A. Staff is encouraged that Schedules 2 and 5 offer an exchange-by-exchange breakdown as required by statute. Unfortunately, Schedules 2 and 5 list numerous resellers, and Staff does not consider resellers as viable competitors for purposes of the price cap statute.

Q. Ms. Fernandez notes that wireless carriers have local calling scopes that far exceed comparable landline networks such as that of SWBT (Fernandez Direct Testimony, page 18, line 5). Is anything preventing SWBT from expanding its local calling scopes to better compete with wireless carriers in Missouri?

A. Absolutely not. The Staff would open its arms and work with SWBT on any proposal by SWBT to enhance its basic local service offering with an expanded local calling scope. Indeed, the Staff on many occasions has worked with other incumbents to expand local calling scopes in Missouri. To date, the Commission has approved all such proposals, and there have been several. Moreover, the Commission has approved proposals of CLECs to provide calling scopes larger than SWBT's. It is not accurate for Ms. Fernandez to portray any form of regulation as inhibiting SWBT from expanding its local calling scope to match those of its wireless "competitors." If SWBT is reluctant to expand its local calling scope, it is simply a result of SWBT's own internal business decision not to do so. Indeed, given that SWBT continues to resist expansion of its local calling scopes (even in the face of such alleged competition) causes me to question whether wireless service presents any form of competition to SWBT, much less competition that could be characterized as effective.

Q. Ms. Fernandez bemoans that CLECs "are not bound by the same regulatory restrictions to which SWBT must adhere" (Fernandez Direct Testimony, page 24, line 13). She then cites such alleged different treatment as limiting SWBT's ability to compete with its High Capacity Integrated Access products. How do you respond?

A. Ms. Fernandez is referring to the interLATA restriction placed on SWBT at the time of divestiture. As SWBT is fully aware, its authority to provide interLATA voice services currently rests with the Federal Communication Commission. The keys to interLATA authority have been handed to SWBT. The Staff is encouraged that SWBT may soon refile its interLATA authority application with the FCC.

Q. Ms. Fernandez requests the Commission declare SWBT's high capacity lines as effectively competitive and grant complete statewide pricing flexibility to SWBT (Fernandez Direct Testimony, page 20). What does the Staff recommend?

A. Staff agrees with Ms. Fernandez, but only for the St. Louis and Kansas City exchanges. In those exchanges, Staff recommends the Commission grant pricing flexibility for SWBT's high capacity ISDN PRI, TDM/DS-1 digital trunking, and Integrated Access lines as listed on page 21 of Ms. Fernandez's Direct Testimony. The Staff does not believe effective competition for high capacity lines exists in out-state areas.

Q. Ms. Fernandez points out that KMC Telecom II, Inc. has tariffed central office based Centrex offerings in Missouri that is similar to SWBT's Plexar Centrex service (Fernandez Direct Testimony, page 28, line 4). How do you respond?

A. Staff's data request number 2501 was returned by KMC Telecom on June 20th with an explanation that the company "is not currently providing local exchange service in SWBT territory." From my perspective, this is an example of how Ms. Fernandez and other SWBT witnesses have relied too heavily on competitor's tariffs

as a basis to demonstrate "effective" competition in SWBT's area. Obviously, even though a competitor may have an approved tariff, it does not necessarily follow that the competitor is "up and running."

Centrex Service Should Receive Competitive Classification as Reflected in the Missouri Statutes

Q. Ms. Fernandez proclaims that Section 392.200.8 RSMo 2000 allows all local exchange carriers to have individual case base pricing for Centrex services (Fernandez Direct Testimony, page 32, line 4). Does the Staff agree with this assessment?

A. Yes, Staff agrees with Ms. Fernandez's understanding of the statute. Carriers are not required to have tariff rates for Centrex service. Based on the law cited by Ms. Fernandez, the Commission's Report and Order in this case should recognize that Centrex services should receive full price deregulation in Missouri.

Q. If SWBT were allowed complete pricing flexibility for Centrex service, are there safeguards against pricing the service below the cost of providing the service?

A. Yes, I believe there are. For non-competitive carriers such as SWBT, Section 392.400.5 RSMo 2000 establishes the requirement that noncompetitive companies shall not offer competitive services below cost if the Commission finds it to be inconsistent with the promotion of competition. I would anticipate a continuation of the current policy whereby SWBT will provide a copy of any customer specific contract requested by the Staff. If Staff detects that SWBT is pricing this or any other competitive service in violation of Section 392.400.5, I would expect the Staff to take appropriate

action in an effort to make sure the statute was complied with. Additionally, with regard to requests for copies of customer specific contracts, I would expect the same courtesies to be extended to the Office of Public Counsel as are extended to the Staff.

Staff's Fiber Optic Cable Proximity Analysis Provides Additional Evidence of Facility Based Competition in Saint Louis and Kansas City

Q. Does Staff wish to provide additional evidence beyond that filed by Ms. Fernandez in support of pricing flexibility in the Kansas City and St. Louis exchanges?

A. Yes, the Staff wishes to offer Schedule 6 attached to my testimony as evidence of the extensive fiber diversity available in Kansas City and St. Louis.

Q. Please describe Schedule 6.

A. Schedule 6-1 and 6-2 are maps of the Saint Louis and Kansas City areas. I am referring to my Schedule 6 as a Proximity Analysis for Competitive Fiber Networks (Proximity Analysis or "fiber maps") in the Kansas City and Saint Louis telephone exchanges. The maps are part of the schedules and Direct Testimony of SWBT witness David Tebeau in Case No. TO-99-227, and dated November 1998. Mr. Tebeau's testimony provided an extensive analysis of the ability of competing facility-based carriers to offer basic local telephone service in large areas of St. Louis and Kansas City (and a much smaller area of Springfield). Mr. Tebeau's testimony in Case No. TO-99-227 indicated the fiber maps depict known CLEC fiber networks in the SWBT major metropolitan areas, showing the proximity of those networks to SWBT's business and residential lines in those areas. Mr. Tebeau's testimony demonstrated that a significant quantity of SWBT's business and residential access lines are within 1,000 feet

of the CLEC fiber networks. As stated: "[t]he overlay maps graphically demonstrate the strategic placement of these competitive networks" and "[t]he maps of the CLEC fiber networks referenced in this analysis were prepared by SWBT from public information sources and/or visual inspection of the networks" (Tebeau Direct Testimony, page 16, line 7, Case No. TO-99-227).

Q. Would you please summarize the significance of your Schedule 6?

A. Yes. When used in conjunction with other evidence in this case, I believe the Proximity Analysis demonstrates effective competition for business telephone service in the Kansas City and Saint Louis telephone exchanges. Given the presence of alternative fiber optic distribution cables, corresponding CLEC central office switches, and the number of access lines actually being served by competitors with these facilities, the Staff is convinced that the majority of business customers have viable choices for local telephone service. For business customers in St. Louis and Kansas City who as yet are unable to connect directly to one of the alternative fiber networks, the Staff believes such customers can be effectively served through the use of an unbundled loop or through the UNE-Platform. The Staff believes this is an example of why the Commission should not in all instances depend on a single criterion to gauge effective competition. Due to the different characteristics of each service, the Staff suggests the Commission do as it did in Case No. TO-93-116, and give greater weight to different criteria for each service on a case-by-case basis.

Private Line Services Should Receive Competitive Classification as Reflected in the Missouri Statutes. Rebuttal to Mr. Thomas S. DeHahn

Q. SWBT witness Thomas S. DeHahn states that Section 392.200.8 RSMo 2000 permits SWBT to utilize customer specific pricing for private line service (DeHahn Direct Testimony, page 12, line 4). Mr. DeHahn requests the Commission to recognize the intent of the statute and confirm the competitive classification on a statewide basis for private line services. How do you respond?

A. The Staff agrees with Mr. DeHahn that the Missouri statute permits flexible individual case basis pricing for private line service. Staff recommends the Commission's Report and Order in this Case recognize Section 392.200.8 RSMo 2000 as granting SWBT the ability to have individual case basis pricing for all private line services specifically including the following services listed on page 12 at line 2 of Mr. DeHahn's Direct Testimony: MegaLink II, MegaLink III, MegaLink Data Service and *non switched* "High Capacity Service."

Q. Mr. DeHahn opines that it is difficult to get an apples-to-apples comparison on other provider's "street pricing" for private lines since tariffs are often used by competitive providers simply to establish "rack rates" which are used to discount prices which carriers use to offer percentage-off "deals" to their customers (DeHahn Direct Testimony, page 8, line 5). How do you respond?

A. Mr. DeHahn provides no proof of his allegations that carriers are charging non-tariffed rates. In the Staff's opinion, such actions are counter to long established traditions which hold that the only authorized rate is the rate contained in the tariff. From my perspective, unless some form of customer-specific pricing has been specifically

authorized by the Commission, customers electing to pay non-tariffed rates are in jeopardy of back-billing according to the proper filed rate. In the Staff's opinion, even if the statute permits individual case base pricing for a service, if a carrier elects to have rates for the service contained within a tariff, then the tariff rate is the only rate authorized by law. If SWBT or any other carrier desires to have individual case basis pricing for a service, then Staff recommends removing the rate from the tariff.

Residential Basic Local Telephone Service Should Receive Competitive Classification Only in the Harvester and Saint Charles Exchanges. Rebuttal to Ms. Aimee M. Fite

Q. SWBT witness Aimee M. Fite supports SWBT's efforts to gain complete pricing flexibility for residential services (Fite Direct Testimony, page 2, line 6). Ms. Fite exhorts the Commission to find that effective competition exists for SWBT's residential service (Fite Direct Testimony, page 4, line 7). Does the Staff support price deregulation of SWBT's residential services?

A. No. With only two exceptions the Staff does not believe competition has sufficiently developed for residential service to be price deregulated. The two exceptions occur in the exchanges of St. Charles and Harvester. The Staff believes economic indicators indicate that most residential end users in those two exchanges have a viable choice in their local service provider. These two exchanges represent the only known instances whereby a competitor has installed its own facilities to compete with SWBT for residential basic local service. In other SWBT exchange areas, SWBT appears to rely on resale as a basis for its claim that effective competition exists for residential service. Staff disagrees that resale constitutes effective competition.

Q. Ms. Fite divides SWBT's residential service into two categories: (1) access lines including dial tone and local usage and (2) line-related services such as CLASS and custom calling features (Fite Direct Testimony, page 3, line 5; see also Fite Schedule 1). Are there any circumstances where one of these categories should be classified as competitive but not the other?

A. No. The "vertical" services associated with CLASS (Custom Local Area Signaling Services) and custom calling features are inseparable from dial tone. In the Staff's view, there is little or no point in having two categories. As Ms. Fite explains: "[t]he customer must retain their residential access line to have any of our vertical services" (Fite Direct Testimony, page 18, line 5).

Q. Ms. Fite maintains that certain customer premise equipment provides residential customers viable choices for some of SWBT's vertical services (Fite Direct Testimony page 18, line 20 & page 22, line 22). How do you respond?

A. Ms. Fite opines that "most" consumer telephones contain a redial feature, which is comparable to SWBT's Auto Redial feature. While Staff concedes that some consumer telephones may contain a redial feature, Ms. Fite's analysis that this feature is available on "most" telephones is unsupported by any evidence. Moreover, Ms. Fite provides no analysis to indicate if one method of redialing is faster or in some way superior to the other. Lastly, Ms. Fite does not provide any cost analysis to aid the Commission in comparing the two methods of redialing.

Ms. Fite also correctly notes that "some" consumer telephones have a conference button that allows 3-Way calling *if the consumer has two telephone lines,* and that "many" telephone sets have stored memory allowing pre-programmed telephone numbers

to be called in a manner which competes with SWBT's speed dialing features. Lastly, Ms. Fite opines that Internet service providers offer call waiting, caller ID and voice mail. While the Staff concedes that some telephones contain these few additional features which appear to offer some degree of consumer choice, the Staff does not believe the examples cited by Ms. Fite rise to the level of demonstrating effective competition for SWBT's vertical services. Hence, the Staff recommends the Commission continue price cap regulation for all of SWBT's residential vertical services, with the exception of the Harvester and St. Charles exchanges which should have vertical services price deregulated along with basic dial tone. Staff believes competitive offerings in St. Charles and Harvester include a full array of vertical services.

Q. Ms. Fite opines that SWBT is experiencing increased competition from the prepaid market as a result of "falling monthly and per-minute rates, a troubled economy and cost-conscious consumers" (Fite Direct Testimony, page 4, line 18). How do you respond?

A. As with other SWBT witnesses in this case, Ms. Fite appears to be unfamiliar with the regulatory environment in Missouri. SWBT does not provide prepaid service in Missouri. Customers who subscribe to prepaid basic local telephone service in Missouri pay rates that are many times higher than the rate of SWBT and do so because of problematic credit histories.

Q. Ms. Fite explains that the "prepaid dial tone and prepaid wireless markets are expected to expand as rates keep falling" (Fite Direct Testimony, page 5, line 2). What is your response?

A. Ms. Fite has identified herself as Associate Director – Core Products – Consumer Marketing with SBC. Her testimony addresses SWBT's "residential access lines and related services" (Fite Direct Testimony, page 2, line 6). Although Ms. Fite may have access to information of which I am unaware, I fail to understand her references to "falling" residential rates. I am equally unsure of Ms. Fite's characterizations of wireless rates and prepaid reseller's rates as "falling." In fact, throughout SWBT's entire testimony, I cannot find one instance where the Company has demonstrated declining rates. To the contrary, Staff's testimony demonstrates just the opposite. Staff's testimony demonstrates that even confronted with what SWBT characterizes as "effective" competition, SWBT continues to raise prices the maximum allowable under the Missouri price cap law. As an example of rising rates for the wireless services that so many SWBT witnesses tout as effective competition, I have attached Schedule 7 to this testimony which demonstrates the recent price increase to Staff economist Natelle Dietrich's two wireless service plans. The wireless carrier just happens to be SWBT Mobile Systems (now known as Cingular).

Failure of SWBT to Expand its Local Calling Scope to Match Wireless Providers Is a Result of SWBT's Own Internal Business Decision

Q. Ms. Fite opines that wireless service usually offers much larger local calling scopes than SWBT provides (Fite Direct Testimony, page 5, line 21). What is your response?

A. Again, as previously mentioned, there is no regulatory impediment for SWBT to expand its local calling scopes. Many local exchange carriers in Missouri (including SWBT's landline competitors) have already done so. Failure to do so is

entirely a result of SWBT's internal business decision. As previously stated, the fact that SWBT has chosen to avoid expansion of its local calling scope(s) casts considerable doubt on SWBT's allegations of "effective" wireless competition.

Q. Ms. Fite states that consumers want bundling of prepaid services and testifies that "[c]onsumers will be more likely to look for a one-stop shop for their local, Internet, long distance, and mobile phone service combined into one package for a fixed fee" (Fite Direct Testimony, page 5, line 8). Which of the services referenced by Ms. Fite is SWBT currently unable to provide?

A. With the exception of landline interLATA long distance, SWBT is currently able to provide all the services touted as competition by Ms. Fite. As I have previously stated, SWBT holds the key to providing long distance in its own hands. In my view, any suggestion that there are regulatory hurdles keeping SWBT from competing in these markets or bundling these services is inaccurate.

Q. Ms. Fite touts "free email," Hotmail, Yahoo Mail, cable television, instant messaging, Voice over IP, mobile wireless, and fixed wireless "about the size of 2 or 3 stacked pizza boxes" as offering communications substitutable for SWBT's basic local residential telephone service (Fite Direct Testimony, see generally pages 4, 5, 6, 7 & 8). Ms. Fite also attaches Schedule 2 to indicate the presence of broadband Internet access in Kansas City. What is your response?

A. The Staff is pleased to learn of the advances in technology occurring in Missouri; however, the Staff is not convinced that the ancillary products and nascent technologies referenced by Ms. Fite constitute viable competition for residential telephone service. Even assuming arguendo that the technologies referenced by Ms. Fite

could fulfill the statutory definition of effective competition (which they cannot), Ms. Fite's attempt at an exchange-by-exchange examination (Schedule 11) is far too reliant on resellers to satisfy an "effective" competition standard. Plainly stated, Ms. Fite's Schedule 11 represents mere paper competition, which does not demonstrate that residential consumers have viable choices in their local service provider.

A substantial part of Schedule 2 represents the experiences of a SWBT employee, Alan Grimes, whose duties require traveling around Kansas City to hook up customers to SWBT's DSL broadband private line Internet access technology. According to Mr. Grimes, "[I]t's (sic) seems like a simple service until you try to put it together." According to the newspaper article, Mr. Grimes is reportedly the cure for road rage on the information superhighway. While Schedule 2 is nothing more than another newspaper article submitted by SWBT as evidence in this case, it does provide some interesting commentary on the current Internet relied upon so heavily by SWBT as constituting effective competition in Missouri. For example, Ms. Fite's Schedule 2 reports that:

(1) experienced users say internet speeds are only a fraction of the advertised potential
(2) complaints abound about incompetent customer service, service outages and protracted installations
(3) carriers are still learning how to deliver [high speed] access
(4) only 60% of households have any form of access to the internet
(5) users collectively waste 2.5 billion hours a year waiting for Web pages to download
(6) Time Warner is the most established broadband provider in Kansas City, yet it provides only 10,000 subscribers to its broadband offering because it has not upgraded Johnson County with the capability to provide cable modem access
(7) cable modem service slows down as more users are added to the system
(8) SWBT is "spending a fortune" on advertising and "billions" to extend DSL technology to 80% of its customers by the end of 2003

(9) one competitor, Sprint, continues to provide its broadband service (called ION) at no charge to users until Sprint works through installation "issues;" meanwhile, end users keep their traditional SWBT lines to ensure continuation of uninterrupted service
(10) while other competitors are waiting for vendors to get the "kinks" worked out of equipment before competing with SWBT, Sprint has a lead in broadband deployment because of technology developed in-house.

In keeping with Ms. Fite's use of newspaper articles to substantiate testimony, I have attached Schedule 8 to my testimony. Schedule 8 contains newspaper articles from the St. Louis Post Dispatch and the Kansas City Star which report the attitudes of Missouri consumers who, contrary to Ms. Fite's representations, are not convinced that viable choices exist for residential telephone service. Although the articles were published in 1999 and 2000, the Staff believes the overwhelming majority of consumers in Missouri today still do not have viable choices for basic local telephone service.

Q. Ms. Fite offers Schedule 7 as an example of how AT&T encourages customers to use wireless service in lieu of wireline service (Fite Direct Testimony page 13, line 5). Have you examined Schedule 7 and does it do as Ms. Fite portrays?

A. Yes, I have reviewed Schedule 7 attached to Ms. Fite's testimony however, I can find no reference in AT&T's solicitation for customers to purchase a wireless telephone in lieu of a landline telephone service. I believe Ms. Fite may possibly be incorrect in her analysis.

Disparate Regulatory Treatment Does Not Exist for SWBT as the Company is Free to Serve any Market Including the InterLATA Toll Market for Cellular Calls

Q. Ms. Fite indicates that wireless providers are not regulated by the MoPSC and wireless prices are not regulated by the FCC (Fite Direct Testimony,

page 15, line 6). Because the services of wireless providers are not price regulated and SWBT's landline services are price regulated, the implication of Ms. Fite's testimony appears to be one of disparate regulatory treatment. Is SWBT free to compete in the wireless market and is disparate regulatory treatment occurring for SWBT?

A. Without question SWBT is free to compete in the wireless market and I do not believe disparate regulatory treatment exists for SWBT. Through its affiliated entities, SWBT is a major national wireless competitor free to price its services up or down as market forces establish. Any contention that competitors have an unfair advantage over SWBT is in my opinion, completely inaccurate. SWBT is fully free to compete in any market it chooses. I would point out that not only is SWBT (or its parent) free to provide wireless service, since 1995 the Company has also been free to provide interLATA long distance service originated by its wireless customers. For example, I have attached Schedule 9, which reports on the "uncharacteristically forward-thinking" of the late U.S. District Judge Harold Greene in granting a waiver to the 1982 consent decree that broke up the AT&T Corporation. I would point to this decision in 1995 by the Honorable Judge Greene as further example that SWBT is not treated disparately with regard to other carriers.

Tariffs are a Poor Indication of the Extent of Effective Competition

Q. Ms. Fite testifies that there are many competitors with approved tariffs to provide service in all of SWBT's exchanges (Fite Direct Testimony, page 16, line 16). Ms. Fite offers Schedule 3 as an example. As the MoPSC's telecommunications department tariff supervisor, do you have an opinion as to

whether or not tariffs are a good indicator of a competitor's willingness and ability to offer basic local telephone service in a given exchange?

A. Yes, I have an opinion that is based on years of experience. As SWBT is well aware, the Staff publishes a listing of the service areas of competitors on the Commission's Web site as an aid to consumers who desire to know what choices are available for local telephone service. The Staff is determined to keep the data as reliable as possible; however, the data is only as reliable as the tariffs indicate. In my experience, it is very common for the regulatory practices of competitive local exchange carriers to lag considerably behind the actual marketing practices of the competitors. This is true for resellers and it's particularly true for facility-based carriers who cannot possibly construct facilities to all areas at once. It is also true for UNE providers who, due to the history of interconnection agreements in Missouri, continue to face uncertainties of providing service via UNEs.[7] My experience leads me to conclude that carriers are far more prone to list exchanges in anticipation of future plans to commence service, rather than omitting an exchange where service is actually being provided. For these and other reasons, it is rather common for the Staff to learn that carriers are not providing service in an exchange listed in its tariff. For these reasons, Staff does not believe Ms. Fite's reliance on tariffs is a reliable indicator of effective competition. From the standpoint of providing accurate

[7] The SWBT/AT&T arbitration agreement established in Case No. TO-97-40 continues to be on appeal, years after being decided by the Commission. In Case No. TO-99-227, SWBT has relied heavily on its M2A interconnection agreement to establish compliance with the 14-point market opening checklist; however, the agreement contains numerous interim prices and has yet to be approved by the FCC. Moreover, because the M2A has not been approved by the FCC, it is set to expire in March 2002 as expressed by MCI WorldCom in its July 27, 2001 Supplement to Motion to Re-Open Case in Case No. TO-99-227. Due to the delays associated with SWBT's long distance application, the Staff would be pleased if SWBT extended the M2A expiration date past March 2002.

information to consumers it is unfortunate but a reality that tariffs often reflect little more than paper competition.

Q. Ms. Fite states that "the time for competitors to have a regulatory imposed advantage has ended." What possible regulatory advantage is Ms. Fite referring to?

A. SWBT's market share of residential customers in Missouri is overwhelming but Ms. Fite apparently believes the Commission should disregard such empirical knowledge in lieu of her testimony about wireless service, the internet and so on. Other than references to these novel and nascent forms of "competition," Ms. Fite provides few details to support her allegation of disparate regulatory treatment. The only possible difference in treatment is the Missouri law that places a cap on how high SWBT can raise its prices. Staff maintains that if competition existed to the level of Ms. Fite's assertions, natural market forces would tend to provide a check on how high SWBT could raise its prices. Any "advantage" enjoyed by competitors has been enacted by the Missouri legislature precisely in recognition of competitors who are unable to raise prices unilaterally in the face of SWBT's overwhelming market power as evidenced by low residential market share take rates. Staff exhorts the Commission to not allow SWBT to raise residential rates unilaterally without the presence of viable competition. In conclusion, due to the presence of cable telephony, the Staff supports price deregulation for residential service only in the SWBT exchanges of St. Charles and Harvester.

Staff's Support to Classify SWBT's Long Distance and WATS Service as Competitive. Rebuttal to Ms. Barbara Jablonski

Q. SWBT witness Barbara Jablonski endorses price deregulation for all of SWBT's interexchange services. Does the Staff agree?

A. The Staff supports eliminating price constraints of SWBT's intraLATA long distance message telecommunications service (MTS; i.e. long distance) and Wide Area Telecommunications Service (WATS) but Staff is opposed to price deregulation of SWBT's Optional Metropolitan Calling Area Service (MCA) as well as SWBT's Local Plus service.

Q. What are the reasons Staff supports complete pricing flexibility for SWBT's MTS?

A. Ms. Jablonski's testimony adequately explains the history of intraLATA toll competition in Missouri (Jablonski Direct Testimony, page 5, line 7). Her testimony correctly establishes the transitionally competitive status afforded MTS as a result of Case No. TO-93-116, and the fact that MTS automatically became classified as competitive on January 10, 1999. Ms. Jablonski points out that 1+ intraLATA presubscription has been implemented in all of SWBT's exchanges (Jablonski Direct Testimony, page 7, line 3) even without negating the "dial-around" capability associated with "1010" type numbers (Jablonski Direct Testimony, page 7, line 16). Perhaps the most significant reason for Staff's support of price deregulation of SWBT's MTS is shown on Schedule 3 of Ms. Jablonski's testimony.

Q. Please describe your understanding of Ms. Jablonski's Schedule 3.

A. Schedule 3 indicates the number of long distance carriers providing service on a 1+ basis in each SWBT exchange in Missouri. Schedule 3 demonstrates that even in areas as small as Westphalia, a minimum of 74 carriers serve with 1+ service. Staff believes the quantity of carriers is sufficient to grant SWBT pricing flexibility. Staff believes SWBT's market power in the MTS market is not sufficient enough to permit SWBT to increase prices without adverse consequences. Staff further believes safeguards are statutorily in place to prevent SWBT from unjustly pricing MTS below cost.

Q. Mr. Voight, just because there are a minimum of 74 long distance carriers providing 1+ service in each exchange, does that mean that consumers are aware of so many choices?

A. No. Staff's experience with many of these carriers is that they do not want any sort of list published which would in effect announce the presence of all 74 carriers. Staff believes many of these carriers exist to selectively market to certain potential customers, such as business customers. To the extent that carriers do make themselves known, Staff also believes that many carriers do not always advertise the lowest rates available, especially for the consumer market. Rather, many carriers prefer to selectively market low prices only to certain select groups of customers, often by direct mail or telemarketing.

Q. Given your belief that many of these carriers are unwilling to make themselves known to the general public, are you still convinced that end users have a viable choice of long distance providers in each SWBT exchange?

A. Yes, Staff believes the major facility based carriers all provide service in each SWBT exchange. Considering the plethora of resellers utilizing the substantial networks of the various underlying facility based carriers, the Staff believes consumers do have viable choices in each exchange, in spite of the reticence of a great many long distance carriers to make their presence known.

Fundamental Differences Exist Between Long Distance and Basic Local Telephone Service Which Make Resale Comparisons Invalid

Q. You seem to be willing to consider the sheer number of long distance competitors, including resellers, as evidence of effective competition in the long distance market, yet you discount the number of reseller competitors as constituting viable competition in the local exchange market. Is there a contradiction in your logic?

A. No, I don't believe there is any contradiction.

Q. Please explain.

A. First of all, the long distance business is comprised of several, major, nationwide facility networks built to support not only voice traffic but the Internet as well. I would offer the networks of Sprint, MCI/WorldCom, and AT&T as the best examples although there are certainly many other networks of lesser-known household names (Frontier, Global Crossings, Williams, etc.). This diversity alone makes reselling substantially different in the long distance business as compared to the local exchange market where there is only one network – that of the incumbent monopolist – being resold.

Another reason to rely on long distance resellers as providing viable competition (but not resellers of basic local telephone service) is that there is fundamentally a difference in the services as perceived by the end user. For example, long distance resellers can bill calls in increments of as little as one second or up to 20 minutes in some instances. This is because resellers typically purchase long distance service by the minute (i.e. they receive volume discounts) whereas local service resellers can only resell based on some predetermined avoidable wholesale discount off the incumbent's tariffed rate for a particular service. Consequently, local service resellers are forced into providing the exact same service as SWBT. Such limitations inherently are perceived by end users as plain old telephone service (POTS) indistinguishable from that of the incumbent.

In summary, there are several fundamental aspects of long distance service that contribute to the ability of long distance resellers to differentiate their products from that of the underlying carrier. Conversely, resellers of basic local service are unable to engage in any substantive product differentiation. In the Staff's view, the inability of resellers to differentiate basic local service offerings from that of the incumbent diminishes the effectiveness of basic local service resale. In short, resale of basic local telephone service does not constitute "effective" competition.

Price Cap Regulation Does Not Inhibit SWBT's Ability to Provide Competitive Market Responses

Q. Ms. Jablonski views price cap regulation as placing SWBT at a competitive disadvantage and opines that current pricing constraints impact SWBT's ability to market services. Ms. Jablonski states that, absent "pricing

constraints" there are instances where SWBT "would consider restructuring its prices to meet current market conditions" and offers postalized long distance rates as an example (Jablonski Direct Testimony, page 18, line 17). Ms. Jablonski also states that "under current price cap regulations, SWBT may be limited in its ability to restructure its distance sensitive rates to meet consumer desires" (Jablonski Direct Testimony, page 19, line 1). What are your remarks to Ms. Jablonski's statements that price cap regulation limits SWBT's ability to compete in the market place?

A. Again, I believe Ms. Jablonski is unfamiliar with the regulatory history in Missouri. As I indicated in my response to similar assertions by Mr. Hughes, I could cite example after example of new products and innovative services implemented in Missouri by SWBT while under some form of regulation. Moreover, in response to competitive pressures, the Commission has for quite some time regularly approved promotions for SWBT on only 10 days notice. In my view, it is not accurate to portray price cap regulation as inhibiting SWBT's competitive market response. While the Staff is supportive of many of SWBT's attempts to deregulate its prices, the Staff cannot accept that the reason is to allow SWBT more flexibility to introduce new services, as the introduction of new products has little to do with the price of current products. If SWBT desires to introduce a flat rate postalized long distance calling plan, it should do precisely what its competitors do and file a tariff to offer the service. In fact, that is exactly what Verizon Midwest (formally GTE Midwest, also a price cap company) did recently in Case No. TT-2002-43 (Tariff File No. 200101228) whereby the Commission (over the

objections of AT&T) approved a flat-rate postalized rate of 9 cents per minute for intraLATA calling.

Staff's Opposition to Classify Optional Metropolitan Calling Area Service as Competitive

Q. Ms. Jablonski requests the Commission remove the price cap on SWBT's optional MCA service (Jablonski Direct Testimony, page 10, line 14). Does Staff support SWBT's request for pricing flexibility for MCA service?

A. No, MCA service is not classified as interexchange MTS service. Rather, MCA is much more similar to basic local telephone service. It is impossible to unlink SWBT's optional MCA service from SWBT's corresponding basic local service. The Staff cannot accept that effective competition exists in all of SWBT's optional MCA exchanges to the extent that would allow complete pricing flexibility. However, because optional MCA service is so closely tied to basic local service, the Staff does support removing the price cap for MCA service in SWBT's Harvester and St. Charles exchanges for residential customers. Staff reasons that most end users in Harvester and St. Charles have two facility based carriers from whom they can choose.

Q. Ms. Jablonski states that wireless carriers offer calling scopes that extend past SWBT's MCA boundaries (Jablonski Direct Testimony, page 11, line 23). Are there any regulatory constraints precluding SWBT from matching or exceeding the calling scopes of wireless providers?

A. No. I am unaware of any regulatory impediment preventing SWBT from expanding its local calling scopes. Indeed, in Case No. TO-99-483 the Commission agreed with SWBT and allowed all parties to determine their own local calling scopes

(Case No. TO-99-483 - Hughes Rebuttal Testimony, page 16, line 11) by concluding that *any company* may offer additional toll-free outbound calling or other services in conjunction with Metropolitan Calling Area service.[8] SWBT's decision to maintain current MCA boundaries even in the face of alleged "competition" is a matter of SWBT's own internal business decision and not as a result of regulation.

Q. Ms. Jablonski notes that C-LECs are offering customers local calling throughout the geography of the MCA "whether or not the called party is an MCA subscriber." How do you respond?

A. Ms. Jablonski is referring to something called "the return call feature" of MCA service. As discussed in the testimony of SWBT witness Craig Unruh in Case No. TO-99-483, SWBT has been reluctant to support Staff's efforts to mitigate uneconomic and confusing aspects of MCA service (such as the return call feature) which are compounded in an era of competition. Mr. Unruh specifically has pointed to SWBT's "very high subscription rates" of MCA service as demonstrative of SWBT's preference to not change the calling scopes of MCA service (Unruh Rebuttal Testimony, page 10, line 8).

Again, as with other SWBT witnesses, Ms. Jablonski appears unfamiliar with the regulatory history of Missouri. Staff has consistently predicted that competitors would erode SWBT's market share by offering expanded calling throughout the MCA (not just "return calling" to other subscribers) at more attractive prices. Now that market realities appear to have occurred in certain exchanges, it is inappropriate for SWBT to "blame"

[8] Re: *In the Matter of an Investigation for the Purpose of Clarifying and Determining Certain Aspects Surrounding the Provisioning of Metropolitan Calling Area Service After the Passage and Implementation of the Telecommunications Act of 1996.* Report and Order; page 32, paragraph 10.

price cap regulation because competitors are better suited to provide expanded calling to customers in metropolitan areas. In conclusion, the Commission should not accept SWBT's apparent contention that somehow price cap regulation is a deterrence to SWBT's efforts to compete for MCA service. Ms. Jablonski's testimony contains no exchange-by-exchange analysis on the extent of competition for MCA service. The Commission should deny SWBT's request for the ability to institute unlimited price increases for SWBT's MCA service. The Staff's primary concern is that SWBT would raise prices for MCA service in exchanges with very little or no viable competition. Rather, the Staff encourages SWBT to bring forth a proposal to eliminate inefficiencies in MCA service, which would institute competitive prices attractive to consumers. Staff is committed to continued working with SWBT and all industry participants to improve MCA service.

Staff's Opposition to Classify Local Plus Service as Competitive

Q. Ms. Jablonski states that Local Plus is available for resale to CLECs and IXCs and that CLECs can also provide Local Plus "via their own switch or unbundled network elements" (Jablonski Direct Testimony, page 13, line 9). How do you respond?

A. Ms. Jablonski's description regarding the resale of Local Plus is misleading. As has frequently been pointed out in hearings involving Local Plus and similar services, competitors cannot provide Local Plus "via their own switch or unbundled network elements" because, unlike SWBT, competitors cannot avoid the access charges payable to SWBT. In order to mitigate this circumstance, the Commission has twice ordered SWBT to make Local Plus available for resale to facility based IXCs

and CLECs. Staff has some concerns that SWBT may still not be making Local Plus available for resale as ordered by the Commission. Indeed, Staff is unaware of any facility based carrier being provided SWBT's resold Local Plus. In its latest attempt to deny the Commission's orders, SWBT has appealed the Commission's decision to the Cole County Circuit Court. It appears to Staff that SWBT is offering Local Plus in a discriminatory manner. I have personal knowledge of at least one facility based carrier in Missouri who has refused to enter the residential local exchange market in Missouri because there is no way to compete with Local Plus unless SWBT makes the service available for resale. It is important that SWBT make Local Plus available for resale because the Commission refrained from applying its long-standing imputation policy in lieu of SWBT's making Local Plus available for resale. As long as SWBT continues to disregard the Commission's order, Staff considers SWBT's actions untenable. Staff recommends that SWBT not receive pricing flexibility for Local Plus in any SWBT exchange.

Staff's Support to Classify SWBT's WATS as Competitive

Q. Ms. Jablonski states that incoming WATS and outward WATS (collectively WATS) services were determined to be transitionally competitive by the Commission in Case No. TO-93-116 (Jablonski Direct Testimony, page 15, line 20). Witness Jablonski maintains that these services were made competitive at the end of a three-year extension on January 10, 1999. Does the Staff agree with Ms. Jablonski's analysis of these matters?

A. Yes. Staff concurs with Ms. Jablonski's analysis. Staff recommends the Commission's Report and Order in this case acknowledge the competitive status of SWBT WATS services.

Staff's Opposition to Classify Directory Assistance and Operator Services as Competitive. Rebuttal to Ms. Sandy M. Moore

Q. SWBT witness Sandy M. Moore requests the Commission lift price cap regulation for operator services and directory assistance service (DA). Does the Staff support SWBT's request for price deregulation of these services?

A. No, the Staff is unsupportive of SWBT's requests to deregulate the rates for directory assistance and operator services. Staff views these services as another form of situational monopoly associated with basic local service. Directory assistance and operator service are historically accessed when customers dial "411" and "0" respectively. When customers dial in this manner, the calls are routed to the local exchange carrier. In this regard, directory assistance and operator service are too closely linked to basic local service to stand independently.

Staff is also concerned that the rates charged for operator services by *competitive telephone companies* are not indicative of competitive markets. Staff cannot support pricing flexibility for directory assistance and operator services without correspondingly recommending pricing flexibility for basic local telephone service as the services are too closely interrelated. Staff is mindful of Section 392.515 RSMo 2000, which requires reasonable rates at aggregator locations for all providers of operator services. Staff is not convinced that market forces are sufficient to dampen rate increases for operator services.

Under price cap regulation SWBT has increased the rates for directory assistance and operator services on what appears to be an annual basis. The price increases appear to nearly always equate to 8 percent which is the maximum allowable under the law, with rate increases under 8 percent usually accounted for by fractional rounding. I have attached Schedule 10 to my testimony, which gives an indication of how, under price cap regulation, SWBT has raised the price for directory assistance and operator services in spite of the "competition" referred to by Ms. Moore. Staff is concerned that without an upper limit on prices, SWBT would raise prices for directory assistance and operator services to unacceptably high levels.

Q. Ms. Moore states that operator services were classified as transitionally competitive in Case No. TO-93-116 and, as with other SWBT transitionally competitive services, have since become competitive pursuant to Section 392.370.2 RSMo 2000 (Moore Direct Testimony, page 28, line 19). Does the Staff agree that operator services are now classified as competitive?

A. Yes, the Staff agrees that following an extension of three years, SWBT's operator services are now competitive. However, in the interest of consuming ratepayers faced with the situational monopolies of operator service providers, if SWBT seeks to increase rates for operator services beyond the bounds of reasonableness, the Staff would consider petitioning the Commission to reclassify operator service as a non-competitive service.

Q. Mr. Voight, does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

IN THE MATTER OF THE INVESTIGATION OF THE STATE OF COMPETITION IN THE EXCHANGES OF SOUTHWESTERN BELL TELEPHONE COMPANY	)))))	Case No. TO-2001-467

AFFIDAVIT OF WILLIAM L. VOIGHT

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

William L. Voight, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form, consisting of 75 pages of testimony to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Bill Voight
William L. Voight

Subscribed and sworn to before me this 6th day of August, 2001.

DAWN L. HAKE
Notary Public – State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

Dawn L. Hake
Notary Public

My commission expires

William L. Voight

TESTIMONY EXPERIENCE

Case No. TR-96-28	In the Matter of Southwestern Bell's tariff sheets designed to increase Local and Toll Operator Service Rates.
Case No. TT-96-268	In the Matter of Southwestern Bell Telephone Company's tariffs to revise PSC Mo. No. 26, Long Distance Message Telecommunications Services Tariff to introduce Designated Number Optional Calling Plan.
Case No. TA-97-313	In the Matter of the Application of the City of Springfield, Missouri, through the Board of Public Utilities, for a Certificate of Service Authority to Provide Nonswitched Local Exchange and Intrastate Interexchange Telecommunications Services to the Public within the State of Missouri and for Competitive Classification.
Case No. TA-97-342	In the Matter of the Application of Max-Tel Communications, Inc. for a Certificate of Service Authority to Provide Basic Local Telecommunications Service in Portions of the State of Missouri and to Classify Said Services and the Company as Competitive.
Case No. TA-96-345	In the Matter of the Application of TCG St. Louis for a Certificate of Public Convenience and Necessity to provide Basic Local Telecommunication Services in those portions of St. Louis LATA No. 520 served by Southwestern Bell Telephone Company.
Case No. TO-97-397	In the Matter of the Petition of Southwestern Bell Telephone Company for a Determination that it is Subject to Price Cap Regulation Under Section 392.245 RSMo. (1996).
Case No. TC-98-337	Staff of the Missouri Public Service Commission, Complainant, vs. Long Distance Services, Inc., Respondent.

Case No. TO-99-227	Application of Southwestern Bell Telephone Company to Provide Notice of Intent to File an Application for Authorization to Provide In-Region InterLATA Services Originating in Missouri Pursuant to Section 271 of the Telecommunications Act of 1996.
Case No. TA-99-298	In the Matter of the Application of ALLTEL Communications, Inc. for a Certificate of Service Authority to Provide Basic Local Telecommunications Service in Portions of the State of Missouri and to Classify Said Services and the Company as Competitive.
Case No. TO-99-596	In the Matter of the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri.
Case No. TO-99-483	In the Matter of an Investigation for the Purpose of Clarifying and Determining Certain Aspects Surrounding the Provisioning of Metropolitan Calling Area Service After the Passage and Implementation of the Telecommunications Act of 1996.
Case No. TO-01-416	In the Matter of Petition of Fidelity Communications Services III, Inc. Requesting Arbitration of Interconnection Agreement Between Applicant and Southwestern Bell Telephone Company in the State of Missouri Pursuant to Section 252 (b)(1) of the Telecommunications Act of 1996.

William L. Voight

Summary of Work Experience

1974-1985 **United Telephone Company**. I began my telephone career on February 4, 1974 as a central office equipment installer with the North Electric Company of Gallion, Ohio. At that time, North Electric was the manufacturing company of the United Telephone System. My duties primarily included installation of all forms of central office equipment including power systems, trunking facilities, operator consoles, billing systems, Automatic Number Identification systems, various switching apparatuses such as line groups and group selectors, and stored program computer processors.

In 1976 I transferred from United's manufacturing company to one of United's local telephone company operations – the United Telephone Company of Indiana, Inc. I continued my career with United of Indiana until 1979, when I transferred to another United Telephone local operations company – the United Telephone Company of Missouri. From the period of 1976 until 1985, I was a central office technician with United and my primary duties included maintenance and repair of all forms of digital and electronic central office equipment, and programming of stored program computer processors. United Telephone Company is today known as Sprint Communications Corporation.

1985-1988 In 1985 I began employment with **Tel-Central Communications, Inc.**, which at that time was a Missouri-based interexchange telecommunications carrier with principal offices in Jefferson City, Missouri. As Tel-Central's Technical Services Supervisor, my primary duties included overall responsibility of network operations, service quality, and supervision of a technical staff. Tel-Central was eventually merged with and into what is today Worldcom.

In conjunction with Tel-Central, I co-founded **Capital City Telecom**, a small business, "non-regulated" interconnection company located in Jefferson City. As a partner and co-founder of Capital City Telecom, I planned and directed its early start-up operations, and was responsible for obtaining financing, product development, marketing, and service quality. Although Capital City Telecom continues in operations, I have since divested my interests in the company.

1988-1994 In 1988 I began employment with **Octel Communications Corporation**, a Silicon Valley-based manufacturer of Voice Information Processing Systems. My primary responsibilities included hardware and software systems integration with a large variety of Private Branch eXchange (PBX), and central office switching systems. Clients included a large variety of national and international Local Telephone Companies, Cellular Companies and Fortune 500 Companies. Octel Communications Corporation is today owned by Lucent Technologies.

1994-Present Missouri Public Service Commission

Missouri's First Local Competitive Call

JANUARY 22, 1997

On this day from the offices of the Springfield Chamber of Commerce, Lt. Governor Roger Wilson dialed the headquarters of DIAL US in the Woodruff Building. The call was answered at approximately 3:00 pm by Jim Hedges, founder and president of DIAL US, on a speaker phone about which were assembled representatives of Springfield universities and colleges, DIAL US employees, and members of the Hedges-Sheridan families.

The call was connected through a new install, ordered by DIAL US for the Chamber's office, to a converted Southwestern Bell Telephone line which was already serving DIAL US's offices. This arrangement was in accordance with the National Telecommunications Act of 1996 and the Interconnection Agreement negotiated between Southwestern Bell Telephone and DIAL US. The Interconnection Agreement was signed on June 13, 1996 and approved by the Missouri Public Service Commission on September 6th, 1996 to become the first such agreement in Missouri. This call is subject to the rates and terms included in DIAL US's Public Service Commission Missouri Tariff No. 4 approved by the Public Service Commission on December 31, 1996.

DIAL US was founded in 1983 by the Hedges family that established a construction company in Springfield in the 1890's to build railroads. It is locally owned and operated. The employees are skilled, friendly, and spirited: they have good times together.

I Was There: (Participants and Witnesses)

Roger Wilson Missouri Lt. Governor	Jim Hedges President, DIAL US	Karen Jennings President, SWBT Missouri
Roger D. Wilson	Jim Hedges	Karen Jennings

SCHEDULE 3

TESTIMONY OF ROYCE CALDWELL
PRESIDENT-SBC OPERATIONS
SBC COMMUNICATIONS INC.
BEFORE THE ANTITRUST, BUSINESS RIGHTS
AND COMPETITION SUBCOMMITTEE
SENATE JUDICIARY COMMITTEE
MARCH 4, 1998

Thank you for the opportunity to testify today concerning the implementation of Section 271 of the Telecommunications Act of 1996 and other related matters.

I would be less than candid if I didn't admit that it is somewhat intimidating for me, a non-attorney, to be testifying before a Subcommittee of the Judiciary Committee about issues which could be characterized as strictly legal interpretations of the Act. However, I welcome the opportunity to bring you the perspective of a manager who is trying to operate a business in an increasingly competitive environment to meet my obligations to my customers, my shareholders and my employees.

The purpose of my testimony is to discuss how we can get to competition in the local exchange market and the long distance market. I also want to discuss some solutions. I do this mindful of the wise old saying, "For every complex problem, there is a simple solution and that simple solution is almost always wrong."

Before we can reach consensus on solutions, there must be a common understanding of the problem(s). Before there can be a common understanding of the problem(s), there must be an understanding of the environment. For these reasons, I have organized my testimony into seven sections:

- What is the environment in the local exchange market?
- What are the problems for competition in the local exchange market?
- What have the local exchange carriers, like Southwestern Bell Telephone Company (SWBT) and Pacific Telesis (PacTel), done to facilitate local exchange competition?
- What recommendations should be pursued?
- What is the environment in the long distance market?
- Why aren't RBOCs, like SWBT and PacTel, being permitted to compete?
- What recommendations should be pursued?

Big Subsidy Payers

Large business customers not only don't enjoy subsidized local exchange prices, they pay prices designed by regulators to provide subsidy. This market segment while relatively small in number (probably 20% of the total lines) represents a very large percentage of revenues and subsidy (typically between 50 and 80%).

These customers have been attracting a great deal of competition for many years. Vendors such as MFS, Teleport, Brooks Fiber, A.C.S.I., I.C.G., and dozens of others have been in the business for years; in some cases, fifteen years or more.

Because the customers are geographically clustered in small areas, they are relatively cheap to serve and the vendor has very high margins as a result of the extreme overpricing of the services for subsidy purposes.

There is a simple solution here—Congress need not do anything. Competition is alive, well and in full bloom. The questions that remains: Is it fair and equitable competition? How will these vendors and their customers continue to contribute funds to preserve "Universal Service"?

Other Subsidy Payers

Other subsidy payers are mid-sized business and residence customers who pay for many optional features and make a lot of long distance calls. Both optional features and state and federal access (components of long distance) and intrastate intraLATA long distance are all priced well above their costs.

Some of these customers could be served competitively either because they are heavily concentrated (large apartment complexes) and/or are near networks which have been built to serve the large business/large subsidy paying customers. Competition will be fostered in this segment more than for pure receivers but very much slower than for big subsidy payers.

PROBLEMS FOR LOCAL EXCHANGE COMPETITION

Facility-Based Competitors

Facility-based competitors should be applauded for building networks and competing as long as they are not just engaging in "cherry picking," that is serving only high revenue, low cost, high margin, subsidy paying business customers.

Facility-based competition is the only real form of competition. It provides real choice not only in vendors but also in network features and functions. The Federal

Communications Commission (FCC)/Department of Justice (DOJ) policies discourage facility-based competition.

Resale Is "Sham" Competition

Resale is not real competition. A reseller makes no investment in a network, makes no real financial commitment, creates no network jobs and offers no new products or services. Resellers are nothing more than additional retail outlets for the network owned and operated by the facilities provider. The fundamental issue is how much of a discount should the reseller enjoy as retail agents for the facilities provider.

In the spring of 1995, when testifying before the House Telecommunications Subcommittee, Bob Allen, then-Chairman of AT&T, said that in order for AT&T to compete it had to have a 45-55% discount for resold services. On February 10, 1998, the current Chairmen of AT&T, C. Michael Armstrong, announced while speaking in the Capitol that in order for AT&T to compete it needs a 50-60% discount. This story has not only remained consistent over a three-year period, but it also forms the foundation for the differences among the Congress, the courts, and the administrative agencies and between the incumbent local exchange carriers and the long distance carriers.

FCC/DOJ Support

The FCC and the DOJ set about to produce the 45-55% discount even though the Act was very clear to the contrary. In order to accomplish this, they attempted several things:

- A contravention of Section 252 to "federalize" the setting of resale prices. (Vacated by the 8th Circuit Court of Appeals.)

- Create a second way to provide end-to-end service equivalent to resale. This was accomplished by declaring that the local exchange carrier was required to both make available all the elements necessary to provide end-to-end service and to rebundle those elements. In other words, a second method of resale. (Vacated by the 8th Circuit Court of Appeals.)

- Develop a costing/pricing methodology which would result in the cost of those rebundled/unbundled elements at a 45-55% discount. (On Appeal, but no Court has rendered a final decision.)

RBOC Response

How can any business provide its services to a retail market at its cost plus a reasonable profit and, at the same time, provide those very same services to a competitor at a 50% discount from the retail price? It necessarily follows, through simple algebra, that the

Committee and warned that then pending "special provision" legislation was unconstitutional. Finally, Ed Whitacre, Chairman and CEO of SBC, testified before the House Commerce Committee Telecommunications Subcommittee in 1995 on H.R. 1555, the House version of what became the '96 Act. Mr. Whitacre stated unequivocally that any legislation passed by Congress must (1) permit all providers to compete in all markets, (2) open all markets to all participants at the same time, and (3) ensure that whatever regulation that is retained is necessary and competitively neutral.

Thus, while SBC supported passage of the '96 Act, we would have opposed the "Special Provisions" in the way they have been implemented. When the '96 Act was signed into law, SBC began to fulfill its obligations under Section 251/252 which applied equally to all incumbent local exchange carriers, and to seek relief under the "Special Provisions" which applied only to the Bell companies. We were hopeful that the states, DOJ, and FCC would implement the Special Provisions of the '96 Act, and Sections 271 and 272 in particular, as Congress intended.

However, after less than 18 months of experience, it became clear to SBC that the DOJ and FCC did not intend to implement the '96 Act as written. Specifically, SBC had opened its local market to competition in the state of Oklahoma. Competitive local exchange carriers were offering local service to both residential and business customers in Oklahoma, and SBC was providing or generally offering access and interconnection to each of the 14 point "competitive checklist" items. The Oklahoma commission conducted a proceeding to verify checklist compliance and to inquire as to why competitors had not been more aggressive in entering the local market. It found that SBC had met the "competitive checklist," that there was nothing to prevent competitors from entering the local market, that competitors had chosen not to do so for their own internal business reasons, and that more competition would occur in both the local and long distance market if SBC were given interLATA relief. We thereafter filed with the FCC for Section 271 relief and received the support of the Oklahoma commission. However, the DOJ opposed relief and the FCC denied our application, without providing any guidance as to whether SBC had met the "competitive checklist" or what it had to do to meet the "public interest" test.

With the denial of our Oklahoma Section 271 application, SBC felt it had no choice but to bring its constitutional challenge to the "Special Provisions." Based upon the FCC's interpretation of the applicable law, and its failure to address each of the "competitive checklist" items or what is required for Section 272 compliance and the "public interest" test for Section 271 purposes, it became apparent that the Act was not working as Congress intended.

JCNT
7-8-01

Internet phones improving, but not ready for prime time

By MATTHEW FORDAHL
AP Technology Writer

Internet telephone companies promise low rates, easy installation and services that would make the Baby Bells turn green with envy.

Interested in voice dialing? Combined voice and e-mail? News instead of dial-tone?

It sounds neat, but so far the reality has fallen short of the promises. Few advanced services are available, and call quality often falls below even that of a cell phone.

Now, as high-speed connections become more widely available in homes, Internet phone companies are trying to boost quality, reliability and usability. They're getting better, but there's still room for improvement.

In one recent example, home networking company Linksys teamed up with Internet telephony pioneer Net2Phone to develop a device that includes a port for a regular telephone.

No longer must callers talk through a PC microphone and listen through the speakers. Instead, they can use any phone. It's also possible to dial up and receive calls from any phone in the world, not just other computers that happen to be online and running the correct software.

The $179 EtherFast Cable/DSL & Voice Router, which works only with high-speed connections, also includes four Ethernet ports, so additional computers can share a single Internet connection. Setup is fairly simple through the Web interface.

All that's good, but a decision to buy hinges on the quality of conversations.

And that's where the device can fall short.

On good days, the quality was equivalent to or slightly better than a cell phone connection. There were the occasional echoes, static, delays and weird beeps, but both parties could be easily heard.

On bad days, conversations broke up or disconnected entirely. Some friends said it sounded like a long-distance call in the 1940s. Others compared it to ship-to-shore radio. My mother politely asked me not to call her anymore with it.

The quality stems from the fact that Internet telephone conversations are converted into digital packets and routed over data networks just like e-mail, Web pages, streaming video and instant messages. Voices compete with everything else.

Delayed and lost packets don't affect regular data traffic much, but it's murder on a phone conversation.

Net2Phone has its own voice-optimized network, but the traffic still must travel the public Internet to get there. It seems my residential high-speed DSL connection in the tech-boondocks of Salinas, Calif., isn't quite up to snuff.

The quality improved when I used AT&T Broadband's AtHome cable modem service at a relative's house 70 miles north in Livermore. Still, everyone I called knew right away I was not using a regular telephone.

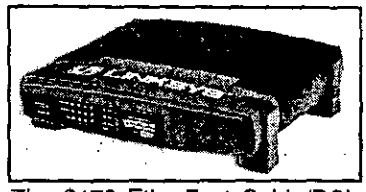
My home Internet phone in Salinas also could not receive calls even though I was assigned my own number with a Manhattan area code. But it worked flawlessly at the relative's house.

The feature is now available in the New York area and will be rolled out nationally in the coming months, although the company set up an account for me in California for testing.

Net2Phone does not market the device as a replacement for regular phone service. Rather, the company says it's an inexpensive alternative to buying a second line — such as for the teen-agers, who in my opinion might just grow a bit resentful while using it.

The service, unlike early PC-to-PC setups, also costs money. Net2Phone's VoiceLine plans range from $9.95 to $49.95 a month, plus domestic calls cost 2.9 cents to 4 cents per minute. International calls are slightly higher.

People who regularly use international long-distance and are used to calls of less-than-stellar quality could save a lot of money. But phone calls next door also use up minutes, just like a cellular plan.



The $179 EtherFast Cable/DSL & Voice Route works only with high speed connections. AP

Callers do not need to dial extra digits, such as "10-10" numbers to access discount long-distance services. All calls — even local ones — require an area code.

Because the Internet phone is completely separate from the local phone service, several basic services are missing, including 411 directory assistance or 911 emergency service. If the power fails, so does the phone. And those "900" sex and psychic numbers don't work.

Net2Phone does offer a few interesting features, with many more promised.

Usage, for instance, can be tracked instantly online. A pleasant voice tells how much money is left on the account before each call. Plans are in the works to offer a voice mail that can be checked over the Internet.

Net2Phone is not alone in pushing ahead with the voice over Internet technology.

Dialpad's Voicegateway device, which is expected to be released later this year, can connect directly to the regular phone network as well as the Internet. If 911 or 411 is dialed, it switches to the regular phone system. Quality was on par with the Linksys/Net2Phone device.

The biggest question mark for both companies has little to do with their products and a lot to do with hit-or-miss broadband deployments. In the area of voice communications, it's clear that not all high-speed Internet providers are created equal.

★★★

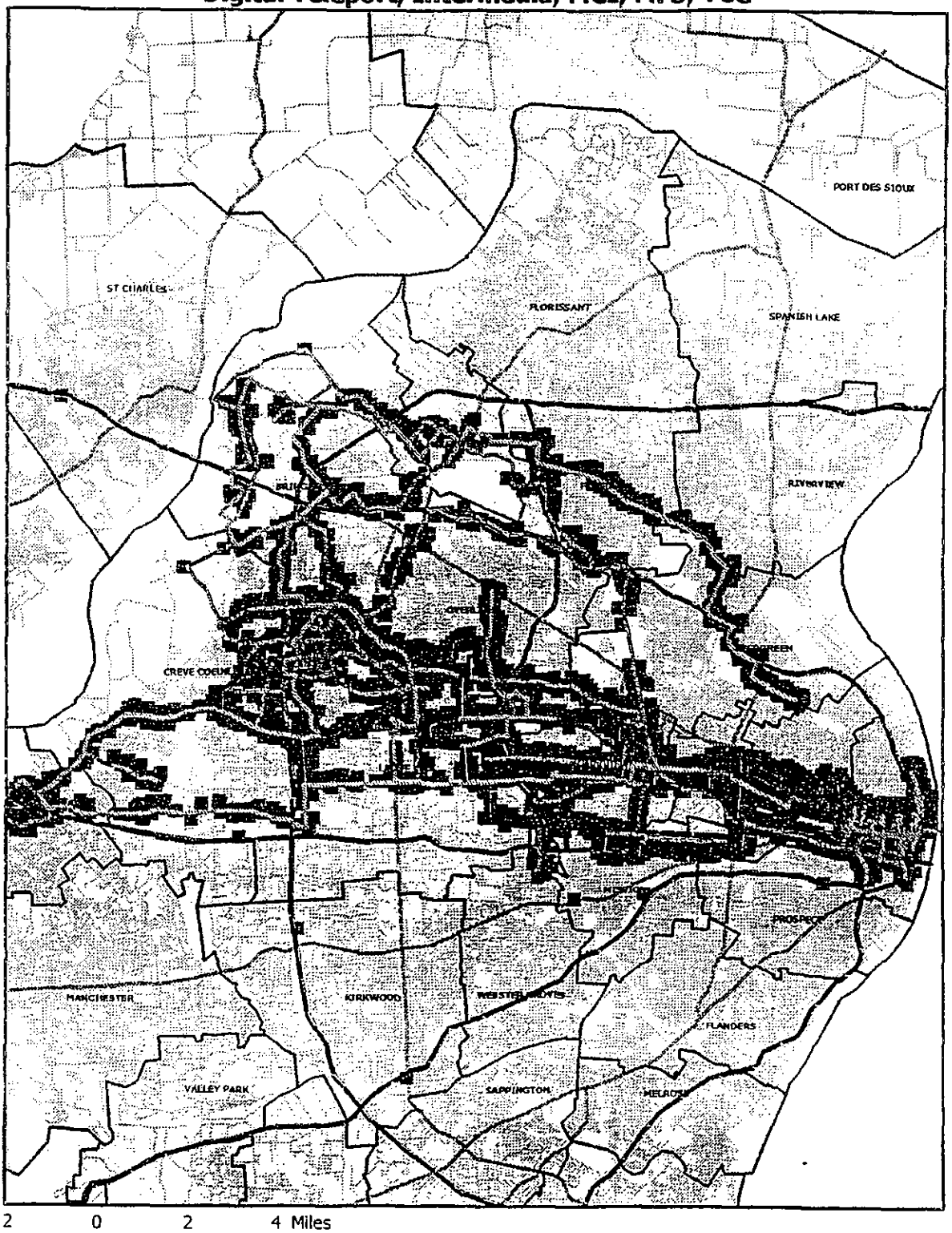
On the Net:
Net2Phone:
http://www.net2phone.com
DialPad:
http://www.dialpad.com

SCHEDULE 5

COMPETITIVE FIBER NETWORKS - ST LOUIS, MO

PROXIMITY ANALYSIS - BUSINESS

Digital Teleport, Intermedia, MCI, MFS, TCG

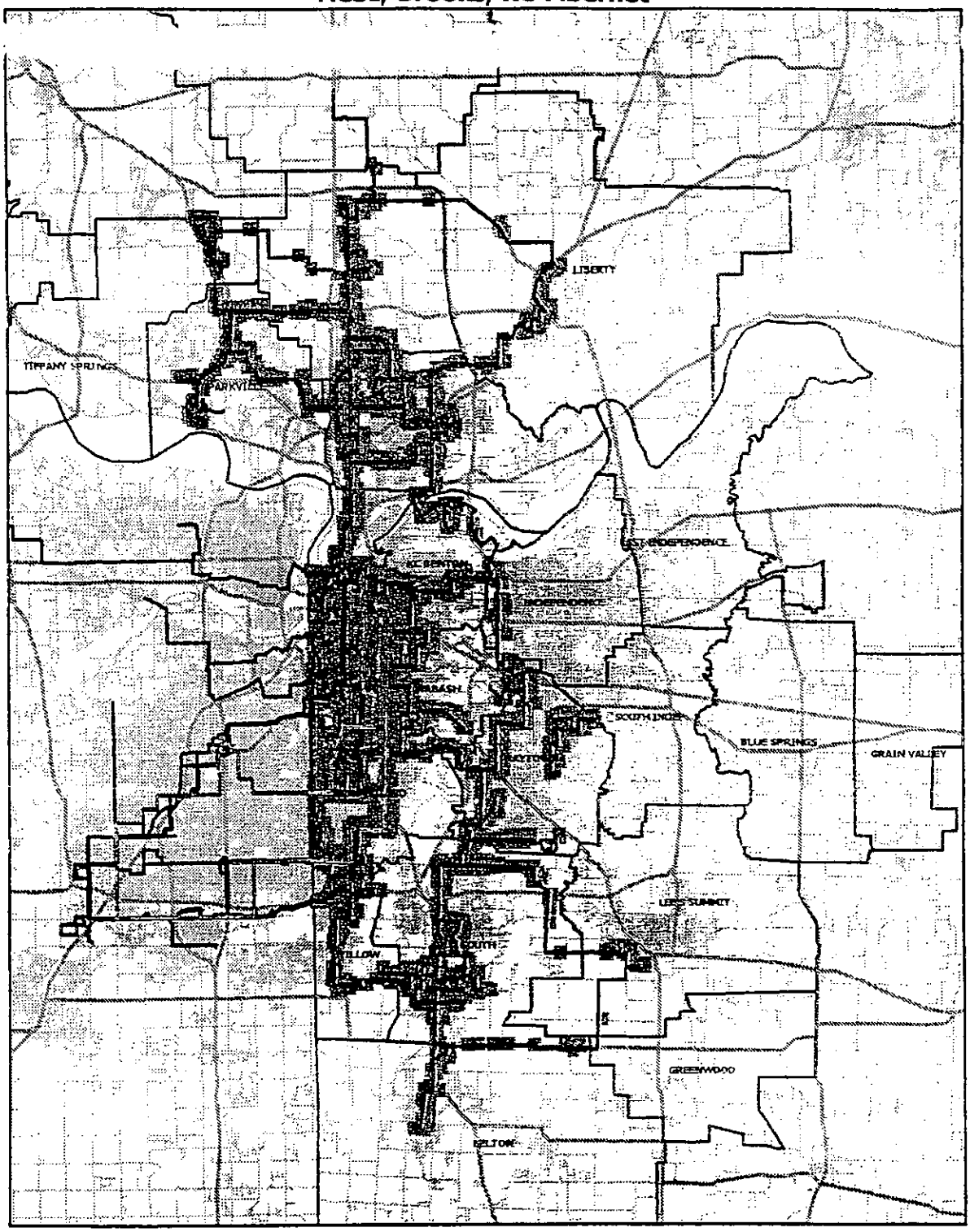


SCHEDULE 6-1

COMPETITIVE FIBER NETWORKS - KANSAS CITY, MO

PROXIMITY ANALYSIS - BUSINESS

ACSI, Brooks, KC Fibernet



SCHEDULE 6-2

cingular WIRELESS

Cingular Wireless
13075 Manchester Rd.
Suite 100
St. Louis, MO 63131

Presorted
FIRST CLASS
U.S. Postage
PAID
St. Louis, MO
Permit No. 5124

610
******AUTO**5-DIGIT 65043
Natelle Dietrich
12149 Halifax Rd.
Holts Summit, MO 65043-1788

cingular WIRELESS

Cingular Wireless
13075 Manchester Rd.
Suite 100
St. Louis, MO 63131

Presorted
FIRST CLASS
U.S. Postage
PAID
St. Louis, MO
Permit No. 5124

710
******AUTO**5-DIGIT 65043
Natelle Dietrich
12149 Halifax Rd.
Holts Summit, MO 65043-1788

610

June 23, 2001

Important Account Update

Dear Cingular Customer:

Cingular Wireless is updating several service plans, including the plan that you currently use. Effective July 23, 2001, your monthly access rate will change from $17.95 per month to $19.99 per month and your per minute charge for additional airtime will change from $0.35 per minute to $0.49 per minute. Your current Free Nights & Weekend Promotion will not expire, allowing you to continue to receive your Free Nights & Weekends Promotion as long as you remain on this plan.

It is important to note your current rate plan, with its included minutes and low airtime minutes, remains an exceptional value. While it is not available to new customers, you have the choice to keep this plan or change to any of our new rate plans at no additional charge. If you would like a rate analysis of how your plan compares to other plans, or have any other questions about your wireless service, please call Customer Service at 1-866-CINGULAR. If you do not accept this change to your plan and wish to terminate your service without penalty, you may call Customer Service by July 23, 2001.

We appreciate your business and thank you for choosing Cingular Wireless as your wireless provider.

710

June 23, 2001

Important Account Update

Dear Cingular Customer:

Cingular Wireless is updating several service plans, including the plan that you currently use. Effective July 23, 2001, your monthly access rate will change from $9.95 per month to $12.99 per month and your per minute charge for additional airtime will change from $0.40 per minute to $0.49 per minute.

It is important to note your current rate plan, with its included minutes and low airtime minutes, remains an exceptional value. While it is not available to new customers, you have the choice to keep this plan or change to any of our new rate plans at no additional charge. If you would like a rate analysis of how your plan compares to other plans, or have any other questions about your wireless service, please call Customer Service at 1-866-CINGULAR. If you do not accept this change to your plan and wish to terminate your service without penalty, you may call Customer Service by July 23, 2001.

We appreciate your business and thank you for choosing Cingular Wireless as your wireless provider.

Law's benefits prove elusive

KC STAR

Customers see few telecom options

P. 1 2/14/00

By TED SICKINGER
The Kansas City Star

Speaking on the fourth anniversary of the Telecommunications Act of 1996, Federal Communications Commission Chairman William Kennard proclaimed last week that "the act is working."

"American consumers today have more choice in telecommunications services at faster speeds and lower prices than ever before in our history," he said. "This is truly the beginning of the era of high-speed broadband access."

Andrew Cunningham hasn't a clue what "broadband access" is. Nor does he equate "high-speed" and "telephone service." But when someone tells the 70-year-old Merriam resident that the law is benefiting him, he's pretty sure he's listening to empty rhetoric.

"The government thought they were doing us a big favor by deregulating," he said. "What competition is there? What alternatives do you have?"

For residential consumers in the Kansas City area, the answer — so far, at least — is very little. Cunningham's concerns highlight the mixed results from the landmark rewrite of the nation's communications laws.

When the act was passed, legislators crowed about replacing regulated monopolies with a free market. Competition, they said, would deliver greater choice, lower prices and innovative services to all telephone and cable-television customers.

In many instances, it seems to be working. Experts credit the act for the explosion of the Internet economy and wireless phone services. They point to big cities where phone and cable companies are spending billions of dollars to roll out new services, and where millions of consumers can choose their local phone company for the first time in 100 years.

But the act also spawned a

See ACT, A-8

Continued from A-1

seemingly endless legal brawl among fledgling competitors, monopolies and regulators. And consumer advocates say the new age is defined less by competition than by consolidation among supposed rivals, a slew of new fees on phone bills, and a steady rise in cable television rates.

Nor does competition ensure that everyone — businesses and consumers, rural and urban, rich and poor — will reap the benefits of the communications revolution. As technology marches on, an abiding concern is that some consumers will be relegated to the digital dark ages.

"People are justifiably frustrated," said David Butler, a spokesman for Consumers Union in Washington. "The few benefits that the industry can point to don't benefit the average consumer."

Bills going up

When advocates say consumers are being shortchanged, they're referring to people like Laverne Fox, a retired 75-year-old copy checker from Prairie Village.

Fox doesn't make enough long-distance calls to justify a low-cost long-distance plan, which costs $5 a month. But AT&T still charges her a monthly usage minimum of $3. Coupled with fees for things like "universal connectivity" and the "carrier line charge," a recent bill for 17 minutes of long distance cost $13.23, or 78 cents a minute.

It's the same with her local bill. Every month, she faces a litany of incomprehensible line items, such as the "federal end user common line charge" and "number portability."

Fox still uses a rotary dial phone and has the same unlisted number she had in 1956, when service cost $4 a month.

"Now they're charging me for number portability," she asks. "What is it? Who is the other party I can go to? I can't tell you.

"You're at their mercy. It's either pay up or disconnect."

Actually, a variety of companies in Kansas City resell Southwestern Bell's local service or have equipment to provide their own, including Birch Telecom, Gabriel Communications, Teligent Inc., Winstar Communications, AT&T Corp. and MCI WorldCom.

According to state regulators, however, Southwestern Bell still controls 97 percent of the telephone lines in its Missouri territories and 94 percent of those in its Kansas territories. And services from the new competitors are marketed almost exclusively to businesses, not residences.

Going after consumers "isn't economical," said Jerry Howe, president of Gabriel. "What we pay Southwestern Bell to access those customers is too costly given the types of revenues we'd be able to get from that customer."

Gabriel pays $12.71 per month, for example, to use the copper line that runs to a home or business in Kansas City from one of Southwestern Bell's central offices.

Bell only charges consumers $12.95 for basic service in Kansas City, so competitors have little room to build in profit on their service. Business customers, however, pay $39 for basic service, which makes them the obvious target for new competitors.

The residential market is even less attractive in smaller cities such as St. Joseph, where the cost to lease a local line is $20.71. In rural areas, it can run as high as $60 a month.

David Scott, president of Birch Telecom, said smaller cities are being redlined. Until state regulators set realistic rates and make all subsidies explicit, he says, competitors will have no incentive to serve them. He doubts competition will ever materialize in rural areas.

Southwestern Bell says the rates it charges competitors were set through extensive proceedings with state utility commissions. "It still costs us more to provide residential service than we charge," said Bill Bailey, regional president of external affairs for the company.

Moreover, the company insists that its markets are open, and that competitors are already providing local service to thousands of customers in its five-state territory.

Texas regulators recently agreed, and recommended that federal authorities allow the company to offer long-distance service there.

Missouri and Kansas regulators aren't satisfied with Bell's progress yet. But they say the company is making headway.

"When we started this process, no

one said it was going to happen overnight," said Rosemary Foreman at the Kansas Corporation Commission. "This is untangling a complicated industry that was built over a hundred years."

Newer, faster

Most fledgling carriers have conceded defeat in the residential phone market. Their more important battle is in broadband services, deploying technology that allows carriers to bundle voice service with high-speed Internet and video over a standard phone or cable connection.

Broadband is the technology of the future, and regulators are encouraging carriers to deliver it quickly and broadly.

The early leaders are cable companies. Locally, Time Warner has upgraded most of its network, which passes 500,000 homes, to provide high-speed Internet service. About 7,000 customers have signed up for the $40 service, some even saving money because they no longer need a second phone line and an Internet service provider.

But Time Warner has no immediate plans to offer telephone service over its network, or to open that network to competitors.

The telephone companies' answer to cable modems is digital subscriber line service, or DSL, which boosts the capacity of a copper phone line so it can handle high-speed Internet and regular voice service simultaneously.

Southwestern Bell recently said it would spend $6 billion to bring DSL service to 80 percent of its customers within three years. The company is required to open its network for other companies to provide DSL services, and says it is working diligently with regulators and competitors to do so.

Competitors, however, worry that the company is trying to leverage its local monopoly into the data market.

Covad Communications says Bell is charging competitors $700 to $1,000 to recondition individual lines so they can carry high-speed service. In Texas, the cost for the same conditioning is about $50. In California, it's free.

Competitors also complain that Bell charges competitors up to $300,000 for the space they need in central offices to install their broadband equipment.

"It disadvantages the entire state," said Chris Goodpastor, regional counsel for Covad. "Cheap bandwidth is a great equalizer for businesses."

Sprint Corp. and MCI WorldCom pledge to bring another communications pipeline into consumers' homes when their merger is approved, using fixed wireless technologies to deliver broadband services in both rural and urban areas.

Consumer advocates think that's great, but worry that the companies will only focus on big spenders. Sprint began testing its Integrated on Demand Network in Kansas City last month, an innovation that provides multiple phone lines and high-speed data for $159 a month.

"It's not a failure of the market that companies target customers where they can make money," said Richard Devlin, Sprint's general counsel. "Low-end users are expensive to serve."

Still, the telecom act was supposed to bring the benefits of advanced technology to every doorstep, and many observers already see signs of a digital divide.

"We're in the process of building out our DSL serving platform," said Gabriel's Howe. "Again, what we're going to have to do to recoup that investment is go after the higher revenue-generating opportunities, and those are your commercial enterprises."

To reach Ted Sickinger, call (816) 234-4336 or send e-mail to sickinger@kcstar.com

Phone rivalry fails to appear

STL Post-Dispatch
P. 1E 2-7-99

Telecom act hasn't brought many challengers to Bell

BY JERRI STROUD
Of the Post-Dispatch

A Birch Telecom billboard on Highway 40 brags that all of its customers have fired Southwestern Bell.

Kansas City-based Birch is among a handful of firms actively marketing alternatives to Bell's local telephone service here.

But most of their customers are businesses, and most St. Louisans see few signs of the brave new world of competition that the Telecommunications Act of 1996 was supposed to ignite.

Three years ago, analysts predicted that consumers soon would spend their dinner hours fending off telemarketers offering package deals on local and long-distance telephone service, cable television, Internet access, wireless phones and pagers.

Most consumers are still waiting for the phone to ring.

A few highly mobile consumers have hung up on Ma Bell, choosing to take all their calls on a wireless phone.

Businesses have bypassed Bell's network by hooking up with companies such as Birch or Broadspan Communications, another competitive local telephone company here. AT&T and MCI WorldCom have bought up companies that built fiber optic networks through high-density business areas like downtown, Clayton and the Interstate 270 loop.

So far, competitors have taken a little more than 50,000 lines from Southwestern Bell in Missouri — less than 2 percent of the 2.5 million lines Bell serves in the state. Nationwide, the percentage of lines lost by former Bell companies is about 1 percent.

Bell says the incipient competition shows that its network is open — one requirement it must meet before it is allowed to offer long-distance service to its local customers. The company has asked the Missouri Public Service Commission for permission to offer long-distance service, and hearings on the request will be held next month.

Bell contends that it would cut long-distance rates by 25 percent. By getting into the long-distance market, Bell says it would spur long-distance companies to start selling local service to residential customers.

Bell's parent, SBC Communications of San Antonio, says it will get into local and long-distance service in up to 50 cities nationwide if it wins permission to merge with Ameritech, the local service provider in Illinois and six

See Bell, Page E2

Bell

SBC to start service in Miami, Seattle, Boston

Continued from Page E1

other states. SBC said it would start the service next year in Miami, Seattle and Boston.

"It's difficult to know what else we could do" to open the network to competitors, said Stephen Carter, SBC's president for strategic markets. The company says that 17 companies in Missouri are providing local service to former Bell customers. The company has agreements to connect with nearly four dozen companies.

Competitors and regulators say most of the customers Bell has lost still use lines leased from Bell. They say Bell has failed to meet all the items on a 14-point checklist the telecom act requires before Bell companies can offer long-distance in their home regions.

William Voight, an economist with the Missouri Public Service Commission, has filed testimony indicating that Bell has met six of the 14 requirements. Missouri Public Counsel Martha S. Hogerty says the company has met just three. "There is no question that we really have gotten nowhere near to a market that's competitive," Hogerty said.

David E. Scott, Birch Telecom's president, said the company has had "just one problem after another in working with Southwestern Bell on a daily basis." Frequent changes in procedures for entering orders have kept Birch from providing service to customers in a timely manner, for example.

Scott said Bell's procedures have improved recently. "But it's still not at a level where the quality they provide us is at the level [Bell] provides itself."

Fewer than one in four Americans are getting either the choice of carriers or the lower prices that supporters of the act predicted three years ago, the Consumer Federation of American and Consumers Union said in a study last week. The groups contend that the nation is being divided into telecommunications "haves" and "have-nots," with companies targeting businesses and high-income consumers to the exclusion of poor and middle-income consumers.

"The act has been a dismal failure," said Fred Voit, an analyst with The Yankee Group of Boston, a consulting firm that focuses on telecommunications. "Nobody wants to open up the market to anybody else."

But Voit believes competition is about to take hold. MCI WorldCom announced plans last week to provide local service in New York, and AT&T plans to test phone service over TCI's cable networks this spring in St. Louis and several other cities.

Competition is "about to happen in a lot of places, and it's about to happen in a hurry," said Joel Thierstein, a telecommunications policy professor at Baylor University in Waco, Texas. Competitors are beginning to offer alternatives to Southwestern Bell's phone service in the Dallas suburbs, and even Waco has a second telephone company.

"Technology is up to speed enough so that if you can offer Internet, cable and telephone service over your own pipe, it's cost-effective to string your own pipe," Thierstein said. He predicts that consumers could be getting all three services for about $20 a month in the near future, about a third of the current cost.

Rachelle Chong, who served on the Federal Communications Commission from 1994 to 1977, said the Bell companies delayed competition for about two years by challenging crucial parts of the telecom act in court. The Supreme Court last week threw out most of a suit filed two years ago by SBC and GTE Corp. Chong and other observers say the ruling could put progress toward a competitive market back on track.

Meanwhile, Chong is encouraged by a raft of new technologies that could offer competition to the Bell companies without using parts of their network. Among them:

- Fixed wireless service, which provides phone service over the air to fixed points like business offices. Winstar Communications of New York is selling the service in 27 markets and plans to offer it here next year.
- Wireless Internet companies, which provide Internet access, e-mail and document transfer through the air. Examples include MetroComm on the West Coast and WorkNet Communications in Clayton.
- Voice-over-Internet service, which transmits voice conversations over the Internet, bypassing much of the local and long-distance networks. The technology is clunky, but Chong says it's bound to get better.
- Global satellite companies that will provide wireless phone service and Internet access to remote areas.

"Because of the way technology is moving along, it's really impossible to say" what choices the consumer and businesses will have in five years, said Russell Frisby, president of the Competitive Telecommunications Association. "As soon as you pick one technology, another technology comes along out of nowhere."

SCHEDULE 9

Regional Bells win legal case

Long-distance service OK'd but must be wireless, judge specifies in order.

Bloomberg Business News

WASHINGTON — The nation's seven regional Bell telephone companies won approval Friday to offer nationwide long-distance cellular phone services, but with stiff conditions.

The decision was the first time U.S. District Judge Harold Greene has given the regional Bells broad leeway to offer long-distance services. The authority is limited, however, to wireless services.

The decision is an important step for the Bells in their quest to enter the $70 billion-a-year long-distance market.

Greene granted the authority with a waiver to the 1982 consent decree that broke up the AT&T Corp. He had denied a similar request by the regional Bells to get into the wireless long-distance market in 1987.

"I think he sees the handwriting on the wall," said Ken McGee, analyst at Gartner Group, a market research firm in Stamford, Conn.. "He is being uncharac-

See **BELLS, B-10,** Col. 1

Bells get OK for cellular long-distance

Continued from B-1

teristically forward-thinking."

Some of the regional Bells immediately applauded Greene's ruling.

"This ruling is a significant victory for our wireless business, and it paves the way for us to offer long-distance services to other customers in the future," said Jim Young, vice president and general counsel for Bell Atlantic Corp., the Philadelphia-based regional Bell.

Others criticized the provisions Greene imposed.

"It's a baby step with a lot of conditions," said Jim Gerace, spokesman at Nynex Mobile, the wireless arm of Nynex Corp.

AT&T, the nation's largest long-distance company, said it is studying the ruling. In the past, AT&T has opposed the wavier.

The Bells will be allowed to offer only wireless long-distance services in markets where competitors can bypass the Bells' networks by using rival phone companies' facilities.

The regional Bells also must resell the services and can't build their own long distance networks. The companies will be forced to buy services from at least three different long-distance carriers, Greene said.

The regional Bells also must offer long-distance services through separate units and offer equal access to their networks for all competing long-distance firms, Greene said.

Finally, Greene said the regional Bells have to separately market their local and long-distance services.

"Before the regional companies can enter a new market, they will have to show that there is no substantial possibility that they could use their bottleneck monopoly control to impede competition in that market," Greene said.

When the regional Bells want to begin offering wireless long-distance, Greene said, they must seek a ruling from the Justice Department affirming that they are following the conditions he laid out.

Greene said he approved the waiver Friday because it will foster competition in the cellular long-distance market and bring lower prices and higher-quality service to consumers [illegible] neighborhoods ex-

DH

UTILITY OPERATIONS DIVISION ROUTING SLIP

BY DELEGATION

File No. 200001102

To:	Initial	Assigned: June 2, 2000			
		From:	Initial	Date	Revised
Chair Lumpe		Mr. Garcia	pg	06/07/00	
Vice Chair Drainer		Wm Voight	WLV	06/08/00	
Commissioner Murray		Mr. VanEschen	JVE	6/8/00	
Commissioner Schemenauer		Mr. Henderson	absent		
Commissioner Simmons	KS	Legal	WKH	6/8/00	

Agenda Date: **BY DELEGATION**	
Final Agenda: June 29, 2000	Staff Deadline: June 22, 2000 By 5pm
Commission Action: Approve: Suspend:	STAFF RECOMMENDS APPROVAL

Company: Southwestern Bell Telephone Company
Effective Date: **July 1, 2000**
Purpose: increase rates

On May 31, 2000 Southwestern Bell Telephone Company (SWBT) a non-competitive incumbent local exchange company (ILEC) submitted a tariff filing proposing to increase various rates. The proposed increased rates are: operator services, directory listings, and directory assistance. All the increases fall within the 8% increase allowed by price-cap regulation.

Although not mandated by price-cap legislation to provide customer notice, SWBT notified customers of the rate increases on their May billing cycle via bill message. The Telecommunications Department Staff (Staff) has reviewed the filing, as amended, and has no objection. The Staff is not aware of any other filings that affect, or are affected by, this filing.

SCHEDULE 10-1

MS

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
http://www.ecodev.state.mo.us/psc/

June 21, 2000

Mr. Mark Rudloff
Southwestern Bell Telephone
One Bell Center, Suite 3528
St. Louis, MO 63101

Dear Mr. Rudloff:

RE: File #200001134, 200001102, 200001065

This correspondence is to advise that the tariff filing submitted with your letter of transmittal, a copy of which is enclosed herewith, is being made effective in accordance with Section 392.220 RSMo 1998.

A copy of the tariff filing, reflecting the filing record of this Commission, is enclosed for your use.

Sincerely,

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

DHR/slr

Enclosures

SCHEDULE 10-2

Southwestern Bell Telephone
One Bell Center
Suite 3528
St. Louis, MO 63101
Phone: 314.235.2550
Fax: 314.235.4399
E-Mail: mark.rudloff@sbc.com

Mark Rudloff
Director - Regulatory

Southwestern Bell | SBC global network

May 30, 2000

RECEIVED
MAY 31 2000
Records
Public Service Commission

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Dear Judge Roberts:

Southwestern Bell Telephone Company proposes to revise the Missouri Local Exchange Tariff, P.S.C. Mo.-24, the Long Distance Message Telecommunications Service Tariff, P.S.C. Mo.-26 and Section 6 of the General Exchange Tariff, P.S.C. Mo.-35. The purpose of these revisions is to re-price certain Operator Services, Directory Listings and Directory Assistance (DA) Service rates.

Rates for Directory Assistance, Non-published and Non-Listed service, and Line Status Verification and Busy Line Interrupt are being increased 8%. Rates for Operator Assistance Services are being increased between 4% and 8%. All of the proposed increases are within the 8% cap allowed under price cap regulation.

The proposed revisions are reflected on the attached tariff sheets. The issued and requested effective dates are June 1, 2000 and July 1, 2000 respectively.

Questions concerning this filing may be referred to Sherry Myers on 314-235-6380.

Very truly yours,

/s/ Mark Rudloff/sm

I certify that a copy of the foregoing, including attachments, is being forwarded postage prepaid to the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri, 65102 this 30th day of May 2000.

Lisa Deane

Attachment

P.

SCHEDULE 10-3

200001102

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

Local Exchange Tariff
4th Revised Sheet 5.10
Replacing 3rd Revised Sheet 5.10

LOCAL EXCHANGE TARIFF

1.2 RATES-(Continued)

1.2.5 Line Status Verification and Busy Line Interrupt-(Continued)

C. Rates

The rates set forth below apply to calls from customers who request local or intraLATA-intrastate assistance in determining line status or attempted interruption of a conversation in progress.

	Rate	was	
1. Line Status Verification, per request	$1.29(CR)	1.20	7.5%
2. Busy Line Interrupt, per request.	1.99(CR)	1.85	7.6%

If the line verified is not in use or as the result of interrupt the line is cleared, and at the calling party's request the operator completes the call, the applicable Operator Assistance Service Charges apply in addition to the Line Status Verification or Busy Line Interrupt Charge.

D. Exemptions

Charges for Line Status Verification and Busy Line Interrupt are not applicable to calls placed from authorized emergency agencies.

Police, Fire, Ambulance and 911/911-Like agencies are those agencies which qualify for this exemption.

1.2.6 Local Operator Assistance

A. Description

The Telephone Company furnishes local assistance by a Telephone Company-provided operator or the automated Interactive Voice System (IVS) whereby customers may request assistance in: dialing a local number; requesting a local person-to-person call; billing a local call to a Telephone Company calling card, to a third number or collect.

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

Local Exchange Tariff
2nd Revised Sheet 5.11A
Replacing 1st Revised Sheet 5.11A

LOCAL EXCHANGE TARIFF

1.2 RATES-(Continued)

1.2.6 Local Operator Assistance-(Continued)

C. Rates-(Continued)

DESCRIPTION	Non-payphone(2) RATE		Payphone(2)(3) RATE		
Station-to-Station Service					
Calling Card					
Non-Automated	$1.15(CR)	was 1.10	$1.15(CR)	1.10	4.5%
Semi-Automated	.70(CR)	.65	.70(CR)	.65	9.6
Fully-Automated	.35	.35	.35	.35	
Collect					
Non-Automated	$1.15(CR)	1.10	$1.15(CR)	1.10	
Semi-Automated	.95(CR)	.90	.95(CR)	.9	5%
Fully-Automated	.75(CR)	.70	.75(CR)	.7	
Billed to a Third Number					
Non-Automated	$1.15(CR)	1.10	$1.15(CR)	1.10	
Semi-Automated	.95(CR)	.90	.95(CR)	.90	
Fully-Automated	.75(CR)	.70	.75(CR)	.70	
Sent-Paid					
Non-Automated	$1.15(CR)	1.10	$1.15(CR)	1.10	
Semi-Automated	.95(CR)	.90	.95(CR)	.90	
PERSON-TO-PERSON SERVICE(1)					
Non-Automated	$2.55(CR)	2.40	$2.55(CR)	2.40	6.25
Semi-Automated	2.15(CR)	2.00	2.15(CR)	2.01	7.5

(1) Person-to-Person service may be billed to a calling card, billed to a third number, or billed as collect at no additional charge.
(2) Payphone rates apply to all pay type telephones that accept coins, or are coinless, or have a card reader, or a combination of a coin accepting/card reader telephone. Non-payphone rates apply to all other types of calls. This operator services offering will comply with the Commission's decision in Case No. TA-88-218.
(3) For local calls from pay telephones, a $.25 charge applies in addition to the pay telephone rate listed.

Issued: June 1, 2000

Effective: July 1, 2000

By Jan Newton, President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

Long Distance Message Telecommunications Service Tariff
10th Revised Sheet20.01
Replacing 9th Revised Sheet 20.01

LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE

1.4 TWO-POINT SERVICE-(Continued)

1.4.6 Rates-(Continued)

B. Operator Service Charges-(Continued)

2. Rates

Description		Non-Coin(2) Rate	Coin(2) Rate	
Station-to-Station Service				
Calling Card	WA			WA
Non-Automated	1.10	$1.15(CR)	$1.15(CR)	1.0
Semi-Automated	.65	.70(CR)	.70(CR)	.65
Fully Automated	.35	.35	.35	.35
Collect				
Non-Automated	1.10	$1.15(CR)	$1.15(CR)	1.0
Semi-Automated	.90	.95(CR)	.95(CR)	.90
Fully Automated	.70	.75(CR)	.75(CR)	.70
Billed to a Third Number				
Non-Automated	1.10	$1.15(CR)	$1.15(CR)	1.10
Semi-Automated	.90	.95(CR)	.95(CR)	.90
Fully Automated	.70	.75(CR)	.75(CR)	.70
Sent Paid			$1.40	
Non-Automated	1.10	$1.15(CR)	$1.15(CR)	
Semi-Automated	.90	.95(CR)	.95(CR)	.90
Person-to-Person Service(1)				
Non-Automated	2.40	$2.55(CR)	$2.55(CR)	2.40
Semi-Automated	2.00	2.15(CR)	2.15(CR)	2.0
Other Services				
Line Status Verification	1.20	$1.29(CR)	$1.29(CR)	1.20
Busy Interrupt	1.85	1.99(CR)	1.99(CR)	1.85

(1) Person-to-Person service may be billed to a calling card, billed to a third number or billed as collect at no additional charge.
(2) Coin includes all pay type telephones that accept coins, or are coinless, or have a card reader, or a combination of a coin accepting/card reader telephone. For the purposes of applying operator service charges, all telephones that are not defined as "coin" will be treated as "non-coin."

Issued: June 1, 2000 Effective: July 1,2000

By Jan Newton, President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

SCHEDULE 10-6

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

General Exchange Tariff
Section 6
12th Revised Sheet 11
Replacing 11th Revised Sheet 11

DIRECTORY SERVICES

6.12 NONPUBLISHED EXCHANGE SERVICE-(Continued)

6.12.4 Residence nonpublished exchange service will be furnished at the following rate:

	Monthly Rate	Service and Equipment Charge(1)
Nonpublished Exchange Service, each nonpublished telephone number (NPU).....	$1.72(2)(CR)	$6.00

6.12.5 The minimum term for which nonpublished Exchange Service will be billed is one month.

6.12.6 The rate will not apply in the following cases:

A. Foreign Exchange Service, where the customer is also furnished Local Exchange Service.

B. Additional Local Exchange Service furnished the same customer in the same exchange so long as the customer has Local Exchange Service listed in the directory in the same exchange.

C. Local Exchange Service for customers living in a hotel, hospital, retirement complex, apartment house, boarding house or club, if the customer is listed under the telephone number of the establishment.

D. Where a customer's service is changed to nonpublished for a Telephone Company reason due to unusual circumstances, such as harassing calls, threats or other acts adversely affecting the health, welfare, security or service of the customer. (This service should not be provided for a period of more than one month.)

E. When a customer who has service which involves data terminals where there is no voice use contemplated.

F. When the customer elects to publish his/her preferred number service telephone number in lieu of the residence local exchange number in the same exchange.

(1) The Service and Equipment Charge is applicable only when the request for nonpublished Exchange Service is subsequent to the initial installation of the exchange access line.
(2) A portion of this rate is interim and subject to refund to all the customers charged pursuant to the revenue recovery mechanism described in P.S.C. Mo.-No. 24, Local Exchange Tariff, Paragraph 1.7.7.A. and 1.8.6, and in P.S.C. Mo.-No. 26, Long Distance Message Telecommunications Service Tariff, paragraphs 1.10.4 and 1.11.F.

Issued: June 1, 2000 Effective: July 1, 2000

By Jan Newton, President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

General Exchange Tariff
Section 6
12h Revised Sheet 12
Replacing 11th Revised Sheet 12

DIRECTORY SERVICES

6.13 NONLISTED SERVICE (NLT)

6.13.1 General

A. At the request of the customer, any one or all of the customer's primary listings, additional listings or other listings associated with the same or different residence telephone service line normally published in the directory will be omitted from the directory but listed in the Directory Assistance records available to the general public.

B. The customer indemnifies and saves the Telephone Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly by the publication of the listing which the customer has requested be omitted from the telephone directory or the disclosing of such a listing to any person. Where such a listing is published in the telephone directory, the Telephone Company's liability shall be limited to a refund of any monthly charges assessed by the Telephone Company for the particular nonlisted service.

C. The monthly rate for nonlisted service applies separately for each listing which normally would be published in the directory but which, at the customer's request, is furnished on a nonlisted basis.

6.13.2 Rates

		Monthly Rate	Service and Equipment Charge(1)
Nonlisted Service, each			
Primary ..... (NLT)	was 1.20	$1.29(CR)	$6.00 NC
Additional..... (NLA)	1.20	1.29(CR)	6.00 NC

6.14 DIRECTORY ASSISTANCE SERVICE

6.14.1 General

A. The Telephone Company furnishes Directory Assistance Service whereby customers may request assistance in determining telephone numbers when the listed name is provided.

B. The regulations and rates set forth below apply to calls from customers who request assistance in determining telephone numbers of customers who are located in the same local calling area, the calling customer's Home Numbering Plan Area (HNPA) and NPA requests outside of the calling customer's HNPA. Upon request, the street address information normally published in the directory will be given out by the Directory Assistance attendant for listed and nonlisted customers. Where facilities permit, Zip Code information also will be provided by the Directory Assistance attendant. Information for nonpublished customers will not be provided.

(1) The Service and Equipment Charge is applicable only when the request for Nonlisted Service is subsequent to the initial installation of the exchange access line.

DIRECTORY SERVICES

6.14 DIRECTORY ASSISTANCE SERVICE-(Continued)

6.14.3 Exemptions:-(Continued)

B. Those customers[1] whose physical, visual, mental or reading disabilities prevent them from using the telephone directory are to be exempted from the charge for direct-dialed calls to Directory Assistance; from the charge for placing a call to Directory Assistance via an operator; and the charge applicable when Directory Assistance Service charges are billed to a Telephone Company Calling Card. Exempt customers will be provided with a Telephone Company Calling Card which can be used at any location, including business locations to receive local and intraLATA DA exemption. The method of exempting those physically, visually, mentally or reading disabled customers shall be via the completion of an exemption form supplied by the Telephone Company and the Telephone Company's acceptance of that form.

6.14.4 Rates

A. Where the customer places a sent-paid direct dialed call to Directory Assistance, the charge for each listing request, subject to any allowance described in this tariff, is $.51 per listing request. This charge is applicable for each listing requested on the call. (CR)

was 0.97 0.48

B. Directory Assistance Service Charges billed to a ~~third~~ number; a special billing number; or a Telephone Company Calling Card, will be billed $1.04 for the initial listing request. Additional listing requests, which are billed in the same manner as the initial request, will be billed at $.51 for each listing request, subsequent to the initial request, on the same call. (CR) (CR)

1.270 was 0.48

(1) Customer includes residence customers and business customers. It is not intended that the exemption in a business environment be extended to non-handicapped individuals.

UTILITY OPERATIONS DIVISION ROUTING SLIP

File No. 9900908

To:	Initial	Assigned: May 25, 1999			
		From:	Initial	Date	Revised
Chair Lumpe		Natelle Anna	NA	6/10/99	
Commissioner Crumpton		Wm Voight			
Commissioner Murray		Mr. VanEschen			
Commissioner Schemenauer		Mr. Henderson			
Vice Chair Drainer		Legal			
Agenda Date:					
Final Agenda: June 24, 1999		Staff Deadline: June 17, 1999 By 5pm			
Commission Action: Approve: Suspend:		STAFF RECOMMENDS APPROVAL			

Company: Southwestern Bell Telephone Company
Effective Date: June 26, 1999
Purpose: Reprice Directory Assistance

On May 25, 1999, Southwestern Bell Telephone Company (SWB), an incumbent local exchange telecommunications company, submitted a tariff filing to increase direct dialed directory assistance from $.45 to $.48 per listing request. The filing also increased the directory assistance rate on charges billed to a third number, a special billing number or a calling card from $.90 to $.97 for the initial listing request and $.48 for each subsequent request on the same call.

A Revenue Analysis submitted with the filing indicates SWB will realize an increase in revenue from the rate increases. These increases are within the 8% cap allowed by statute under price cap regulation.

The Telecommunications Department Staff (Staff) has reviewed the filing and has no objection to the tariff going into effect.

William C. Bailey
Executive Director
Regulatory and Industry Relations

Southwestern Bell Telephone
One Bell Center
Suite 4202
St. Louis, Missouri 63101
Phone 314 255-2700

Southwestern Bell

May 24, 1999

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Dear Judge Roberts:

Southwestern Bell Telephone Company proposes to revise Section 6 of Missouri General Exchange Tariff, P.S.C. Mo.-No. 35, to reprice Directory Assistance (DA) Service rates.

The Sent Paid DA rate of $.45 is being increased to $.48 and the Alternately Billed rate of $.90 is being increased to $.97. These increases are within the 8% cap allowed under price cap regulation.

The proposed revisions are reflected on the attached tariff sheets. The issued and requested effective dates are May 26, 1999 and June 26, 1999 respectively.

Questions concerning this filing may be referred to Sherry Myers on 314-235-6380.

Very truly yours,

William C Bailey (pem)

Attachment

I certify that a copy of the foregoing, including attachments, is being forwarded, Postage prepaid, to the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, this 24th day of May 1999.

Deborah Tyler

SCHEDULE 10-11

9900908

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

General Exchange Tariff
Section 6
7th Revised Sheet 15
Replacing 6th Revised Sheet 15

DIRECTORY SERVICES

6.14 DIRECTORY ASSISTANCE SERVICE-(Continued)

6.14.3 Exemptions:-(Continued)

B. Those customers[1] whose physical, visual, mental or reading disabilities prevent them from using the telephone directory are to be exempted from the charge for direct-dialed calls to Directory Assistance; from the charge for placing a call to Directory Assistance via an operator; and the charge applicable when Directory Assistance Service charges are billed to a Telephone Company Calling Card. Exempt customers will be provided with a Telephone Company Calling Card which can be used at any location, including business locations to receive local and intraLATA DA exemption. The method of exempting those physically, visually, mentally or reading disabled customers shall be via the completion of an exemption form supplied by the Telephone Company and the Telephone Company's acceptance of that form.

6.14.4 Rates

A. Where the customer places a sent-paid direct dialed call to Directory Assistance, the charge for each listing request, subject to any allowance described in this tariff, is $.48 per listing request. This charge is applicable for each listing requested on the call. (CR)

Was .45

B. Directory Assistance Service Charges billed to a third number; a special billing number; or a Telephone Company Calling Card, will be billed $.97 for the initial listing request. Additional listing requests, which are billed in the same manner as the initial request, will be billed at $.48 for each listing request, subsequent to the initial request, on the same call. (CR) (CR)

Was $.90

Was $.45

(1) Customer includes residence customers and business customers. It is not intended that the exemption in a business environment be extended to non-handicapped individuals.

Issued: MAY 26 1999 Effective: JUN 26 1999

By PRISCILLA HILL-ARDOIN, President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

SCHEDULE 10-12

UTILITY OPERATIONS DIVISION ROUTING SLIP

File No. 200101170

To:	Initial	Assigned: 6/7/01			
		From:	Initial	Date	Revised
Chair Lumpe		Tom Solt	tas	6/7/01	
Commissioner Murray		Wm Voight			
Commissioner Simmons		Mr. VanEschen			
Commissioner Gaw		Mr. Henderson			
		Legal			
Agenda Date:					
Final Agenda: 7/3/01		Staff Deadline: 6/25/01 By 5pm			
Commission Action: Approve: Suspend:		STAFF RECOMMENDS APPROVAL			

Company: Southwestern Bell Telephone Company
Effective Date: 7/5/01
Purpose: Increase rates for Directory Assistance, Non-published and Non-listed service, Line Status Verification, Busy Line Interrupt, and Operator Assistance Services pursuant to price cap statute

On June 5, 2001, Southwestern Bell Telephone Company (SWBT or Company), a large, incumbent local exchange carrier (ILEC), filed tariff sheets proposing to change the pricing of certain components of its Directory Assistance, Non-published and Non-listed service, Line Status Verification, Busy Line Interrupt, and Operator Assistance Services. The proposed changes increase by up to eight percent, the prices paid for the affected components. These services are nonbasic telecommunications services.

Section 392.245.11 RSMo Supp., states that

> the maximum allowable prices for nonbasic telecommunications services of an incumbent local exchange telecommunications company may be annually increased by up to eight percent for each of the following twelve-month periods upon providing notice to the commission and filing tariffs establishing the rates for such services in such exchanges at such maximum allowable prices. . . . An incumbent local exchange telecommunications company may change the rates for its services, consistent with the provisions of section 392.200, but not to exceed the maximum allowable prices, by filing tariffs which shall be approved by the commission within thirty days, provided that any such rate is not in excess of the maximum allowable price established for such service under this section.

The Telecommunications Department Staff (Staff) has reviewed SWBT's proposed tariff sheets and believes the filing is consistent with the requirements of Section 392.245 RSMo, as set out above. Therefore, Staff recommends approval of the Company's proposed tariff sheets. Staff is not aware of any other filing that affects, or is affected by, this filing.

Southwestern Bell Telephone
One Bell Center
Room 35-H-4
St. Louis, MO 63101

Southwestern Bell | SBC global network

June 5, 2001

RECEIVED
JUN 05 2001
Records
Public Service Commission

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Dear Judge Roberts:

Southwestern Bell Telephone Company proposes to revise the Missouri Local Exchange Tariff, P.S.C. Mo.-24, the Long Distance Message Telecommunications Service Tariff, P.S.C. Mo.-26 and Section 6 of the General Exchange Tariff, P.S.C. Mo.-35. The purpose of these revisions is to re-price certain Operator Services, Directory Listings and Directory Assistance (DA) Service rates.

Rates for Directory Assistance, Non-published and Non-Listed service, and Line Status Verification and Busy Line Interrupt and Operator Assistance Services are being increased within the 8% cap allowed under price cap regulation.

The proposed revisions are reflected on the attached tariff sheets. The issued and requested effective dates are June 5, 2001and July 5, 2001 respectively.

Questions concerning this filing may be referred to Sherry Myers on 314-235-6380.

Very truly yours,

Sherry Myers

Attachment

I certify that a copy of the foregoing, including attachments, is being forwarded postage prepaid to the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri, 65102 this 5th day of June 2001.

Sherry Myers

SCHEDULE 10-14

200101170

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

Local Exchange Tariff
5th Revised Sheet 5.10
Replacing 4th Revised Sheet 5.10

LOCAL EXCHANGE TARIFF

1.2 RATES-(Continued)

1.2.5 Line Status Verification and Busy Line Interrupt-(Continued)

C. Rates

The rates set forth below apply to calls from customers who request local or intraLATA-intrastate assistance in determining line status or attempted interruption of a conversation in progress.

	Rate	
1. Line Status Verification, per request	$1.39(CR)	1.29
2. Busy Line Interrupt, per request.	2.14(CR)	1.99

If the line verified is not in use or as the result of interrupt the line is cleared, and at the calling party's request the operator completes the call, the applicable Operator Assistance Service Charges apply in addition to the Line Status Verification or Busy Line Interrupt Charge.

D. Exemptions

Charges for Line Status Verification and Busy Line Interrupt are not applicable to calls placed from authorized emergency agencies.

Police, Fire, Ambulance and 911/911-Like agencies are those agencies which qualify for this exemption.

1.2.6 Local Operator Assistance

A. Description

The Telephone Company furnishes local assistance by a Telephone Company-provided operator or the automated Interactive Voice System (IVS) whereby customers may request assistance in: dialing a local number; requesting a local person-to-person call; billing a local call to a Telephone Company calling card, to a third number or collect.

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

Local Exchange Tariff
3rd Revised Sheet 5.11A
Replacing 2nd Revised Sheet 5.11A

LOCAL EXCHANGE TARIFF

1.2 RATES-(Continued)

1.2.6 Local Operator Assistance-(Continued)

C. Rates-(Continued)

DESCRIPTION	Non-payphone(2) RATE	Payphone(2)(3) RATE
Station-to-Station Service		
Calling Card	WAS	WAS
Non-Automated	$1.24(CR) 1.15	$1.24(CR) 1.15
Semi-Automated	.75(CR) .70	.75(CR) .70
Fully-Automated	.37(CR) .35	.37(CR) .35
Collect		
Non-Automated	$1.24(CR) 1.15	$1.24(CR) 1.15
Semi-Automated	1.02(CR) .95	1.02(CR) .95
Fully-Automated	.81(CR) .75	.81(CR) .75
Billed to a Third Number		
Non-Automated	$1.24(CR) 1.15	$1.24(CR) 1.15
Semi-Automated	1.02(CR) .95	1.02(CR) .95
Fully-Automated	.81(CR) .75	.81(CR) .75
Sent-Paid		
Non-Automated	$1.24(CR) 1.15	$1.15 1.15
Semi-Automated	1.02(CR) .95	.95 .95
PERSON-TO-PERSON SERVICE(1)		
Non-Automated	$2.75(CR) 2.55	$2.75(CR) 2.55
Semi-Automated	2.32(CR) 2.15	2.32(CR) 2.15

(1) Person-to-Person service may be billed to a calling card, billed to a third number, or billed as collect at no additional charge.

(2) Payphone rates apply to all pay type telephones that accept coins, or are coinless, or have a card reader, or a combination of a coin accepting/card reader telephone. Non-payphone rates apply to all other types of calls. This operator services offering will comply with the Commission's decision in Case No. TA-88-218. PC

(3) For local calls from pay telephones, a $.25 charge applies in addition to the pay telephone rate listed.

No supplement to this tariff will be issued except for the purpose of canceling this tariff.
20.01

Long Distance Message Telecommunications Service Tariff
11th Revised Sheet 20.01
Replacing 10th Revised Sheet

LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE

1.4 TWO-POINT SERVICE-(Continued)

1.4.6 Rates-(Continued)

B. Operator Service Charges-(Continued)

2. Rates

Description	Non-Coin(2) Rate	Coin(2) Rate
Station-to-Station Service		
Calling Card		
Non-Automated	$1.24(CR) 1.15	$1.24(CR) 1.15
Semi-Automated	.75(CR) .70	.75(CR) .70
Fully Automated	.37(CR) .35	.37(CR) .35
Collect		
Non-Automated	$1.24(CR) 1.15	$1.24(CR) 1.15
Semi-Automated	1.02(CR) .95	1.02(CR) .95
Fully Automated	.81(CR) .75	.81(CR) .75
Billed to a Third Number		
Non-Automated	$1.24(CR) 1.15	$1.24(CR) 1.15
Semi-Automated	1.02(CR) .95	1.02(CR) .95
Fully Automated	.81(CR) .75	.81(CR) .75
Sent Paid		
Non-Automated	$1.24(CR) 1.15	$1.15 1.15
Semi-Automated	1.02(CR) .95	.95 .95
Person-to-Person Service(1)		
Non-Automated	$2.75(CR) 2.55	$2.75(CR) 2.55
Semi-Automated	2.32(CR) 2.15	2.32(CR) 2.15
Other Services		
Line Status Verification	$1.39(CR) 1.29	$1.39(CR) 1.29
Busy Interrupt	2.14(CR) 1.99	2.14(CR) 1.99

(1) Person-to-Person service may be billed to a calling card, billed to a third number or billed as collect at no additional charge.
(2) Coin includes all pay type telephones that accept coins, or are coinless, or have a card reader, or a combination of a coin accepting/card reader telephone. For the purposes of applying operator service charges, all telephones that are not defined as "coin" will be treated as "non-coin."

Issued: June 5, 2001 Effective: July 5,2001

By Jan Newton, President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri

SCHEDULE 10-17

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

DIRECTORY SERVICES

6.12 NONPUBLISHED EXCHANGE SERVICE-(Continued)

6.12.4 Residence nonpublished exchange service will be furnished at the following rate:

	Monthly Rate	Service and Equipment Charge(1)
Nonpublished Exchange Service, each nonpublished telephone number (NPU).....	$1.85(2)(CR)	1.72 $6.00 uc

6.12.5 The minimum term for which nonpublished Exchange Service will be billed is one month.

6.12.6 The rate will not apply in the following cases:

A. Foreign Exchange Service, where the customer is also furnished Local Exchange Service.

B. Additional Local Exchange Service furnished the same customer in the same exchange so long as the customer has Local Exchange Service listed in the directory in the same exchange.

C. Local Exchange Service for customers living in a hotel, hospital, retirement complex, apartment house, boarding house or club, if the customer is listed under the telephone number of the establishment.

D. Where a customer's service is changed to nonpublished for a Telephone Company reason due to unusual circumstances, such as harassing calls, threats or other acts adversely affecting the health, welfare, security or service of the customer. (This service should not be provided for a period of more than one month.)

E. When a customer who has service which involves data terminals where there is no voice use contemplated.

F. When the customer elects to publish his/her preferred number service telephone number in lieu of the residence local exchange number in the same exchange.

(1) The Service and Equipment Charge is applicable only when the request for nonpublished Exchange Service is subsequent to the initial installation of the exchange access line.
(2) A portion of this rate is interim and subject to refund to all the customers charged pursuant to the revenue recovery mechanism described in P.S.C. Mo.-No. 24, Local Exchange Tariff, Paragraph 1.7.7.A. and 1.8.6, and in P.S.C. Mo.-No. 26, Long Distance Message Telecommunications Service Tariff, paragraphs 1.10.4 and 1.11.F.

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

General Exchange Tariff
Section 6
13h Revised Sheet 12
Replacing 12th Revised Sheet 12

DIRECTORY SERVICES

6.13 NONLISTED SERVICE (NLT)

6.13.1 General

A. At the request of the customer, any one or all of the customer's primary listings, additional listings or other listings associated with the same or different residence telephone service line normally published in the directory will be omitted from the directory but listed in the Directory Assistance records available to the general public.

B. The customer indemnifies and saves the Telephone Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly by the publication of the listing which the customer has requested be omitted from the telephone directory or the disclosing of such a listing to any person. Where such a listing is published in the telephone directory, the Telephone Company's liability shall be limited to a refund of any monthly charges assessed by the Telephone Company for the particular nonlisted service.

C. The monthly rate for nonlisted service applies separately for each listing which normally would be published in the directory but which, at the customer's request, is furnished on a nonlisted basis.

6.13.2 Rates

	Monthly Rate	Service and Equipment Charge(1)
Nonlisted Service, each		
Primary ..... (NLT)	$1.39(CR) 1.27 WAS	$6.00 NC
Additional..... .(NLA)	1.39(CR) 1.29	6.00 NC

6.14 DIRECTORY ASSISTANCE SERVICE

6.14.1 General

A. The Telephone Company furnishes Directory Assistance Service whereby customers may request assistance in determining telephone numbers when the listed name is provided.

B. The regulations and rates set forth below apply to calls from customers who request assistance in determining telephone numbers of customers who are located in the same local calling area, the calling customer's Home Numbering Plan Area (HNPA) and NPA requests outside of the calling customer's HNPA. Upon request, the street address information normally published in the directory will be given out by the Directory Assistance attendant for listed and nonlisted customers. Where facilities permit, Zip Code information also will be provided by the Directory Assistance attendant. Information for nonpublished customers will not be provided.

(1) The Service and Equipment Charge is applicable only when the request for Nonlisted Service is subsequent to the initial installation of the exchange access line.

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

DIRECTORY SERVICES

6.14 DIRECTORY ASSISTANCE SERVICE-(Continued)

6.14.3 Exemptions:-(Continued)

B. Those customers[1] whose physical, visual, mental or reading disabilities prevent them from using the telephone directory are to be exempted from the charge for direct-dialed calls to Directory Assistance; from the charge for placing a call to Directory Assistance via an operator; and the charge applicable when Directory Assistance Service charges are billed to a Telephone Company Calling Card. Exempt customers will be provided with a Telephone Company Calling Card which can be used at any location, including business locations to receive local and intraLATA DA exemption. The method of exempting those physically, visually, mentally or reading disabled customers shall be via the completion of an exemption form supplied by the Telephone Company and the Telephone Company's acceptance of that form.

6.14.4 Rates

(CR) A. Where the customer places a sent-paid direct dialed call to Directory Assistance, the charge for each listing request, subject to any allowance described in this tariff, is $.55 per listing request. This charge is applicable for each listing requested on the call. WAS .51

(CR) (CR) B. Directory Assistance Service Charges billed to a third number; a special billing number; or a Telephone Company Calling Card, will be billed $1.12 for the initial listing request. Additional listing requests, which are billed in the same manner as the initial request, will be billed at $.55 for each listing request, subsequent to the initial request, on the same call. WAS 1.04 WAS .51

(1) Customer includes residence customers and business customers. It is not intended that the exemption in a business environment be extended to non-handicapped individuals.

Issued: June 5, 2001 Effective: July 5, 2001

By Jan Newton, President-Missouri
Southwestern Bell Telephone Company
St. Louis, Missouri