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SOUTHWESTERN BELL TELEPHONE, L.P., d/b/a AT&T MISSOURI

CASE NO. TO-2005-0144

REBUTTAL TESTIMONY

OF

CRAIG A. UNRUH



St. Louis, Missouri
December 9, 2005

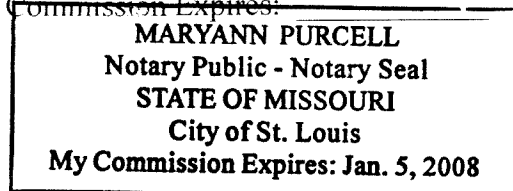


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CASE NO. TO-2005-0144
SOUTHWESTERN BELL TELEPHONE, L.P.,
D/B/A/ AT&T MISSOURI
REBUTTAL TESTIMONY OF CRAIG A. UNRUH

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Craig A. Unruh and my business address is One SBC Center, Room
3528, St. Louis, Missouri, 63101.

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

A. I am employed by Southwestern Bell Telephone, L.P., d/b/a AT&T Missouri
("AT&T Missouri")¹ and serve as its Executive Director – Regulatory. I am
responsible for advocating regulatory policy and managing AT&T Missouri's
regulatory organization.

**Q. HAVE YOU PREPARED AN EXHIBIT THAT SUMMARIZES YOUR
PROFESSIONAL AND EDUCATIONAL BACKGROUND AND
EXPERIENCE BEFORE THE MISSOURI PUBLIC SERVICE
COMMISSION ("COMMISSION")?**

A. Yes. This information is contained in Unruh - Schedule 1.

PURPOSE AND MAIN POINTS OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

1 A. My testimony responds to the direct testimony filed in this case. I explain why
2 the Commission should proceed carefully with this case because mandating
3 calling scope changes does not comply with its statutory authority and is not the
4 appropriate public policy in today's competitive marketplace. I explain why
5 OPC's proposal must be rejected as it is unlawful and is contrary to good public
6 policy. My testimony, though, offers a voluntary solution that would, if adopted,
7 avoid the legal issues, balance the interests of the parties, and satisfy the
8 identified calling scope issues.

9

10 **Q. WHAT ARE THE MAIN POINTS THE COMMISSION SHOULD**
11 **UNDERSTAND ABOUT YOUR TESTIMONY?**

12 A. The Commission should understand the following points about my testimony and
13 this case in general:

- 14 • The Commission has no authority to mandate changes to local calling scopes or
15 mandate pricing in competitive exchanges such as Greenwood.
- 16 • Even if the Commission finds that it does have authority to mandate changes to
17 local calling scopes, it should not as a matter of good public policy because doing
18 so can distort the competitive marketplace.
- 19 • OPC's proposal must be rejected because it is unlawful on several accounts and is
20 not consistent with good public policy.

¹ Southwestern Bell Telephone, L.P., previously did business as "SBC Missouri."

- 1 • AT&T Missouri, though, proposes a voluntary solution that would, if adopted,
2 avoid the legal issues, balance the parties' interests, and satisfy the identified
3 calling scope issues.

4

5 **THE COMMISSION LACKS STATUTORY AUTHORITY TO MANDATE**
6 **CALLING SCOPE CHANGES**

7 **Q. DOES THE COMMISSION HAVE THE STATUTORY AUTHORITY TO**
8 **MANDATE CALLING SCOPE CHANGES ON AT&T MISSOURI?**

9 A. No. The Commission does not have the authority to mandate calling scope
10 changes. Since this is a legal issue, I will point to AT&T Missouri's Response to
11 OPC's Final Recommendation and Prehearing Brief for the associated legal
12 arguments.

13

14 **Q. EVEN IF THE COMMISSION DID HAVE THE AUTHORITY TO**
15 **MANDATE CALLING SCOPE CHANGES, WOULD OPC'S PROPOSAL**
16 **BE LAWFUL?**

17 A. No. OPC's proposal does not provide for revenue neutrality and it attempts to
18 mandate pricing of AT&T Missouri's competitively classified services.

19

20 **Q. WOULD AT&T MISSOURI LOSE REVENUE IF OPC'S PROPOSAL**
21 **WERE ADOPTED?**

22 A. Yes. OPC's proposal would reduce AT&T Missouri's revenue through the
23 elimination of the optional MCA charge in Greenwood and through the loss of

1 intraLATA toll revenues² and switched access revenues³ that would occur by
2 making certain calls local that are today, long distance calls. Under OPC's
3 proposal, basic local prices for Greenwood customers would rise, but the increase
4 is not sufficient to offset the loss in MCA, toll, and access revenues that AT&T
5 Missouri would incur. AT&T Missouri estimates its revenue loss under OPC's
6 proposal to be over **\$____** per year.

7
8 **Q. PUTTING ASIDE THE LEGAL ARGUMENTS, IF THE COMMISSION**
9 **ADOPTED OPC'S PROPOSAL, HOW WOULD AT&T MISSOURI**
10 **PROPOSE REVENUE NEUTRALITY?**

11 A. If required to deal with revenue neutrality issues, the lost revenue should be
12 recovered in basic local prices from the two groups which would benefit from
13 OPC's proposal – Greenwood and Kansas City customers. The revenue which is
14 not recovered from the Greenwood customers receiving a larger local calling
15 scope would be recovered from the Kansas City customers who would also
16 experience an increased calling scope under OPC's proposal.

NP

17
18 **Q. PLEASE EXPLAIN HOW OPC'S PROPOSAL WOULD MODIFY AN**
19 **EXCHANGE BOUNDARY.**

² For example, under the current MCA Plan, it is a long distance call for a customer in Greenwood who does not subscribe to optional MCA service to call downtown Kansas City. Under OPC's proposal, that call would become a locally-dialed MCA call.

³ For example, AT&T Missouri would collect intrastate switched access charges on calls from a CLEC in downtown Kansas City to a non-MCA customer of AT&T Missouri in the Greenwood exchange.

1 A. OPC's proposal calls for making Greenwood a "mandatory" MCA tier 2
2 "exchange."⁴ There is no such thing as a tier 2 exchange. There are certain
3 "zones" within the Kansas City exchange, some of which are considered tier 2
4 zones. The price for basic local service within the Kansas City exchange varies
5 by these zones. There is only one "exchange" (i.e., the Kansas City exchange) in
6 the Kansas City MCA where MCA service is mandatory. OPC's proposal would
7 require that the Kansas City exchange be modified to incorporate the Greenwood
8 exchange such that Greenwood would become a tier 2 "zone" within the Kansas
9 City exchange. This proposal would modify both the Kansas City and
10 Greenwood exchange boundaries.

11
12 **Q. DOES AT&T MISSOURI APPROVE OF A MODIFICATION OF THE**
13 **EXCHANGE BOUNDARIES AS IS REQUIRED BY SECTION 392.200.9,**
14 **RSMO., BEFORE THE COMMISSION MAY ALTER A LOCAL**
15 **EXCHANGE BOUNDARY?**

16 A. No. AT&T Missouri has not agreed to modify its exchange boundaries. AT&T
17 Missouri is, however, willing to offer a voluntary solution, as outlined below,
18 which achieves essentially the same calling scope effect that OPC seeks.⁵ To be
19 clear, AT&T Missouri's proposal must be adopted in its entirety, and AT&T

⁴ See, for example, Ms. Barbara A. Meisenheimer's Direct Testimony, p. 11, ln. 18.

⁵ Actually, as explained below, AT&T Missouri's proposal will provide a broader calling scope for Greenwood customers than OPC's proposal. OPC's proposal actually reduces the calling scope for the majority of Greenwood customers because these customers would no longer be able to call non-MCA subscribers in MCA tier 3 exchanges.

1 Missouri does not wave its rights or objections if its proposal is not adopted in its
2 entirety.

3

4 **Q. YOU ALSO MENTION THAT OPC'S PROPOSAL ATTEMPTS TO**
5 **MANDATE PRICING ON AT&T MISSOURI'S COMPETITIVELY**
6 **CLASSIFIED SERVICES. PLEASE EXPLAIN.**

7 A. AT&T Missouri's residential and business services in the Greenwood exchange
8 are competitively classified.⁶ Therefore, AT&T Missouri may set prices as it
9 deems appropriate in the marketplace. OPC's plan attempts to restrict AT&T
10 Missouri's prices for customers in the Greenwood exchange at a Commission-
11 mandated level (specifically, the prices charged to Lee's Summit). Such action
12 would be contrary to the law, so OPC's proposal must be rejected. AT&T
13 Missouri's Prehearing Brief will explain this in more detail.

14

15 **AS A MATTER OF GOOD PUBLIC POLICY, THE COMMISSION SHOULD**
16 **REFRAIN FROM MANDATING CALLING SCOPE CHANGES AS IT MAY**
17 **DISTORT THE COMPETITIVE MARKETPLACE**

18 **Q. SHOULD THE COMMISSION MANDATE CALLING SCOPE**
19 **CHANGES?**

20 A. No. Even if the Commission could lawfully do so, I do not believe it is good
21 public policy for the Commission to mandate calling scope changes in a
22 competitive marketplace. There are many competitors offering the ability to call

1 from one location to another. Some of these competitors fall under the
2 Commission's jurisdiction (e.g., traditional landline companies like ILECs,
3 CLECs, and IXC⁷) while other competitors do not (e.g., wireless carriers and
4 VoIP providers⁸). If the Commission mandates, for example, that a certain
5 company, say an ILEC, make it a local call for customers in community A to be
6 able to call customers in community B, then it impacts the other carriers trying to
7 compete for the calling from community A to community B. This has the
8 potential to distort the competitive marketplace. As a result, I do not believe the
9 Commission should engage in micro-managing the marketplace in this manner.
10 Nor do I believe that it is appropriate to single out one provider by imposing
11 requirements on it that are not imposed on its competitors operating in the same
12 area.

13
14 **Q. ARE THERE MULTIPLE COMPETITORS COMPETING TO PROVIDE**
15 **CUSTOMERS IN GREENWOOD THE ABILITY TO CALL OTHER**
16 **EXCHANGES AROUND GREENWOOD?**

17 A. Yes. There are several providers including CLECs, wireless carriers, and IXCs
18 that are competing to provide customers in Greenwood the ability to call other
19 communities. For example, during the local public hearing in this case, one
20 customer stated that she uses two competitive local exchange carriers to meet her
21 telecommunications needs – Sage Telecom for her residential service and

⁶ Pursuant to Commission Orders in TO-2006-0093 and TO-2006-0102.

1 McLeod for her business service.⁹ Sage, for example, is marketing a metropolitan
2 calling service in Greenwood for \$34.00 that offers a local line, MCA calling,
3 vertical features, and 100 minutes of long distance service. AT&T Missouri also
4 offers services to meet such calling needs. As is evident from this case, AT&T
5 Missouri offers the MCA Plan which provides for expanded local calling
6 throughout the Kansas City area. AT&T Missouri offers plans similar to the Sage
7 plan described above which provides customers a local line, MCA calling, and
8 several vertical features for as low as \$25.18. AT&T Missouri, in conjunction
9 with AT&T Long Distance, also offers a service which includes several vertical
10 services and unlimited local and long distance voice calls for as low as \$39.95.
11 Additionally, AT&T Long Distance offers a stand-alone unlimited long distance
12 voice calling plan for \$30. The trend throughout the industry (wireless and
13 wireline) is to move to all distance calling plans where the distinction between
14 “local” and “long distance” calling is becoming increasingly blurred. The
15 wireless industry led this trend with region-wide and, more recently, nationwide
16 calling plans. And now landline companies have responded with similar plans.

17
18 **Q. IS IT PARTICULARLY INAPPROPRIATE TO MANDATE A CALLING**
19 **SCOPE CHANGE ON ONE PARTICULAR COMPANY?**

20 A. Yes. Its not entirely clear in this particular case how OPC would have the
21 Commission deal with its proposed changes as it relates to all the carriers under

⁹ Incumbent local exchange carriers (“ILECs”), competitive local exchange carriers (“CLECs”) and interexchange carriers, or traditional long distance companies (“IXCs”).

1 the Commission's jurisdiction that are providing service in Greenwood, but it
2 would be particularly inappropriate to mandate a change only on selected carriers
3 (e.g., only on AT&T Missouri).

4

5 **Q. DO YOU HAVE SPECIFIC CONCERNS ABOUT MANDATING**
6 **CHANGES TO THE GREENWOOD PORTION OF THE MCA PLAN?**

7 A. Yes. Essentially, customers in Greenwood want MCA calling without having to
8 pay the optional MCA charge. Generally, as with all consumers, they want more
9 for less. This is understandable, however, for our economy to function, there
10 must be a balance between what customers want (e.g., more for less) and the price
11 at which companies are willing to provide their services. The MCA Plan
12 involved tradeoffs. A plan was developed that established who was going to pay
13 for what. In general, a line was drawn, and the revenue loss attributable to the
14 calling scope changes associated with the MCA Plan were largely to be borne by
15 customers residing "outside" this line, while the customers residing "inside" the
16 line did not see a price increase for their service. The Greenwood customers were
17 placed "outside" the line where MCA service is optional and, as a result, they
18 incur a price additive to the basic local price for MCA wide calling. The Lee's
19 Summit customers were placed "inside" the line where MCA service is part of
20 their basic local service (i.e., there are no price additives for MCA service) and

⁸ Voice over Internet Protocol (VoIP).

⁹ Hearing Transcript pp. 36 -37.

1 their basic local prices were not increased when the MCA Plan was created and
2 they were given the expanded local calling.

3

4 **Q. COULD THE MCA PLAN HAVE BEEN PRICED DIFFERENTLY WHEN**
5 **IT WAS CREATED?**

6 A. Yes. For example, if it had been decided to “share” the revenue impacts between
7 the optional MCA areas and the mandatory MCA areas, then communities such as
8 Lee’s Summit would be paying a higher basic local price today because their
9 basic local prices would have been increased to offset some of the revenue losses
10 associated with implementing the MCA Plan.¹⁰

11

12 **Q. ARE THERE NUMEROUS EXCHANGES, LIKE GREENWOOD, WHERE**
13 **CUSTOMERS PAY AN “ADDITIVE” TO OBTAIN MCA SERVICE?**

14 A. Yes. There are 88 exchanges in the Kansas City, St. Louis, and Springfield
15 MCAs where customers pay “extra” for MCA service. As a result, the
16 Commission should recognize that action to mandate elimination of the optional
17 MCA charge in Greenwood could spark similar requests for other exchanges
18 throughout the optional MCA tiers. Parties have expressed concern in past MCA
19 cases that changes to the MCA Plan could be the proverbial string that unravels
20 the whole MCA Plan. If the optional MCA charge is eliminated for Greenwood

¹⁰ The basic local price in Lee’s Summit is \$12.07 today; however, it could have been priced higher, perhaps somewhere between \$15 - \$20, if it had been decided to recover some of the MCA Plan revenue losses from mandatory MCA customers.

1 customers, it could motivate additional communities to complain about their
2 MCA charges.¹¹

3

4 **Q. HAS THE COMMISSION RECENTLY ADOPTED A CALLING SCOPE**
5 **RULE?**

6 A. Yes. The Commission recently adopted a rule which defines a process under
7 which communities can bring calling scope petitions to the Commission.¹²

8

9 **Q. IS OPC'S PROPOSAL CONSISTENT WITH THIS RULE?**

10 A. No. The rule provides that a calling scope plan should be just, reasonable,
11 affordable and in the public interest. While I agree OPC's plan is "affordable"
12 since the vast majority of customers in Greenwood are already paying a higher
13 price today (i.e., they are optional MCA subscribers today), I do not believe
14 OPC's plan is just, reasonable, or in the public interest. OPC's proposal would
15 actually reduce the calling scope of the vast majority of Greenwood customers.¹³
16 Since these customers have demonstrated a willingness to purchase MCA service
17 today, I do not believe it is in the public interest to reduce their local calling
18 scope. It is also not in the public interest to attempt to do something unlawful as
19 OPC's proposal contemplates. As I explained above, OPC's plan is unlawful on

¹¹ In fact, another case dealing with this same issue is now pending before the Commission. In Case No. TO-2005-0143, OPC seeks to eliminate the optional MCA charge for customers in the Ozark exchange which is part of the Springfield MCA.

¹² See 4 CSR 240-2.061.

¹³ As is more fully explained in Mr. William L. Voigt's Direct Testimony (pp. 4-5), MCA subscribers in Greenwood can call all customers in MCA 3 exchanges whether or not they are MCA subscribers. Under OPC's proposal, Greenwood customers would only be able to call MCA subscribers in MCA 3 exchanges.

1 several accounts including a lack of jurisdiction to mandate calling scope
2 changes, lack of revenue neutrality, lack of authority to modify an exchange
3 boundary without the ILEC's agreement, and lack of authority to impose pricing
4 levels on competitively classified services. The plan is also unjust, unreasonable,
5 and not in the public interest because it imposes a revenue loss on AT&T
6 Missouri and because it does not strike a reasonable balance between the interests
7 of the consumers in Greenwood and the interests of AT&T Missouri. As I
8 explained above, the MCA Plan was established as a trade-off. A micro-effect of
9 this tradeoff was that Lee's Summit customers did not see a price increase on
10 their basic local service to obtain MCA service while Greenwood customers had
11 to pay \$12.35 in addition to their basic local service charge to obtain MCA
12 service. It would be unjust and unreasonable to simply take away the \$12.35
13 MCA charge for the Greenwood customers without recognizing that the Lee's
14 Summit price is artificially low because of the \$12.35 MCA charge assessed to
15 Greenwood customers. OPC's proposal to set Greenwood's price equal to Lee's
16 Summit's price does not acknowledge this trade-off. And, as I have mentioned
17 above, this trade-off exists throughout all the MCA areas. OPC's proposal could
18 be taken to the extreme where all 88 optional MCA exchanges (plus the St. Louis
19 and Kansas City exchanges) could argue that they should be treated just like the
20 Springfield exchange where they only pay \$9.74 for MCA service. This would
21 equate to tens of millions of dollars in lost revenue to AT&T Missouri because it
22 would fail to acknowledge the trade-off that was created with implementation of
23 the MCA Plan.

1

2 **AT&T MISSOURI WILL SUPPORT A VOLUNTARY PROPOSAL TO**
3 **RESOLVE THE ISSUES IN THIS CASE**

4 **Q. IS AT&T MISSOURI WILLING TO SUPPORT A VOLUNTARY**
5 **PROPOSAL THAT WILL RESOLVE THE ISSUES IN THIS CASE?**

6 A. Yes. As outlined below, AT&T Missouri is willing to offer a voluntary plan that
7 would avoid the problems with OPC's proposal, balance the interests of the
8 parties, and resolve the calling scope concerns. I want to be clear that our
9 voluntary offer is just that, and that the Commission should not adopt piece parts
10 of it.

11

12 **Q. PLEASE EXPLAIN AT&T MISSOURI'S PROPOSAL.**

13 A. Greenwood would become a mandatory MCA exchange in the Kansas City MCA.
14 This means all customers in the Greenwood exchange would be considered MCA
15 customers. Greenwood customers would be permitted to locally call all
16 customers in Kansas City, all customers in MCA tier 3 exchanges, and all
17 customers recognized as MCA subscribers in the Kansas City MCA 4 and MCA 5
18 exchanges.¹⁴ In addition, Kansas City customers would be able to call all
19 Greenwood customers rather than just the optional MCA subscribers under the
20 existing MCA Plan. The \$12.35 optional MCA charge for Greenwood customers
21 would be eliminated. Additionally, the separate Extended Area Service ("EAS")

¹⁴ MCA subscribers are those customers subscribing to any ILECs' optional MCA Plan plus those customers deemed by CLECs to be "MCA subscribers" pursuant to Case No. TO-99-483.

1 charge in Greenwood that provides local calling to the Belton and Lee's Summit
2 zones in the Kansas City exchange would be eliminated. Consistent with other
3 MCA calling, intercompany compensation for calls to and from the Greenwood
4 exchange from MCA customers would be treated on a bill-and-keep basis.
5

6 **Q. HOW DOES THIS IMPACT MCA CALLING FOR THE REST OF THE**
7 **KANSAS CITY MCA?**

8 A. It would not impact MCA calling for the rest of the Kansas City MCA. The
9 calling scopes for MCA 3 (other than for Greenwood), MCA 4 and MCA 5
10 exchanges would remain the same. Under the current MCA Plan, optional MCA
11 subscribers in MCA 3, 4, and 5 are able to locally call all customers in the
12 Greenwood exchange and that would remain the same under AT&T Missouri's
13 proposal.
14

15 **Q. DOES AT&T MISSOURI'S CALLING SCOPE PROPOSAL DIFFER**
16 **FROM THAT PROPOSED BY OPC?**

17 A. Yes, slightly. Under OPC's proposal, the customers currently subscribing to
18 optional MCA service in Greenwood would no longer be able to call all
19 customers in the MCA 3 exchanges. With OPC's proposal, Greenwood
20 customers would be restricted to only calling optional MCA subscribers in MCA
21 3. While I believe the majority of customers in MCA 3 likely subscribe to
22 optional MCA service, so the reduction in the local calling scope that would occur
23 under OPC's proposal may be somewhat limited, AT&T Missouri's voluntary

1 proposal would prevent the vast majority of customers in Greenwood from losing
2 any of their current local calling scope.

3

4 **Q. AT WHAT PRICE DOES AT&T MISSOURI PLAN TO OFFER THIS**
5 **CALLING PLAN TO RESIDENTIAL CUSTOMERS?**

6 A. As mentioned above, AT&T Missouri plans to eliminate the optional MCA
7 monthly charge of \$12.35 in Greenwood which is a price additive on top of the
8 basic local monthly price of \$8.79. For the vast majority of AT&T Missouri's
9 customers in Greenwood, this equates to a monthly charge of \$21.14 for their
10 expanded local calling under the current MCA Plan. Under AT&T Missouri's
11 proposal, AT&T Missouri will provide all customers in the Greenwood exchange
12 the same expanded local MCA calling for \$15.00. This will be a reduction of
13 \$6.14 per month for the vast majority of AT&T Missouri's customers in
14 Greenwood. For the very small minority of customers that do not subscribe to
15 optional MCA service today, they will see a monthly increase of \$6.11¹⁵,
16 however, they will also gain a significantly larger calling scope than the limited
17 calling scope they receive today. The pricing impacts are summarized in the
18 following table:

19

Customer Group	Existing Price (including EAS charges)	Proposed Price
----------------	--	----------------

¹⁵ Greenwood non-MCA subscribers pay a mandatory extended area service charge of \$0.10 which allows toll free calling between the Greenwood exchange and the Belton and Lee's Summit zones of the Kansas City Exchange, so the price increase is equal to \$15.00 - \$8.79 - \$0.10.

Greenwood MCA subscriber (vast majority group - maintains existing expanded local calling scope)	\$21.14	\$15.00
Greenwood non-MCA subscriber (small minority - gains significantly larger calling scope)	\$8.89	\$15.00

1 **Q. AT WHAT PRICE DOES AT&T MISSOURI PLAN TO OFFER THIS**
 2 **CALLING PLAN TO BUSINESS CUSTOMERS?**

3 **A.** The calling scopes and relative changes and impacts are the same for business
 4 customers as those explained above for residential customers. The following
 5 table summarizes the proposed pricing impacts:

6

Customer Group	Existing Price (including EAS charges)	Proposed Price
Greenwood single-line MCA subscriber (vast majority of single line group - maintains existing expanded local calling scope)	\$47.10	\$33.30
Greenwood multi-line MCA subscriber (vast majority of multi-line group – maintains existing expanded local calling scope)	\$62.60	\$48.80
Greenwood single-line non- MCA subscriber (small minority - gains significantly larger calling scope)	\$22.59	\$33.30
Greenwood multi-line non-MCA subscriber (small minority – gains significantly larger calling scope)	\$38.09	\$48.80

7

1 **Q. DO THESE PRICING LEVELS MAKE AT&T MISSOURI REVENUE**
2 **NEUTRAL?**

3 A. No. However, AT&T Missouri is willing to forego its right to revenue neutrality
4 if the Commission approves AT&T Missouri's proposal without modification. As
5 with all of its competitively classified services, AT&T Missouri reserves the right
6 to change prices in the future as provided by law

7 **Q. DO YOU BELIEVE THIS IS A FAIR PROPOSAL?**

8 A. It certainly is from the customer's perspective. AT&T Missouri's plan would
9 meet the desires of Greenwood customers to have the Lee's Summit calling scope
10 without having to subscribe to optional MCA service. In fact, as explained above,
11 it provides Greenwood with a calling scope that is bigger than the Lee's Summit
12 calling scope. AT&T Missouri's plan would have Greenwood customers
13 shoulder some of the revenue loss resulting from their request to eliminate the
14 optional MCA charge, although AT&T Missouri would be forced to "eat" some
15 of the revenue loss. The proposal also balances the price reduction for the vast
16 majority of Greenwood customers with the price increase for the minority of
17 Greenwood customers who will also be gaining a significantly larger local calling
18 scope. The bottom line is that the vast majority of Greenwood customers will be
19 getting what they have today, but for less money.

20

1 **Q. WILL GREENWOOD RESIDENTIAL CUSTOMERS BE PAYING MORE**
2 **FOR MCA SERVICE THAN LEE’S SUMMIT RESIDENTIAL**
3 **CUSTOMERS?**

4 A. Yes, they will pay slightly higher prices. However, keep in mind that Lee’s
5 Summit customers would have been paying higher prices for MCA service had
6 the revenue losses incurred when the MCA Plan was created been partially
7 allocated to Lee’s Summit customers through the price they were to pay for MCA
8 service. As I mentioned above, it is quite conceivable that Lee’s Summit
9 customers could be paying \$15 or more for MCA service if the optional MCA
10 prices had originally been set lower than they were.¹⁶ Also, keep in mind that the
11 vast majority of Greenwood customers subscribe to optional MCA service, so
12 they will see a price reduction under AT&T Missouri’s proposal. The small
13 minority of customers who do not currently subscribe to MCA service will pay a
14 slightly higher price than Lee’s Summit customers; however, they also will have a
15 larger calling scope than Lee’s Summit customers.

16

17 **Q. IF THE COMMISSION MODIFIES THE MCA PLAN AS AT&T**
18 **MISSOURI PROPOSES, HOW WOULD IT IMPACT INTERCOMPANY**
19 **COMPENSATION?**

20 A. The Commission has previously determined that Intercompany compensation for
21 MCA calls should be bill-and-keep.

¹⁶ The prices for optional MCA service were set at a range that varied from \$12.35 to \$32.50. These prices are charged in addition to the basic local price of \$7.15 to \$8.79).

1

2 **Q. PLEASE EXPLAIN “BILL-AND-KEEP INTERCOMPANY**
3 **COMPENSATION”.**

4 A. “Bill and Keep” is a term used to describe the situation where companies do not
5 compensate each other for calls originating with one carrier and terminating to the
6 other. Outside of the MCA, landline companies typically pay switched access
7 compensation to each other for calls between exchanges that originate with one
8 carrier and terminate to another. For local calls within an exchange, companies
9 pay reciprocal compensation that is specified in interconnection agreements.
10 However, for MCA calls, the Commission has previously determined that there
11 should be no intercompany compensation (i.e., bill-and-keep).

12

13 **Q. WHY IS BILL-AND-KEEP INTERCOMPANY COMPENSATION**
14 **IMPORTANT?**

15 A. If companies were required to compensate each other for MCA calls, it could
16 make MCA service financially nonviable because companies would have to start
17 paying reciprocal compensation and terminating access compensation on all the
18 calls that terminate to other carriers. These charges are assessed on a per-minute
19 basis and can be up to several cents per minute so the terminating compensation
20 expense incurred by companies could be greater than the revenue they collect
21 from MCA service.

22

1 **Q. SO, IN MODIFYING THE MCA PLAN, IS AT&T MISSOURI**
2 **PROPOSING THAT INTERCOMPANY COMPENSATION WOULD**
3 **CONTINUE TO BE “BILL-AND-KEEP”?**

4 A. Yes. Under AT&T Missouri’s proposal to modify the MCA Plan, all calls to and
5 from Greenwood and Kansas City would be MCA calls, all calls from Greenwood
6 customers to MCA 3 exchanges would be MCA calls, and all calls from
7 Greenwood customers to customers recognized as MCA subscribers in MCA 4
8 and 5 exchanges would be MCA calls.

9

10 **SUMMARY**

11 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

12 A. My testimony has explained that the Commission should not, for both legal and
13 good public policy reasons, mandate a calling scope change on providers,
14 particularly on only selected providers, in the Greenwood exchange. My
15 testimony also explains why OPC’s proposal is unlawful and should be rejected.
16 That being said, however, AT&T Missouri voluntarily proposes a solution that it
17 believes balances the parties’ interests, resolves the calling scope issues, and
18 avoids the legal issues raised in the case. As part of this proposed solution,
19 AT&T Missouri would forego its right to revenue neutrality. AT&T Missouri
20 respectfully requests that the Commission issue an Order adopting AT&T
21 Missouri’s solution to modify the MCA Plan which is summarized as follows:

- 22 • Make Greenwood a mandatory MCA exchange which will eliminate the
23 optional MCA price;

- 1 • Maintain Greenwood's MCA calling scope so Greenwood customers
2 can continue to call all customers in MCA 3 exchanges;
3 • Provide local calling between the Greenwood exchange and the Kansas
4 City exchange;
5 • Maintain the bill-and-keep intercompany compensation mechanism for
6 these new MCA calls (in addition to the existing MCA calls).

7

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

9 **A. Yes, it does.**

SUMMARY OF EDUCATION, WORK EXPERIENCE AND QUALIFICATIONS

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?

A. I received a Bachelor of Science in Computer Science from Kansas State University in 1986. I received a Master of Business Administration from Washington University in St. Louis in 1995. I have been employed by AT&T Missouri since 1986 and have held several positions in the company mostly working in the regulatory area. I have worked on regulatory issues at both the federal and state level.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

- A. Yes, I have previously testified in the following Missouri cases:
- Missouri Case No. TO-98-212, In the Matter of the Investigation into the Exhaustion of Central Office Codes in the 314 Numbering Plan Area
 - Missouri Case No. TO-97-217, In the Matter of an Investigation Concerning the Continuation or Modification of the Primary Toll Carrier Plan (PTC) When IntraLATA Presubscription is Implemented in Missouri
 - Missouri Case No. TO-99-14, In the Matter of the Implementation of Number Conservation Methods in the St. Louis, Missouri Area
 - Missouri Case No. TO-99-254, et al., In the Matter of an Investigation Concerning the Primary Toll Carrier Plan and IntraLATA Dialing Parity
 - Missouri Case No. TO-99-483, In the Matter of an Investigation for the Purpose of Clarifying and Determining Certain Aspects Surrounding the

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Provisioning of Metropolitan Calling Area Service after the Passage and
Implementation of the Telecommunications Act of 1996

- Missouri Case No. TR-2001-344, In the Matter of Northeast Missouri Rural Telephone Company's Rate Case in Compliance with the Commission's Orders in TO-99-530 and TO-99-254
- Missouri Case No. TO-98-329, Investigation into Various Issues Relating to the Missouri Universal Service Fund
- Missouri Case No. TT-2002-227, et al., In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC MO No. 26, Long Distance Message Telecommunications Service Tariff
- Missouri Case No. TR-2001-65, Investigation of actual costs incurred in providing exchange access service and the access rates to be charged by competitive local exchange telecommunications companies
- 1 • Missouri Case No. IT-2004-0015, In the Matter of Southwestern Bell
2 Telephone Company, d/b/a SBC Missouri's Proposed Revised Tariff Sheet
3 Intended to Increase by Eight Percent the Rates for Line Status Verification
4 and Busy Line Interrupt as Authorized by Section 392.245, RSMo, the Price
5 Cap Statute
- 6 • Missouri Case No. TO-2005-0035, In the Matter of The Second Investigation
7 into the State of Competition in the Exchanges of Southwestern Bell
8 Telephone, L. P., d/b/a SBC Missouri

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- 1 • Missouri Case No. TO-2006-0093, In the Matter of the Request of
2 Southwestern Bell Telephone, L.P., d/b/a SBC Missouri, for Competitive
3 Classification Pursuant to Section 392.245.6, RSMo (2005) – 30 day Petition
- 4 • Missouri Case No. TO-2006-0102, In the Matter of the Request of
5 Southwestern Bell Telephone, L.P., d/b/a SBC Missouri, for Competitive
6 Classification Pursuant to Section 392.245.6, RSMo (2005) – 60 day Petition