

Exhibit No.:

Issues: Monthly In-state  
Connection Fee

Witness: Daniel P. Rhinehart

Sponsoring Party: AT&T Communications  
of the Southwest, Inc.

Type of Exhibit: Surrebuttal Testimony

Case No.: TT-2002-0129

**AT&T COMMUNICATIONS OF THE SOUTHWEST, INC.,**

**SURREBUTTAL TESTIMONY**

**OF**

**DANIEL P. RHINEHART**

**TT-2002-0129**

**July 27, 2005**

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

**In the Matter of AT&T Communications of )  
the Southwest, Inc.'s Proposed Tariff To )  
Establish a Monthly Instate Connection Fee )  
and Surcharge )**

**Case No. TT-2002-0129**

**AFFIDAVIT OF DANIEL P. RHINEHART**

I, Daniel P. Rhinehart, being duly sworn, state that I am an employee of AT&T Corp. I have participated in the preparation of the attached Surrebuttal Testimony in question and answer form to be presented in this case and the answers were given by me. I have knowledge of the matters set forth in such answers and such answers are true and correct to the best of my knowledge and belief.

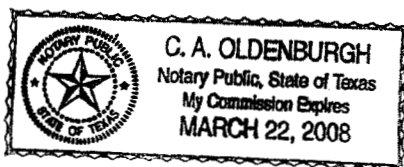
Dated this 27<sup>th</sup> day of July, 2005.

  
Daniel P. Rhinehart

**STATE OF TEXAS )  
 ) SS  
COUNTY OF TRAVIS )**

**SUBSCRIBED AND SWORN TO** before me this 27<sup>th</sup> day of July, 2005 by Daniel P. Rhinehart who certifies that the foregoing is true and correct to the best of his knowledge and belief.

Witness my hand and official seal.



  
Notary Public

My Commission expires:

March 22, 2008

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1    **I.     INTRODUCTION AND SUMMARY**

2    **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3    A.     My name is Daniel P. Rhinehart. My business address is 919 Congress Ave.,  
4           Suite 900, Austin, Texas 78701.

5    **Q.     ARE YOU THE SAME DANIEL P. RHINEHART THAT PRESENTED**  
6           **DIRECT TESTIMONY IN THIS CASE DATED JUNE 1, 2005?**

7    A.     Yes.

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

9    A.     I am testifying on behalf of AT&T Communications of the Southwest, Inc.  
10          (“AT&T”). My testimony responds to the rebuttal testimony of Public Counsel  
11          witness Barbara Meisenheimer. I also respond briefly to the direct testimony of  
12          James Appleby of Sprint Communications Company L.P.; the amended direct  
13          testimony of Andrew Graves of MCI Worldcom Communications, Inc. and  
14          Teleconnect Long Distance Services and Systems Company; and the rebuttal  
15          testimony of William Voight on behalf of the Missouri Public Service  
16          Commission staff.

17   **Q.     PLEASE SUMMARIZE YOUR TESTIMONY.**

18   A.     In response to Public Counsel witness Barbara Meisenheimer, I discuss AT&T’s  
19          position that the Commission should carefully limit its consideration in this case  
20          to those issues clearly identified by the Missouri Court of Appeals, namely: 1)  
21          whether to apply to a competitive telecommunications company, in a given  
22          proceeding, the requirement that charges be just and reasonable, 2) determining,  
23          to the extent necessary, the basic facts from which the Commission may articulate

1 support for its conclusion that there is a reasonable justification for the disparate  
2 treatment of residential, low volume, and AT&T's local customers, and 3) to the  
3 extent the Commission decides to use such a test, determining the basic facts from  
4 which the Commission may articulate support for its conclusion that AT&T's  
5 tariff is just and reasonable.

6 **Q. PLEASE OUTLINE YOUR RESPONSE TO THE FIRST AND THIRD**  
7 **FINDINGS OF THE APPELLATE COURT REGARDING THE ISSUE OF**  
8 **WHETHER AT&T'S ISCF IS "JUST AND REASONABLE".**

9 A. With respect to the first holding of the appellate court, which was that the  
10 Commission presently has the discretion to make a determination under RSMo  
11 § 392.200.1 that AT&T's in-state connection fee ("ISCF") is "just and  
12 reasonable," I recommend against making such a determination based on public  
13 policy reasons and possibly on pending statutory changes. Nevertheless, should  
14 the Commission choose to review the ISCF under the just and reasonable  
15 standard, I show, in response to the third holding of the appellate court, and  
16 contrary to Public Counsel witness Barbara Meisenheimer, that AT&T's ISCF is  
17 just and reasonable. While I believe that it is unnecessary for AT&T to provide  
18 such justification, I expand on information provided in my direct testimony  
19 showing that AT&T's Missouri ISCF is premised on a calculable relationship  
20 between the excessive intrastate switched access costs incurred by AT&T and the  
21 rate set for the ISCF.

1 **Q. PLEASE OUTLINE YOUR RESPONSE TO THE SECOND FINDING OF**  
2 **THE APPELLATE COURT, WHICH HAD TO DO WITH WHETHER**  
3 **AT&T'S ISCF IS UNLAWFULLY DISCRIMINATORY.**

4 A. In response to the second holding of the appellate court, my testimony shows that  
5 Ms. Meisneheimer's claims that AT&T's ISCF is somehow discriminatory are  
6 patently wrong. I demonstrate that AT&T's implementation of the ISCF does not  
7 discriminate against rural customers. I demonstrate that AT&T's choice to  
8 implement the ISCF for AT&T's stand-alone interexchange residential customers  
9 and not for AT&T's residential all-distance local customers is reasonable and  
10 non-discriminatory. I also show that the exclusion of AT&T business customers  
11 from the ISCF is non-discriminatory and is justified by the lesser access charges  
12 and the greater local and long distance rates generally incurred by these  
13 customers. I conclude that business customers cannot be considered to be  
14 "similarly situated" to the residential customers to which AT&T applies the ISCF.

15 **Q. PLEASE SUMMARIZE YOUR RESPONSE TO OTHER WITNESSES IN**  
16 **THIS CASE.**

17 A. I identify several areas where AT&T concurs with their assessments and claims of  
18 James Appleby of Sprint Communications Company L.P. and the amended direct  
19 testimony of Andrew Graves of MCI Worldcom Communications, Inc. and  
20 Teleconnect Long Distance Services and Systems Company. As described by  
21 these witnesses, I understand that Sprint's In-state Access Recovery ("ISAR")  
22 charge and MCI and Teleconnect's Instate Access Recovery Fee are functionally  
23 equivalent to AT&T's ISCF. Finally, I concur with much of the assessment of

1 staff witness William Voight that the AT&T ISCF should remain in effect, but I  
2 disagree with his assessment that the just and reasonableness of the ISCF may  
3 come into question if the fees reach higher levels than currently applied.

4 **Q. PLEASE SUMMARIZE YOUR IMPRESSIONS OF PUBLIC COUNSEL**  
5 **WITNESS MEISENHIEMER'S REBUTTAL TESTIMONY.**

6 A. Ms. Meisenheimer's rebuttal testimony can be best described as superficial and  
7 conclusory. Ms. Meisenheimer finds many of the same faults with each of the  
8 three separate company tariffs that are at issue in this case, and therefore discusses  
9 her objections as to all three in one overlapping segment of her testimony;  
10 however, that segment is little more than five pages long. Elsewhere in her  
11 rebuttal Ms. Meisenheimer briefly lists her specific objections to each company's  
12 tariff, but that testimony is presented in an abbreviated "bullet point" type of  
13 fashion and each of her "points" is extremely conclusory or summary in nature,  
14 with no facts provided in support. Ms. Meisenheimer's main strategy seems to be  
15 to argue that it is the interexchange carriers ("IXCs") in this case who have failed  
16 to demonstrate compliance with the law. In employing that strategy, she  
17 consistently fails to address head-on the evidence provided by me, as well as by  
18 the other IXCs' witnesses, in direct testimony. Her strategy must fail. I have  
19 provided ample evidence in my direct testimony to justify AT&T's ISCF under  
20 any reasonable reading of the statutory provisions that the Missouri Court of  
21 Appeals found were implicated by Public Counsel's complaint against the ISCF.  
22 Ms. Meisenheimer's superficial arguments to the contrary fail to rebut any of my

1 direct testimony. Finally, Ms. Meisenheimer's testimony fails to relate her  
2 arguments in any meaningful way to the statutory provisions that are applicable to  
3 this case. Although none of the witnesses in this case is an attorney, it is  
4 customary for expert witnesses to at least frame their factual arguments in terms  
5 of the applicable legal requirements. Instead, Ms. Meisenheimer's testimony  
6 simply uses the statutory terms "just and reasonable" and "non-discriminatory" in  
7 loose and undefined ways, as if the terms were interchangeable. The Missouri  
8 Court of Appeals found that "just and reasonable" is a separate statutory  
9 requirement that allowed the Commission the discretion to apply under RSMo. §  
10 392.200.1. The Court separately considered the "discrimination" claims  
11 originally raised by Public Counsel under its analysis of RSMo. § 392.200.2 and  
12 .3. Ms. Meisenheimer now argues that AT&T has failed to satisfy the  
13 requirements of RSMo. § 392.200.4(1) and .5, but she never explicitly addresses  
14 Subsections 2 and 3. My surrebuttal testimony will demonstrate, as my direct  
15 testimony did, that AT&T's ISCF satisfies all statutory requirements.

16  
17 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

18 A. Because this case is before the Commission on a remand from the Missouri Court  
19 of Appeals, I feel it is appropriate to present facts in an order that will respond to  
20 that remand. As I understand the Court's decision, the Court expressed no  
21 opinion on the merits of Public Counsel's arguments, but simply determined that  
22 the Commission did not include sufficient findings in its Order approving



1 AT&T's original ISCF tariff revision. As I have outlined above, the Court's first  
2 holding was that the Commission had the discretion whether to apply the "just  
3 and reasonable" standard of RSMo. §392.200.1 to a competitive service, so I  
4 discuss that issue first. However, the Court's third holding dealt with the  
5 Commission's failure to articulate the basic facts from which it originally  
6 concluded that the ISCF tariff is just and reasonable. Consequently, the next part  
7 of my testimony addresses Ms. Meisenheimer's testimony asserting that the ISCF  
8 tariff is not just and reasonable, and I provide factual evidence demonstrating that  
9 the ISCF is just and reasonable. Finally, the second holding of the Court's  
10 decision dealt with the Commission's failure to articulate the basic facts from  
11 which it originally concluded that there was a reasonable justification for the  
12 ISCF tariff's disparate treatment of residential, low volume, and AT&T's local  
13 customers. Thus, I conclude by addressing Ms. Meisenheimer's testimony on  
14 those arguments and provide factual evidence demonstrating that the ISCF is not  
15 unreasonably discriminatory. I also address Ms. Meisenheimer's assertion that  
16 AT&T has failed to satisfy the requirements of RSMo. § 392.200.4(1) and .5.

17 Because Ms. Meisenheimer's testimony tended to use the terms "just and  
18 reasonable" and "non-discriminatory," or their negative corollaries,  
19 interchangeably, there is significant overlap in my testimony regarding these two  
20 distinct requirements.

1   **II.   SHOULD THE COMMISSION REVIEW AT&T'S ISCF TARIFF UNDER**  
2   **THE JUST AND REASONABLE STANDARD OF RSMO 392.200.1?**

3   **Q.   IS 392.200.1 APPLICABLE TO COMPETITIVE CARRIERS?**

4   A.   Based on the appellate decision that resulted in the remand of this case to the  
5       Commission,<sup>1</sup> it is apparently within the discretion of the Commission to decide  
6       whether to apply to a competitive telecommunications company, in a given  
7       proceeding, the requirement that charges be just and reasonable. I will leave for  
8       AT&T's counsel to argue whether the absence in RSMo. § 392.361.5 of reference  
9       to the just and reasonable requirement of RSMo. § 392.200.1 suggests that the  
10      Legislature intended that § 392.200.1 should not be applied to competitive  
11      services. As I discuss below, I do not believe that it is in the public interest to  
12      review competitive tariff revisions like AT&T's ISCF under the just and  
13      reasonable standard. The Commission should also take into consideration Senate  
14      Bill No. 237, which expressly modifies section RSMo. 392.500 to exclude the just  
15      and reasonable standard in RSMo. 392.200.1 from consideration when  
16      competitive carriers make changes in competitive tariff provisions or  
17      classifications. The governor signed Senate Bill No. 237 into law on July 14 and  
18      it goes into effect on August 28, 2005.

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<sup>1</sup> *State of Missouri, ex rel. Acting Public Counsel, John Coffman v. Public Service Commission of the State of Missouri, et. al.*, 150 S.W.3d 92 (Mo. Ct. App. Aug. 10, 2004) (application for transfer to Supreme Court was denied on Dec. 21, 2004). The appeal was in response to the June 27, 2003 judgment affirming the order of the PSC approving AT&T's In-State Connection Fee (Circuit Court of Cole County, Missouri, Case No. 02CV323345).

1 **Q. WHAT DOES MS. MEISENHEIMER'S REBUTTAL TESTIMONY SAY**  
2 **ABOUT THIS ISSUE?**

3 A. Very little. She simply notes the decision of the Missouri Court of Appeals that  
4 the Commission has discretion to apply a just and reasonable standard to  
5 competitive services. Nowhere in her testimony do I find that she has addressed  
6 the evidence in my direct testimony for why the Commission should not apply  
7 this standard to competitive services. Apparently she simply presumes that the  
8 Commission will apply a just and reasonable standard to its review of the ISCF  
9 tariff in this remand proceeding. She completely ignores my direct testimony that  
10 the effect of a competitive market obviates the need to impose a just and  
11 reasonable standard on competitive offerings.

12 **Q. IS AT&T A "COMPETITIVE" CARRIER UNDER MISSOURI STATUTE?**

13 A. Yes. AT&T Communications of the Southwest, Inc. was classified as a  
14 transitionally competitive firm in September 1989 in Case No. TO-88-142. At  
15 that time, several classes of service offered by AT&T were classified as  
16 competitive.<sup>2</sup> By stipulation, AT&T agreed to forego its first opportunity to seek  
17 full competitive classification thus retaining the transitionally competitive  
18 designation for four years. In October 1993, the Commission approved another  
19 stipulation by which AT&T received competitive classification as a company for  
20 all of its services. Also of note is the Commission's order granting AT&T's

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<sup>2</sup> E.g., WATS service (including outward WATS, 800 Service, AT&T MEGACOM®, AT&T MEGACOM 800® and 800 READYLINE®, private line and Custom Network Services including among others Software Defined Network (SDN)).

1 request to be relieved of its carrier of last resort obligations for interexchange  
2 service. By its Report and Order of August 15, 2000 in Case No. TO-99-615, the  
3 Commission granted AT&T authority to abandon service to any exchange in  
4 which it operates in Missouri on 30 days notice to affected customers and on  
5 filing of amended tariffs.

6 **Q. WHAT STATUTORY PROVISIONS DID THE COMMISSION**  
7 **EXPRESSLY WAIVE WHEN DETERMINING THAT AT&T IS A**  
8 **COMPETITIVE CARRIER?**

9 A. The Commission specifically waived RSMo. Sections 392.240(1),<sup>3</sup> 392.270 and  
10 392.280 as well as a variety of Commission regulations. The waived statutory  
11 provisions relate to rate-base-rate-of-return regulation including those related to  
12 property valuation and depreciation.

13 **Q. WHY DO YOU BELIEVE THAT COMPETITIVE CARRIER RATES AND**  
14 **CHARGES SHOULD BE CONSIDERED TO BE “JUST AND**  
15 **REASONABLE” BY DEFINITION?**

16 A. First, there is the clear legislative intent demonstrated in the recently enacted SB  
17 237 that changes to competitive offerings of competitive carriers are just and  
18 reasonable. Second, and more generally, all of AT&T's interexchange service  
19 offers are competitive. By definition and finding of the Commission, there are  
20 alternatives available in the marketplace for AT&T's services. Customers are free  
21 to select among numerous carriers for their service and regularly do so. In the  
22 instant case of the ISCF, AT&T is not the only carrier imposing a similar charge  
23 and, as stated in my direct testimony, AT&T itself provides an alternative long

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<sup>3</sup> The order inadvertently cited to RSMo. 392.340(1).

1 distance service offering to consumers that is not subject to the ISCF, provided  
2 the customer is willing to pay a higher per-minute rate.

3 **Q. WHAT WOULD THE RESULT BE IF THE COMMISSION WERE TO**  
4 **CONSIDER AT&T'S ISCF UNDER RSMO 392.200.1?**

5 A. Consideration of AT&T's ISCF under RSMo. 392.200.1 would establish a bad  
6 precedent that would open up a potential flood of complaints by Public Counsel.  
7 Conceivably every rate change, especially any upward rate change, could be  
8 challenged simply on the basis that it is not "just and reasonable." At a minimum,  
9 this would require competitive carriers to respond and justify their pricing  
10 decisions in a manner that contradicts the notion of competitive classification.  
11 The resulting waste of Commission and industry time and resources would not be  
12 in the public interest. In conclusion on this point I would just like to emphasize  
13 again, that for purposes of deciding this case under what I understand will be the  
14 applicable law, SB 237 eliminates any inquiry into whether rate change for a  
15 competitive service is "just and reasonable." Inasmuch as under the new law  
16 AT&T will apparently be able to set its rates for its interexchange services at any  
17 level it chooses without being subject to a "just and reasonable" standard, it seems  
18 clear to me that applying such a standard to the ISCF would be contrary to the  
19 Legislature's intent.

1   **III.   AT&T'S ISCF IS JUST AND REASONABLE.**

2   **Q.   WHAT IS THE PURPOSE OF THE ISCF?**

3   A.   As was the case when the ISCF was originally established, the ISCF recovers a  
4       portion of the excessive intrastate switched access charges levied on AT&T by  
5       Missouri's incumbent local exchange carriers ("ILECs") and competitive local  
6       exchange carriers ("CLECs").

7   **Q.   WHAT DOES MS. MEISENHEIMER'S REBUTTAL TESTIMONY SAY**  
8   **WITH REGARD TO AT&T'S STATED PURPOSE FOR THE ISCF?**

9   A.   At page 5 of Ms. Meisenheimer's rebuttal testimony she makes two arguments  
10       that I presume she intends to relate to this issue. First, she objects to the ISCF on  
11       the grounds that it applies to customers who have no intrastate calling. Although  
12       she does not say which statutory provision she believes this violates, presumably  
13       she finds this result of the ISCF not to be just and reasonable. Second, Ms.  
14       Meisenheimer appears to contend that variances between intrastate and interstate  
15       access rates do not support AT&T's arguments about the ISCF recovering  
16       excessive intrastate access charges because she contends that AT&T has not  
17       considered the effect of the Federal Subscriber Line Charge ("SLC"). I address  
18       below Ms. Meisenheimer's second point first, and then I address her first point.

19   **Q.   FIRST, PLEASE DESCRIBE UNDER WHAT CONDITIONS THE AT&T**  
20   **ISCF IS APPLIED.**

21   A.   The ISCF is assessed on customer bills whenever customers are not specifically  
22       exempt from the charge (e.g., the customer subscribes to AT&T local service or to

1 AT&T One Rate Simple) and the customer incurs “billable charges” of \$0.01 or  
2 more.

3 “Billable charges” include any charge related to the calling plan(s) to  
4 which the customer subscribes, including monthly recurring charges or minimum  
5 monthly usage charges. Billable charges exclude the Bill Statement Fee (if  
6 applicable), the ISCF itself, Service Restoral Fee (if applicable), Universal  
7 Connectivity Charge, Carrier Cost Recovery Fee, and Credit Allowances for  
8 Service Interruptions (if applicable). State Universal Service Fund Charges,  
9 federal tax, local gross receipts taxes, local taxes, local 911 surcharges, sales  
10 taxes, and state taxes are also excluded from “billable charges”.

11 **Q. HOW WOULD YOU DESCRIBE THE AT&T ISCF?**

12 A. The ISCF is not a charge for a specific telecommunications service but is a fee  
13 linked in part to the average excess intrastate switched access charges incurred by  
14 AT&T. The ISCF, however, is designed to help recover the costs incurred by  
15 AT&T as a result of these excess intrastate switched access charges, and such  
16 costs are generated by the intrastate interexchange telecommunications services  
17 AT&T provides to customers. Consequently, it would be incorrect to say that the  
18 ISCF has no connection to the intrastate interexchange telecommunications  
19 service that customers, including any individual customer, receive. It would be  
20 correct to say that a customer may be required to pay the fee in order for that  
21 customer to receive an intrastate interexchange telecommunications service from  
22 AT&T.

1 **Q. WHAT DOES AT&T MEAN BY “EXCESSIVE” INTRASTATE**  
2 **SWITCHED ACCESS CHARGES?**

3 A. From AT&T’s perspective, intrastate intraLATA and intrastate interLATA  
4 switched access charges are excessive if they exceed the long run incremental cost  
5 of providing the service. In the alternative, because we do not know the long run  
6 incremental cost of switched access for each carrier, we view intrastate  
7 intraLATA and intrastate interLATA switched access charges as excessive to the  
8 extent they exceed parity with interstate switched access charges. This is the  
9 measure we have used in determining the extent to which Missouri intrastate  
10 switched access rates are excessive.

11 **Q. CAN YOU PROVIDE AN INDICATION OF HOW INTRASTATE**  
12 **SWITCHED ACCESS CHARGES IN MISSOURI COMPARE TO THOSE**  
13 **IN OTHER STATES?**

14 A. Yes. Based on internal confidential AT&T data, Missouri currently has the third  
15 highest average intrastate originating plus terminating switched access charges in  
16 the nation. Only South Dakota and New Mexico have higher average intrastate  
17 rates. Missouri intrastate access rates are almost three times the nation-wide  
18 intrastate average. Missouri intrastate access rates are over ten times the level of  
19 the nation-wide interstate average. I summarize relevant comparative data in  
20 Schedule DPR-2.



1   **Q.   DO YOU AGREE WITH PUBLIC COUNSEL WITNESS**  
2   **MEISENHEIMER’S SUGGESTION ON PAGE 15 OF HER TESTIMONY**  
3   **THAT COMPARISONS OF ACCESS RATES IN OTHER STATES ARE**  
4   **“NOT PARTICULARLY HELPFUL OR INSIGHTFUL TO JUDGE**  
5   **WHETHER MISSOURI ACCESS RATES ARE ‘TOO HIGH’?”**

6   A.   No.   Public data published by the National Exchange Carrier Association  
7       (“NECA”) in support of the FCC’s Universal Service Fund (“USF”) shows that  
8       Missouri ILEC USF loop costs, on average, are only 18.5 percent above the  
9       national average.   Missouri’s average loop cost is lower than 24 other  
10      jurisdictions.<sup>4</sup> The FCC uses loop costs as the standard to measure the need for  
11      support for universal service. While AT&T does not support the recovery of loop  
12      costs through switched access charges, the NECA USF loop cost data provides an  
13      indication that intrastate switched access charges could be slightly above  
14      interstate switched access charges but certainly not over ten times higher. This  
15      data demonstrates that Missouri’s intrastate switched access costs, on average,  
16      grossly exceed any cost justification. Perhaps Public Counsel should be more  
17      aggressive in pursuing rate cases against ILECs with excessive monopoly access  
18      rates, rather than challenging how IXC’s choose to recover their access costs from  
19      residential customers purchasing a competitive service.

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<sup>4</sup> NECA reports USF costs for the fifty states plus American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands for a total of 56 jurisdictions.

1   **Q.   DOES PUBLIC COUNSEL WITNESS MEISENHEIMER’S SUGGESTION**  
2   **AT PAGE 15 OF HER TESTIMONY THAT CURRENT INTRASTATE**  
3   **SWITCHED ACCESS CHARGES ARE “SUBSIDY FREE” OR THAT**  
4   **THERE IS NO COMPELLING REASON TO REDUCE MISSOURI IN-**  
5   **STATE SWITCHED ACCESS RATES MEAN THAT SUCH RATES ARE**  
6   **NOT EXCESSIVE?**

7   A.   No. Mrs. Meisenheimer’s testimony on these points really is nothing more than a  
8       suggestion, with no solid evidence provided in support. Ms. Meisenheimer refers  
9       to Case No. TR-2001-65,<sup>5</sup> and to other parties’ testimony in that case. She does  
10      not refer to any findings or discussion by the Commission itself. Case No. TR-  
11      2001-65, as I understand it, dealt with the switched access rates imposed by  
12      CLECs. In that case the Commission expressly refused to consider or rule on  
13      anything to do with the appropriate cost methodology for or prospective treatment  
14      of switched access charges across all LECs operating in Missouri. The  
15      Commission only ruled on the establishment of a cap on CLEC switched access  
16      charges.

17               Ms. Meisenheimer fails to acknowledge the significant findings of the  
18      Commission related to switched access:

19               Switched access service is a locational monopoly. Consequently,  
20               competitive pressure cannot exert sufficient market discipline to  
21               maintain access rates at a reasonable level in the absence of a cap.  
22               For ILECs subject to price-cap regulation, the cap is provided by  
23               the provisions of Section 392.245, the Price Cap Statute. For  
24               ILECs subject to traditional rate-of-return regulation and for  
25               telephone cooperatives, the cap is found in the Commission's  
26               authority to directly set access rates. For CLECs, the cap is

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<sup>5</sup>   *In the Matter of an Investigation of the Actual Costs Incurred in Providing Exchange Access Service and the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri.* Report and Order, Issued August 26, 2003. Effective September 5, 2003.

1 imposed by the Commission as a condition of competitive  
2 classification.

3 Historically, state commissions and the federal government have  
4 acted to keep residential telephone service rates low in order to  
5 encourage a high level of participation in the local telephone  
6 network by residential customers. As a result, business rates, toll  
7 rates and access rates have historically been set high, in order to  
8 produce sufficient revenue to support the low residential rates. In  
9 Missouri, urban areas provide such support to rural areas, business  
10 customers support residential customers, and heavy users of toll  
11 services support light users. Additionally, high access rates  
12 provide important support in high cost, rural areas.

13 IXC's, such as AT&T, have complained about high Missouri  
14 intrastate switched access rates for years. High switched access  
15 rates impact the carriers that terminate toll calls to those exchanges  
16 and necessarily result in higher prices for toll services. Some IXC's  
17 refuse to serve some rural areas because of high access rates.  
18 Others have imposed access recovery surcharges in Missouri.  
19 Additionally, these high access rates discourage the small ILEC's  
20 from cooperating to provide expanded local calling scopes to their  
21 subscribers. For example, it is difficult for a carrier to offer its  
22 subscribers either an expanded calling scope plan or a block-of-  
23 time plan for a monthly charge when it has to pay high access  
24 charges per minute to another ILEC to terminate those calls.  
25 Lower access rates would make plans of this sort more attractive.  
26 High access rates also distort the IXC market, create disincentives  
27 for IXC's to serve certain markets, and provide opportunities for  
28 discriminatory pricing. They are anti-competitive and deter local  
29 market entry by imposing increased business expenses on new  
30 entrants.

31 Case No. TR-2001-65, Report and Order, pp. 12-13, footnotes  
32 omitted.

33 These findings of the Commission in Case No TR-2001-65 show that the  
34 Commission itself clearly understands that the current switched access charge  
35 regime has many problems and negative implications both for end users and for  
36 IXC's.

1 **Q. CAN YOU PROVIDE CURRENT EVIDENCE THAT RESIDENTIAL**  
2 **TELEPHONE SERVICE RATES HAVE BEEN KEPT LOW AND THAT**  
3 **BUSINESS RATES, TOLL RATES AND ACCESS RATES HAVE**  
4 **HISTORICALLY BEEN SET HIGH, AS STATED IN CASE NO.**  
5 **TR-2001-65?**

6 A. Yes. I will use SBC Missouri rates as examples in lieu of presenting an analysis  
7 of all of the ILECs operating in Missouri. The data I present is necessarily high  
8 level, but it comes from current public tariffs and is illustrative of both the  
9 environment in which IXC's have sold stand-alone long distance services and the  
10 historically higher economic burden born by business class customers.

11 **Q. ARE RESIDENTIAL LOCAL TELEPHONE RATES LOWER THAN**  
12 **BUSINESS LOCAL TELEPHONE RATES?**

13 A. Yes. The table below shows single party flat rate service for residential and  
14 business customers in the SBC service area.<sup>6</sup>

15 **Flat Rate Single Party Service**  
16

	Residential	Business	Difference
Group A (Rural)	\$9.22	\$16.25	76%
Group B	\$12.69	\$22.30	76%
Group C	\$14.39	\$24.81	72%
Group D (Urban)	\$18.14	\$36.50	101%

17  
18 In addition, residential customers pay lower Expanded Area Service  
19 ("EAS") additives than business customers and most vertical feature (e.g., Caller  
20 ID, Call Waiting, Call Forwarding, etc.) rates are lower for residential customers

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<sup>6</sup> Rates from SBC Missouri, P.S.C. Mo. No 24 section 1.2.2 A., 35<sup>th</sup> revised Sheet 2 and 28<sup>th</sup> revised Sheet 3, dated December 1, 2004.

1 than for business customers. The chart above also demonstrates that lower-cost  
2 urban customers are supporting higher cost rural customers.

3 **Q. ARE THE SBC MISSOURI INTRALATA TOLL RATES HIGH**  
4 **RELATIVE TO THE CURRENT MARKET-BASED IXC RATES?**

5 A. Yes. While the competitive marketplace has resulted in the simplification of SBC  
6 Missouri's intraLATA toll rate structure to one simply based on time of day  
7 instead of one based on time of day and mileage, SBC Missouri's<sup>7</sup> simple two-  
8 point long distance message telecommunications service rates are very high  
9 compared to the FCC-reported national average interstate average price per  
10 minute of use of approximately 7 cents per minute as of the end of 2003.<sup>8</sup>

11 **Long Distance Message Telecommunications Service – Per minute<sup>9</sup>**  
12  
13

	Day Period	Evening Period	Night/Weekend Period
Residence	\$0.27	\$0.22	\$0.17
Business	\$0.302	\$0.209	\$0.209

14  
15 **Q. WHY DO YOU INCLUDE INCUMBENT LEC, SPECIFICALLY SBC**  
16 **MISSOURI, LOCAL AND LONG DISTANCE RATE INFORMATION IN**  
17 **YOUR TESTIMONY?**

18 A. One of the issues in this case focuses on AT&T's stand-alone long distance  
19 customers. Those customers are also customers of their respective local  
20 incumbent LEC. I show the rates for residential and business customer classes so  
21 that the Commission will not lose sight of the fact that long distance services are

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<sup>7</sup> Rates shown are for SBC Missouri, not SBC Long Distance.

<sup>8</sup> FCC Report: Trends in Telephone Service, released June 21, 2005. Table 13.4.

<sup>9</sup> SBC Missouri, P.S.C. Mo. No. 26, Section 1.4.7, 24<sup>th</sup> Revised Sheet 21, July 15, 2004.

1           only a portion of the total telecommunications costs incurred by end users and to  
2           demonstrate that business customers are already bearing a heavier burden in terms  
3           of rates paid than are residential customers. Further, the data shows that different  
4           classes of customers are routinely charged significantly different rates for  
5           substantially the same service – a practice that obviously has been deemed to be  
6           just, reasonable, in the public interest, and not illegally discriminatory.

7   **Q.   HOW HAVE HEAVY USERS OF TOLL SERVICE HISTORICALLY**  
8   **SUPPORTED LIGHT USERS OF TOLL SERVICE?**

9   A.   Toll service prices as shown above have historically been set well above the  
10   ILEC's incremental cost so that the incumbent LEC's heavy toll users generated  
11   more subsidy dollars than light users. These subsidy dollars go toward supporting  
12   the cost of the non-usage sensitive local loop. In other words, the cost of the local  
13   loop does not vary based on usage. Similarly, heavy toll user customers of IXC's  
14   generate higher access costs to the IXC's than light users. Because switched  
15   access rates contain substantial subsidy elements (e.g., the carrier common line  
16   ("CCL") element) that have historically supported lower local service rates,  
17   customers with lower than average usage were not generating their proportionate  
18   support for loop costs and heavy users provided far in excess of their  
19   proportionate support.

20   **Q.   ARE THE HIGHER INTRASTATE TOLL RATES OF YEARS GONE BY**  
21   **SUSTAINABLE IN TODAY'S LONG DISTANCE MARKETPLACE?**

22   A.   No. Customers have demanded much simplified pricing and are much less  
23   tolerant of time-of-day, day-of-week mileage-sensitive, jurisdiction-sensitive

1 pricing. Thus, carriers have moved substantially toward unitary pricing for toll  
2 services whereby IXC's offer customers toll service for a single price per minute  
3 regardless of time of day, day of week distance or whether the call is interstate,  
4 intrastate interLATA or intrastate intraLATA. Customers have also become  
5 accustomed to paying monthly plan recurring charges and/or monthly minimum  
6 usage charges in order to obtain the stated per-minute rate in any given toll plan  
7 offer. The extreme version of this trend is the flat fee for unlimited calling  
8 options offered by many IXC's, including AT&T.

9 **Q. HAS THE COMMISSION RECOGNIZED THE BURDEN PLACED ON**  
10 **IXCS AND CUSTOMERS BECAUSE OF HIGH ACCESS CHARGES?**

11 A. Yes. As indicated in the findings of fact in the Report and Order from Case No.  
12 TR-2001-65, high switched access rates have resulted in higher prices for toll  
13 services or some IXC's refusal to serve some rural areas because of high access  
14 rates. The Commission also acknowledged that some IXC's have imposed access  
15 recovery surcharges in Missouri.

16 **Q. HOW DO YOU RESPOND TO PUBLIC COUNSEL WITNESS**  
17 **MEISENHEIMER'S COMPLAINT THAT THE VARIANCE BETWEEN**  
18 **INTRASTATE AND INTERSTATE ACCESS RATES IS AN**  
19 **INAPPROPRIATE BASIS FOR DETERMINING A REASONABLE COST**  
20 **BASED RATE FOR THE INTRASTATE ACCESS CHARGE BECAUSE IT**  
21 **FAILS TO REFLECT THAT A SUBSTANTIAL PORTION OF**  
22 **INTERSTATE ACCESS COSTS ARE RECOVERED BY LECS**  
23 **THROUGH THE FEDERAL SUBSCRIBER LINE CHARGE?**

24 A. I strongly disagree. At the interstate level, the federal SLC recovers the non-  
25 traffic sensitive, non-usage-based cost of loops used by subscribers on a per-line  
26 basis. Historically, as the federal SLC increased, the CCL charge declined,

1 appropriately, to zero. Assessing the non-traffic sensitive, non-usage-based cost  
2 of loops on IXCs in the intrastate jurisdiction through the CCL charge is  
3 inappropriate because there is no usage-basis for assigning loop costs to access  
4 minutes. Simply put, the intrastate cost recovery is out of sync with reasonable  
5 cost recovery. The “federal portion” of loop costs are recovered largely in the flat-  
6 rate monthly SLC and a similar flat-rate end-user cost recovery for intrastate loop  
7 costs presently implicit in usage-based switched access rates would be  
8 appropriate. Elimination of CCL rates that continue to make up a large portion of  
9 intrastate switched access in Missouri would substantially narrow the gap between  
10 intrastate and interstate switched access rates.

11 For the balance of switched access rates which are primarily usage  
12 sensitive, and for which cost causation is generally usage sensitive, I subscribe to  
13 the view that a minute is a minute. By this, I mean that the cost to produce a  
14 minute of use should not vary by jurisdiction. To the extent that intrastate usage-  
15 based switched access charges exceed equivalent interstate switched access rates,  
16 they exceed usage-sensitive costs and are excessive. The FCC has approved  
17 usage-sensitive switched access rates that cover their cost. Under the minute-is-a-  
18 minute view, switched access rates that exceed those approved by the FCC are, by  
19 definition, excessive and produce unwarranted subsidy to the LECs.

20 Finally, AT&T does not pay the federal SLC, the customer does. AT&T’s  
21 focus on the discrepancy between the interstate and intrastate rates paid is  
22 perfectly reasonable and the ISCF is designed to recover AT&T’s costs. AT&T



1 attempts to recover costs by recovering its costs from the same place and in the  
2 same manner as the SLC does, i.e., from the end user customer. Consequently,  
3 Ms. Meisenheimer's complaints about AT&T not considering the impact of the  
4 SLC are totally misplaced. The existence of the SLC basically supports AT&T's  
5 ISCF. As a result, the variance between intrastate and interstate access rates  
6 clearly is an appropriate basis for determining a reasonable cost based rate for the  
7 ISCF.

8 **Q. DOES THE PRESENCE OF INTRASTATE CARRIER COMMON LINE**  
9 **CHARGES AS PART OF THE MISSOURI SWITCHED ACCESS RATE**  
10 **DESIGN SUPPORT A FINDING THAT THE ISCF IS JUST AND**  
11 **REASONABLE?**

12 A. Yes. As I discussed above, CCL rates were developed and designed to recover on  
13 a usage-sensitive basis the non-usage sensitive cost of subscriber loops. Because  
14 the underlying cost for the CCL is non-traffic-sensitive, the recovery of the loop  
15 costs imposed on IXC's via the CCL through a per line charge is a reasonable  
16 exercise in rate design by the IXC's.

17 **Q. PLEASE RESPOND TO PUBLIC COUNSEL WITNESS**  
18 **MEISENHEIMER'S COMPLAINT AT PAGE 5 THAT AT&T HAS NOT**  
19 **PROVIDED ADEQUATE EVIDENCE THAT AT&T'S ISCF CHARGE IS**  
20 **APPROPRIATE.**

21 A. As part of my direct testimony I provide an illustrative example of how AT&T  
22 determines the average excess intrastate switched access charges imposed on  
23 AT&T customers. In discovery responses to Public Counsel, AT&T provided  
24 AT&T's actual computations in support of our claim of excess switched access  
25 costs in Missouri. The information provided by AT&T to Public Counsel and

1 attached as Schedule DPR-3 clearly shows that AT&T's original \$1.95 and  
2 current \$2.49 ISCF have a clear and calculable relationship to our excess access  
3 costs. Ms. Meisenheimer complains elsewhere in her testimony that other  
4 carriers' similar charges may not be based on Missouri-specific information.  
5 Notably she does not make that claim for AT&T's data. In fact, AT&T's  
6 computations are based on 1) average Missouri intrastate switched access unit  
7 costs, 2) average interstate switched access unit costs for calls originating from or  
8 terminating in Missouri, and 3) average Missouri residential intrastate minutes of  
9 use. In that AT&T's ISCF is significantly less than the calculable switched access  
10 cost incurred by AT&T, the ISCF is just and reasonable.

11 **Q. DID PUBLIC COUNSEL OBJECT TO OR REQUEST SUSPENSION OF**  
12 **AT&T'S ISCF INCREASE FILED ON NOVEMBER 15, 2004?**

13 A. No. AT&T's increase in the ISCF from \$1.95 to \$2.49 went into effect by  
14 operation of law on December 15, 2004.

15 **Q. IS AT&T'S ISCF JUST AND REASONABLE EVEN IN CASES WHEN**  
16 **CUSTOMERS HAVE NO INTRASTATE CALLING?**

17 A. Yes. The ISCF is just and reasonable even when customers have no intrastate  
18 calling. As with many rate designs in the telecommunications industry the ISCF  
19 is applicable whenever there are chargeable amounts on a customer's bill (this  
20 encompasses charges that vary both as to quantity and jurisdiction from month to  
21 month). Local customers of the LECs pay a monthly fee for dial tone whether  
22 they make or receive no calls or a thousand calls. The same is true for the use of  
23 most calling features whether they are used once a month or dozens of times a

1 month. Local customers in a given base rate area pay the same basic rate for dial  
2 tone whether their premises are next door to the telephone company central office  
3 or whether their premises are miles away from the central office. Customers  
4 routinely pay calling plan subscription fees for service. Telephony rate design is  
5 and historically has been based on averages. AT&T's ISCF is no exception.  
6 AT&T charges its ISCF to non-exempt residential customers at a level calculably  
7 related to AT&T's average per customer excess intrastate switched access cost.  
8 Average rates and charges have been one of the cornerstones of  
9 telecommunications rate design for decades. AT&T's ISCF is simply an  
10 extension of this just and reasonable method of recovering costs.

11 **Q. IS THERE A PARALLEL TO THE ISCF IN THE UNIVERSE OF**  
12 **CHARGES APPROVED BY THE FCC?**

13 A. Yes. The federal SLC is a near-perfect parallel to the ISCF. Over time the FCC  
14 transitioned usage sensitive interstate CCL charges that recovered non-traffic  
15 sensitive loop costs to the non-traffic sensitive monthly recurring average SLC.  
16 The CCL contributed to high IXC long distance rates and as it was shifted to a flat  
17 rate per end user line charge, long distance rates declined. The SLC applies to  
18 end user customers on a per line basis regardless of whether the end user makes  
19 no toll calls or hundreds in a given month. The FCC obviously believes that the  
20 SLC is a just and reasonable part of the rate structure under its jurisdiction.  
21 AT&T's ISCF is much like the SLC in that it relieves some of the access burden  
22 by transforming it into an average just and reasonable flat-rate charge.

1   **Q.   PLEASE RESPOND TO PUBLIC COUNSEL WITNESS**  
2   **MEISENHEIMER'S COMPLAINTS AT PAGE 13 THAT AT&T HAS NOT**  
3   **PROVIDED "HARD EVIDENCE COMPARING THE ACCESS COSTS**  
4   **ASSOCIATED WITH SERVING RESIDENTIAL VERSUS VARIOUS**  
5   **TYPES OF BUSINESS CUSTOMERS".**

6   A.   Once again, Ms. Meisenheimer has chosen to ignore relevant information  
7       provided by AT&T in response to Public Counsel data requests. In Data Request  
8       No. 18, Public Counsel asked:

9               Please identify whether there is any difference in the switched  
10              access charges for a residential customer and a business customer  
11              for an instate toll call between the same two points. If there is,  
12              please state the amount of the difference.

13       Ms. Meisenheimer chose to rely on responses from Sprint and MCI who  
14       responded simplistically, and in my mind, incompletely, to an identical question.

15       AT&T, however, responded to this question in significant detail as follows:

16              There are numerous differences in the switched access charges for  
17              a residential customer and a business customer for an instate toll  
18              call between the same two points. Differences between residential  
19              customers and business customers as well as among residential  
20              customers or among business customers may be attributed to a  
21              number of factors largely depending upon the means by which  
22              AT&T provides service to the specific customer.

23              For example, AT&T may serve residential long distance customers  
24              on a stand-alone long distance basis where AT&T would incur  
25              switched access charges on the originating and the terminating end  
26              of each call. AT&T may also serve residential customers as a  
27              competitive local service provider utilizing unbundled network  
28              elements where AT&T is not assessed originating switched access  
29              charges for calls originating from the AT&T customer's premises  
30              or AT&T is not be assessed terminating switched access for calls  
31              terminating at the AT&T customer premises. In each of these  
32              cases where AT&T provides service to the residential customer via  
33              unbundled network elements, switched access charges would be  
34              assessed on AT&T by the incumbent local exchange carrier or the

1 competitive local exchange carrier at the distant end of the call,  
2 assuming the distant end user was not also an AT&T customer, and  
3 further assuming the distant end user utilized a service based on  
4 switched access services.

5 With respect to differences in access charges between residential  
6 and business customers, the same issues as discussed above for  
7 residential to residential calling would apply. In addition, many  
8 business customers have a broader array of services to choose from  
9 and means by which the service needs are met. Specifically, a high  
10 volume business customer may receive inbound toll calls (i.e., toll  
11 free calling) over dedicated access by which AT&T would avoid  
12 switched access charges at the terminating end of the call.  
13 Similarly, business customers that originate high volumes of traffic  
14 may utilize dedicated access connections to AT&T thus avoiding  
15 switched access charges at the originating end of the call. Where  
16 high volume business customers make toll calls to themselves or  
17 other high volume business customers, special access could be  
18 utilized at both ends of the call, effectively avoiding switched  
19 access entirely.

20 Other variables, such as the use of auto-dialers or speed calling  
21 versus dial pulse dialing versus standard tone dialing could affect  
22 the amount of non-conversation time at the originating end of any  
23 call which would in turn affect the amount of switched access  
24 charges incurred.

25 Given the vast number of scenarios that are possible and the large  
26 number of incumbent and competitive local exchange carriers with  
27 distinct intraLATA and interLATA switched access rates, it is  
28 impossible to respond to this request to quantify the difference in  
29 switched access charges that would be incurred by residential and  
30 business customers for an instate toll call between the same two  
31 points.

32 I incorporate and adopt AT&T's Responses to Public Counsel's Data  
33 Request No. 18, served on Public Counsel on or about June 29, 2005, into this  
34 surrebuttal testimony.

1   **Q.   WHAT CONCLUSIONS SHOULD BE REACHED BASED ON AT&T'S**  
2   **RESPONSE TO PUBLIC COUNSEL DATA REQUEST NO. 18?**

3   A.   The Commission should conclude that it is just and reasonable for AT&T to  
4       exclude subscribers to AT&T local service from the ISCF because the expected  
5       intrastate switched access charges incurred by these customers is less per minute  
6       than the intrastate switched access charges incurred by the average stand-alone  
7       long distance customer. Second, the Commission should conclude that excluding  
8       business customers from assessment of the ISCF is just and reasonable because  
9       excess intrastate switched access charges are not incurred on both ends of many  
10      types of calls to or from a large percentage of these customers.

11   **Q.   WHY IS IT JUST AND REASONABLE TO EXCLUDE ALL OF AT&T'S**  
12   **BUSINESS CUSTOMERS FROM THE IMPOSITION OF THE ISCF?**

13   A.   I have articulated above reasons showing that AT&T local business customers  
14       and certain business service customers do not incur the same level of excess  
15       switched access charges as stand-alone simple long distance business customers.  
16       As to this last remaining type of business customer, it is important to note that  
17       business customers subscribe to a different class of service from residential  
18       consumers. This class of service and pricing distinction has also been a  
19       cornerstone of telecommunications ratemaking for many years – even with  
20       identical services such as simple long distance calling. AT&T Consumer Services  
21       is and has been a separate line of business from AT&T Business Services. As  
22       such, decision making of the two entities is generally performed independently.  
23       Independent decision making includes the marketing and pricing of the respective

1 business unit products and services. The historic class of service distinction  
2 between residential and business customer populations is another reason AT&T's  
3 ISCF as applied is just and reasonable.

4 **Q. ARE AT&T'S INTRASTATE BUSINESS LONG DISTANCE RATES**  
5 **GENERALLY HIGHER THAN AT&T'S RESIDENTIAL LONG**  
6 **DISTANCE RATES?**

7 A. Yes. As the FCC has reported, average per-minute residential long distance rates  
8 are in the 7-cent range for interstate service. AT&T residential offers generally  
9 mirror the interstate per-minute-of-use rate. Simple inspection of AT&T's  
10 intrastate business long distance service tariff (P.S.C. Mo. No. 22) shows that the  
11 majority of rates offered by AT&T to its business customers have rates well in  
12 excess of the 7-cent per minute range – often more than twice the average  
13 residential level. The few rates that are at or below the average residential rate  
14 level are generally tied to offers where the customer buys special access for one or  
15 both ends of its long distance calling. Thus, the Commission should conclude that  
16 the exclusion of business long distance customers from the assessment of the  
17 ISCF is just and reasonable because of the higher per-minute rates already  
18 incurred by these customers.

19 **Q. WHAT IS YOUR RESPONSE TO PUBLIC COUNSEL WITNESS**  
20 **MEISENHEIMER'S INSISTENCE ON PAGES 5 AND 14 THAT AT&T'S**  
21 **ISCF SHOULD APPLY TO BUSINESS CUSTOMERS AS A MATTER OF**  
22 **FAIRNESS?**

23 A. Ms. Meisenheimer's objection is misplaced. What she seems to be asking for is  
24 identical charging of all residential and business customers of AT&T. If

1 telecommunications rate design were “fair” in the way suggested by Ms.  
2 Meisenheimer, either residential customers would be paying, for example in the  
3 SBC Missouri serving territory, 70% to 100% more for flat rate single party dial  
4 tone service, or business customers would be paying far less than at present so  
5 that each customer class would pay the same “fair” rate.

6 Ms. Meisenheimer also objects to the supposed inherent unfairness of the  
7 application of the ISCF on a flat-rate basis implying that the “cost causer” should  
8 pay for the higher cost. I have already discussed the fallacy of attributing cost  
9 causation of non-traffic sensitive loop costs through the usage-sensitive CCL  
10 switched access rate and that should be sufficient to rebut Ms. Meisenheimer’s  
11 flat-rate objection. However, extending her cost-causer “fairness” doctrine to  
12 local service rates, rural customers should be paying far more for basic dial tone  
13 than they do today simply because as cost-causers their cost of service is higher  
14 than that of urban customers. Obviously then, cost causation is not the only factor  
15 that has been traditionally applied when setting the retail rates of regulated  
16 services. It would be a truly absurd result if the Commission were to now insist  
17 on a strict application of cost causation as a justification for a competitive carrier  
18 to set a retail rate for competitive service. Competitive services should enjoy  
19 more pricing flexibility than fully regulated services, not less.

20 Class of service and average rate distinctions in the development of rate  
21 design are legitimate, just and reasonable means of pricing telecommunications  
22 services. AT&T’s application of an average ISCF to residential and not to



1 business customers is a just and reasonable exercise of AT&T's competitive  
2 pricing structure. As far as I can tell, Public Counsel's arguments about the ISCF  
3 discriminating against residential customers implicate RSMo. § 392.200.3, which  
4 is the only subsection of § 392.200 that addresses different treatment of customer  
5 classes. As my direct and surrebuttal testimony has demonstrated, there is  
6 substantial justification for AT&T not imposing the ISCF on business customers,  
7 and the distinction between residential and business customer classes under  
8 § 392.200.3 is routine and long standing.

9 **Q. PLEASE RESPOND TO PUBLIC COUNSEL WITNESS**  
10 **MEISNEHEIMER'S CLAIM THAT "COMPETITION HAS NOT ACTED**  
11 **TO PROTECT RESIDENTIAL CUSTOMERS TO CURB A SIGNIFICANT**  
12 **INCREASE IN THE FEE WITHIN 2 YEARS OF THE ORIGINAL**  
13 **REQUEST."**

14 A. Ms. Meisenheimer seems to be referring to some unspoken rule or principle of  
15 competition of which I am unaware. Apparently Ms. Meisenheimer believes that  
16 even if costs were uniform and constant, in a competitive market no supplier  
17 should ever charge higher rates than another supplier or seek to increase rates. Or  
18 perhaps, regardless of underlying costs, competitive rates for service must always  
19 decline. Her arguments display a very unsophisticated view of the competitive  
20 business world, where companies do in fact have different cost structures and  
21 where, even if costs were uniform and constant, companies employ different  
22 pricing strategies. A company may think it has a better marketing strategy, or a  
23 better brand, or a better product, than its competitors, and it may try to price its  
24 products at a higher level than its competitors. A company may focus more on

1 market share than on revenue per line. A company may focus on a niche market  
2 where it believes the price signals are unique, compared to a more diversified  
3 company that serves markets in addition to the niche. All of these factors could  
4 explain differing rates among companies providing essentially the same services  
5 to essentially the same customers.

6 Ms Meisenheimer also fails to cite any empirical evidence to demonstrate  
7 that long distance customers, overall, are paying more than they were two or three  
8 years ago. The fact that AT&T has increased its ISCF does not mean that price  
9 competition is not in effect, as reflected by other indicators. For example, she  
10 fails to look at the whole context within which the ISCF is levied and focuses on  
11 one single element of overall rate design in the competitive long distance  
12 marketplace. Specifically, Ms. Meisenheimer fails to acknowledge the substantial  
13 declines in average revenue per minute over the period since the introduction of  
14 the ISCF. Even anecdotally, one would expect Public Counsel to be aware of the  
15 revenue difficulties that IXCs have faced in the last few years resulting from  
16 competition with Regional Bell Operating Companies ("RBOCs") and wireless  
17 carriers. Schedule DPR-4 displays information comparing the effect of the  
18 decline in average revenue per minute received by AT&T to the amount imposed  
19 on customers via the ISCF. Schedule DPR-4 demonstrates that AT&T's average  
20 revenue per customer has continuously declined, even when the ISCF is taken  
21 into account. Competition has driven AT&T's rates and cost structure down.  
22 AT&T has continuously cut its costs in the past few years, including numerous

1 publicly announced layoffs numbering tens of thousands of employees. In the  
2 second quarter of 2005, AT&T reported in a July 20, 2005 8K filing with the SEC  
3 “ongoing efforts to reduce costs, including process improvement and related  
4 headcount reduction efforts, as well as strategic reductions in marketing expense  
5 within AT&T Consumer”. Obviously, Ms. Meisenheimer’s claims about lack of  
6 competition in the long distance market have no merit.

7 Based on the data displayed in Schedule DPR-4 the Commission should  
8 conclude that the ISCF is just and reasonable.

9 **Q. IS PUBLIC COUNSEL WITNESS MEISENHEIMER’S DISMISSAL OF**  
10 **CLAIMS THAT THE IXC MARKETPLACE IS HIGHLY COMPETITIVE**  
11 **REMOTELY REASONABLE OR INFORMED?**

12 A. No. Ms. Meisenheimer suggests that the number of competitors is not an  
13 indication of the level of competition or of the “strength and durability” of the  
14 companies. Ms. Meisenheimer has failed to utilize publicly available data  
15 published by the FCC that clearly demonstrates the “strength and durability” of  
16 IXC competitors. The recent FCC Trends in Telephone service report shows that  
17 by the end of 2003 – over 18 months ago – SBC had captured over 39% of  
18 residential intraLATA long distance minutes in its traditional five-state  
19 Southwestern Bell Telephone (“SWBT”) area – a share that was nearly double  
20 that of AT&T, MCI and Sprint combined! Similarly, for interLATA traffic, SBC  
21 had captured nearly 31% of residential long distance minutes of use. In contrast  
22 the report estimates AT&T’s minute-of-use market share at the end of 2003 at  
23 16.8% of interLATA traffic. The “other” carrier group in the FCC report, which

1 excludes AT&T, MCI, Sprint, and all the RBOCs, held over a 30% interLATA  
2 market share in terms of minutes of use at the end of 2003 – a percentage that has  
3 steadily grown for years.<sup>10</sup> In its recently announced second quarter 2005 results,  
4 SBC reported that across its 13-state area 61 percent of its retail residential lines  
5 were subscribed to SBC long distance and that total long distance lines in service  
6 were 22.8 million, an increase of 23.6% from a year ago and 58% from the end of  
7 2003. This data demonstrates that since the time that SBC has been authorized to  
8 provide interstate long distance in the SWBT Region it has been a formidable  
9 competitor, and has successfully competed for market share. A carrier does not  
10 win market share without providing some benefit to consumers that will persuade  
11 them to change carriers. In short, there is significant, demonstrable competition  
12 in the long distance telecommunications market, which is born out by readily  
13 available data. Ms. Meisenheimer's statements about lack of competition are not  
14 credible in the least and should be rejected.

15 **Q. ARE THERE MEANS BY WHICH AT&T RESIDENTIAL LONG**  
16 **DISTANCE CUSTOMERS MAY AVOID PAYING THE ISCF?**

17 A. Yes. As I explained in my direct testimony, AT&T offers a plan called One Rate  
18 Simple that is not assessed the ISCF or other minimum charges or fees.  
19 Consumers can also avoid AT&T's ISCF by selecting another IXC or a wireless  
20 or Voice Over Internet Protocol ("VOIP") provider for their long distance service,  
21 or they may use prepaid calling cards.

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<sup>10</sup> FCC Report: Trends in Telephone Service, released June 21, 2005. Tables 9.7 and 9.8. See attached Schedule DPR-5.

1 **Q. DO YOU AGREE WITH PUBLIC COUNSEL WITNESS**  
2 **MEISENHEIMER'S STATEMENT AT PAGE 16 THAT THE TEST OF**  
3 **WHETHER A RATE IS JUST AND REASONABLE IS THE IMPACT OR**  
4 **EFFECT OF THE RATE ON THE RATEPAYER?**

5 A. No. First, on page 16 of her rebuttal testimony Ms. Meisenheimer affirmatively  
6 answers a leading question that presumes that "the test of whether a rate is just  
7 and reasonable or discriminatory or not is the impact or effect of the rate on the  
8 ratepayer." However, Ms. Meisenheimer provides no support for the proposition  
9 that "impact on the ratepayer" is the standard for approval or disapproval of  
10 AT&T's tariff. Clearly the impact on the ratepayer may be considered insofar as  
11 that may be necessary to determine whether a particular competitive rate is  
12 unreasonably or unlawfully discriminatory. However, just looking at the impact  
13 on the ratepayer in a vacuum would turn the notion of a competitive market on its  
14 head. Such an approach would deny competitive carriers the opportunity to try  
15 different pricing schemes in the marketplace, as Public Counsel could invariably  
16 characterize any particular pricing scheme as unfair or discriminatory.

17 As my testimony above has demonstrated, it is possible to argue that all  
18 plans with a flat-rate component are discriminatory because some low volume  
19 users will appear to overpay for their usage. I am not sure why Public Counsel  
20 has not opposed all long distance plans with flat-rate components, and presumably  
21 Public Counsel would oppose any effort by a carrier to eliminate all of its usage-  
22 based plans, even though there is nothing in Missouri law nor telecommunications  
23 policy generally that would support such a restriction on a competitive carrier.

1 Similarly, while it is difficult to imagine Public Counsel opposing usage-based  
2 plans in general, the standard Ms. Meisenheimer supports is one that, taken to its  
3 logical extreme, would deny a competitive carrier the ability to charge different  
4 per-minute of use rates for the same service. The higher of differing per-minute  
5 of use rates would, at least superficially, always appear to be detrimental to  
6 ratepayers. Ms. Meisenheimer's proposed "standard" is nothing more than an  
7 attempt to undermine the very notion of a competitive market for  
8 telecommunications in Missouri where, instead of allowing competition to work,  
9 every proposed rate can be challenged on the basis of a cost justification, or on the  
10 basis of a rationale that suits Public Counsel's policy goals. This sort of extreme  
11 regulatory framework for competitive services is, I believe, contrary to the notion  
12 of a competitive market. Moreover, as the evidence I have provided  
13 demonstrates, the long distance market in Missouri is extremely competitive.

14 As I have discussed at length above, AT&T's ISCF is just and reasonable  
15 for a multitude of reasons ranging from the calculable relationship between the  
16 state-specific excessive intrastate switched access costs incurred by AT&T and  
17 the state-specific rate set for the ISCF to differences in access costs incurred by  
18 different groups of AT&T customers within the residential class to differences in  
19 access costs incurred across customer classes. I have also shown AT&T's ISCF  
20 to be just and reasonable on the basis of long standing Commission-approved  
21 customer class distinctions and average cost rate making. I have shown that even  
22 with the AT&T ISCF, the average customer has still benefited from competition

1 in the long distance market, and in fact, has been the beneficiary of competitive  
2 rate reductions in excess of the amount of the ISCF since its introduction.

3 As I indicated at the beginning of my testimony, I do not believe the  
4 Commission should even consider whether AT&T's ISCF is just and reasonable.  
5 However, if the Commission feels it necessary to make a just and reasonableness  
6 finding, it should clearly reject Public Counsel's position and rule that AT&T's  
7 ISCF is just and reasonable.

8 **IV. AT&T'S ISCF IS NOT DISCRIMINATORY**

9 **Q. WHAT IS YOUR GENERAL REACTION TO PUBLIC COUNSEL**  
10 **WITNESS MEISENHEIMER'S CLAIMS THAT AT&T'S ISCF IS**  
11 **DISCRIMINATORY?**

12 A. Ms. Meisenheimer claims many instances of discrimination where none exists.  
13 She also routinely ignores a multitude of past precedent and current marketplace  
14 realities in telecommunications rate design. I do not know anyone who likes to be  
15 the recipient of increased rates or new fees, but Ms. Meisenheimer produces no  
16 evidence that would transform Public Counsel's obvious dislike of AT&T's ISCF  
17 to any level of discrimination prohibited by Missouri law. At pages 5 and 6 of her  
18 rebuttal testimony Ms. Meisenheimer makes three arguments that assert AT&T's  
19 ISCF tariff is discriminatory: 1) the ISCF's application to only residential  
20 customers; 2) as a flat-rated charge applied to low-volume users; and 3) the  
21 tariff's exemption for AT&T's local customers. I have already addressed each of  
22 these arguments in my direct testimony, and above in the context of  
23 demonstrating that the ISCF is just and reasonable. In general, my direct

1 testimony and the testimony above also address Public Counsel's arguments of  
2 discrimination. However, my testimony below will address those arguments  
3 further, and it will try to do so in the statutory context that governs the  
4 Commission's review.

5 **Q. IS AT&T'S ISCF DISCRIMINATORY BECAUSE IT APPLIES ONLY TO**  
6 **RESIDENTIAL CUSTOMERS?**

7 A. No. I addressed this complaint by Public Counsel in some detail in Section III of  
8 my testimony above. AT&T, indeed the entire industry, "discriminates" (i.e.,  
9 distinguishes between) residential and business customers in numerous ways.  
10 However, class of service distinctions in the development and application of rate  
11 design are legitimate and are historically accepted means of pricing  
12 telecommunications services. AT&T's application of an average ISCF to  
13 residential customers and not to business customers is a reasonable exercise of  
14 AT&T's competitive pricing structure and is not unlawfully or unreasonably  
15 discriminatory. As I described above, it is well established under RSMo.  
16 § 392.200.3 that residential and business classes are just and reasonable class  
17 distinctions, and the statute specifically authorizes the application of different  
18 rates for different classes.

19 **Q. IS AT&T'S ISCF DISCRIMINATORY BECAUSE IT MAY APPLY EVEN**  
20 **WHEN A CUSTOMER HAS NO INTRASTATE CALLING?**

21 A. No. Ms. Meisenheimer's rebuttal raises this as an issue in two places, once on  
22 page 5 at line 7 where she provides no specific basis for her objection, and then  
23 again on page 5 at line 20 where she frames the issue as one of discrimination



1       against low volume users because of the flat-rated nature of the ISCF. Although  
2       her testimony argues that this flat-rated pricing scheme is discriminatory, she does  
3       not cite to any specific statutory provision that she believes prohibits this form of  
4       rate design as “discriminatory.” This is not surprising, because if applying a flat-  
5       rate to a usage sensitive service were unlawful then the Commission would have  
6       to overturn every flat-rate monthly recurring charge it has ever approved.  
7       Ironically, one of the primary network facilities that is used for long distance, the  
8       loop, is not-usage sensitive. Public Counsel, however, insists on framing the issue  
9       as if long distance service were totally usage sensitive.

10             The ISCF is not discriminatory even when customers have no intrastate  
11       calling. As with many rate designs in the telecommunications industry the ISCF  
12       is applicable whenever there are chargeable amounts on a customer’s bill –  
13       charges which will vary both as to quantity and jurisdiction from month to month.  
14       Telephony rate design is and historically has been based on averages and AT&T’s  
15       ISCF is no exception. AT&T charges its ISCF to its non-exempt residential  
16       customers at a level related to AT&T’s average per-customer excess intrastate  
17       switched access cost. Average rates and charges have been one of the  
18       cornerstones of telecommunications rate design for decades. AT&T’s ISCF is  
19       simply an extension of this nondiscriminatory method of recovering costs.

1 **Q. IS THE AT&T ISCF DISCRIMINATORY BECAUSE IT IS APPLIED ON**  
2 **A FLAT-RATE BASIS EVEN THOUGH ACCESS CHARGES ARE**  
3 **INCURRED BY AT&T ON A USAGE-SENSITIVE BASIS?**

4 A. No. As I discussed above, much of the excess access charges imposed on AT&T  
5 in Missouri are in the form of CCL charges. These charges recover fixed non-  
6 usage sensitive loop costs of the underlying LECs on an illogical and  
7 discriminatory basis from IXC's such as AT&T. The more appropriate recovery  
8 mechanism for these costs is on a per line basis, just as AT&T is doing. As I also  
9 discussed above, the FCC has instituted the same type of rate design for loop cost  
10 recovery through the SLC. The FCC obviously does not consider a per line  
11 charge for non-usage-based costs to be discriminatory and this Commission  
12 should not either.

13 **Q. WHAT ABOUT PUBLIC COUNSEL WITNESS MEISENHEIMER'S**  
14 **CLAIM THAT CUSTOMERS THAT USE LESS WILL PAY**  
15 **PROPORTIONATELY MORE?**

16 A. Ms. Meisenheimer's statement is true – but the result is not discriminatory. There  
17 are easily dozens, and probably hundreds, of toll calling plans in the marketplace  
18 with subscription fees or minimum monthly usage fees along with  
19 correspondingly different usage rate structures. Each one of the differing fees and  
20 rate structures will by definition produce a different implicit price for a given  
21 quantity of usage. None of these other rate structures are being challenged by Ms.  
22 Meisenheimer. Indeed they should not be challenged as they are legitimate  
23 market-driven products that have been made possible by a competitive market. In  
24 light of the large number of flat-rated charges for long distance service in place

1           today, whether with or without a usage component, Ms. Meisenheimer's criticism  
2           of the ISCF for being flat-rated is completely without merit.

3   **Q.   IS THE IMPOSITION OF A SEPARATE STATE-SPECIFIC FEE SUCH**  
4   **AS AT&T'S ISCF ANY DIFFERENT IN CONCEPT FROM THE**  
5   **MONTHLY SUBSCRIPTION FEES OR MINIMUM MONTHLY USAGE**  
6   **CHARGES YOU JUST DISCUSSED?**

7   A.   No, it is simply a portion of AT&T's legitimate rate design that recovers  
8       Missouri's disproportionate switched access charges.

9   **Q.   DOES THE ISCF DISCRIMINATE AGAINST RURAL CUSTOMERS AS**  
10  **CHARGED BY PUBLIC COUNSEL WITNESS MEISENHEIMER?**

11  A.   Ms. Meisenheimer's charge that AT&T's ISCF discriminates against rural  
12       customers has a number of parts to it so I must respond to them separately. She  
13       claims rural customers cannot qualify for the exemption as an AT&T local  
14       customer because AT&T local service offerings are targeted to metropolitan  
15       urban areas. She also implies, without telling us how, that AT&T's rural rates are  
16       not comparable to urban rates as mandated by Section 254(g) of the 1996 federal  
17       Communications Act.

18  **Q.   HAS AT&T TARGETED URBAN OVER RURAL SUBSCRIBERS IN**  
19  **OFFERING LOCAL SERVICE?**

20  A.   While I am not intimately familiar with AT&T's past, and now discontinued,  
21       marketing of local service in Missouri, I have reviewed AT&T's most recent  
22       annual report and can confirm that at the end of 2004 AT&T provided residential  
23       local service in all four of SBC's tariff groupings of towns and cities. Further, a

1 review of AT&T's local residential tariff clearly shows that AT&T local service is  
2 and has been available in all urban, suburban and rural SBC Missouri exchanges.

3 **Q. IS IT LEGITIMATE TO SAY THAT AT&T'S ISCF DISCRIMINATES**  
4 **AGAINST RURAL CUSTOMERS BASED ON AT&T'S RESIDENTIAL**  
5 **LOCAL SERVICE OFFERS?**

6 A. Absolutely not. Ms. Meisenheimer suggests that because AT&T does not offer  
7 local service on a statewide basis as it does interexchange long distance service,  
8 rural customers are somehow discriminated against. Ms. Meisenheimer's  
9 argument is really quite a stretch. This Commission has not required, nor would it  
10 have the authority to require, even one carrier to offer local exchange service on a  
11 statewide basis. Ms. Meisenheimer fails to acknowledge that there have been  
12 statutory impediments to AT&T providing local service in all areas – especially in  
13 rural non-SBC Missouri territory where the Section 251(f) of Federal  
14 Telecommunication Act provides exemptions for small ILECs from the Act's  
15 requirements for opening the local exchange market. Furthermore, AT&T has  
16 determined that it faces such significant hurdles entering the local exchange  
17 market, even within the SBC Missouri territory, that AT&T has ceased marketing  
18 all residential services and is, in essence, withdrawing from the residential  
19 marketplace. It is also my understanding that this Commission has approved  
20 other carriers' tariffs providing price discounts for customers who take bundled  
21 local and long distance services from the same carrier. In my opinion that  
22 situation is identical to AT&T's exemption from the ISCF for its local customers.  
23 As my direct testimony demonstrated with evidence that Ms. Meisenheimer

1 ignored, there is a clear and reasonable cost justification for AT&T to exempt its  
2 local customers from the ISCF inasmuch as AT&T avoids a significant amount of  
3 access cost for every long distance call that is either originated from or terminated  
4 to this subset of AT&T's long distance customers.

5 Ms. Meisenheimer's testimony on this issue – a single paragraph  
6 beginning at page 14 of her testimony and a general assertion at page 6 that this  
7 exemption violates Section 254(g) of the Act – is rhetoric that ignores all of the  
8 parties' direct testimony. As I stated above, there is no requirement that a CLEC  
9 offer local service statewide and AT&T offers local service in all SBC Missouri  
10 exchanges, not just urban and suburban exchanges. Further, the ISCF on its face  
11 applies to all non-exempt AT&T interexchange customers – there is no exemption  
12 for urban or suburban customers that is unavailable for rural customers. AT&T's  
13 interexchange customers – urban, suburban, and rural, may avoid the ISCF by  
14 subscribing to AT&T One Rate Simple service. There simply is no  
15 discrimination against AT&T's rural customers.

16 **Q. WHAT DOES SECTION 254(G) OF THE COMMUNICATIONS ACT**  
17 **SAY?**

18 A. Section 254(g) says:

19 INTEREXCHANGE AND INTERSTATE SERVICES.--Within 6  
20 months after the date of enactment of the Telecommunications Act  
21 of 1996, the Commission shall adopt rules to require that the rates  
22 charged by providers of interexchange telecommunications  
23 services to subscribers in rural and high cost areas shall be no  
24 higher than the rates charged by each such provider to its  
25 subscribers in urban areas. Such rules shall also require that a  
26 provider of interstate interexchange telecommunications services

1           shall provide such services to its subscribers in each State at rates  
2           no higher than the rates charged to its subscribers in any other  
3           State.

4   **Q.   WHAT RULES DID THE FCC ADOPT AS REQUIRED BY SECTION**  
5   **254(G)?**

6   A.   The FCC adopted the following rules in CC Docket 96-61:<sup>11</sup>

7           § 64.1701 Geographic Rate Averaging and Rate Integration

8           (a)   The rates charged by providers of interexchange  
9           telecommunications services to subscribers in rural and high-cost  
10          areas shall be no higher than the rates charged by each such  
11          provider to its subscribers in urban areas.

12          (b)   A provider of interstate interexchange telecommunications  
13          services shall provide such services to its subscribers in each U.S.  
14          state at rates no higher than the rates charged to its subscribers in  
15          any other state.

16   **Q.   HOW DID THE FCC INTERPRET THE PORTION OF THE RULE**  
17   **HAVING TO DO WITH INTRASTATE RATES?**

18   A.   The FCC made its interpretation of both the statute and its rule very clear:

19           We conclude that Congress did not intend in Section 254(g) to  
20           eliminate state authority over intrastate rates. To the contrary, we  
21           conclude that Congress intended the states to play an active role in  
22           enforcing Section 254(g) with respect to intrastate geographic rate  
23           averaging. States have a role in ensuring that rates for intrastate  
24           interexchange calls offered to rural and high-cost customer are no  
25           higher than those paid by urban customers. We believe that  
26           intrastate rate structures that are based on reasonable mileage  
27           bands will meet this requirement because that is the method  
28           traditionally used by carriers to offer geographically averaged  
29           rates. Thus, for example, carriers offering intrastate interexchange  
30           service may charge different intrastate rates for a call of 100 miles  
31           in Texas than for a call of the same distance in Virginia, pursuant  
32           to individual state decisions. Further, we find, as proposed in the

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<sup>11</sup> Policy and Rules Concerning the Interstate, Interexchange Marketplace, CC Docket No. 96-61, Implementation of Section 254(g) of the Communications Act of 1934, as amended. FCC 96-331, Adopted August 7, 1996. Released August 7, 1996. 11 FCC Rcd. 9564.

1 NPRM, that states are free to establish intrastate rates, as long as  
2 they are not inconsistent with the rules we adopt in this proceeding.  
3 We will not, however, permit states to establish special rate zones  
4 within states because we believe that would result in  
5 geographically deaveraged rates in violation of Section 254(g).<sup>12</sup>

6 **Q. BASED ON SECTION 254(G), THE FCC'S RULES AND ITS WRITTEN**  
7 **INTERPRETATION OF THE STATUTE AND INTENT OF ITS RULES,**  
8 **MUST INTRASTATE RATES OFFERED BY AT&T BE THE SAME**  
9 **FROM STATE TO STATE?**

10 A. No. The FCC expressly left intrastate ratemaking jurisdiction in the hands of the  
11 state commissions so long as states themselves did not establish geographically  
12 deaveraged rates within the individual state.

13 **Q. ARE ANY OF AT&T'S INTEREXCHANGE (LONG DISTANCE) OFFERS**  
14 **FOR CALLING WITHIN MISSOURI GEOGRAPHICALLY**  
15 **DEAVERAGED?**

16 A. No. Any customer anywhere in Missouri that subscribes to an AT&T service  
17 offer receives the same pricing for that service as any other similarly situated  
18 customer in the state, whether they are an urban, suburban or rural customer.

19 **Q. IS AT&T'S ISCF THAT IS CHARGED IN CONNECTION WITH AT&T'S**  
20 **INTEREXCHANGE (LONG DISTANCE) OFFERS FOR CALLING**  
21 **WITHIN MISSOURI GEOGRAPHICALLY DEAVERAGED?**

22 A. No. Any customer anywhere in Missouri that subscribes to an AT&T service  
23 offer subject to the ISCF is billed the same price as any other similarly situated  
24 customer in the state, whether they are an urban, suburban or rural customer.

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<sup>12</sup> *Id.* ¶ 46.

1   **Q.    IN YOUR LAY OPINION, HAS AT&T IN ANY WAY VIOLATED THE**  
2   **RESTRICTION ON GEOGRAPHICALLY DEAVERAGED RATES IN**  
3   **MISSOURI?**

4   A.    No.

5   **Q.    PLEASE COMMENT ON PUBLIC COUNSEL WITNESS**  
6   **MEISENHEIMER'S SCHEDULE 15 WHICH PURPORTS TO**  
7   **ILLUSTRATE THE "ABSURD AND DISCRIMINATORY EFFECTS" OF**  
8   **AT&T'S ISCF.**

9   A.    In her Schedule 15, Ms. Meisenheimer presents three illustrative tables but none  
10       of them proves any absurdity or discrimination. The first table shows  
11       hypothetical individual customers, some with intrastate calling and others with no  
12       intrastate calling but all with the ISCF assessed. The "results" shown are no  
13       surprise. As I discussed above, telecommunications rate design has historically  
14       been based on averages. In any given month a customer may have intrastate  
15       calling. In the next, he may have none. However, on average, the aggregate of all  
16       customers tend to produce a certain amount of intrastate calling and a concomitant  
17       average cost per customer resulting from excessive intrastate switched access  
18       charges. There is no discrimination when AT&T assesses the ISCF on an  
19       individual customer even if that customer had no intrastate calling in a particular  
20       month. All customers subject to the ISCF are treated the same. I am unaware of  
21       any provision in Missouri law that specifically prohibits AT&T from imposing a  
22       flat-rated charge on customers with no usage. Indeed, this is currently the norm  
23       for local service. Furthermore, the presence of interexchange plans in Missouri



1 with flat-rated monthly recurring charges demonstrates that such pricing is  
2 reasonable, nondiscriminatory, and in the public interest.

3 The second table identifies two hypothetical customers of an AT&T  
4 calling plan with different levels of usage. Once the ISCF is added, each  
5 customer's effective cost per minute of use is shown to vary. Again, the "results"  
6 are no surprise. Many AT&T service offers also have a monthly subscription fee  
7 or minimum monthly usage requirement. These fixed, flat-rate amounts that are  
8 integral to the individual service rate design will also affect the customer's  
9 effective cost per minute. AT&T does not bill a variable rate per minute from  
10 month to month but bills the calling plan usage rates as tariffed in its intrastate  
11 tariff or as shown in its interstate Pricing Guide. Again, Public Counsel's attack  
12 on the ISCF is tantamount to an attack on all plans with monthly recurring  
13 charges. If two customers each pay a \$10.00 monthly recurring charge (and no  
14 per minute charges), and in one month one customer only has one minute of usage  
15 but the other customer has 100 minutes of usage, the first customer is going to  
16 effectively pay \$10 a minute while the second customer is going to effectively  
17 pay \$0.10 a minute. This is a reality in the telecommunications marketplace  
18 today. The first customer might be better served by subscribing to a different  
19 service with a different rate structure, but that doesn't make this rate structure  
20 unlawful. There is no absurdity or discrimination when differing levels of  
21 customer usage result in variable effective costs per minute.

1           The third table shows two hypothetical customers with identical usage but  
2           one subscribes to the carrier's local dial tone service offer and the other does not.  
3           The subscriber with CLEC local service is not assessed the ISCF and the  
4           customer without CLEC local service is assessed the ISCF. As with the second  
5           table discussed above, the hypothetical effective cost per minute varies between  
6           the two hypothetical customers. As discussed earlier in my testimony, there are  
7           legitimate incurred-cost differences between the two situations in this third  
8           illustration. However, while Ms. Meisenheimer claims that this result is unjust,  
9           unreasonable and discriminatory, if AT&T did not provide an exception to the  
10          ISCF for our local customers then it would have been just as easy for Public  
11          Counsel to argue that such non-exemption would be unjust, unreasonable and  
12          discriminatory because AT&T does not incur one half of the usual access costs  
13          when we provide long distance service to our local customers. AT&T is in a no-  
14          win situation with regard to its exemption for its local customers, but I have  
15          shown that there is no discrimination in the application of the ISCF to our long  
16          distance customers that do not subscribe to AT&T's local service.

17   **Q.   PLEASE RESPOND TO MS. MEISENHEIMER'S TESTIMONY AT PAGE**  
18   **6 THAT ASSERTS THAT AT&T HAS FAILED TO DEMONSTRATE**  
19   **UNDER RSMO. § 392.200.4(1) AND .5 THAT THE ISCF IS IN THE**  
20   **PUBLIC INTEREST.**

21   **A.   To begin with, § 392.200.4(1) states in relevant part:**

22           No telecommunications company may define a  
23           telecommunications service as a different telecommunications  
24           service based on the geographic area or other market segmentation  
25           within which such telecommunications service is offered or

1           provided, unless the telecommunications company makes  
2           application and files a tariff or tariffs which propose relief from  
3           this subsection.  
4

5           As I read this statutory provision, I do not think it applies to AT&T's ISCF tariff,  
6           and Ms. Meisenheimer's testimony does not explain how it does. AT&T's ISCF  
7           is not in any way based on a geographic area, other than it is for an intrastate  
8           service. In addition, by implementing the ISCF, AT&T has not attempted to  
9           define any telecommunications service in a different manner, nor is the ISCF  
10          being applied to any unique "market segmentation." I do not take that term to  
11          mean "customer class," which is covered by § 392.200.3 and which I have  
12          thoroughly discussed above. Inasmuch as Ms. Meisenheimer has not explained  
13          how the ISCF even implicates § 392.200.4(1), the Commission should ignore her  
14          arguments regarding that subsection.

15          With regard to RSMo. § 392.200.5, I will set that out in its entirety:

16  
17           No telecommunications company may charge a different price per  
18           minute or other unit of measure for the same, substitutable, or  
19           equivalent interexchange telecommunications service provided  
20           over the same or equivalent distance between two points without  
21           filing a tariff for the offer or provision of such service pursuant to  
22           sections 392.220 and 392.230. In any proceeding under sections  
23           392.220 and 392.230 wherein a telecommunications company  
24           seeks to charge a different price per minute or other unit of  
25           measure for the same, substitutable, or equivalent interexchange  
26           service, the burden shall be on the subject telecommunications  
27           company to show that such charges are in the public interest and  
28           consistent with the provisions and purposes of this chapter. The  
29           commission may modify or prohibit such charges if the subject  
30           telecommunications company fails to show that such charges are in  
31           the public interest and consistent with the provisions and purposes  
32           of this chapter. This subsection shall not apply to reasonable price  
33           discounts based on the volume of service provided, so long as such

1 discounts are nondiscriminatory and offered under the same rates,  
2 terms, and conditions throughout a telecommunications company's  
3 certificated or service area.  
4

5 Once again, Ms. Meisenheimer's testimony does not explain how this  
6 section specifically applies to AT&T's ISCF tariff. I assume she intends to assert  
7 that, at a minimum, no IXC can institute a rate or fee for any long distance service  
8 without filing an appropriate tariff or tariff revision and getting approval from the  
9 Commission.

10 Assuming, for the sake of argument that this section does apply to  
11 AT&T's ISCF, AT&T has submitted its tariff for approval to the Commission.  
12 As for this section's requirement that the rate or fee must be in the public interest,  
13 if this section applies to the ISCF then it applies to every long distance rate that is  
14 currently tariffed in Missouri. Rate increases for competitive services routinely  
15 go into effect by operation of law without this kind of "public interest" scrutiny.  
16 For the reasons described here and in my direct testimony, AT&T's ISCF tariff is  
17 a reasonable rate design decision employed by AT&T in an effort to recover  
18 excessive intrastate access costs. The ISCF does not even recover the per line  
19 average of AT&T's excessive intrastate access costs. The flat-rated nature of the  
20 ISCF is a popular rate design with consumers and is a prevalent pricing  
21 component in the interexchange market. AT&T has made a reasonable pricing  
22 decision in applying the ISCF to only the residential class of customers as  
23 opposed to the business class of customers for whom differing service  
24 arrangements produce different access costs and differing products require

1 distinct rate designs. Finally, AT&T has decided to implement a reasonable  
2 exemption from the ISCF for its local customers for whom AT&T does not  
3 experience the same access costs. It is in the public interest to allow AT&T to  
4 recover its access costs, and AT&T's ISCF tariff is a just and reasonable and non-  
5 discriminatory manner of doing so. Facts such as these supporting a public  
6 interest finding were provided in my direct testimony, even if I did not direct  
7 them at any specific statutory requirements. Given Ms. Meisenheimer's failure to  
8 relate her criticisms of the ISCF to any statutory criteria in any detail, this  
9 particular criticism of hers is especially unfounded.

10 I feel quite certain that to require a greater showing of public interest for a  
11 competitive interexchange tariff would be unprecedented. I can think of no  
12 principled basis for imposing a higher threshold on AT&T's ISCF tariff than the  
13 Commission has imposed on other tariffs for interexchange services. The  
14 competitive classification of interexchange services should, as I have argued  
15 regarding this statutory standard, presume that tariffs for competitive services  
16 satisfy the "public interest" standard and should be approved. Otherwise, the  
17 Commission can become bogged down in nebulous arguments regarding the  
18 public interest merits of any tariff filing related to a competitive service.

19 **Q. BASED ON THE TOTALITY OF PUBLIC COUNSEL WITNESS**  
20 **MEISENHEIMER'S TESTIMONY, WHAT RESULT WOULD SEEM TO**  
21 **SATISFY ALL THE ISSUES SHE HAS RAISED?**

22 **A.** Taken to their logical conclusion, Ms. Meisenheimer's objections would lead to  
23 the rejection of every aspect of long distance service rate design except a one-

1 size-fits-all price per minute for each minute of intrastate toll calling. All plan  
2 fees and monthly minimum usage charges would be declared illegal. There  
3 would be no “calling plans” – only intrastate toll minutes at a single price. That,  
4 to use Ms. Meisenheimer’s own words, would be an absurd result.

5 **Q. WHAT WOULD BE THE IMPLICATION OF A REJECTION OF THE**  
6 **AT&T ISCF BY THE COMMISSION AS PROPOSED BY PUBLIC**  
7 **COUNSEL WITNESS MEISENHEIMER?**

8 A. If the ISCF is found to be unlawful based on any of the arguments presented by  
9 Ms. Meisenheimer, then I think the Commission would be faced with two very  
10 negative outcomes. First, if the Commission’s decision were not to be arbitrary  
11 and capricious I believe that the Commission would have to undertake a thorough  
12 review of all intrastate interexchange rates and for a large number, perhaps the  
13 majority, of tariffed interexchange rate plans in Missouri the Commission would  
14 have to pursue complaints in an effort to eliminate those rate plans. Second, the  
15 Commission will have established a precedent calling for a thorough evidentiary  
16 review of rate changes for virtually any competitive service where Public Counsel  
17 asserts that some unlawful discrimination is occurring, or where Public Counsel  
18 contends that the competitive rate is not just and reasonable or not in the public  
19 interest. I do not mean to suggest that unlawful discrimination can never occur as  
20 a result of a competitive service tariff, but if Public Counsel prevails on any of  
21 their claims of discrimination in this case, then it seems to me that there will be no  
22 real limit on when Public Counsel can say that disparate treatment equals  
23 discrimination.

1 **Q. PLEASE SUMMARIZE YOUR EVALUATION OF PUBLIC COUNSEL**  
2 **WITNESS MEISENHEIMER'S TESTIMONY.**

3 A. Public Counsel's use of the terms "unjust, unreasonable and discriminatory"  
4 appear to have no boundaries and no principled basis – they are simply terms that  
5 Public Counsel is using loosely and in an undefined fashion to suit its opposition  
6 to AT&T's ISCF tariff, and their arguments based on the use of those terms have  
7 no credibility, nor support in law, as far as I can tell from Ms. Meisenheimer's  
8 testimony. The Commission was correct when it originally rejected Public  
9 Counsel's arguments about the ISCF under RSMo. § 392.200 over three years  
10 ago. The only changes that have occurred since the Commission originally  
11 approved the ISCF tariff are that the Missouri interexchange market has become  
12 even more competitive with the full-blown entry of SBC into the market, and the  
13 passage of SB 237 with indications of legislative intent to deregulate further  
14 telecommunications services, particularly competitive services, in Missouri.

15 **V. RESPONSE TO SPRINT, MCI AND COMMISSION STAFF**

16 **Q. PLEASE COMMENT ON THE TESTIMONY OF JAMES APPLEBY ON**  
17 **BEHALF OF SPRINT COMMUNICATIONS COMPANY, L.P.**

18 A. Mr. Appleby makes many of the same points I have made including the facts that  
19 each of our companies have complied with state requirements in establishing our  
20 respective ISCF-like charges<sup>13</sup> and that our firms adequately inform our  
21 customers of the level and nature of our fees. Mr. Appleby demonstrated that  
22 Sprint incurs higher than average intrastate switched access costs in Missouri and

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<sup>13</sup> Sprint calls their equivalent to AT&T's ISCF an in-state access recovery (ISAR) fee.

1       that Sprint's ISAR recovers less than the average excess cost incurred. He  
2       correctly pointed out that there are no rules that regulate the specific rate structure  
3       of competitive toll provider services in Missouri and that the competitive  
4       marketplace has driven an evolution in long distance rate design in recent years.  
5       Mr. Appleby identified state law that permits different treatment of customer  
6       classes and discussed the FCC's conclusion that intrastate rates may vary from  
7       state to state under section 254(g) of the federal Telecommunications Act.

8       **Q. PLEASE COMMENT ON THE TESTIMONY OF ANDREW GRAVES ON**  
9       **BEHALF OF MCI WORLDCOM COMMUNICATIONS, INC. AND**  
10       **TELECONNECT LONG DISTANCE SERVICES AND SYSTEMS**  
11       **COMPANY.**

12      A. Mr. Graves provides a history of his firms' classification as competitive  
13      companies and the institution of their equivalent to AT&T's ISCF. He provides  
14      useful observations from the FCC on the nature and history of competitive long  
15      distance service as well as the February, 2005 Missouri Telecommunications staff  
16      report "2004 In Review" that shows, among other things,, the very high intrastate  
17      switched access charges levied by Missouri LECs. Mr. Graves provides extensive  
18      evidence of the availability of competitive long distance offers as well as evidence  
19      of the availability of information to consumers in the selection of long distance  
20      offers that will suit each customer's needs. He correctly observes that the ISCF  
21      does not violate the Commission's proposed rule regarding billing of separate  
22      charges being considered in Case No. TX-2005-0258 nor does it violate the  
23      FCC's Truth In Billing Rules adopted in CC Docket No. 98-170.



1   **Q.   PLEASE COMMENT ON THE TESTIMONY OF WILLIAM VOIGHT ON**  
2   **BEHALF OF THE MISSOURI PUBLIC SERVICE COMMISSION**  
3   **UTILITY OPERATIONS DIVISION.**

4   A.   Mr. Voight's succinct testimony correctly supports the manner in which AT&T  
5       and other IXCs have implemented their respective ISCFs. He accepts the facts  
6       and analyses presented by the IXC witnesses and concludes that each firm has  
7       justified assessing their ISCF, which he calls just and reasonable. He correctly  
8       concludes that none of the Commission's rules prohibit the application of an  
9       ISCF. However, in my lay opinion, I disagree with Mr. Voight's assessment that  
10      the recently passed Senate Bill 237 continues to provide the Commission  
11      authority to review competitive carrier rates for justness and reasonableness. I  
12      also disagree with Mr. Voight's assessment that should AT&T increase its ISCF  
13      "substantially more than the current level" that the new rate level should be  
14      examined for justness and reasonableness. His concern over the distinction  
15      between "fees" and "base charges" becoming clouded does not seem to have any  
16      linkage to any Missouri statute or Commission rule. In my opinion, as long as the  
17      purpose of a fee is made clear to consumers, there should be no concern about the  
18      level of a "fee" versus the level of a "base charge." However, issues regarding  
19      disclosure, or notice to customers, should not cloud the issues that Public Counsel  
20      has raised in this case. Indeed, neither Staff nor Public Counsel has suggested  
21      that AT&T's customers have not been adequately noticed or that AT&T has failed  
22      to comply with any applicable disclosure laws. Regulatory requirements

1           regarding disclosure raise issues separate and apart from the merits of the ISCF  
2           and similar tariffed fees.

3   **Q.    DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4   A.    Yes.  However, I reserve the right to provide testimony at hearing in response to  
5           that of other parties.

\*\*[Begin Highly Confidential Information Removed]\*\*

[illegible][illegible]

**\*\*[End Highly Confidential Information Removed]\*\***

HC

**Average Excess Intrastate Switched Access Charges**

The 2001 AT&T calculation of the average excess intrastate access costs for the Missouri ISCF was based on the difference between the average intrastate access unit cost and the average interstate access unit cost multiplied by the average intrastate minutes per customer. AT&T set the Missouri ISCF of \$1.95 well below the computed average excess intrastate access cost which was computed as follows:

$(\text{intrastate access unit cost} - \text{interstate access unit cost}) * \text{avg intrastate min/cust}$

**\*\*[Begin Highly Confidential Information Removed]\*\***

**\*\*[End Highly Confidential Information Removed]\*\***

The 2004 AT&T calculation of the average excess intrastate access costs for the Missouri ISCF was based on the difference between the average intrastate access unit cost and the average interstate access unit cost multiplied by the average intrastate minutes per customer. AT&T set the Missouri ISCF of \$2.49 well below the computed average excess intrastate access cost which was computed as follows:

$(\text{intrastate access unit cost} - \text{interstate access unit cost}) * \text{avg intrastate min/cust}$

**\*\*[Begin Highly Confidential Information Removed]\*\***

**\*\*[End Highly Confidential Information Removed]\*\***

Access unit costs are stated as cents per end user billed minute of use.

**HC**

**PUBLIC**

Surrebuttal Testimony of Daniel P. Rhinehart  
Case No. TT-2002-129  
July 27, 2005

**AT&T**  
**Change in Residential Average Revenue Per Minute**  
**2001 to 2005**  
**vs.**  
**AT&T In State Connection Fee**

**\*\*[Begin Highly Confidential Information Removed]\*\***

**\*\*[End Highly Confidential Information Removed]\*\***

**HC**

# ***Trends in Telephone Service***

***Industry Analysis and Technology Division  
Wireline Competition Bureau***

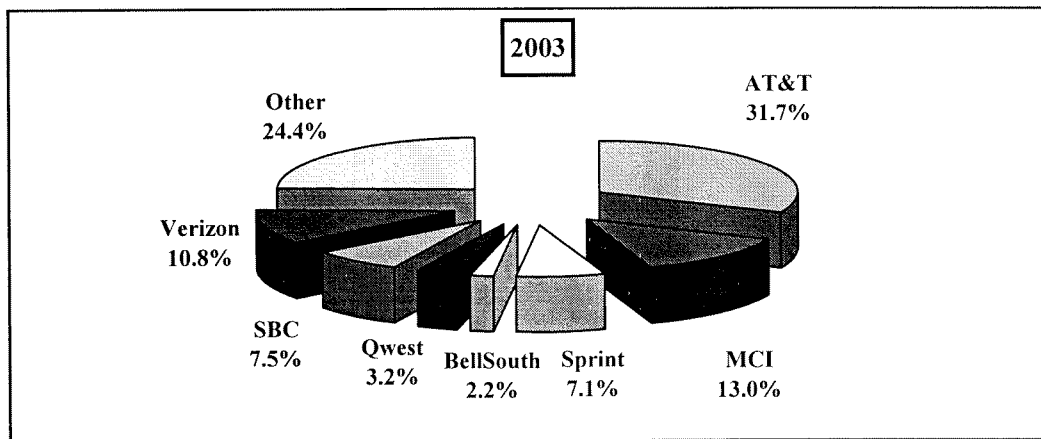
***Tables Compiled as of  
April 2005***

This report is available for reference in the FCC's Information Center at 445 12th Street, S.W., Courtyard Level. Copies may be purchased by calling Best Copy and Printing, Inc., Portals II, 445 12th Street S.W., Room CY-B402, Washington DC 20554 at 800-378-3160, facimile 202-488-5563, or via e-mail [fcc@bcpiweb.com](mailto:fcc@bcpiweb.com). The report can also be downloaded from the **FCC-State Link** Internet site at: [www.fcc.gov/wcb/trends.html](http://www.fcc.gov/wcb/trends.html).

**Table 9.7**  
**Residential Household Market Shares**  
**(1995 - 2003)**

	AT&T <sup>1</sup>	MCI <sup>2</sup>	Sprint	BellSouth <sup>3</sup>	Qwest <sup>4</sup>	SBC <sup>5</sup>	Verizon <sup>6</sup>	Other <sup>7</sup>
<b>Households <sup>8</sup></b>								
1995	74.6 %	13.0 %	4.2 %	(7) %	(7) %	(7) %	(7) %	8.2 %
1996	69.9	14.1	5.0	(7)	(7)	(7)	(7)	11.0
1997	67.2	13.2	5.7	(7)	(7)	(7)	(7)	13.8
1998	62.6	15.1	5.7	(7)	(7)	(7)	(7)	16.6
1999	62.5	16.0	6.2	(7)	(7)	(7)	(7)	15.4
2000	51.1	18.0	6.6	0.1	1.6	1.0	4.6	17.0
2001	42.3	18.5	6.8	0.1	2.9	2.6	6.7	20.0
2002	36.7	15.8	7.6	0.2	2.5	3.8	9.3	24.1
2003	31.7	13.0	7.1	2.2	3.2	7.5	10.8	24.4
<b>Direct Dial IntraLATA Minutes</b>								
1995	8.9 %	2.4 %	4.6 %	(7) %	(7) %	(7) %	(7) %	84.1 %
1996	9.5	5.4	4.4	(7)	(7)	(7)	(7)	80.6
1997	13.9	6.7	3.7	(7)	(7)	(7)	(7)	75.7
1998	15.6	8.7	3.8	(7)	(7)	(7)	(7)	71.8
1999	16.9	12.0	3.6	(7)	(7)	(7)	(7)	67.5
2000	17.3	12.8	5.0	1.6	5.0	18.6	18.0	21.7
2001	15.4	13.2	4.8	1.4	4.3	17.9	17.6	25.3
2002	14.0	11.8	4.8	1.1	2.9	18.5	16.3	30.7
2003	10.7	11.4	8.1	0.9	2.7	17.7	13.2	35.4
<b>Direct Dial InterLATA Minutes</b>								
1995	69.5 %	16.1 %	5.8 %	(7) %	(7) %	(7) %	(7) %	8.6 %
1996	62.5	15.9	7.1	(7)	(7)	(7)	(7)	14.5
1997	62.4	14.9	6.5	(7)	(7)	(7)	(7)	16.2
1998	58.4	17.0	6.5	(7)	(7)	(7)	(7)	18.1
1999	53.2	20.9	6.6	(7)	(7)	(7)	(7)	19.3
2000	44.7	22.0	7.3	0.1	1.6	0.5	2.5	21.3
2001	36.3	20.5	7.6	0.1	1.9	1.8	3.6	28.1
2002	31.2	18.1	9.0	0.3	1.6	3.1	5.6	31.0
2003	26.0	16.6	7.9	1.4	1.8	6.6	6.6	32.9

**Chart 9.3**  
**Residential Household Market Shares**



## Notes for Table 9.7

**Note: Market shares are estimates based on sample data.** Shares for past years have been revised to take into account mergers and acquisitions and changes in methodology.

<sup>1</sup> AT&T Long Distance, Lucky Dog Phone Co. and ACC Long Distance

<sup>2</sup> MCI Long Distance, Telecom USA, Touch 1, TTI National, LDDS WorldCom and WorldCom Network Service

<sup>3</sup> BellSouth Long Distance and BellSouth Public Communications

<sup>4</sup> Qwest and U S WEST Long Distance

<sup>5</sup> Ameritech Communications, Ameritech 800, Pacific Bell, Southwest Long Distance, SBC Long Distance and SNET All Distance

<sup>6</sup> Bell Atlantic Long Distance, NYNEX/Bell Atlantic North, Verizon Select Services and GTE

<sup>7</sup> Until 2000, the regional Bell operating companies are not broken out of the "Other" category.

<sup>8</sup> Each household is assumed to have a single access line (less than 8% of households in the 2003 sample had more than one access line). These lines are allocated across carriers based on the household's primary long distance carrier which is imputed by the provider of the data, TNS Telecoms. In 1995, 1996 and 1999-2003, TNS defined the household's primary long distance carrier. In 1997, a household's primary long distance carrier was determined based on calls made through long distance carriers, and in 1998, a household's primary long distance carrier was determined based on interLATA calls.

Source: Calculated by Industry Analysis and Technology Division staff using survey data from TNS Telecoms *ReQuest Market Monitor*™, *Bill Harvesting*®.



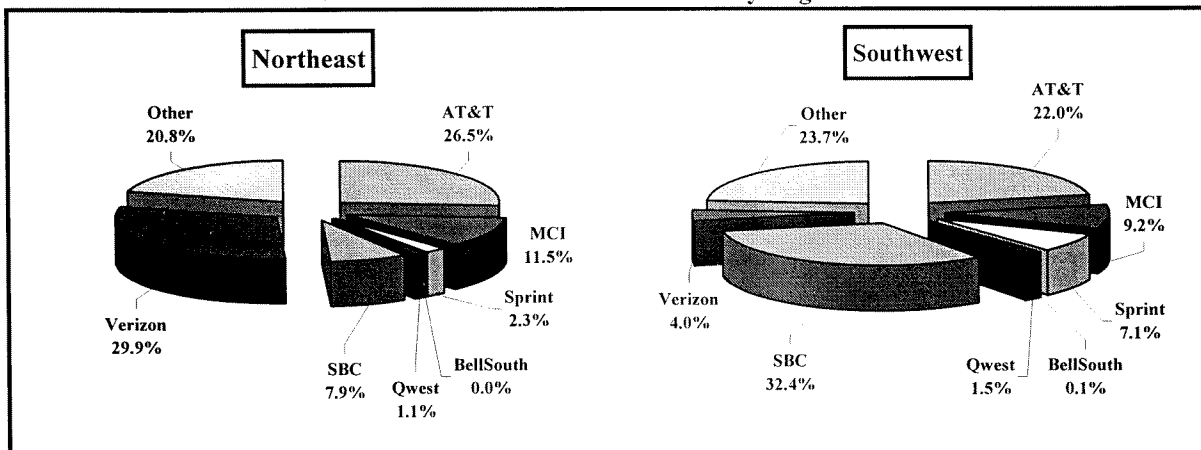
**Table 9.8**  
**Residential Household Market Shares**  
**By Region: 2003**

Region <sup>1</sup>	AT&T <sup>2</sup>	MCI <sup>3</sup>	Sprint	BellSouth <sup>4</sup>	Qwest <sup>5</sup>	SBC <sup>6</sup>	Verizon <sup>7</sup>	Other <sup>8</sup>	Sample Size
<b>Households</b>									
Southeast	36.1 %	13.1 %	11.2 %	11.0 %	1.8 %	0.1 %	4.8 %	22.0 %	5,447
West	30.3	14.9	6.0	0.0	11.3	0.0	3.9	33.6	4,195
West Coast	29.7	12.5	7.0	0.0	2.0	18.3	11.2	19.3	3,015
Mid-Atlantic	33.3	15.6	6.7	0.0	1.9	0.1	21.8	20.6	3,881
Mid-West	38.1	13.0	6.7	0.0	1.9	4.4	7.5	28.3	4,768
Northeast	26.5	11.5	2.3	0.0	1.1	7.9	29.9	20.8	2,947
Southwest	22.0	9.2	7.1	0.1	1.5	32.4	4.0	23.7	3,339
Total	31.7 %	13.0 %	7.1 %	2.2 %	3.2 %	7.5 %	10.8 %	24.4 %	27,592
<b>Direct Dial IntraLATA Minutes</b>									
Southeast	8.5 %	12.2 %	44.3 %	7.6 %	0.3 %	0.0 %	2.3 %	25.0 %	85,657
West	11.9	18.5	4.1	0.0	20.2	0.0	4.9	40.3	83,934
West Coast	10.2	11.5	1.6	0.0	0.7	42.4	13.7	19.9	136,526
Mid-Atlantic	8.6	7.7	5.2	0.0	1.2	0.2	39.6	37.6	142,092
Mid-West	10.0	8.2	3.7	0.0	0.3	25.6	6.2	46.0	129,980
Northeast	19.6	17.8	0.9	0.0	0.1	8.5	10.0	43.0	93,729
Southwest	7.4	7.4	5.6	0.0	0.0	39.1	2.7	37.8	89,874
Total	10.7 %	11.4 %	8.1 %	0.9 %	2.7 %	17.7 %	13.2 %	35.4 %	761,792
<b>Direct Dial InterLATA Minutes</b>									
Southeast	28.0 %	18.1 %	12.1 %	6.6 %	0.9 %	0.0 %	3.1 %	31.1 %	301,883
West	24.5	21.2	8.1	0.0	6.8	0.0	2.6	36.8	194,162
West Coast	24.8	12.9	7.3	0.0	0.6	17.4	6.0	31.0	178,890
Mid-Atlantic	29.5	22.2	7.2	0.0	2.2	0.0	10.5	28.3	195,761
Mid-West	29.0	14.7	7.5	0.0	1.3	0.2	7.9	39.5	210,084
Northeast	26.6	12.4	2.6	0.0	0.6	7.6	18.1	32.2	137,788
Southwest	16.8	11.5	6.4	0.0	0.3	30.8	2.6	31.5	157,610
Total	26.0 %	16.6 %	7.9 %	1.4 %	1.8 %	6.6 %	6.6 %	32.9 %	1,376,178

**Note:** Market shares are estimates based on sample data. For footnotes, please see the next page.

Source: Calculated by Industry Analysis and Technology Division staff using survey data from TNS Telecom*ReQuest Market Monitor*™, *Bill Harvesting*®.

**Chart 9.4**  
**Residential Household Market Shares by Region: 2003**



**Notes for Table 9.8**

<sup>1</sup> Southeast: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee

West: Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming

West Coast: California and Nevada

Mid-Atlantic: Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia and West Virginia

Mid-West: Illinois, Indiana, Michigan, Ohio and Wisconsin

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont

Southwest: Arkansas, Kansas, Missouri, Oklahoma and Texas

<sup>2</sup> AT&T Long Distance, Lucky Dog Phone Co. and ACC Long Distance

<sup>3</sup> MCI Long Distance, Telecom USA, Touch 1, TTI National, LDDS WorldCom and WorldCom Network Service

<sup>4</sup> BellSouth Long Distance and BellSouth Public Communications

<sup>5</sup> Qwest and U S WEST Long Distance

<sup>6</sup> Ameritech Communications, Ameritech 800, Pacific Bell, Southwest Long Distance, SBC Long Distance and SNET All Distance

<sup>7</sup> Bell Atlantic Long Distance, NYNEX/Bell Atlantic North, Verizon Select Services and GTE

<sup>8</sup> Households with any other presubscribed carrier. Note that households for which the presubscribed carrier is unknown or could not be determined have been excluded from the sample.