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August 15, 2002

Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Re: Case No. TO-2001-391

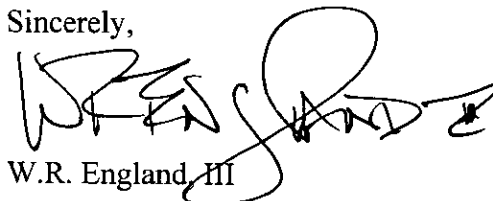
FILED²
AUG 15 2002
Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing please find an original and eight copies of the Initial Comments of Cass County Telephone Company, Lathrop Telephone Company, Orchard Farm Telephone Company and Spectra Communications Group LLC.

Please see that this filing is brought to the attention of the appropriate Commission personnel. If there are any questions regarding this filing, please give me a call. I thank you in advance for your attention to and cooperation in this matter.

Sincerely,



W.R. England, III

WRE/da
Enclosures
cc: Parties of Record

FILED²
AUG 15 2002

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the matter of a further investigation of the)
Metropolitan Calling Area Service After)
Passage and Implementation of the) Case No. TO-2001-391
Telecommunications Act of 1996)

**INITIAL COMMENTS OF CASS COUNTY TELEPHONE COMPANY,
LATHROP TELEPHONE COMPANY, ORCHARD FARM TELEPHONE COMPANY
AND SPECTRA COMMUNICATIONS GROUP LLC**

Come now Cass County Telephone Company, Lathrop Telephone Company,
Orchard Farm Telephone Company, and Spectra Communications Group LLC
(hereinafter collectively referred to as Cass County et al.) and for their Initial Comments
to the Missouri Public Service Commission (Commission) state as follows:

Summary of Position

This case was established by the Commission for the purpose of investigating
issues relating to the pricing of MCA service, the effects of an expanded MCA on
pricing service, and whether the Local Exchange Routing Guide (LERG) is the
appropriate mechanism to identify the MCA NXX codes in the future.¹ Cass County et
al. actively participated in all of the Industry Task Force meetings that gave rise to the
Final Status Report of the Industry Task Force (Task Force Report) filed with the
Commission in January of this year. Cass County et al. is certainly not adverse to
exploring improvements and modifications to the existing MCA service, but no action
should be taken without a full and complete understanding of all of the consequences of

¹Order Establishing New Case and Creating Industry Task Force, issued January
18, 2001.

such action.

Cass County et al.'s customers have enjoyed the current MCA service for nearly ten years, and their customers are very satisfied with the service. While there may be some customer confusion associated with the distinct NXX codes necessary to identify MCA subscribers, the vast majority of these existing MCA customers are well aware of how MCA works and its existing calling scopes. Cass County et al. are not insensitive to the fact that the current MCA plan creates a drain on NXX codes. However, with recent developments in the area of number conservation, including 1000s block pooling, Cass County et al. are not convinced that number conservation, in and of itself, should drive a substantial change to the existing plan, such as the MCA-2 plan proposed by Staff.

In general, Cass County et al. are very concerned that any changes the Commission may make in the existing MCA plan might actually diminish its value to the customers or worse, lead to the elimination of the MCA plan. The current MCA plan represents a delicate balancing of a government mandated expanded local calling plan (developed in a predominately monopoly environment) against a long term policy goal of allowing competition to develop and flourish in the intrastate telecommunications markets. Any changes to the existing MCA service should be very carefully considered before any action is taken to modify or change the existing service.

While the Industry Task Force Report represents a great deal of time and effort by the participating members, it still does not examine all of the "pricing issues" created by the MCA-2 proposed by Staff, nor does it begin to examine the cost or price issues

associated with an expansion of the existing geographic boundaries as proposed by Public Counsel. If the Commission desires to further pursue either (or both) of these proposals, it should give the parties specific guidance on exactly what it wants to see in the way of a "expanded MCA service" and allow the Parties further opportunity, through Industry Task Force meetings, to examine all of the issues that are necessarily impacted by such a proposal(s).

Expansion of MCA

There appear to be two proposals before the Commission to expand the current MCA service. The first is to expand the calling scope within the existing MCA geographic boundaries, which is known as MCA-2 and proposed by Staff. Essentially customers subscribing to MCA-2 service would be able to call all NXXs within the current MCA geographic area. The Task Force investigated the costs that would result from implementing MCA-2 and presented them in their Task Force Report. It is Staff's proposal to simply allow the affected local exchange companies (LECs) to recover their respective costs through an additive to their existing MCA rates sufficient to recover their individual per line cost. Not all of the Parties, however, agree that this is an appropriate pricing proposal for the MCA-2 service. For example, with MCA-2, all subscribers will now have the identical calling scope, yet, because of its tiered pricing, customers will continue to pay increasingly higher rates for MCA service the further they are located from the central zone.

Cass County et al. are concerned that as a result of the implementation of MCA-2 and the fact that all customers receive the same calling scope, that customers in the

outer tiers will become disenchanted with the fact that they are paying substantially more for essentially the same service that MCA customers in the inner tiers will have. As a result, there will likely be pressure to equalize the prices between the outer and inner tiers which will result in either a revenue windfall for LECs who serve exchanges in the inner tiers or a revenue shortfall for LECs whose exchanges are located in the outer tiers. These additional revenue windfalls and shortfalls have not been identified by the Task Force because no one knows what an appropriate "equalized" MCA rate would be. Even after these additional cost shortfalls are identified, there has been no discussion of how they are to be recovered.

A second proposal by Public Counsel is to expand the existing geographic "footprint" of the current MCA service to include areas (exchanges) outside the existing geographic boundaries of the MCA. For example, Public Counsel has received petitions from customers in the Wright City (Innsbrook) area, which is outside the St. Louis MCA; the Lexington area, which is outside the Kansas City MCA; and in the Ozark exchange, which is outside the Springfield MCA. The Task Force did not examine the possibility of expanding existing geographic areas, so there is absolutely no cost or price information from which the Commission could make a cursory determination of whether or not it is even economically feasible to offer MCA beyond its current geographic boundaries. In addition, Cass County et al. question whether it is fair to continue to focus the Industry's efforts on expanding and improving local calling scopes in the Metropolitan areas, while, at the same time, there are no comparable expanded calling plans in the rural areas nor are there any efforts underway to

investigate this issue.

In any event, if the Commission is interested in expanding the current MCA service either through an MCA-2 (which is essentially an expansion of the calling scope within the existing geographic boundaries) or an expanded MCA "footprint" (which is an expansion of the geographic boundaries of the current MCA service) it should specifically direct the Task Force to investigate the alternative(s) that the Commission is interested in reviewing. At the present time, there is insufficient information to go forward with evidentiary hearings on either Staff's MCA-2 or Public Counsel's expanded MCA service.

The Usefulness of the LERG in Identifying MCA and NXX Codes

Cass County et al. supports the findings of the Task Force Report regarding the usefulness of the LERG in identifying MCA and NXX codes. (See p. 15, Task Force Report) During the course of the Task Force meetings, the Staff and Public Counsel expended significant time and effort to create their own list of MCA NXXs, which Cass County et al. believe would be much more useful than the LERG in identifying appropriate MCA NXX codes. Staff and Public Counsel have posted these MCA NXX codes on the Commission's website and have had considerable public acceptance of this. Cass County et al. support the Staff's recommendation that all local exchange carriers should be required to timely report their NXX code activations to Staff for a proper posting on the site. (Tr. 75) If this website is accurately and timely maintained, Cass County et al. believe that it will provide the necessary information for customers, as well as vendors of telecommunications equipment, and would eliminate, to a large

extent, any of the perceived confusion that currently exists regarding the MCA calling scopes.

Public Hearings

At this point in time, Cass County et al. do not believe that the Commission has sufficient information to pursue public hearings on either Staff's MCA-2 proposal or Public Counsel's expansion of the MCA geographic boundaries. Cass County et al. agree with Public Counsel that if there are going to be public hearings, it is important that the public be given the specifics of the proposed changes to the existing MCA service as well as a good faith, ball park figure of what the additional costs or price is going to be for that new service. (Tr. 137) At the present time, there is incomplete pricing information regarding MCA-2 service and there is absolutely no pricing information regarding an expanded MCA service that can be given to the public. Accordingly, it is, in Cass County et al.'s opinion, far too early to embark on public hearings regarding an expanded MCA service.

Expanded Calling in Rural Areas

During the on-the-record presentation, there was a great deal of discussion from the Bench regarding the possibility of expanded local calling in rural areas comparable to the MCA service. While Cass County et al. believe there are calling scope issues that need to be addressed in the rural areas, there are also significant legal, technical, policy, and cost issues that must be addressed as well. For example, expanded local calling in the rural areas generally will involve extension of local exchange service beyond the current certificated areas of the LECs. This will involve legal issues such as

whether the Commission can direct LECs to provide local service outside their current certificated area,² as well as to what extent the Commission may intrude upon management prerogative in directing LECs to provide a service that they do not currently provide.³

Technical issues include whether or not the LECs will utilize the existing "LEC-to-LEC" or Feature Group C network to carry this expanded local calling. If so, as the Commission is well aware, there will be issues regarding traffic recording and reporting as a new type of traffic (i.e., local) with different compensation arrangements is put on the existing network. One policy issue that the Commission clearly needs to address is whether or not it wants to continue to mandate services for an industry that is supposed to become more competitive.⁴ Changes to the Missouri statutes as a result of the Telecommunications Act of 1996 require the Commission, among other things, to "allow full and fair competition to function as a substitute for regulation when consistent with the protection of ratepayers and otherwise consistent with the public interest," Section 392.185(6), RSMo 2000. Finally, and perhaps most significantly, there are the cost implications of expanded local calling in the rural areas. As the local calling area is

²*State ex rel. Southwestern Bell Telephone Company v. Missouri Public Service Commission*, 416 S.W.2d 109, 113 (Mo. banc 1967).

³*State ex rel. Laclede Gas Co. v. PSC*, 600 S.W.2d 222, 228[3]; *State ex rel. Public Service Commission v. Bonacker*, 906 S.W.2d. 896, 900 (Mo. App. WD 1995).

⁴Commissioner Murray articulated the dilemma in the following question to Staff Witness Voight: "Isn't it true that even if the marketplace is slow in accomplishing something, that the more you interject regulation into that developing marketplace, that the further you get from true competition?" (Tr. 171).

expanded and toll calling is eliminated, there is a loss of toll and/or access revenues which, for small companies, can be significant. In addition, to the extent LECs are required to compensate other LECs for the termination of this local traffic, there may be significant new expenses that an LEC does not currently incur. As a result, before any expanded local calling plans can be evaluated, accurate cost information needs to be developed so the Commission and the public can see what the price tag will be for the new service.

Conclusion

Cass County et al. believe that the existing MCA service has worked well for nearly ten years. Customers are extremely happy with the existing service and have come to understand how it works. Cass County et al. do not believe that the benefits of an MCA-2 or an expanded MCA footprint are necessarily sufficient to require implementation at this time. If, however, the Commission is interested in pursuing one or both of those alternatives, the Commission should give the industry further, specific guidance as to the type of changes it wants to make to the existing MCA service and allow the Task Force additional time to develop specific cost information, as well as pricing proposals, with respect to the proposed changes.

Respectfully submitted,



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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was mailed or hand-delivered, this 5th day of August, 2002 to:

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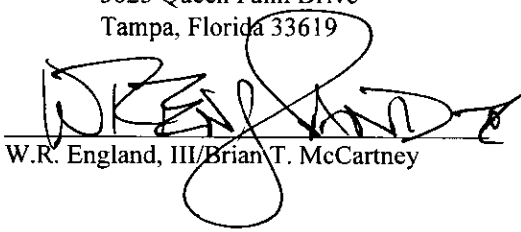
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