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Service Commission

Exhibit No.:

Issues:

Geographic Market and Cross-over

Witness:

Robert W. McCausland

Type of Exhibit:

Direct Testimony

Case No.

TO-2004-0207

Date Testimony Prepared: Dec. 18, 2003

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. TO-2004-0207

PHASE I

DIRECT TESTIMONY

OF ROBERT W. McCAUSLAND

ON BEHALF OF

SAGE TELECOM, INC.

December 18, 2003

Exhibit No. 40
Case No(s) 76-2005-0035
Date 2-02-05 Rptr *F

1 Communications Group, L.L.C.¹ Sage is also certificated to provide
2 telecommunications services in Arkansas, California, Illinois, Indiana, Kansas,
3 Michigan, Oklahoma, Ohio, Texas, and Wisconsin.

4 **Q. WHAT IS SAGE'S MARKET FOCUS?**

5 A. Sage has identified a particular customer need or niche in today's evolving local
6 exchange market; an area of customer demand that Sage is well-equipped to address.
7 Sage's primary business focus is on providing competitive local and interexchange
8 telecommunications services to residential and small business customers in *suburban*
9 *communities and in some rural and urban areas of Missouri*. Sage's target market
10 evolves from broader areas during the initial rollout phase to neighborhoods and
11 community areas in the follow-up marketing phase; however, Sage does not decline to
12 serve any residential or commercial customers within the geographic areas in which it
13 is offering service areas as long as the customer meets the requirements contained in
14 Sage's Commission-approved tariffs (Sage just does not continue to market to certain
15 areas).

16 **Q. HAS SAGE BEEN SUCCESSFUL IN IMPLEMENTING ITS MARKET FOCUS**
17 **IN MISSOURI?**

18 A. Yes. Currently Sage serves approximately 32,700 residential and small business
19 customers in Missouri. Of that number, approximately 94% are residential customers
20 and 6% are small business customers. As further evidence of Sage's success,

¹ See Case No. TA-2002-29; *In the Matter of the Application of Sage Telecom, Inc. for a Certificate of Service Authority to Provide Basic Local Telecommunications Service in the State of Missouri and to Classify Said Services and the Company as Competitive*; Order Granting Certificate to Provide Basic Local Telecommunications Services (Sept. 24, 2001); Case No TA-2002-30; *In the Matter of Application of Sage Telecom, Inc. for a Certificate of Service Authority to Provide Competitive Intrastate Interexchange Telecommunications Services within the State*

1 approximately 9% are rural; 52% are suburban, and 39% are urban customers. Based
2 on my understanding of the markets in Missouri, I am not aware of any other CLEC
3 that has focused on *residential and small business customers* that way that Sage has.

4 **Q. HOW DOES SAGE PROVIDE SERVICES TO ITS CUSTOMERS?**

5 A. Sage provides basic local exchange service to customers *exclusively* through access to
6 SBC Missouri's UNE-Platform ("UNE-P"). Sage provides intraLATA toll services in
7 Missouri through use of SBC Missouri's UNEs. Sage provides other long distance
8 service to its customers through arrangements with long distance carriers. Furthermore,
9 Sage has traditionally leased voice mail service capacity from a third-party provider
10 and used that capacity to serve its customers; however, Sage is in the process of
11 deploying its own voice mail platform.

12 **Q. DOES SAGE OWN SWITCHES OR TRANSMISSION FACILITIES USED TO**
13 **PROVIDE SERVICE TO ITS CUSTOMERS?**

14 A. No. Sage does not own any switches or other transmission facilities. However, as just
15 referenced, Sage is in the process of deploying its own voice mail platform and intends
16 to continue to evolve towards providing more value-added, differentiated products to its
17 customers.

18 **B. Sage's Service Offerings**

19 **Q. WHAT ARE THE TYPES OF SERVICES PROVIDED BY SAGE IN**
20 **MISSOURI?**

21 A. Basically, Sage's product offerings are based on combining or packaging local, toll
22 (intrastate), and long distance (interstate) offered at a flat monthly rate. The Company

of Missouri and to Classify Said Services and the Company as Competitive, Order Approving Interexchange

1 was one of the first to pioneer this type of bundling of products in accordance with
2 consumer demand, particularly in the exurban areas. The bundled product offerings
3 also include unregulated features, such as Caller ID, Call Waiting and voice mail, and
4 other features that can be obtained in addition to the bundled offer. Each of the
5 offerings contains a set number of "long distance" (intraLATA and interLATA)
6 minutes that the customer may use as part of the flat monthly fee. Then, if the customer
7 uses more than the allotted amount of long distance minutes, Sage charges a per minute
8 rate for long distance calls. Sage has bundled offerings for residential and small
9 business customers.

10 **Q. DOES SAGE MARKET ITS UNE-P BASED SERVICES THROUGHOUT THE**
11 **ENTIRE STATE OF MISSOURI?**

12 A. No. Although Sage is authorized to provide service within the exchanges of various
13 incumbent local exchange companies, Sage only provides service within areas served
14 by SBC Missouri and, even there, Sage does not perpetually target all customers and
15 all areas.

16 **Q. DOES SAGE HAVE ANY PLANS TO SERVE ITS MISSOURI CUSTOMERS**
17 **USING FACILITIES THAT IT DEPLOYS TO "BYPASS" SBC?**

18 A. No, Sage does not currently plan to deploy local bypass facilities, nor does Sage
19 believe that it would be able to serve residential and small business customers that are
20 dispersed over such wide geographic areas through bypass facilities. Rather, Sage
21 plans to continue to utilize SBC Missouri's UNE-P service, packaged with the long
22 distance service cited above, and possibly packaged with other services that Sage may
23 be able to obtain from other providers or that Sage may be able to provide itself.