

Exhibit No. :
Issues : Provision of COS
Witness : David Jones
Type of Ex. : Surrebuttal Testimony
Sponsor : The Mid-Missouri Group
Case No. : TW-97-333

IN THE MATTER OF AN
INVESTIGATION INTO THE
PROVISION OF COMMUNITY OPTIONAL
CALLING SERVICE IN MISSOURI
CASE NO. TW-97-333

SURREBUTTAL TESTIMONY
OF
DAVID JONES
ON BEHALF OF
THE MID-MISSOURI GROUP

Jefferson City, Missouri
June 9, 1997

Exhibit No. 4
Date 6/23/97 Case No. TW-97-333
Reporter KLM

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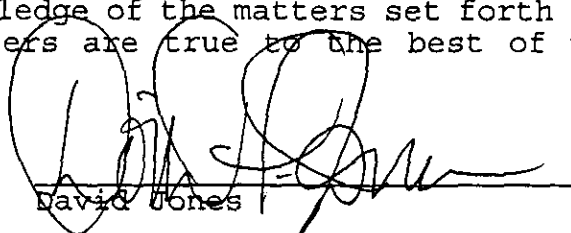
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into)
the Provision of Community Optional) Case No. TW-97-333
Calling Service in Missouri.)

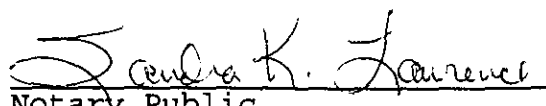
AFFIDAVIT OF DAVID JONES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David Jones, of lawful age, on my oath states, that I have participated in the preparation of the foregoing testimony in question and answer form, consisting of 19 pages, to be presented in this case; that the answers in the foregoing testimony were given by me; that I have knowledge of the matters set forth in such answers; and that such matters are true to the best of my knowledge and belief.


David Jones

Subscribed and sworn to before me this 9th day of
June, 1997.


Notary Public

My Commission Expires:

SANDRA K. LAWRENCE
Notary Public - Notary Seal
STATE OF MISSOURI
Cole County
My Commission Expires: April 23, 1999

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1 Q. Please state your name and address.
2 A. David L. Jones, P.O.Box 38, 215 Roe, Pilot Grove,
3 Missouri, 65276.
4 Q. On whose behalf do you present this testimony ?
5 A. The Mid Missouri Group of local exchange companies, as
6 individually identified in their application to
7 intervene.
8 Q. What is your current position ?
9 A. I am currently Executive Vice President of the Mid-
10 Missouri Telephone Company, and have held that position
11 since 1985.
12 Q. Have you submitted earlier testimony in this docket ?
13 A. Yes, I have submitted direct and rebuttal testimony in
14 this docket, as well as testimony in the intraLATA
15 presubscription dockets of GTE and Sprint/United on this
16 subject matter.
17 Q. What topics do you wish to address in this surrebuttal
18 testimony ?
19 A. I would like to address the scope of new proposals in
20 comparison to the Commission's straw proposal

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1 establishing this docket, Staff's proposal to simply
2 eliminate COS, the retention of 2 way COS, the proper
3 context and significance of SWB's financial criticisms of
4 COS, internet access, OPC's proposal for a "2 way local
5 COS with ORP and a new access structure", and finally
6 OPC's suggestions that exchange boundaries should be
7 ignored.

8 Q. Do you believe the scope of this docket has been
9 broadened in the rebuttal testimony ?

10 A. Yes. Staff is advocating complete elimination of COS.
11 OPC is advocating retention of 2 way COS as a local
12 offering of the SC with a new "access" rate. SWB is
13 advocating 1 way reciprocal COS as a local offering of
14 the SC with a new "access" rate.

15 Each of these proposals has the prospect of adverse
16 financial effect on SCs. Each of these proposals, if
17 accepted in this docket, would have adverse ramifications
18 to the SC interests in the PTC Plan docket. As the PTC
19 Plan docket is only now at the beginning of its data
20 acquisition phase, we are concerned that that docket may

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1 be predetermined by any such restructuring of COS in this
2 docket.

3 There is a relationship between COS and the PTC
4 Plan. PTC MTS toll traffic was converted by the
5 Commission into PTC COS toll traffic. Although COS is
6 part of all PTC toll traffic, I believe the scope of this
7 docket is better confined to the straw proposal
8 establishing this docket: one-way reciprocal COS with
9 retention of the existing toll classification and
10 intercompany compensation mechanism.

11 Since this docket was initiated, a schedule in
12 another docket has been established to specifically
13 address the PTC Plan. In that docket the PTCs have
14 raised the issues that SWB raises here. These issues,
15 such as the carrier of last resort obligations, toll
16 responsibility for SC exchanges, and replacing existing
17 exchange access compensation with a terminating
18 compensation or originating responsibility plan, are
19 better considered in that docket.

20 To attempt to resolve PTC Plan issues within the

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1 time constraints of this docket would not lend itself to
2 thorough and careful resolution of those issues. The
3 issues and data which will have to be analyzed for the
4 PTC Plan docket are massive. In this docket, SWB has
5 refused our requests for data pertinent to PTC Plan
6 issues.

7 Q. Why have you been such a supporter of retaining 2 way COS
8 calling ?

9 A. We agree with OPC that "...COS provides a measure to
10 equalize rural and urban communities in the value of
11 service of both areas have convenient and affordable
12 access to their community of interest".

13 Those Mid Missouri Group companies with COS would
14 like to preserve 2 way COS from the standpoint of
15 benefitting our customers. The return calling generated
16 by 2 way COS does not increase our access revenues, so it
17 is not in the companies' financial self interest to
18 promote 2 way over 1 way COS.

19 Although SWB indicates some companies may be
20 compensated on an actual terminating basis, I do not

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1 believe any of the Mid Missouri Group companies are. In
2 fact in the past SWB has opposed converting any SC from
3 terminating access ratios to actuals until done for all
4 SCs, which has not occurred.

5 I personally do not believe that competition will
6 produce a service that can substitute, in value or
7 functionality, for the 2 way feature of COS. Competitive
8 services usually do not include the return calling
9 capabilities of 2 way COS. Competitors have not been
10 interested in providing their best offerings to rural
11 residential markets, only to large volume businesses.

12 In the interLATA market, experience has shown that
13 IXC's do not offer to rural exchanges their best calling
14 plans available in the cities. This is done through the
15 use of different carrier identifications codes (CIC
16 codes). In order to offer different services in
17 different areas of the same state, IXC's have obtained
18 multiple eligible CIC codes for use at the time of
19 entering an exchange. When they enter rural markets they
20 use different CIC codes than they use elsewhere. The

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1 codes selected in rural exchanges precludes subscription
2 to that IXCs best calling plans.

3 To me this demonstrates that even large carriers--
4 the ones with the ability and responsibility to offer
5 statewide services at geographically averaged rates as
6 required by state and federal law to promote universal
7 service-- will avoid doing so if they can. Even if
8 competition develops plans which are suitable
9 replacements for COS, there must be assurances they will
10 be available in rural exchanges before competition is
11 viewed as an effective substitute for COS.

12 Q. After reviewing the testimony in this docket, do you
13 remain steadfast in supporting retention of two way COS
14 service ?

15 A. Yes. However I recognize that there must be a viable
16 method of provisioning the return call. Although I am
17 not in a position to directly refute SWB testimony
18 regarding the unavailability of 800\888 numbers, I do not
19 believe the 800/888 number availability topic has been
20 completely considered. I urge the Commission to explore

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1 its availability in more depth. Missouri may be able to
2 obtain a block of numbers from the Administrator for this
3 purpose, without depleting any company's allotment.

4 Q. Have you reviewed the information contained in Mr.
5 Schoonmaker's testimony concerning the take rate for COS?

6 A. Yes, and I was somewhat surprised at the overall take
7 rates. I personally believed them to be higher.

8 The Commission may be encouraged by other parties to
9 consider the retention of COS as relatively insignificant
10 in that only 17,600 access lines in the state currently
11 subscribe to the service. I would urge the Commission to
12 remember that COS was one of three services, besides
13 traditional EAS, ultimately designed to satisfy expanded
14 calling desires. Hundreds of thousands of customers
15 obtained MCA and OCA service at the same time COS was
16 made available.

17 SWB suggests that little adverse customer reaction
18 could be expected if COS were eliminated or modified.
19 See page 6, lines 4-8 the rebuttal testimony of SWB
20 witness Bouerneuff. This is an attempt to compare two

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1 very different situations. When the 30,000 metropolitan
2 COS customers had the service eliminated, it was replaced
3 by MCA. There was little reason to complain. This does
4 not suggest that, if present rural COS subscribers lose
5 their present service, there will not be substantial
6 customer reaction.

7 SWB is not proposing to replace rural COS with a
8 comparable service, as was done for urban subscribers 4-5
9 years ago. This is not consistent with the policy of
10 promoting comparable services at comparable prices in
11 both rural and urban areas.

12 I don't believe it is fair now merely to compare the
13 number of access lines subscribed to COS to the total
14 access lines in the state, and therefore conclude the
15 service is insignificant in value.

16 Q. Do you agree with Staff witness Gay Smith that COS should
17 either be terminated, or allowed to gradually be phased
18 out ?

19 A. I understand the logical line of thought that results in
20 the conclusion that mandated, non-cost based optional

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1 calling plans such as COS should not exist in a
2 competitive environment. Having participated in the
3 establishment of the service, I cannot bring myself
4 politically to support elimination of the service.

5 I am not sure my customers will accept the "benefits
6 of competition" as an adequate tradeoff for the loss of
7 COS. I agree with OPC that once effective competition
8 develops a viable replacement in a given route, that COS
9 could be phased out. If the Commission does eliminate
10 expanded calling services, they should remind consumers
11 that this is a direct result of the federal and state
12 legislation their elected officials have enacted.

13 Q. SWB makes the case it is unfair to require SWB to
14 continue to offer COS because it is experiencing a
15 financial loss on the service. Do you believe the
16 information SWB has supplied in this regard is adequate?

17 A. No. SWB merely points out the extent by which COS
18 revenue is exceeded by access charges for COS routes
19 involving rural, high cost SC exchanges. In my opinion
20 all statewide toll traffic in all exchanges is the

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1 correct context in which to evaluate the financial
2 performance of PTC toll services. Individual SC routes
3 were producing losses when MTS only was available. It
4 was expected that this would continue for individual COS
5 routes. As I mentioned in my rebuttal testimony, it was
6 and is expected that individual route analysis will
7 produce varying results. In order to determine whether
8 any PTC is losing money on toll services, all toll
9 revenues and expenses must be reviewed.

10 I further believe that SWB's attempt to use this
11 individual route analysis to persuade this Commission to
12 place the responsibility for COS on SCs is at odds with
13 the federal Telecommunications Act of 1996. § 254 (b)
14 sets forth the specific goal of access to advanced
15 informational and telecommunications services in all
16 regions of the nation, specifically rural, insular, high
17 cost areas. § 392.185 RSMo established similar state
18 goals.

19 In order to assure this goal, the TCA retains the
20 requirement of IXCs to geographically average their

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1 rates. Specifically § 254 (g) requires IXC rates to be
2 at rates no higher in one state than in another. §
3 392.200.4 RSMo retains geographical averaging as a state
4 policy.

5 This requirement that large carriers with nationwide
6 or statewide markets geographically average its rates for
7 the entire state or nation is the single most important
8 factor in keeping rural toll rates reasonable. I would
9 encourage the Commission to remember that, based upon the
10 1996 Missouri Telephone Association Directory, SCs serve
11 about 150,000 of the 3,500,000 access lines in Missouri.
12 SCs serve less populous exchanges with smaller volumes of
13 traffic. SCs will never have the same or similar power
14 of geographic averaging that PTCs and the larger IXCs
15 have today. Shifting the responsibility of toll from
16 PTCs to SCs will necessarily result in pressure for
17 higher rural rates.

18 Q. OPC has proposed that 2 way COS be retained as a local
19 service, offered by the SC owning the petitioning
20 exchange, that the SC utilize ORP in paying for transport

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1 and termination of the traffic, that a new terminating
2 access rate be designed for this traffic, and that the
3 costs qualify for MoUSF support. What observations do
4 you have with respect to this proposal ?

5 A. First, if there is no viable method of provisioning 2 way
6 COS service, it cannot be provisioned, regardless of
7 service provider, classification, and compensation
8 issues. If 2 way COS cannot be provisioned by the PTCs
9 in a competitive environment, SCs cannot provision it
10 either. Second, COS is not a local service, it is
11 interexchange. COS traffic once was MTS traffic, and it
12 still traverses the same interexchange or toll facilites.
13 Creation of a new access charge, with all elements except
14 CCL, also creates many issues. Why should a cheaper rate
15 apply to COS traffic than full access rates which apply
16 to other interexchange traffic. The traffic would be
17 indistiquishable in character, and IXC's may well claim
18 discrimination. Also it is unclear whether COS can
19 legitimately be deemed an "essential local service" for
20 Missouri Universal Service Fund purposes. As provided

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1 today, it is an optional toll calling plan. Subscribers
2 may consider it very essential. The essential or basic
3 service for these calls is MTS toll, not COS.

4 Finally, such a proposal cannot be implemented
5 without extensive changes to the existing administrative
6 and carrier billing systems.

7 Q. OPC also has testified or implied that the Commission
8 should ignore exchange boundaries in making decisions in
9 this docket. Do you support that concept ?

10 A. Absolutely not. Historically, we were confined to our
11 exchanges because they were the areas the large companies
12 chose not to serve. For the history of regulation,
13 exchange boundaries have been the basis of our obligation
14 to serve, and hence boundaries determine our costs of
15 service. We have not been allowed to cross boundaries
16 for some purposes, and other providers are not allowed
17 into our exchange for certain purposes.

18 SCs generally serve the rural areas AT&T was
19 historically unwilling to serve. In order to assure
20 interexchange or long distance service was available in

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1 financial issue in this docket ?

2 A. I believe this issue is being used by SWB to attempt
3 to create an advantage for itself in the PTC Plan docket.
4 The SCs that provide internet access did this for public
5 service reasons. When Mid Missouri began providing
6 internet access within our exchange areas, neighboring
7 community leaders and other public officials began
8 requesting us to extend the service availability to their
9 communities. At that time there were no other local
10 providers.

11 Generally internet access is not a profit center for
12 the involved SCs. Nor does internet access create a
13 money losing issue for SWB. All SCs provisioning
14 internet access are paid terminating access on the basis
15 of T/O ratios. Because internet access is being
16 provisioned almost completely by return calls to the
17 petitioning exchange, there is no originating access
18 generated.

19 Contrary to the testimony of SWB's Richard Taylor,
20 none of the SCs in the Mid Missouri Group are paid on the

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1 basis of actual terminating minutes. I am unaware of any
2 SC which is being paid actual termination for this
3 traffic. In the past SWB has refused to consent to any
4 individual SC converting from terminating access ratios to
5 actual terminating minutes of use until all SCs are
6 converted from ratios to actuals. SWB's access expense
7 therefore is not affected, as it pays only on the basis
8 of originating COS calls.

9 Q. Has SWB's position on resale of services been consistent
10 in all dockets in which the topic has arisen ?

11 A. No. It is interesting to consider what services are and
12 will be subject to resale after enactment of the 1996
13 Telecommunications Act. SWB assumes that its tariff
14 prohibition against resale of COS remains in full force
15 and effect. However, SWB advocated in Interconnection
16 Agreement docket TO-94-440 that similar MCA tariff resale
17 restrictions were overridden by § 251 of the TCA, and MCA
18 is now being resold.

19 SWB also agreed not to restrict resale of Designated
20 Number service. GTE indicates at page 2 of Mary

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1 Kahnert's rebuttal testimony that it must resell its
2 expanded calling services. It makes little sense to me
3 for SWB's COS to be the only service prohibited from
4 resale, when other PTCs resell COS, and when more
5 powerful interexchange services such as MCA and
6 Designated Number are resold.

7 Q. Does this conclude your surrebuttal testimony ?

8 A. Yes.