

Exhibit No.: \_\_\_\_\_  
Issue(s): Response to the Commission's Straw  
COS Proposal  
Type of Exhibit: Meisenheimer/Direct  
Sponsoring Party: Public Counsel  
Case No.: TW-97-333

**FILED**

**APR 11 1997**

**MISSOURI  
PUBLIC SERVICE COMMISSION**

**DIRECT TESTIMONY**

**OF**

**BARBARA ANN MEISENHEIMER**

Submitted on Behalf of  
the Office of the Public Counsel

**INVESTIGATION INTO THE PROVISION OF COMMUNITY  
OPTIONAL CALLING SERVICE IN MISSOURI**

Case No. TW-97-333

April 11, 1997

In the Matter of an Investigation into the )  
Provision of Community Optional Calling )  
Service in Missouri. )

**STATE OF MISSOURI**)  
 ) ss  
**COUNTY OF COLE**)

My commission expires May 3, 1997.

**REBUTTAL TESTIMONY**  
**OF**  
**BARBARA A. MEISENHEIMER**

**INVESTIGATION INTO THE PROVISION OF COMMUNITY**

**OPTIONAL CALLING SERVICE IN MISSOURI**

**CASE NO. TW-97-333**

**Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

**A.** Barbara A. Meisenheimer, Public Utility Economist, Office of the Public Counsel, P. O. Box 7800, Jefferson City, Missouri 65102. I am also employed as Adjunct Faculty at William Woods University.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

**A.** I hold a Bachelor of Science degree in Mathematics from the University of Missouri-Columbia (UMC) and have completed the comprehensive exams for a Ph.D. in Economics from the same institution. My two fields of study are Quantitative Economics and Industrial Organization. My outside field of study is Statistics. I have taught Economics courses for the following institutions: University of Missouri-Columbia, William Woods University, and Lincoln University. I have taught courses at both the undergraduate and graduate levels.

1 Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

2 A. Yes.

3 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

4 A. The purpose of my testimony is to address the questions proposed by the Commission in  
5 response to the straw COS proposal presented in their March 7, 1997 Order.  
6

7 Q. PLEASE PROVIDE AN OVERVIEW OF PUBLIC COUNSEL'S POSITION ON COS,  
8 ESPECIALLY REGARDING THE STRAW COS PROPOSAL CHANGING IT TO A ONE WAY  
9 CALLING WITH ONE WAY RECIPROCATING.

10 A. Public Counsel views two way COS as an important service to consumers. One evidence  
11 of this is the continuing petitions to establish COS service. It appears that traditional  
12 calling scopes are eroding because consumers are making greater use of the system and are  
13 calling people at distant locations on a more regular basis. This may be as result of the  
14 migration to far suburbs and to maintain a lifestyle and yet still be in contact with the  
15 urban areas. Customers are depending on wide spread and modern telecommunications  
16 network as their daily link to friends, business customers and services.

17 The increasing applications for COS service are a clear indication of the desirability of this  
18 service. Customers desire the convenience of selecting a flat-rate service if it serves their  
19 needs and calling patterns. Customer want the ability to have relatives, employers and  
20 other community members to telephone them without the burden, expense and  
21 inconvenience of traditional tolls. Customers would look upon a return to a system of  
22 measured toll charges for previously flat-rate calls under existing COS as an obstacle to  
23 others reaching them.

1 With this in mind, COS or an equivalent service is a high consumer priority.

2 In Public Counsel's view, COS should have two way features or at least a return option.  
3 If any service is established which reduces the scope of the service presently available from  
4 two-way to one-way, it should be accompanied not only by a reduction in price, but also  
5 should provide those customers with a optional return call feature.

6 During the transition to a competitive environment, the Commission should strive to  
7 protect customer choice by maintaining, at a minimum, the existing variety of services.  
8 Furthermore, competition should not result in an increase in price for the same service,  
9 including COS.

10 If the current COS service is changed so that all customers only have the choice of  
11 subscribing to a system which, in the future, imposes toll charges on the calling party, the  
12 customer will view this service as "inferior" in terms of both cost and convenience  
13 compared to their previous service. They will view the change as a reduction in the  
14 economic value of their telephone system.

15 Public Counsel believes that use of an 800 number as the return COS may be workable  
16 since customers are generally familiar with the use of 800 numbers. However, once again,  
17 the case of return calling is defeated with a 800 number, thus reducing the economic value  
18 of the COS service.  
19

20 **Q. WHAT IS YOUR OPINION OF THE PROPOSED PRICING MECHANISM SUGGESTED BY**  
21 **STAFF IN CASE NO. TT-96-398?**

22 **A.** Public Counsel does not believe that a simple 50% reduction of the current COS charge is  
23 the most appropriate pricing mechanism. To determine the appropriate pricing

1 mechanism, the Commission must consider issues related to both costing and pricing.  
2 Even though COS is considered a premium service, the price cannot be set so high as to  
3 discourage most customers who could benefit from subscribing. As effective competition  
4 develops, it is hoped that competing companies will offer attractive prices for this service  
5 to acquire customers and will offer services which functionally substitute for COS at  
6 reasonable prices. Additionally, the Commission should not set the price without  
7 consideration of cost. Public Counsel suggests that the Commission analyze available cost  
8 and traffic data before adopting a particular price.  
9

10 **Q. SHOULD ALL COMPETITIVE LECs BE REQUIRED TO OFFER COS?**

11 **A.** Yes. Until sufficient competition develops (as evidenced by the development of reasonable  
12 substitutes for COS), all local exchange companies should be required to offer COS  
13 service. It is reasonable to assume that competitive LECs would want to provide a service  
14 which has a record of popularity with consumers, and will do so, if priced appropriately.  
15 Until such competition has developed, the scope of the COS service and the price  
16 considerations of the service should be mandated.

17 **Q. WHAT CHANGES ARE NEEDED IN THE PRIMARY TOLL CARRIER (PTC) PLAN TO**  
18 **ACCOMPLISH THE COS PLAN?**

19 **A.** Public Counsel does not offer a proposal on this issue at this time. It is difficult to address  
20 this issue without the detailed proposal for COS and its operation and a review of its affect  
21 on intercompany revenues.  
22

1       **Q.     SHOULD THE COMMISSION STAY ALL PENDING AND FUTURE COS APPLICATIONS?**

2       **A.**    No.  Until such time as the COS question is resolved, the status quo should continue.  
3               Public Counsel in Case No. TO-97-15, et al, asked the Commission not to stay COS  
4               applications and the Commission declined to stay them.  If communities qualify for COS  
5               under present rules and policies, then the customers should obtain that benefit and savings.  
6               At present, it is unknown how long a stay would be in effect.  The consumers should not  
7               be denied COS awaiting resolution of all issues.  
8

9       **Q.     PLEASE SUGGEST A PROGRAM TO EDUCATE THE PUBLIC ABOUT REVISIONS TO THE**  
10       **COS PLAN.**

11       **A.**    Public Counsel would propose press releases and conferences to inform the media and  
12               answer questions.  Also, the PSC should order an approved bill insert be distributed by the  
13               LECs to advise the customers of any changes.  But prior to the adoption of any changes,  
14               there should be public hearings so the PSC can hear public comments, especially if drastic  
15               changes are proposed in the scope of service or price.  The hearings should be held in areas  
16               where the greatest customer impact will occur.  
17

18       **Q.     PLEASE GIVE YOUR COMMENTS ON THE POTENTIAL FOR FLAT-RATE INTRALATA AND**  
19       **FLAT-RATE STATEWIDE CALLING SCOPE PROGRAMS.**

20       **A.**    Flat-rate LATAwide or statewide COS plans would no doubt be popular with the public,  
21               especially those who incur significant intraLATA or state-wide toll bills.  Customers  
22               should still have the choice of measured toll service since flat-rate service does not serve  
23               the needs, interests or pocketbooks of all consumers.  A properly structured flat-rate

1 service at a reasonable price would be attractive to consumers and would, therefore, be  
2 supported by our office.

3 Public Counsel would caution, however, that with such a fundamental change in the  
4 structure and relationship of the pricing and costing of telecommunications services, there  
5 needs to be a close examination of the effect this would have on the industry in Missouri,  
6 especially the emerging competition, the viability of new and existing local exchange  
7 companies and the intrastate toll market.

8 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

9 A. In a competitive environment, consumers benefit from improved service, more choice in  
10 services and reduced costs. Until such time as effective competition secures these benefits  
11 for Missourians, the Commission should safeguard consumer's interests by insuring the  
12 availability of reasonable substitutes, at reasonable prices for the variety of toll and local  
13 services consumers currently enjoy. If after careful consideration, the Commission  
14 determines that maintaining two-way COS is impractical during the transition to  
15 competition, the Commission should adopt an interim method for return calling. Public  
16 Counsel supports further investigation of LATAwide or state-wide flat-rate calling plan  
17 and applauds the Commission's consideration of such a creative and innovative service.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes, it does.