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Sponsoring Party: Southwestern Bell Telephone Company
Case No.: TW-97-333

SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TW-97-333

SURREBUTTAL TESTIMONY

OF

DEBBIE J. BOURNEUF

St. Louis, Missouri
June 1997

FILED
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MISSOURI
PUBLIC SERVICE COMMISSION

60.

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

STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS)

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Debbie J. Bourneuf
Debbie J. Bourneuf

Subscribed and sworn to before this 6th day of June, 1997.

Maryann Purcell
Notary Public

My Commission Expires: Jan-5, 2000

1 SURREBUTTAL TESTIMONY OF DEBBIE J. BOURNEUF

2

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

4 A. My name is Debbie J. Bourneuf, and my business address is 100 N. Tucker, St. Louis, Missouri.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR TITLE?**

7 A. I am employed by Southwestern Bell Telephone Company (SWBT), and my title is Area Manager-
8 Rate Administration.

9

10 **Q. HAVE YOU PREVIOUSLY FILED DIRECT AND REBUTTAL TESTIMONY IN THIS**
11 **CASE?**

12 A. Yes, I have.

13

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

15 A. The purpose of my testimony is to provide SWBT's position in response to the Rebuttal Testimony
16 filed by various parties to this docket on the following issues:

- 17 1. Public interest issues raised in this docket;
- 18 2. The price of Community Optional Service (COS), which is Issue No. 1 in the Missouri Public
19 Service Commission's (Commission's) Order establishing this docket (Order);
- 20 3. The straw COS proposals identified in the Order [Order Issue (A)] and any other alternatives
21 proposed by the parties; and
- 22 4. LATA-wide COS (Order Issue No. 6).

1 Mr. Richard Taylor's Surrebuttal Testimony addresses SWBT's position on issues pertaining to
2 intercompany compensation and the business relationship between SWBT and other Local
3 Exchange Companies (LECs) in the provision of COS.

4
5 **I. Public Interest Issues**

6
7 **Q. ON PAGE 1 (LINE 14) TO PAGE 4 (LINE 3) OF HIS REBUTTAL TESTIMONY ON**
8 **BEHALF OF THE SMALL TELEPHONE COMPANY GROUP (STCG), MR. ROBERT**
9 **SCHOONMAKER CRITICIZES OTHER PARTIES FOR NOT ADEQUATELY**
10 **CONSIDERING CUSTOMER INTERESTS IN THIS DOCKET. WHAT IS SWBT'S**
11 **RESPONSE?**

12 **A.** SWBT is surprised that the STCG should be the party to cast that stone at others. Of all the LECs
13 that are participating in this docket, only two parties have taken the position that they refuse to
14 provide any service whatsoever to meet their own customers' needs in this regard. Those two
15 parties are the STCG and the Mid-Missouri Group (Mid-Missouri). These two groups of
16 Secondary Carriers (SCs) have instead looked solely to other companies to meet their own
17 customers' expanded calling needs. SWBT, GTE Midwest, Incorporated (GTE) and United
18 Telephone Company of Missouri d/b/a/ Sprint (United) have all filed testimony in this docket
19 which, while not completely in agreement on the particular approach, nonetheless demonstrates
20 their willingness to offer services which address their customers' expanded calling needs. SWBT,
21 GTE and United have each made proposals which would apply equally to themselves and to other
22 companies. SWBT alone has outlined a customer-oriented LATA-wide COS plan that it is willing

1 to consider offering to its customers, while Mr. Schoonmaker, in his Direct Testimony, suggests it
2 is not appropriate to even discuss such a plan at this point. Contrary to SWBT's, GTE's and
3 United's good faith efforts to try to address all customers' needs in a fair and equitable manner, the
4 SCs offer COS service-provisioning proposals which would only apply to companies other than
5 themselves, would shift the provisioning responsibilities and financial losses entirely to companies
6 other than themselves, and would permit them to avoid responsibility for meeting their customers'
7 needs.

8
9 On page 1 (lines 18 to 20) of his Rebuttal Testimony, Mr. Schoonmaker accuses others of only
10 paying "lip-service" to customers' concerns. However, the STCG's response in this docket to all
11 customer concerns has been: Make somebody else take care of the customer concerns, and let
12 STCG receive its access charge revenue. The STCG's and Mid-Missouri's proposals demonstrate
13 that they are the parties guilty of paying "lip-service" to customers' concerns in this docket. They
14 seem interested in their customers only so long as customer satisfaction comes at someone else's
15 expense.

16
17 **Q. IN HER REBUTTAL TESTIMONY ON BEHALF OF THE OFFICE OF THE PUBLIC**
18 **COUNSEL (OPC), MS. BARBARA MEISENHEIMER OBJECTS TO CHANGING COS**
19 **ON THE BASIS THAT CUSTOMERS SHOULD NOT BE WORSE OFF UNDER**
20 **COMPETITION. WHAT IS SWBT'S RESPONSE?**

21 **A.** SWBT agrees that customers as a whole should not be made worse off under competition.
22 However, the emergence of such competition and the welfare of customers as a whole is a reason

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1 to alter the current COS arrangements, not to maintain them. COS as it is currently provided is not
2 consistent with a competitive environment. Primarily, this is because the service is currently
3 priced under costs. The small minority of COS subscribers have been enjoying the service through
4 subsidies paid by other customers. In addition, as I discussed in my Direct Testimony, two-way
5 COS is inconsistent with a competitive environment because of the number of potential carriers
6 that could be involved in the return calling, and the COS providers' inability to control the service
7 options and pricing of those other competitive carriers.

8
9 On page 3 (lines 3 to 20) of his Rebuttal Testimony, Mr. Mark Harper, testifying on behalf of
10 United, discusses many of the negative impacts that maintaining current COS would have on
11 competition. On page 3 (lines 3 to 8) of Mr. David Evans' Rebuttal Testimony, on behalf of GTE,
12 he explains that competition does not always drive prices down, but drives them to cost. As I
13 discussed on page 4 (lines 3 to 8) of my Rebuttal Testimony, maintaining COS in contravention of
14 competition may only serve to undermine the development of competition. This is especially true
15 in the specific areas where COS is available. Therefore, by maintaining current COS, the vast
16 majority of customers in those areas could be harmed in order to continue providing a benefit to
17 the small minority of COS subscribers. SWBT does not agree with OPC that this result serves the
18 public interest.

19
20 OPC expresses concern (on page 2, lines 19 to 20, of Ms. Meisenheimer's Rebuttal Testimony)
21 that COS should not be changed in an area until a competitor has developed a comparable service.
22 SWBT wonders how a competitor could or would develop a comparable service as long as COS is

1 so maintained. Since COS is priced below cost, it would seem that maintaining it in an area would
2 guarantee that no competitive offerings could be developed. Instead, the existing service should be
3 modified to make it more consistent with the ongoing development of competition. Where OPC
4 searches for an "adequate substitute for COS", on page 4 (lines 21 to 22) of Ms. Meisenheimer's
5 Rebuttal Testimony, SWBT encourages OPC to review SWBT's ideas on the potential offering of
6 a LATA-wide COS in my and Mr. Taylor's Direct Testimony. Such an offering would certainly
7 make customers better off, would be consistent with competition, and could make many customer
8 concerns about route-specific COS disappear.

9
10 **Q. WHAT IS SWBT'S REACTION TO MR. SCHOONMAKER'S ESTIMATES OF THE**
11 **CUSTOMER "BENEFITS" OF COS, ON PAGE 4 (LINE 6) TO PAGE 5 (LINE 1) OF HIS**
12 **REBUTTAL TESTIMONY?**

13 A. First, to the extent that Mr. Schoonmaker's estimates of the value of COS include usage caused by
14 some SCs' or their affiliates' improper use of COS in their provision of interexchange Internet
15 access services, SWBT believes that these estimates are artificially, and likely significantly,
16 inflated.

17
18 Second, Mr. Schoonmaker neglects to point out that these "benefits" to COS subscribers are, in
19 part, costs to other customers. Specifically, they are costs to customers of Primary Toll Carriers
20 (PTCs). As Mr. Harper points out on page 6 (lines 10 to 12) of his Rebuttal Testimony, SC
21 customers do not share in the costs of providing COS; those costs are borne only by customers of
22 the PTCs. In addition, some SCs that achieved a net increase in access revenue due to COS have

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1 benefited, while PTCs bore additional costs (to the extent that SCs' access charge reductions have
2 not made PTCs revenue-neutral).

3
4 Third, even though PTCs' customers have subsidized the service, Mr. Schoonmaker's Rebuttal
5 Testimony demonstrates that the SCs' COS customers have enjoyed significantly and
6 disproportionately greater benefits of COS than rural customers of PTCs. According to Mr.
7 Schoonmaker's Rebuttal Testimony, the total annual net benefit of COS to 5,749 STCG and Mid-
8 Missouri customers is \$6.1 million (\$3.5 million outgoing COS calling, plus \$3.9 million return
9 calling, minus \$1.3 million COS charges) in total, or \$1,085 per COS subscriber. Mr.
10 Schoonmaker also testifies that the total annual net benefit of the service to approximately 17,600
11 total COS subscribers in the state is \$14.6 million (\$10.6 million outgoing COS, plus \$7.7 million
12 return calling, minus \$3.7 million COS charges), or about \$830 per COS subscriber. By
13 subtraction, the annual net benefit to GTE's, SWBT's and United's COS subscribers is about \$8.5
14 million, or \$717 per subscriber. Therefore, the \$1,085 annual benefit per subscriber to STCG and
15 Mid-Missouri customers is approximately 50 percent greater than the \$717 per subscriber benefit
16 to PTCs' rural customers. SCs' customers have been disproportionately advantaged by COS at the
17 expense of PTCs and their customers.

18
19 Finally, as I discussed in my Rebuttal Testimony, COS is enjoyed by customers on only one-half
20 of one percent of all access lines in the state. Mr. Schoonmaker offers no rationale why it would
21 be appropriate to maintain a \$14.6 million annual benefit for one-half of one percent of the
22 customers in the state, to the detriment of other consumers. SWBT does not believe that when the

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Commission established COS purely for community of interest purposes, that it intended a small number of customers in the state to each be granted as much as a \$1,085 annual "free ride".

II. The Price of COS

Q. DO ANY PARTIES TO THIS DOCKET SUGGEST THAT COS PRICES SHOULD NOT, OR WERE NOT INTENDED TO, COVER COSTS?

A. Yes. Mr. Schoonmaker, on page 6 (lines 6 to 14) of his Rebuttal Testimony, indicates that he believes that the Commission probably recognized that COS rates would not cover costs, and that such rates were not set to cover access rates or other costs associated with the service. Mr. David Jones, testifying on behalf of Mid-Missouri, similarly indicates on page 8 (line 14) to page 9 (line 1) of his Rebuttal Testimony that COS rates do not now, nor were they intended to, cover costs.

Q. DOES SWBT AGREE?

A. SWBT certainly agrees with Mr. Schoonmaker and Mr. Jones that current COS rates do not cover PTCs' costs of providing the service, largely due to the access rates paid to SCs. However, where Mr. Schoonmaker and Mr. Jones imply that it was never the Commission's intent that COS rates should cover the costs of providing the service, they are simply incorrect. When the Commission first established COS in Case No. TO-87-131, in its December 29, 1989 Report and Order in that docket (TO-87-131 Order), with regard to the COS price the Commission explicitly found that it should be, "... high enough to recover the LECs [sic] cost of providing the service." (See TO-87-131 Order at page 8). At that time, they approved certain proposed rates based on the fact that

1 there was no evidence to suggest that the rates would not cover costs. However, in this docket the
2 evidence demonstrates, and Mr. Schoonmaker and Mr. Jones agree, the COS rates do not cover
3 costs. There is no basis for Mr. Jones' and Mr. Schoonmaker's contention that COS rates were
4 never intended to cover the costs of providing the service. In fact, the opposite is true, and as the
5 TO-87-131 Order indicates, the Commission's clear intent was that the service should not be
6 provided under cost.

7
8 Further, present competition in the telecommunications industry makes it more important, not less
9 so, that COS rates cover the costs of providing the service. As was discussed previously,
10 maintaining below-cost pricing for some LECs or PTCs is contrary to and may discourage the
11 development of competition.

12
13 **Q. HAVE THE SCs RECENTLY FILED TESTIMONY THAT ECHO THE PTCs'**
14 **CONCERNS ABOUT BELOW-COST PRICING FOR COMMISSION-MANDATED**
15 **SERVICES SUCH AS COS?**

16 **A.** Yes. In Case No. TO-97-253, Mr. Donald Stowell filed testimony on behalf of Mid-Missouri
17 pertaining to Metropolitan Calling Area (MCA) service, another expanded calling service
18 mandated by the Commission. Attached as SCHEDULE 1 to my testimony are several pages of
19 Mr. Stowell's' Rebuttal Testimony in that docket. Attached as SCHEDULE 2 are certain pages of
20 the transcript of the cross-examination of Mr. Stowell in that docket. Mr. Stowell's testimony
21 demonstrates that, for services that SCs are required to offer, their concerns about below-cost

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1 pricing for Commission-mandated expanded calling services are similar to the PTCs' concerns
2 about COS.

3
4 On page 12 (lines 13 to 14) of his Rebuttal Testimony (in SCHEDULE 1), Mr. Stowell offers his
5 opinion that under federal rules, "Local and toll services are supposed to be priced upon cost."
6 SWBT does not believe that prices for local and toll services should necessarily be set at cost.
7 However, whether COS is classified as local or toll, Mid-Missouri's testimony in Case No. TO-97-
8 253 would indicate that it believes the service's price should cover its cost. On page 13 (lines 11
9 to 12) of the same testimony, one of Mr. Stowell's main complaints about MCA is that some SCs,
10 "... are offering a service at mandated prices which are not based upon cost." On page 14 (lines 8
11 to 10), in discussing competitive impacts, Mr. Stowell states that interexchange carriers (IXCs) or
12 competitive Local Service Providers (LSPs) "may view MCA pricing below or without regard to
13 individual company cost as a barrier to entry." While SWBT does not agree that below-cost
14 pricing on Commission-mandated services constitutes a barrier to entry, SWBT believes it may
15 serve to discourage the development of competition. Beginning on page 74 of the transcript of the
16 cross-examination of Mr. Stowell in that docket (in SCHEDULE 2), Mr. Stowell indicates that he
17 would not consider it appropriate if the rate received for a service did not cover its costs, therefore
18 causing his company to lose money. He particularly expresses a concern about being placed in that
19 position in the newly competitive environment, where his company may have to unbundle or
20 discount the service to an LSP.
21

1 These concerns expressed by Mid-Missouri with regard to a Commission-mandated expanded
2 calling service which it is required to provide to its customers are similar to the concerns expressed
3 by the PTCs in this docket, also concerning a Commission-mandated expanded calling service. In
4 this docket, the SCs advocate requiring the PTCs to offer services at rates less than costs.
5 However, their feelings are quite different when they are the ones that may be placed in the
6 position of being required to offer an expanded calling service at rates less than costs.

7
8 **Q. HOW IS THIS BELOW-COST PRICING PROBLEM FURTHER EXACERBATED BY**
9 **THE ENTRANCE OF NEW LSPs?**

10 A. SWBT is currently required to resell COS to certified LSPs pursuant to the Telecommunications
11 Act of 1996 (the Act) regardless whether COS rates cover costs. Under current COS pricing, if
12 SWBT were to resell COS to an LSP, the LSP would only pay SWBT the discounted, resale COS
13 rate. The LSP, not SWBT, would receive the end user COS revenue. Where the petitioning or
14 target exchange, or both, were owned by an SC, SWBT would continue to pay the SC its full
15 access charges to originate or terminate the traffic, or both. Therefore, the SC would continue to
16 make money off of COS through its access charges, the LSP would make money off of COS by
17 selling it at a price higher than the discounted rate it paid SWBT, and SWBT's (the mandated COS
18 provider's) existing COS losses would further increase by the amount of the resale discount. COS
19 was originally intended as a service to meet end users' needs, but will be twisted into a funnel to
20 simply transfer money from SWBT to its competitors and the SCs. All of this would occur based
21 on no effort on the part of the SCs or the LSPs, but with SWBT still performing the service

1 provisioning functions. This result is fundamentally unfair, and does not pertain in any way to the
2 original goal of meeting customers' expanded calling needs.

3
4 The requirement to resell telecommunications services was established by the Act, and is not a
5 variable that can be altered here for COS. Therefore, the below-cost pricing problem must be
6 corrected in order to ensure that customers' needs are met in a competitively neutral manner.

7
8 **Q. ON PAGE 5 (LINES 4 TO 16) OF HER REBUTTAL TESTIMONY, MS. GAY SMITH, ON**
9 **BEHALF OF THE MISSOURI PUBLIC SERVICE COMMISSION STAFF, SUGGESTS**
10 **THAT THE COMMISSION SHOULD ONLY CONSIDER COST-BASED COS PRICING**
11 **IF IT CHANGES COS PROVIDERS. DOES SWBT AGREE?**

12 A. No. For the reasons just discussed, as well as those identified in my Direct and Rebuttal
13 Testimony, SWBT believes that COS prices should cover costs regardless of the identity of the
14 COS provider.

15
16 **Q. ON PAGE 9 (LINES 20 TO 25) OF HER REBUTTAL TESTIMONY, MS.**
17 **MEISENHEIMER SUGGESTS THAT THE MISSOURI UNIVERSAL SERVICE FUND**
18 **(USF) BE USED TO RECOVER COSTS OF PROVIDING COS. DOES SWBT AGREE?**

19 A. No. For the reasons discussed in my Rebuttal Testimony, SWBT does not believe that COS should
20 be subsidized through the USF. It should not be included in the Commission's definition of
21 "essential local telecommunications service" since the vast majority of customers in Missouri do
22 not have the service, and do not even choose to subscribe to it in those areas where it is available.

1 COS itself is not a high cost area, nor is it a service designed for disabled or low-income
2 customers, the two express purposes of the USF. Further, it is not a basic local
3 telecommunications service since, under Missouri Senate Bill 507, basic local telecommunications
4 service does not include optional toll free calling outside a local calling scope but within a
5 community of interest.
6

7 **III. One-Way versus Two-Way COS**
8

9 **Q. WHAT REASON DOES MR. SCHOONMAKER GIVE FOR THE COMMISSION'S**
10 **ELIMINATION OF ONE-WAY COS IN CASE NO. TO-92-306?**

11 A. On page 9 (lines 2 to 4) of his Rebuttal Testimony, Mr. Schoonmaker seems to suggest that the
12 one-way COS option was eliminated by the Commission in Case No. TO-92-306 because
13 customers found it to be much less desirable than the two-way option.
14

15 **Q. DOES SWBT SHARE MR. SCHOONMAKER'S INTERPRETATION OF THE**
16 **COMMISSION'S DECISION IN CASE NO. TO-92-306?**

17 A. No. The Commission's December 23, 1992 Order in that docket (TO-92-306 Order) indicates that
18 it eliminated the one-way COS option because, at that time, it believed that the new Outstate
19 Calling Area (OCA) service could be used to address rural customers' requests for one-way
20 services. The Commission never indicated that it believed customers did not want one-way
21 services. Further, as I discussed in my Rebuttal Testimony, the one-way and two-way COS take
22 rates demonstrate that two-way COS was not significantly more popular than one-way at that time.

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Q. HAS OCA SUCCESSFULLY MET CUSTOMERS' NEEDS FOR ONE-WAY CALLING?

A. Certainly for some customers it has, otherwise they would not choose to subscribe to the service. However, there are other customers who want flat-rate calling, and SWBT does not believe that OCA meets the needs of those customers because it is only available at (block-of-time) usage-sensitive prices. If it were true that OCA fully met the one-way calling needs of rural customers, then there may be a strong argument for the complete elimination of COS, as opposed to changing it to a one-way service. In either event, SWBT does not believe that two-way COS should be maintained at this time for the reasons discussed in my Direct and Rebuttal Testimony.

Q. ON PAGE 6 (LINES 16 TO 19) OF HER REBUTTAL TESTIMONY, MS. MEISENHEIMER SUGGESTS THAT UNTIL SUCH TIME AS A TWO-WAY COS IS "NO LONGER NEEDED", IT SHOULD BE MAINTAINED. DOES SWBT AGREE?

A. No, partly because SWBT does not believe that two-way COS is currently "needed." A two-way service is nothing more than an outward calling service plus an inward calling service. As I discussed in my Direct and Rebuttal Testimony, there are other competitive options available for inward calling services. Therefore, customers do not "need" two-way COS today.

In addition, as I discussed in my Rebuttal Testimony, the statistics regarding the current volumes of return COS calling have been significantly inflated by some SCs' or their affiliates' improper use of COS in their provision of interexchange Internet access services. Based on the information provided in my Rebuttal Testimony, certainly over 40 percent of all return COS calling is really

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1 calling to an SC's or its affiliate's Internet service. SWBT believes that the total amount of return
2 COS calling attributed to this usage is actually much greater than 40 percent, since that figure is
3 based on calling to only 13 Internet numbers. Eliminating this Internet usage, SWBT believes that
4 the current COS usage patterns demonstrate that customers are largely using COS for outgoing, not
5 for incoming, usage today. Therefore, again, SWBT does not believe that two-way COS is
6 "needed."

7
8 Finally, to the extent that some argue that customers do in fact "need" two-way COS, then OPC's
9 suggestion that it be eliminated only after it is not "needed" is probably self-defeating. As long as
10 companies are required to offer such a two-way service at rates that are less than costs, competition
11 is not likely to develop in that area, and customers are not likely to admit that they don't "need" the
12 service.

13
14 **IV. The 800-Number COS Alternative**

15
16 **Q. ON PAGE 5 (LINE 20) TO PAGE 6 (LINE 3) OF HIS REBUTTAL TESTIMONY, MR.**
17 **JONES SUGGESTS THAT THE SHORTAGE OF 800/888 NUMBERS IS A PRICING**
18 **ISSUE AND IS NOT PROPERLY CHARACTERIZED AS A NUMBERING RESOURCE**
19 **ISSUE. PLEASE COMMENT.**

20 **A.** SWBT completely agrees with Mr. Jones that two-way COS involves a serious pricing issue, as
21 was previously discussed. Two-way COS is currently provided at rates less than costs, a problem
22 which SWBT recommends the Commission solve in this docket by changing rates to cover costs.

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1 However, Mr. Jones is simply incorrect in his assertion that the shortage of 800/888 numbers, and
2 the impact that two-way COS would have on that shortage, is not also properly characterized as a
3 numbering resource issue. It is clearly a numbering resource issue as well.

4
5 We know the current number of two-way COS subscribers is approximately 18,000 customers.
6 How much of that is due to the fact that COS is under-priced is irrelevant to the numbering
7 resource issue, because the number of COS subscribers (and the number of 888 numbers that
8 would be needed for them) is what it is. We also know that the entire telecommunications industry
9 is under an allotment process for 888 numbers because of the impending shortage of that
10 Numbering Plan Area (NPA). Again, how much of that might be due to low prices on 800-type
11 services is unknown and is irrelevant to the numbering resource issue; we still have a shortage of
12 numbers regardless of the cause. We further know, as indicated in my Rebuttal Testimony, that
13 SWBT does not have a sufficient allotment of 888 numbers to be able to convert its share and its
14 SCs' share of the 18,000 COS subscribers to 888 numbers within even six months to a year and
15 continue to meet their other demands for 800-type services. Presumably the other PTCs are in the
16 same situation as SWBT with regard to their allotments of 888 numbers. Thus, under the 800/888-
17 number COS alternative, we have a major numbering resource problem.

18
19 Mr. Jones is also incorrect in his assumption, on page 6 (lines 3 to 6) of his Rebuttal Testimony,
20 that "there is nothing to stop competitors from introducing new services tomorrow which would
21 have the same or similar impacts on depleting available 800 number resources." Actually, there
22 are at least two things stopping this. The first constraint is, as Mr. Jones alludes, price.

1 Competitors are not likely to offer a service like COS that is priced below its costs so that it would
2 have the same impact on 800 numbering resources as COS would. The second constraint is, of
3 course, those competitors' allotments of 888 numbers. While a competitor could theoretically
4 offer the below-cost service, its allotment would not permit it to meet any demand which exceeds
5 the allotment.
6

7 **Q. WHAT IS SWBT'S REACTION TO MR. SCHOONMAKER'S ANALYSIS ON PAGE 9**
8 **(LINE 8) TO PAGE 10 (LINE 3) OF HIS REBUTTAL TESTIMONY CONCERNING THE**
9 **IMPACT OF TWO-WAY COS ON 800/888 NUMBER RESOURCES?**

10 A. It is, unfortunately, quite meaningless because it is based on the entire national allotment of 888
11 numbers among all telecommunications providers. While Mr. Schoonmaker's math may be
12 correct, his conclusions are not. In short, LECs in Missouri do not have access to all of the 888
13 numbers in the total national allotment for all telecommunications providers. They only have
14 access to the 888 numbers included in their own allotment. Therefore, it just doesn't matter what
15 that national supply of 888 numbers is; we simply can't have those numbers. Surely Mr.
16 Schoonmaker is not suggesting that somehow all of the telecommunications providers in the
17 United States, Canada and the Caribbean can be persuaded to give their entire allotments of 888
18 numbers to GTE, SWBT and United for use in offering two-way COS in Missouri. Short of that
19 impossible event, comparisons of the number of COS subscribers to the national availability of 888
20 numbers have no meaning.
21

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1 In his analysis, Mr. Schoonmaker seems to come to the grossly incorrect conclusion that the
2 18,000 COS subscribers could be converted to 888 numbers in less than one day, therefore the
3 Commission need not delay implementation of this alternative until numbers are available in the
4 877 NPA. It would be dangerous and irresponsible to give the Commission the impression that
5 this one-day result is possible under any scenario. It must be understood that the relevant pool of
6 888 numbers is only those numbers available to Missouri LECs through their weekly allotment.
7 Further, for a company such as SWBT, the weekly allotment is used to serve all of its customers
8 (as well as its SCs' customers' demands) for any 800-type service in Missouri, Arkansas, Kansas,
9 Oklahoma and Texas. For SWBT and its SCs, it could not convert the existing base of COS
10 subscribers to 888 telephone numbers in even six months to a year and continue to meet its
11 ordinary customer demands. While SWBT does not recommend that the Commission adopt the
12 COS 800/888-number alternative in this docket, SWBT continues to recommend in the strongest
13 terms that, if the Commission does choose this alternative, implementation should be delayed until
14 the new 877 numbers are available. SWBT understands that those numbers may be available in
15 April 1998.

16
17 **Q. ON PAGE 8 (LINE 16) TO PAGE 9 (LINE 7) OF HIS REBUTTAL TESTIMONY, MR.**
18 **SCHOONMAKER SUGGESTS THAT CUSTOMERS WOULD BE DISSATISFIED WITH**
19 **A SECOND, 800/888 NUMBER, BUT LESS SO THAN WITH ELIMINATION OF TWO-**
20 **WAY CALLING. PLEASE RESPOND.**

21 **A.** While it would only be speculation to say that some customers would be more unhappy with one
22 proposal or another, it is clear that the one-way only alternative provides customers with more

1 choice. Customers who prefer having a two-way service with a second, 888 number still have the
2 option of obtaining that service by purchasing another inward calling service. Customers who do
3 not want the second, 800/888 number would not be forced to take it in order to retain one-way
4 COS. Therefore, making COS a one-way only service allows customers more flexibility to
5 combine it with other services or not, as they see fit to best meet their own needs and their
6 concerns.

7
8 **V. Other COS Proposals**

9
10 **Q. ON PAGE 13 (LINES 11 TO 13) OF HER REBUTTAL TESTIMONY, MS.**
11 **MEISENHEIMER SUGGESTS THAT COS SHOULD BE PROVIDED USING REMOTE**
12 **CALL FORWARDING (RCF) TECHNOLOGY. DOES SWBT AGREE?**

13 **A.** No. In my Rebuttal Testimony, I mentioned several of the customer and company problems
14 associated with the RCF alternative. In the past, customers found the RCF method to be confusing
15 due to the need for two (or more) telephone numbers. In addition to the customer problems
16 discussed in my Rebuttal Testimony, business customers complained because they essentially
17 invested in their local telephone number through their advertising and printing of stationery,
18 business cards and other supplies. The RCF requirement for two telephone numbers potentially
19 increases those costs. For residence customers, there is a concern about the education problems
20 pertaining to the use of two telephone numbers, especially for children. In addition, target
21 exchange callers who are unaware of the second, RCF number and continue to dial the COS

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1 subscriber's local telephone number would continue to be billed toll charges, most likely to the
2 dissatisfaction of the caller and the COS subscriber.

3
4 In the past, companies found the RCF methodology to be expensive and cumbersome, as was
5 discussed in my Rebuttal Testimony. While SWBT does not have a current estimate of the costs
6 that would be associated with implementing the RCF alternative, in June 1990, SWBT estimated
7 that an investment of \$1.54 million had been incurred by SWBT in order to provide two-way COS
8 using RCF technology. In addition, it was incurring significant expenses for capital additions and
9 expanded central office capacity to provide two-way COS using RCF. Considering the high degree
10 of past customer confusion and dissatisfaction with the two-number RCF alternative, SWBT does
11 not believe that such an expensive provisioning method is the best or most effective way to address
12 customers' calling needs.

13
14 Other company problems associated with the RCF methodology include the difficulty in billing
15 operator-handled calls charged to the RCF number (e.g., collect calls). Companies could have
16 difficulty billing such charges because the target exchange LEC, where the RCF number is located,
17 is often a different company from the petitioning exchange LEC, who bills the COS subscriber.
18 Therefore, the target exchange LEC does not have a direct link to the COS subscriber in order to
19 bill her/him for collect calls made to the RCF number. In addition, depending on the level of
20 demand for COS at a given target exchange, or to avoid unintentional loss of toll revenue between
21 COS petitioning exchanges sharing the same target exchange, additional NXXs may be required to

1 provide COS using RCF. This use of NXXs could contribute to the growing problem of NPA
2 exhaust, with which the industry is familiar in Missouri.

3
4 **Q. ON PAGES 4 TO 6 OF MS. MARY KAHNERT'S REBUTTAL TESTIMONY, ON BEHALF**
5 **OF GTE, SHE POSES A NUMBER OF QUESTIONS PERTAINING TO THE RCF**
6 **METHODOLOGY. CAN SWBT ADD TO THE INFORMATION PROVIDED BY GTE IN**
7 **RESPONSE TO THESE QUESTIONS?**

8 A. Yes, on some of them. SWBT largely agrees with GTE's summary of the problems associated
9 with RCF in Ms. Kahnert's question number 1, and believes that each of these problems would
10 also occur today under the RCF methodology (although the unintended access revenue loss would
11 likely be less than in the past).

12
13 In response to GTE's question number 2, RCF is available in all SWBT exchanges. However,
14 some of those exchanges have technical limitations on the possible number of RCF users, as
15 discussed in my Rebuttal Testimony.

16
17 In response to Ms. Kahnert's question number 6, SWBT suspects that there is the potential for
18 abuse by combining COS with RCF to bypass toll. It has been SWBT's experience that, even
19 when sufficient aggregation and other restrictions are included in the tariff to try to prevent such
20 abuses, some customers work hard at finding ways to circumvent the tariff restrictions by
21 combining flat rated services with various call forwarding or other services to bypass toll.

1 With regard to GTE's question number 7, regardless of the form of intercompany compensation,
2 SWBT believes that the RCF would have to be provided by the target exchange LEC. This raises
3 two additional issues. First, this means that calls from the target exchange to the COS subscriber
4 would be dialed on a local, seven-digit dialed basis. SWBT believes that if LECs are required to
5 provide seven-digit dialed return COS calling using RCF, then outgoing COS calling should also
6 be required to be provided on a seven-digit dialed basis, and the service should be classified as
7 local. Second, if the service instead remains as toll, then where the target exchange LEC is also a
8 PTC (which is the majority of situations), the target exchange PTC is already in the position where
9 it receives no revenue, but may incur terminating access expense, to provide return COS calling.
10 Under a toll COS/RCF methodology, the target exchange LEC/PTC would be the party incurring
11 the additional RCF costs, but would still receive no revenue.

12
13 **Q. DOES THE COMMISSION'S ONE-WAY RECIPROCAL STRAW COS PROPOSAL**
14 **ALLOW CUSTOMERS TO COMBINE SERVICES TO CREATE A TWO-WAY SERVICE**
15 **SIMILAR TO OPC'S PROPOSED RCF ALTERNATIVE?**

16 A. Yes. The one-way reciprocally available straw COS proposal effectively allows customers to
17 create a two-way service using currently tariffed RCF services. COS customers in the petitioning
18 exchange could subscribe to one-way COS in their exchange. In addition, they could purchase an
19 RCF service from the target exchange LEC at its tariffed rate. They could then purchase one-way
20 COS on their RCF number in the target exchange for calling back to the petitioning exchange.
21 Customers in the COS target exchange could similarly create a two-way calling service with the
22 petitioning exchange. In this way, customers who desire a two-way calling service can separately

1 purchase the outgoing and incoming calling to provide exactly the same service as two-way COS
2 under the RCF methodology. However, customers would also have the flexibility of choosing only
3 a one-way service if they did not need a two-way service, or did not want the problems associated
4 with having two telephone numbers. Also, the company actually providing the RCF would be
5 compensated for it at its currently tariffed rate.
6

7 **Q. ON PAGE 9 (LINES 15 TO 16) OF HER REBUTTAL TESTIMONY, MS. SMITH**
8 **RECOMMENDS THAT THE COMMISSION CONSIDER ELIMINATING COS**
9 **ENTIRELY. DOES SWBT AGREE?**

10 **A.** Yes, SWBT agrees that the Commission should consider this possibility. Ms. Smith explains that
11 the process of modifying COS may be quite complex and painful, with potentially little customer
12 benefit. Also, customers will increasingly find that their needs are better or equally met by other
13 competitive alternatives. As SWBT indicated in its Direct Testimony, if customers have the option
14 of a LATA-wide flat-rate option, such as LATA-wide COS, much of the current interest in two-
15 way route-specific COS may simply disappear. If the Commission determines that COS should no
16 longer be a required offering, then SWBT believes that LECs should continue to have the option of
17 offering their own customers a local, one-way COS on current routes at rates that cover costs.
18

19 **Q. ON PAGE 9 (LINES 9 TO 15) OF HER REBUTTAL TESTIMONY, MS. MEISENHEIMER**
20 **SUGGESTS THAT COS SHOULD BE ELIMINATED ON A ROUTE-SPECIFIC BASIS,**
21 **AFTER CONSIDERATION BY THE COMMISSION OF THE DEGREE OF**

1 COMPETITION ON THAT ROUTE. DOES SWBT BELIEVE THAT THIS IS A
2 FEASIBLE ALTERNATIVE?

3 A. No. SWBT believes that the amount of Commission and company resources that would be
4 required to investigate the degree of competition on a route-specific basis makes this approach
5 infeasible. There are now 159 current COS routes in Missouri. Therefore, it would seem that Ms.
6 Meisenheimer's proposal would require 159 separate dockets to address a single issue which the
7 Commission can address just once, in this docket. If additional COS routes are permitted to go
8 into effect, the number of dockets would increase accordingly. Such dockets are time consuming
9 and costly for both the Commission and the companies. Therefore, they are not in the public's best
10 interests because they delay the resolution of the issues at an increased overall cost to customers.
11

12 If the Commission chooses to implement some temporary transition period during which it will
13 continue to require COS to be offered, then it should terminate that obligation at the time that
14 intraLATA presubscription is implemented in a petitioning or target exchange or after one year,
15 whichever is sooner. This approach achieves the same type of transition period suggested by Ms.
16 Meisenheimer, but without the costly and inefficient use of Commission and company resources.
17

18 VI. Local or Toll Classification of COS
19

20 Q. DOES SWBT AGREE WITH MR. SCHOONMAKER'S SUGGESTION, ON PAGE 5
21 (LINES 4 TO 18) OF HIS REBUTTAL TESTIMONY THAT PARTIES HAVE
22 ATTEMPTED TO EXPAND THE SCOPE OF THIS PROCEEDING BEYOND THAT

**INTENDED BY THE COMMISSION BY PROPOSING THAT COS SHOULD BE
CLASSIFIED AS LOCAL?**

A. No. The question of the local or toll classification is obviously germane to questions of how COS should be provisioned or modified. As Mr. Schoonmaker correctly notes, the Commission did not limit parties from presenting such proposals that COS should be classified as local. In fact, in the Commission's Order, it specifically invited the parties to include in their testimony "any further issues which the participants wish to raise."

VII. Internet Issues

Q. ON PAGE 9 (LINES 17 TO 20) OF HER REBUTTAL TESTIMONY, MS. MEISENHEIMER SUGGESTS THAT A SEPARATE, HIGHER COS RATE SHOULD BE DEVELOPED FOR INTERNET ACCESS PROVIDERS AND OTHER TRAFFIC AGGREGATORS. DOES SWBT AGREE?

A. No. SWBT does not believe that these customers should be permitted to subscribe to COS at all (for other than their own administrative use), as discussed in my Rebuttal Testimony. The Commission specifically addressed this issue as it pertains to traffic aggregators generally in Case No. TO-92-306, and found aggregation of multiple end users on COS was not permitted. This usage is also a violation of the COS tariff provisions, as discussed in my Rebuttal Testimony. The unfortunate and inappropriate violation of that provision of the Commission's TO-92-306 Order and the COS tariff is not reason to modify the service to legitimize a misuse of it.

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1 In addition, such Internet or other aggregated use of COS is not consistent with the original intent
2 of the service, which at times seems to have been forgotten in these discussions of Internet usage.
3 COS was first established by the Commission in Case No. TO-87-131. In the TO-87-131 Order, at
4 page 3, the Commission explains the purpose of the docket and the expanded calling plan as
5 follows:

6 The principal matter at issue herein concerns the provision of a reasonably priced extra-
7 exchange calling service to customers in exchanges demonstrating a community of
8 interest. Certain telephone exchanges in this state have heavy toll traffic to other nearby
9 exchanges because the community of which the customers are a part extends beyond the
10 boundaries of any one exchange. This is known as a community of interest. Necessary
11 services for individuals living in one telephone exchange are located in another telephone
12 exchange. These services include doctors, hospitals, schools, churches, police and fire
13 protection, other governmental offices and commercial centers. Since these services are an
14 integral part of daily life these telephone customers are forced to make toll calls on a daily
15 basis resulting in high telephone bills. These customers seek to alleviate this problem
16 through an extra-exchange calling service offered at less than toll prices.
17

18 As I discussed in my Rebuttal Testimony, the use of COS to provide Internet access services has
19 nothing to do with the community of interest purpose of the service. Callers to the Internet do not
20 care where the Internet provider is located because they aren't seeking to communicate with the
21 Internet provider at all. Callers simply want access to the Internet itself. It is an abuse of this
22 subsidized, Commission-mandated service to allow traffic aggregators to use it simply to increase
23 their own profits.
24

25 Finally, it is not necessary to offer another COS-type of service to Internet providers and other
26 traffic aggregators to use for their inward calling needs, since they already have many 800-type of
27 service options (such as Common Line 800 service) or private line services from which to choose.

1 For end users, SWBT has offered a flat-rate Designated Number Optional Calling Plan, which can
2 provide the end user with unlimited calling to their Internet access provider, or any other telephone
3 number in their LATA, for \$15 per month.
4

5 **Q. ON PAGE 8 (LINE 25) TO PAGE 9 (LINE 1) OF HER REBUTTAL TESTIMONY, MS.**
6 **SMITH RECOMMENDS THAT LECs CEASE USING COS FOR PROVIDING INTERNET**
7 **ACCESS SERVICES. DOES SWBT OR ITS AFFILIATE USE COS TO PROVIDE**
8 **INTERNET ACCESS SERVICES?**

9 A. No.
10

11 **VIII. LATA-wide COS**
12

13 **Q. IN HIS REBUTTAL TESTIMONY, MR. MICHAEL ENSRUD OF COMPTTEL-MO**
14 **(COMPTTEL) OPPOSES THE LATA-WIDE COS SUGGESTIONS IN SWBT'S DIRECT**
15 **TESTIMONY. WHAT IS THE BASIS FOR MR. ENSRUD'S OBJECTIONS?**

16 A. The vast majority of Mr. Ensrud's objections to SWBT's LATA-wide COS suggestions appear to
17 arise from his own rather gross misunderstanding or misrepresentation of SWBT's Direct
18 Testimony.
19

20 **Q. IN WHAT WAY DOES MR. ENSRUD APPEAR TO MISUNDERSTAND OR**
21 **MISREPRESENT SWBT'S DIRECT TESTIMONY?**

1 A. On page 17 (lines 1 to 6) of his Rebuttal Testimony, Mr. Ensrud claims that SWBT recommended
2 that LATA-wide COS should "be prohibited from being resold." This is a gross misrepresentation
3 of SWBT's Direct Testimony. In my Direct Testimony, I expressly acknowledge that LATA-wide
4 COS would be available for resale on page 36 (lines 17 to 18), page 37 (lines 5 to 7), and page 39
5 (lines 11 to 12). The entire paragraph beginning on page 36, line 17, and ending at the bottom of
6 page 37 of my Direct Testimony expressly addresses the manner in which the service would be
7 resold.

8
9 **Q. WHY DO YOU SUGGEST THAT THE VAST MAJORITY OF MR. ENSRUD'S**
10 **OBJECTIONS TO LATA-WIDE COS ARE BASED ON THIS MISUNDERSTANDING**
11 **PERTAINING TO RESALE?**

12 A. According to Mr. Ensrud's Rebuttal Testimony, all of his "break-even" calculations and his claims
13 that CompTel members could not compete with such an offering, that imputation should be
14 required, and that LATA-wide COS should not be classified as local all hinge entirely on his belief
15 that it would not be available for resale and that CompTel members would therefore be required to
16 pay usage-sensitive access charges. Making LATA-wide COS available for resale should
17 completely eliminate his concerns on these issues.

18
19 In fact, on the issue of imputation, on page 21 (lines 3 to 16) of Mr. Ensrud's Rebuttal Testimony,
20 he specifically references my Direct Testimony regarding a situation where imputation on a flat-
21 rate optional calling plan is not required because the service was made available for resale. For
22 that service, Mr. Ensrud says that such a waiver of the imputation requirement, "was justified

1 because when others resold the service, they, likewise, are not required to pay access for the
2 service in question.” (emphasis added). Without using my exact words, that is precisely what I
3 also said in my Direct Testimony, and why this example was raised. SWBT proposes exactly the
4 same arrangement for LATA-wide COS that exists with the optional calling plan where Mr.
5 Ensrud finds waiver of the imputation requirement justified. In both cases, the service would be
6 available for resale with an aggregation restriction that applies to resellers as it would to SWBT.

7
8 On the issue of classification of COS as local, on page 20 (lines 3 to 7) of his Rebuttal Testimony,
9 Mr. Ensrud clearly states that classification of LATA-wide COS as local would alleviate his access
10 charge concerns because it would eliminate the need for CompTel members to pay access charges.
11 On lines 10 to 12 of the same page, he indicates that is because CompTel members who are
12 qualified LSPs could compete with LATA-wide COS if it was a local service, presumably on a
13 resale basis. Here, again, SWBT has suggested exactly what Mr. Ensrud is requesting. In its
14 Direct Testimony, SWBT acknowledged that LATA-wide COS would be available for resale by
15 certified LSPs.

16
17 **Q. ELIMINATING THOSE ISSUES RELATING ONLY TO MR. ENSRUD’S**
18 **MISUNDERSTANDING OF SWBT’S DIRECT TESTIMONY, ARE THERE ANY**
19 **REMAINING ISSUES ON WHICH SWBT AND COMPTTEL APPEAR TO BE IN**
20 **DISPUTE?**

21 **A.** Yes, only one. That is the issue of whether resellers would be permitted to aggregate multiple end
22 users on LATA-wide COS. As SWBT indicated in its Direct Testimony, it is not willing to offer

1 such a service if there is no tariff restriction prohibiting such aggregation for resellers as well as for
2 SWBT.

3
4 **Q. WHY DOES SWBT BELIEVE THAT A PROHIBITION ON AGGREGATION OF END**
5 **USERS IS APPROPRIATE FOR A FLAT-RATE SERVICE SUCH AS LATA-WIDE COS?**

6 A. This issue is addressed at length on page 36 (line 17) to page 37 (line 19) of my Direct Testimony.
7 In short, SWBT would not be able to offer the service at prices that would benefit individual end
8 users if such aggregation were permitted. The price would have to be set based on the anticipated
9 aggregated usage of multiple end users, not of individuals. If aggregation by resellers were
10 permitted, then that would necessarily preclude incumbent LECs from competing in the retail
11 market at all and would relegate them to the role of wholesale service providers. The tariffed price
12 of the incumbent LEC could in no way compete with the price an aggregator could charge once the
13 underlying rate was spread among multiple end users. This would have the immediate effect of
14 dramatically reducing the overall level of competition in the telecommunications market, to the
15 detriment of all telecommunications customers. Mr. Ensrud's proposal to allow aggregation of
16 multiple end users on one of SWBT's flat-rated services is tantamount to his asking the
17 Commission to preclude SWBT from competing for end user customers at all.

18
19 **Q. PLEASE GIVE AN EXAMPLE SHOWING WHY SWBT COULD NOT COMPETE WITH**
20 **A SERVICE RESELLER IF AGGREGATION WERE PERMITTED FOR A FLAT-RATE**
21 **SERVICE.**

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1 A. If SWBT were to offer a business LATA-wide COS at \$60 per month, and if the resale discount
2 were 20 percent, then the cost of this service to the reseller would be \$48 (or 20 percent off of
3 \$60). Even without aggregating multiple end users, the reseller is placed at a potential competitive
4 advantage because its lowest price which it can charge end users and may continue to cover its cost
5 is \$48, \$12 less than SWBT's tariffed rate. If, on top of that, resellers could aggregate multiple
6 end users, their advantage grows unfairly and substantially. If only two end users were aggregated
7 on one LATA-wide COS, then the price for each of the reseller's end users can drop to \$24, or half
8 of the \$48 total. With three end users, the reseller's price may be as low as \$16. Actually, it is not
9 likely the end users would actually obtain prices this low from the reseller. It is far more likely
10 that the reseller would simply price low enough to undercut SWBT's \$60 rate, say at \$50. With
11 three end users aggregated on one LATA-wide COS, the reseller could charge \$150 total, but its
12 costs would remain at \$48, and the reseller could keep \$102 in profit.

13
14 **Q. IS ALLOWING SUCH AGGREGATION SIMPLY AN "ALTERNATIVE" FORM OF COS,**
15 **AS MR. ENSRUD SUGGESTS ON PAGE 19 (LINES 16 TO 17) OF HIS REBUTTAL**
16 **TESTIMONY?**

17 A. No. As was just indicated, it's a math exercise. With aggregation of multiple end users on LATA-
18 wide COS, a CompTel member does not add any value to the service, and does not change its
19 properties, its scope, or its availability. The reseller does not improve the quality of service, and
20 does not make it worse. They are simply reselling the service of the underlying LEC.

1 On page 20 (lines 10 to 12) of his Rebuttal Testimony, Mr. Ensrud claims that CompTel wants to
2 be able to compete on a "head-to-head" basis, but allowing aggregation would insure that such
3 head-to-head competition could never occur. The benefits that accrue to resellers under
4 aggregation are not due to their own efficiency, productivity, marketing prowess, creativity,
5 ingenuity, or even plain old hard work. It is the underlying LEC that expends the marketing,
6 network, administrative and creative efforts and resources to develop and implement such
7 customer-oriented services. The Commission should reject CompTel's recommendation to allow
8 aggregation on such services, since that would eliminate all incentives for LECs to so strive to
9 meet their own end users' needs and offer such services.

10
11 **Q. HAS THE COMMISSION PREVIOUSLY FOUND AGGREGATION RESTRICTIONS**
12 **SUCH AS PROPOSED BY SWBT FOR LATA-WIDE COS TO BE REASONABLE FOR**
13 **OTHER OPTIONAL CALLING PLANS?**

14 A. Yes. In the Commission's December 11, 1996 Order in Case No. TO-97-40, et. al., it found it
15 appropriate to maintain the restrictions on aggregation of toll service for resale. Therefore, all of
16 SWBT's toll services (including toll optional calling plans) currently fall under this restriction. In
17 addition, in its December 20, 1996 Order in Case No. TT-96-268, the Commission approved
18 SWBT's Designated Number Optional Calling Plan as amended by SWBT's December 13, 1996
19 Motion for Leave (Motion). In that Motion, SWBT amended its Designated Number Optional
20 Calling Plan offer to make it available for resale, provided that the tariff aggregation restriction
21 applied to resellers as it did to SWBT. Such a restriction is appropriate for a LATA-wide COS for
22 exactly the same reasons it is appropriate for toll services.

1

2 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

3 A. While the STCG accuses others of not adequately considering customer interests in this docket, it
4 and Mid-Missouri make no offer to provide expanded calling services to meet their own
5 customers' needs. In contrast, SWBT and the other PTCs have made good faith efforts to try to
6 address all customers' needs in a fair and equitable manner. SWBT alone has indicated that it is
7 willing to consider offering a customer-oriented LATA-wide COS.

8

9 SWBT agrees that customers as a whole should not be made worse off under competition.

10 However, the emergence of such competition and the welfare of customers as a whole is a reason
11 to alter the current two-way COS arrangements, not to maintain them.

12

13 Contrary to the STCG's and Mid-Missouri's contentions, the Commission' original intent was that
14 the price of COS should cover the costs of providing the service. Significantly, SCs agree that the
15 price of a Commission-mandated expanded calling service should cover its cost where they are the
16 service providers. The USF should not be used to recover costs of providing COS.

17

18 Despite the SCs' efforts to diminish the significance of the 888 number shortage, the fact remains
19 that the number resource problem exists. SWBT continues to recommend that if the Commission
20 adopts the 800-number COS proposal, it should delay implementation until numbers are available
21 in the 877 NPA.

22

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1 SWBT does not support providing COS using the RCF methodology due to the customer confusion
2 problems it creates, and the company costs associated with that alternative.

3
4 SWBT does not agree with OPC's proposal to establish a separate, higher COS price for Internet
5 service providers. Such service providers currently are not, and should not be, permitted to
6 subscribe to COS for other than their own administrative use.

7
8 The majority of CompTel's objections to SWBT's suggestions pertaining to LATA-wide COS are
9 moot, since they are based on CompTel's own misunderstanding or misrepresentation of SWBT's
10 Direct Testimony. Prohibition of the aggregation of multiple end users on LATA-wide COS is
11 appropriate for reasons discussed herein, as well as in my Direct Testimony.

12
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes, it does.

Exhibit No.:
Issues: Dialing Parity
Expanded Calling
Witness: Donald D. Stowell
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Mid-Missouri Group
Case No.: TO-97-253

REBUTTAL TESTIMONY OF DONALD D. STOWELL
ON BEHALF OF THE MID-MISSOURI GROUP
CASE NO. TO-97-253

1 If optional MCA service is toll under the federal
2 rules, a dialing parity problem is created. United is
3 not providing toll dialing parity if MCA subscribers dial
4 7 digits but IXC customers must dial 10 digits for the
5 same call. As I review United's plan it is not clear
6 that United intends to include MCA service in the traffic
7 or market opened up by presubscription.

8 I am concerned that no precedent be established in
9 United's docket that is adverse to small company
10 interests. When SCs such as MoKan and Choctaw make the
11 necessary preparations to provide dialing parity in a
12 competitive environment, the federal rules require
13 adherence to certain requirements. Local and toll
14 services are supposed to be priced upon cost. Dialing
15 parity is to be provided so that, regardless of the
16 carrier selected, customers can dial local or toll calls
17 through their selected carrier on the same dialing basis
18 provided by the incumbent LEC. Service plans cannot have
19 anti-competitive effects.

20 Q. What issues do you see potentially arising with respect
21 to the SC's ability to comply with the requirements of

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REBUTTAL TESTIMONY OF DONALD D. STOWELL
ON BEHALF OF THE MID-MISSOURI GROUP
CASE NO. TO-97-253

1 competition insofar as MCA service is concerned ?

2 A. With respect to pricing, I am very concerned that
3 SCs will be expected to offer MCA on the same pricing
4 basis it exists today. When MCA was created, it was not
5 based upon any company's costs, it was priced from the
6 standpoint of attractive customer rates. In order to
7 make the plan revenue neutral, the Commission accepted
8 the PTC's proposed elimination of SC access charges, and
9 the PTCs paid support to any SC that lost revenues as a
10 result of implementation of MCA.

11 The result is that MoKan and Choctaw are offering a
12 service at mandated prices which are not based upon cost.

13 I am also concerned that MCA has no tariffed,
14 measured compensation mechanism for the use of other
15 company facilities. MCA traffic originated by my
16 Freeman exchange subscribers is transported and
17 terminated on the facilities of other LECs, the very same
18 facilities used for toll traffic, but no compensation is
19 paid for the use of those facilities. MoKan is not paid
20 for transport or termination of MCA calls originating in
21 other MCA exchanges. This is true of all incumbent LECs

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REBUTTAL TESTIMONY OF DONALD D. STOWELL
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CASE NO. TO-97-253

1 ordered to tariff MCA service.

2 I am concerned that the pricing structure, and the
3 lack of compensation mechanisms, will be viewed as anti-
4 competitive. MCA traffic represents a significant
5 portion of the intraLATA interexchange market. New
6 entrant IXC's or LSP's may view MCA service, mandated to be
7 provided by ILECs only, as a significant reduction of the
8 competitive market. They may view MCA pricing below or
9 without regard to individual company cost as a barrier to
10 entry. They may view the actions of ILECs in allowing
11 use of their facilities by other ILECs without charge as
12 being discriminatory.

13 Q. Please explain how this use could be viewed as
14 discriminatory.

15 A. For PTCs and IXC's who utilize my company's facilities,
16 MoKan receives access revenues at tariffed access rates.
17 For MCA traffic, which MoKan and other LECs have been
18 required to tariff, no compensation is paid by one LEC to
19 another for transport or termination of the MCA call. I
20 understand that in the context of interconnection
21 agreements between PTCs and new LSPs, LSPs are to pay

1 ALJ WICKLIFFE: Objections to Exhibit 7?

2 (No response.)

3 ALJ WICKLIFFE: Hearing none, Exhibit 7 is
4 received into the record.

5 (EXHIBIT NO. 7 WAS RECEIVED INTO EVIDENCE.)

6 ALJ WICKLIFFE: Mr. Stroo?

7 MR. STROO: No questions.

8 ALJ WICKLIFFE: Mr. Bub?

9 MR. BUB: We just have a few, your Honor.

10 CROSS-EXAMINATION BY MR. BUB:

11 Q. Good morning, Mr. Stowell.

12 A. Good morning.

13 Q. In your testimony you express a concern that
14 secondary carriers will be expected to offer MCA
15 service on the same pricing basis as exists today?

16 A. Yes.

17 Q. And one of the concerns is that MoKan and
18 Choctaw are offering a service at mandated prices that
19 aren't based on costs?

20 A. Aren't based on our costs.

21 Q. Okay. And just so I'm clear, your focus
22 there of your concerns is that your company's being
23 required to provide a service that doesn't cover your
24 company's costs?

25 A. We're being required to offer a service that

1 had no costs, none of our costs calculated in that.
2 That cost -- that rate for that service, if you will,
3 was set by this Commission when they ordered us to
4 implement it, but it was never investigated as to
5 whether it covered our cost or not.

6 Q. And your concern is that it may not cover
7 your costs? Is that your concern?

8 A. My concern is, if I have a competitor, an
9 LSP if you will, that comes in behind me, if I have to
10 unbundle that or discount that to him, what that does
11 to my bottom line.

12 Q. And by bottom line, you mean that if it --
13 if the rate you're receiving for providing that
14 service doesn't cover its cost, you're going to be
15 losing money?

16 A. Essentially, yes.

17 Q. And that's your concern?

18 A. Yes.

19 Q. And that wouldn't be appropriate; is that
20 correct?

21 A. I wouldn't consider it appropriate, no.

22 MR. BUB: Thank you. That's all the
23 questions I have.

24 ALJ WICKLIFFE: Mr. DeFord?

25 MR. DeFORD: I think just one, your Honor.