



Legal and External Affairs
6450 Sprint Parkway
Building 14
Overland Park, KS 66251

May 1, 2003

FILED³

MAY 01 2003

Missouri Public
Service Commission

Secretary
Missouri Public Service Commission
200 Madison Street, Suite 650
P. O. Box 360
Jefferson City, Missouri 65102

Re: In the Matter of the Investigation of the State of Competition in the Exchanges of
Sprint Missouri, Inc.
Case No. IO-2003-0281

On April 25, 2003 Sprint filed Proprietary and Non Proprietary versions of the Direct Testimony of John R. Idoux along with Exhibits. The proprietary testimony is complete and correct as filed. It has been brought to our attention that the Non-Proprietary Direct Testimony of John Idoux is missing a number of pages due to a copy machine malfunction. As a result, Sprint is providing herein a complete copy of the Non-Proprietary version of Mr. Idoux's direct testimony in this matter.

Please note Sprint is not providing additional copies of the Exhibits to the testimony as both the proprietary and nonproprietary exhibits are lengthy and were complete as filed. The following pages were apparently missing from the filed direct testimony: 14, 22 27, 33, 35, 36, 39, 40, 41, 45, 46 and 47.

Sprint regrets any inconvenience to the Commission and parties. If you have any question please do not hesitate to contact me.

Very truly yours,

Lisa Creighton Hendricks

Lisa Creighton Hendricks

by David Bergmyer

LCH:mkj
Attachment

cc: Parties of Record

Exhibit No. _____
Issues:
Witness: John R. Idoux
Type of Exhibit: Direct Testimony
Party: Sprint Missouri, Inc.
Case No. IO-2003-0281

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

**In the Matter of the Investigation)
Of the State Of Competition in the)
Exchanges of Sprint Missouri, Inc.)**

Case No. IO-2003-0281

DIRECT TESTIMONY

OF

JOHN R. IDOUX III

**ON BEHALF OF
SPRINT MISSOURI, INC.**

FILED³

MAY 01 2003

**Missouri Public
Service Commission**

APRIL 25, 2003

NP

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

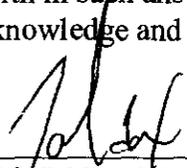
In the Matter of the Investigation of the)
State of Competition in the Exchanges of) Case No. IO-2003-0281
Sprint Missouri Inc.)

AFFIDAVIT OF

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON

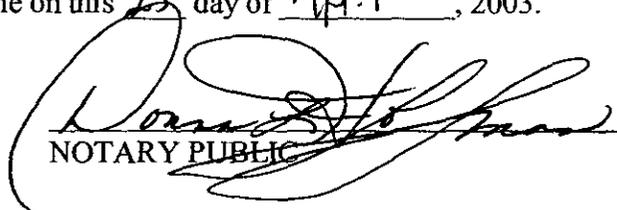
I, John Idoux, being of lawful age and duly sworn, dispose and state on my oath the following:

1. I am presently Senior Manager, Regulatory Affairs/External Affairs for Sprint Missouri, Inc.
2. I have participated in the preparation of the attached Direct Testimony in question and answer form to be presented in the above entitled case;
3. The answers in the attached Direct Testimony were given by me; and,
4. I have knowledge of the matters set forth in such answers and that such matters are true and correct to the best of my knowledge and belief.



JOHN IDOUX

Subscribed and sworn to before me on this 25 day of April, 2003.



NOTARY PUBLIC

My Appointment Expires:



SECTION I -- INTRODUCTION

1 **Q. Please state your name, title and business address.**

2 **A.** My name is John R. Idoux III. I am Senior Manager - External Affairs, for Sprint
3 Corporation. My business address is 6450 Sprint Parkway, Overland Park, KS
4 66251.

5
6 **Q. Please summarize your educational and professional background.**

7 **A.** I hold Bachelor of Science degrees in Business Administration and Accounting
8 from the University of Kansas in Lawrence, Kansas.

9
10 I began my career with Sprint Corporation in 1988. I held positions of increasing
11 responsibility in the corporate audit department responsible for operational,
12 financial, and regulatory assessment in the following areas: regulatory accounting,
13 end-user and carrier billing, cost allocation, and customer service operations. In
14 1992, I moved to Sprint's Carrier Services department and held positions of
15 increasing responsibility in carrier account management responsible for Sprint's
16 relationship with AT&T and MCI in the following areas: billing and collection
17 agreements, access pricing, carrier billing, and network products and services. In
18 November 1996, I was promoted to Manager -- Carrier Systems and had the
19 responsibility for coordinating the system and interface changes required by
20 Sprint's local division to implement the Federal Communications Commission's
21 rules on electronic access to operations support systems. Substantial system
22 modifications were required for billing, ordering, provisioning, pre-ordering,

1 trouble administration, and other areas to accommodate regulatory requirements,
2 industry guidelines, and customer requests.

3 In October 1998, I was promoted to Senior Manager - State Regulatory,
4 responsible for monitoring state regulatory proceedings that potentially impact the
5 interests of Sprint; executing state specific intrastate regulatory plans and policies;
6 and coordinating with all affected Sprint entities to assure the Company's views
7 are effectively communicated and advocated before state commissions. In April,
8 2001, I assumed my current position of Senior Manager – External Affairs,
9 responsible for implementing Sprint's intrastate regulatory objectives and policies
10 in Kansas and Missouri.

11
12 **Q. Have you testified before any regulatory commissions?**

13 **A.** Yes. I have provided testimony in Missouri, Kansas, Wisconsin, Ohio, Nevada,
14 Pennsylvania, and South Carolina.

15
16 **Q. On whose behalf are you testifying?**

17 **A.** I am testifying on behalf of Sprint Missouri, Inc (hereafter referred to as
18 "Sprint").

19
20 **Q. How is Sprint's testimony structured?**

21 **A.** Sprint's direct testimony is structured in three sections:

22 Section I -- Introduction (this section providing an overview);

1 Section II -- General State of Competition (a section discussing the general state
2 of competition within Sprint's 80 exchanges); and

3 Section III – Exchange-Specific Competition (evidence and discussion related to
4 the exchange-specific category of services).

5 Sprint witness Mr. Mark Harper will provide evidence and discussion related to
6 the statewide category of services. Both Mr. Harper and myself will discuss
7 appropriate policy issues as they apply to the individual sections.

8
9 **Q. What is the purpose of this Case?**

10 **A.** The Missouri Public Service Commission ("Commission") opened this
11 investigation to examine the state of competition within the Sprint Missouri
12 exchanges. Subsection 392.245.5 RSMo 2000 states that the Commission "shall,
13 from time to time, on its own motion or motion by an incumbent local exchange
14 telecommunications company, investigate the state of competition in each
15 exchange where an alternative local exchange provider ("ALEC" or "CLEC") has
16 been certified to provide local exchange telecommunications service and shall
17 determine, no later than five years following the first certification of an alternative
18 local exchange telecommunication company in such exchange, whether effective
19 competition exists in the exchange for the various services of the incumbent local
20 exchange telecommunications company."

21
22 **Q. When was a CLEC first certified to provide local exchange telecommunication**
23 **service in a Sprint exchange?**

1 A. ExOp of Missouri dba Unite was the first CLEC to be granted a certificate to
2 provide basic local telecommunication service in a Sprint Missouri exchange with
3 an effective date of December 15, 1998¹. As a result, a CLEC will have been
4 certified to provide local exchange telecommunications service in a Sprint
5 exchange for five years as of December 15, 2003. Below is a timeline for ExOP
6 of Missouri activity:

- 7 (a) The Commission issued a Report and Order in Case No. Case No. TA-97-
8 193 on November 25, 1997 that granted ExOp of Missouri a certificate of
9 service to provide basic local telecommunications services in Missouri,
10 with the certification to become effective when its tariff becomes
11 effective.
12
13 (b) The Commission issued a Report and Order, effective June 8, 1998 in
14 Case No. TO-98-382 that approved an interconnection agreement between
15 Sprint Missouri Inc. and ExOp.
16
17 (c) ExOp filed tariff sheets in Case No. TA-97-193 (Tariff File No. 9900273)
18 on October 5, 1998 reflecting the rates, rules, and regulations it will use
19 and the services it will offer. ExOp filed substitute tariff sheets on
20 November 3 and 6, 1998 in order to make clarifications and bring its tariff
21 into compliance with Commission rules and regulations.
22
23 (d) On November 25, ExOp filed a Motion to Restrict its Certificate of
24 Service Authority. By this motion, ExOp requests that the Commission
25 amend ExOp's existing certificate of service authority by eliminating
26 ExOp's authority to provide basic local exchange telecommunications
27 services in the exchanges presently served by SWBT.
28
29 (e) On December 3, 1998, the Commission approved ExOP's Motion to
30 Restrict its Certificate of Service Authority and its tariffs.
31
32
33

34 Q. Has the Commission previously determined what constitutes effective
35 competition for this type of Case?

¹ ExOp of Missouri started providing basic local telecommunications service in a Sprint exchange in February, 1999.

1 A. Yes. In the SWBT Competition Case (Case No. TO-2001-467), the Commission
2 ruled that “effective competition” as used in subsection 5 of the price cap statute
3 “refers to competition that is adequate to accomplish the purposes that were
4 previously to have been accomplished by the cost floors and maximum prices
5 and, to produce the intended or expected results, namely accomplishing the
6 ‘purposes and policies of chapter 392, RSMo, including the reasonableness of
7 rates, as set out in section 392.185,’ over a sustained period running up to five
8 years into the future.” Furthermore, the Commission noted that effective
9 competition “is competition that exerts sustainable discipline on prices and moves
10 them to the competitive level of true economic cost.”²

11
12 **Q. What criteria should the Commission use in determining if effective**
13 **competition exists?**

14 A. As the Commission noted in the SWBT Competition Order “[t]he determination
15 of what is effective competition does not necessarily turn on the definition of the
16 term ‘service’. Nor does it turn on whether competitors that are not regulated by
17 the Commission are considered. Given the final factor of Section 386.020(13),
18 the Commission’s analysis must include *all relevant* factors.”³

19
20 Also from the SWBT Competition Order:

21 “The legislature left the determination of what is effective competition to the
22 Commission. The statutes do not define effective competition, but rather

² Case No. TO-2001-467, Report and Order, December 27, 2001

³ Case No. TO-2001-467, Report and Order, December 27, 2001

1 Section 386.020(13), lists the following factors that the Commission should
2 consider in determining effective competition:

- 3
- 4 (a) The extent to which services are available from alternative
5 providers in the relevant market;
- 6
- 7 (b) The extent to which the services of alternative providers are
8 functionally equivalent or substitutable at comparable rates,
9 terms and conditions;
- 10
- 11 (c) The extent to which the purposes and policies of Chapter
12 392, RSMo, including the reasonableness of rates, as set
13 out in Section 392.185, RSMo, are being advanced;
- 14
- 15 (d) Existing economic or regulatory barriers to entry; and
- 16
- 17 (e) Any other factors deemed relevant by the Commission and
18 necessary to implement the purposes and policies of
19 Chapter 392, RSMo.”
20

21 **Q. Should the Commission give weight to competition provided by wireless**
22 **providers, cable companies, internet services, satellite options, customer**
23 **premises equipment manufactures and other non-regulated services and**
24 **companies?**

25 **A.** As noted above, the Commission previously ruled that its analysis must include
26 *all relevant factors*. To the extent that wireless providers, cable companies,
27 internet services, satellite options, customer premises equipment manufactures
28 and other non-regulated services and companies are providing customers with an
29 alternative to the products and services of an incumbent local exchange
30 telecommunications company, or have the capability to provide customers with an
31 alternative choice, the Commission must consider it.

32

1 **Q. How much weight should the Commission give to competition provided by**
2 **wireless providers, cable companies, internet services, satellite options,**
3 **customer premises equipment manufactures and other non-regulated**
4 **services and companies?**

5 **A.** How much weight the Commission should give non-traditional forms of
6 competition is left up to the Commission to decide. Sprint submits, however, that
7 this determination can only be made on a case-by-case basis. As such, Sprint will
8 present evidence related to these alternative providers as appropriate.

9

10 **Q. Sprint is seeking competitive classification for which services?**

11 **A.** Sprint's request for competitive classification can be classified into two separate
12 categories. First, Sprint seeks competitive classification for certain services on a
13 statewide basis, meaning in all 80 of Sprint's exchanges. Sprint will refer to these
14 services as "statewide" throughout its testimony. Second, Sprint seeks
15 competitive classification for additional services in certain of its exchanges. Sprint
16 will refer to these services and exchanges as "exchange-specific" throughout its
17 testimony. Schedule JRI-1 is a modification of Sprint's tariff index and identifies
18 the service for which Sprint seeks state-wide competitive classification, exchange-
19 specific competitive classification and no competitive classification.

20

21 **Q. Please summarize the list of services for which Sprint is seeking competitive**
22 **classification on a statewide basis?**

1 A. Sprint is seeking competitive classification for the following services in all Sprint
2 exchanges:

3 General Exchange Tariff

- 4 • Asynchronous Transfer Mode (ATM);
- 5 • Frame Relay Service;
- 6 • Private Line Mileage;
- 7 • Directory Assistance;
- 8 • National Directory Assistance;
- 9 • Directory Assistance Call Completion;
- 10 • Local Operator Assistance;
- 11 • Custom Calling Service: Speed Calling 8 and Speed Calling 30; and
- 12 • Centrex – All services.

13
14 Message Toll Service (MTS) Tariff

15 *All services*

- 16 • Two Point Service;
- 17 • Service Charges;
- 18 • Conference Service;
- 19 • Special Reserved Charge;
- 20 • Outside Calling Area;
- 21 • Sprint Sense Local Toll™;
- 22 • Business Sense Local Toll™; and
- 23 • 800-210 Local Toll Calling Plan.

24
25 Private Line Tariff

26 *All services*

- 27 • IntraLATA Interexchange Type 102;
- 28 • Sub-Voice Grade Service Series 200;
- 29 • Voice Grade Service Series 300 and 400;
- 30 • Private Line Service;
- 31 • Signaling; and
- 32 • Foreign Exchange Service.

33
34 Wide Area Telephone Service (WATS) Tariff

35 *All services*

- 36 • 800 IntraLATA Access Line;
- 37 • 800 IntraLATA Usage;
- 38 • Outward WATS;
- 39 • Installation; and
- 40 • Opportunity 800™.

1 Access Tariff

2 *All Non-Switched or Special Access Services*

- 3 • Voice Grade Service;
- 4 • Digital Data Service;
- 5 • High Capacity Service;
- 6 • Special Access Surcharge;
- 7 • WATS Access Line Service;
- 8 • Special Access Term Discount Plan;
- 9 • Additional Engineering;
- 10 • Additional Labor;
- 11 • Miscellaneous Services (Special Access Related); and
- 12 • Common Channel Signaling/SS7.

13
14 Sprint is not seeking competitive classification for any switched access service on a
15 statewide basis, including carrier common line.

16
17 **Q. Please summarize the exchanges for which Sprint is seeking exchange-**
18 **specific competitive classification.**

19 **A. Sprint is seeking exchange-specific competitive classification for five of its 80**
20 **exchanges in Missouri. Those five exchanges are:**

- 21 • Norborne;
- 22 • Kearney;
- 23 • Platte City;
- 24 • Rolla; and
- 25 • St. Robert.

26
27 **Q. Please identify the specific services that Sprint is seeking competitive**
28 **classification for in the above five exchanges.**

29 **A. For the above five exchanges, Sprint is seeking competitive classification for the**
30 **following services from its General Exchange Tariff:**

- 31 1. Directory Listings;
- 32 2. Extension Service (Teen Pak);
- 33 3. Local Exchange Service;
- 34 4. EAS Additives;

- 1 5. Local Measured Service;
- 2 6. Extension and Tie Line Mileage (PBX);
- 3 7. ISDN BRI;
- 4 8. ISDN PRI;
- 5 9. ISDN PRI II;
- 6 10. Payphone;
- 7 11. Direct Inward Dialing (PBX);
- 8 12. Digital Trunking Service (PBX);
- 9 13. Sprint Solutions;
- 10 14. Busy Verification Service;
- 11 15. Custom Calling Services;
- 12 16. Express Touch;
- 13 17. Network Services Packages;
- 14 18. Forwarded Message Service (PBX); and
- 15 19. Metropolitan Calling Area (MCA).

16

17 **Q. Why does Sprint view competitive classification as need?**

18 **A. Sprint is currently a price cap company and a Commission finding under Section**
19 392.245.5 that effective competition exists for a particular service in an exchange
20 would authorize Sprint to adjust its rates in response to competition. Currently,
21 Sprint is subject to a price cap under Section 392.245. which allows Sprint to
22 adjust its rates downwards, but there is a statutory limit on any increased prices.
23 As the Commission noted in its General Findings of Fact in the SBC Competition
24 Case, “[u]nlike a price cap company, [CLEC’s] and IXC’s, which are classified as
25 competitive, have the authority to increase or decrease their prices on short notice
26 to the Commission without the need of providing cost support for the change.
27 This flexibility allows them to modify their offerings to meet customer needs, or
28 to respond to the offerings of their competitors in the local market.”

SECTION II - GENERAL STATE OF COMPETITION IN SPRINT EXCHANGES

Q. What is the purpose of this section of your testimony?

A. In this section of my testimony I will provide general discussion and statistics related to the general state of competition in Sprint's exchanges.

Q. Please provide an overview of Sprint's service territory.

A. Sprint operates in 80 exchanges throughout Missouri (please refer to Schedule JRI-2 for a list of the exchanges and a map of Sprint's service territory). Sprint's largest exchange is Jefferson City with more than 64,000 access lines. Sprint's smallest exchange is Ionia with less than 175 access lines (please refer to Schedule JRI-3 for a listing of Sprint exchanges by access lines)⁴.

Q. How many of Sprint's 80 exchanges have experienced local competition?

A. CLECs and wireless providers currently have the capacity to serve all 80 Sprint exchanges. Sprint has identified 59 CLECS that have (a) certificates of service authority, (b) interconnection agreements, and/or (c) tariffs allowing them to offer local services in Sprint exchanges. Of these 59 CLECs, 27 appear to be resale providers. The remaining 32 carriers have the ability to serve Sprint's exchanges via resale, unbundled network elements, facility-based, or a combination of the three. In addition, Sprint has identified 16 wireless providers that also have the

⁴ Access line counts are from Sprint's 2001 Annual Report. While Sprint's 2002 Annual Report is available and filed with the Commission, the access line counts are not public.

1 ability to offer local service in Sprint's exchanges. (Please refer to Schedule JRI-
2 4).

3
4 Sprint is aware of CLECs actually providing basic local exchange service in 76 of
5 its 80 exchanges. Specifically, Sprint has seen its competitors provide local
6 telecommunications service in all but the following four exchanges: (1) Craig, (2)
7 Edgerton, (3) Missouri City, and (4) Strasburg.

8
9 **Q. Of the 59 CLECs identified as having certificates of service authority,**
10 **interconnection agreements, and/or tariffs, how many CLECs are actually**
11 **providing service in Sprint's 80 exchanges?**

12 **A.** Sprint is aware of 25 CLECs providing some level of service in Sprint's
13 exchanges. Those 25 CLECs include the following:

- 14 1. Buy-Tel Communications
- 15 2. Comm South
- 16 3. Delta Phones
- 17 4. DPI Teleconnect
- 18 5. ExOp of Missouri
- 19 6. EZ Talk Telecom
- 20 7. Fidelity Communications
- 21 8. Green Hills Telecommunications
- 22 9. Local Line America
- 23 10. Max-Tel Communications
- 24 11. Metro Teleconnect
- 25 12. Missouri Network Alliance
- 26 13. National Phone
- 27 14. Navigator Telecom
- 28 15. New Edge Networks
- 29 16. Payroll Advance
- 30 17. Phone-Link
- 31 18. Reitz Rentals
- 32 19. Snappy Phone of Texas
- 33 20. State Discount Telephone

- 1 21. Sterling International Funding (Reconnecx)
- 2 22. Tel-Link
- 3 23. Texas Hometel
- 4 24. Texas Teleconnect
- 5 25. Universal Telecom
- 6

7 The remaining 34 CLECs have met the regulatory requirements to begin to offer
8 service. In fact, 23 of the 34 remaining CLECs are currently available and/or
9 currently offering service in other parts of Missouri as indicated on the CLEC list
10 maintained on the Commission's website. (Please see Schedule JRI-5 for a listing
11 of available CLECs from the PSC website).

12
13 **Q. How are the CLECs listed above providing service in Sprint's exchanges?**

14 **A.** Three CLECs are primarily facility based: Green Hills Telecommunications,
15 ExOp of Missouri, and Fidelity Communications. The remaining CLECs are
16 resellers and/or purchase unbundled network elements from Sprint although a vast
17 majority use resale.

18
19 **Q. Is resale a form of competition?**

20 **A.** Yes. However, Sprint agrees with the Commission's previous finding that "the
21 mere presence of resellers is not substantial evidence for the Commission to
22 determine that effective competition exists."⁵ In each exchange in which Sprint
23 seeks a competitive designation, there are facility-based competitors as well as
24 resellers.

25
⁵ Report and Order, Case No. TO-2001-467, Issues #1 and #6.

1 **Q. To what extent are wireless providers operating in Sprint's exchanges?**

2 **A.** As mentioned above, there are 16 wireless carriers that have interconnection
3 agreements with Sprint. Those 16 wireless carriers include the following:

- 4 1. ALLTEL Communications, Inc.
- 5 2. Ameritech Mobile Communications, Inc
- 6 3. AT&T Wireless Services, Inc.
- 7 4. Dobson Cellular Systems, Inc./American Cellular Corp (ACC)
- 8 5. Mid-Missouri Cellular
- 9 6. Mobile Radio Communications, Inc.
- 10 7. Nextel (Nextel West Corp.)
- 11 8. Northwest Missouri Cellular
- 12 9. Pagenet, Inc.
- 13 10. Southwestern Bell Wireless, Inc.
- 14 11. Sprint PCS
- 15 12. Telecorp Communications, Inc.
- 16 13. USCOC
- 17 14. Verizon Wireless
- 18 15. Voicestream Wireless Corporation
- 19 16. WWC License L.

20
21 Please see Schedule JRI-15 for copies of certain wireless carriers' offerings.

22
23 **Q. How many access lines are served by Sprint compared to its competitors?**

24 **A.** While this may seem to be a straight-forward question, there are multiple ways to
25 respond. On one hand, there is no way for Sprint to know exactly how many
26 access lines it has lost to the wireless providers operating within its territory. On
27 the other hand, as of December 31, 2002, Sprint served 259,434 residential and
28 business access lines (162,203 residential / 97,231 business) on a statewide basis⁶
29 with Sprint's wireline competitors serving at least 9,000 access lines. This
30 comparison, however, is not overly meaningful because, as mentioned above,

⁶ Source: Sprint of Missouri 2002 Annual Report, Schedule 10 -- See Schedule JRI-14

1 Sprint is not seeking competitive classification for all its services in all exchanges.
 2 Sprint is seeking exchange-specific for only five of its 80 exchanges. While
 3 resellers operating in Sprint's territory are scattered throughout all Sprint
 4 exchanges, the markets of facility based operators are very concentrated.
 5 Consequently, Sprint faces substantial competition where facility based CLECs
 6 are operating. In fact, Sprint has lost more than *** Start Proprietary *** ■ ***
 7 End Proprietary *** percent of the market to a facility-based competitor in two of
 8 the exchanges where effective competition exists and is no longer the dominant
 9 market provider, as will be discussed fully in Section III of my testimony. The
 10 following chart compares the access lines for Sprint and its facility-based
 11 competitors:

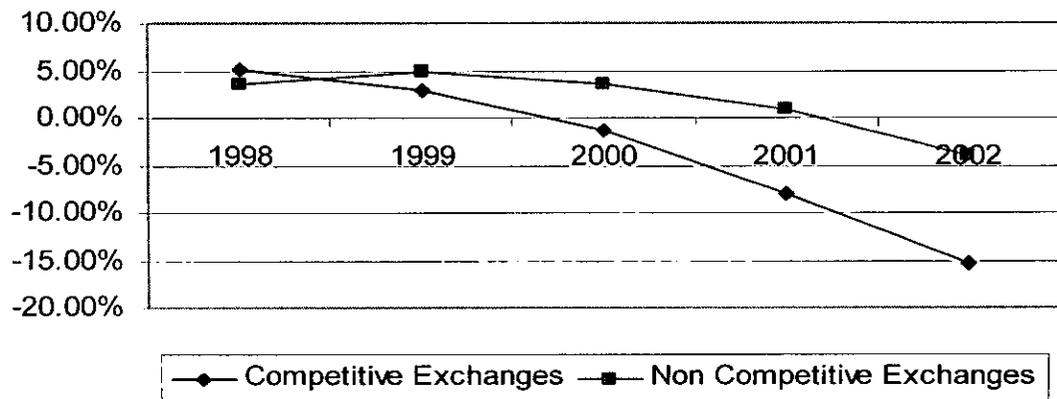
12 *** Start Proprietary ***

	<u>Access Lines</u>	<u>Percent of Total</u>
Sprint: Rolla, Norborne & Kearney	■	■
CLECs: Rolla, Norborne, & Kearney	■	■
Total	■	■

13 *** End Proprietary ***

14 The following graph further demonstrates the exchanges where Sprint faces
 15 competition has experienced a substantial decrease in growth of access lines
 16 whereas the remaining Sprint exchanges have seen only a modest decrease:

1998 - 2002 Access Line Growth Rates



1

2

3 **Q. Are there other competitors besides CLECs?**

4 **A.** Yes. Prior to the introduction of competition, many Sprint customers had second
5 lines in order to connect to the internet or in order for teens or other household
6 members to place and receive calls without tying up the primary line. Today,
7 most cable TV operators offer a high speed internet connection and consumers are
8 using this cable service as a substitute for Sprint's second lines. Likewise,
9 consumers are also using wireless service not only for secondary lines but also for
10 Sprint's primary lines. However, there is no way for Sprint to know exactly how
11 many lines it has lost to these substitute services. In addition, Sprint competes
12 with AT&T, Worldcom, SBC, CenturyTel, Alltel, and numerous other long
13 distance providers for data and long distance related services including toll, frame
14 relay, ATM, WATS, and private line, among other services. Sprint also competes
15 with these and other PBX vendors for Centrex service. These services are highly
16 competitive as will be discussed by Sprint witness Mr. Harper.

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Q. Please summarize the general state of competition in Sprint's 80 exchanges?

A. CLECs are providing local services and related services to business and residential customers in almost all Sprint exchanges; however, these competitors are not providing service equally throughout all of Sprint's exchanges. Sprint recognizes that the level of local service competition in most exchanges does not constitute effective competition. On the other hand, Sprint is experiencing vigorous competition from facility based competitors and Sprint has experienced dramatic declines in access lines where facility based competition exists. Also, Sprint faces effective competition from other companies for specific products and services on a statewide basis. I will further explore in Section III the areas where Sprint is experiencing local exchange competition and Mr. Harper will address Sprint's substantial competition for statewide services.

SECTION III – EXCHANGE SPECIFIC COMPETITION

Q. Please summarize the exchanges for which Sprint is seeking competitive classification.

A. Sprint is seeking competitive classification for five of its 80 exchanges in Missouri. Those five exchanges include the following:

- Norborne;
- Kearney;
- Platte City;
- Rolla; and
- St. Robert.

1 **Q. Please identify the specific services that Sprint is seeking competitive**
2 **classification for the above five exchanges.**

3 **A. For the above five exchanges, Sprint is seeking competitive classification for the**
4 **following 19 service categories from its General Exchange Tariff (listed in the**
5 **order as contained within the tariff):**

- 6 1. Directory Listings;
- 7 2. Extension Service (Teen Pak);
- 8 3. Local Exchange Service;
- 9 4. EAS Additives;
- 10 5. Local Measured Service;
- 11 6. Extension and Tie Line Mileage (PBX);
- 12 7. ISDN BRI;
- 13 8. ISDN PRI;
- 14 9. ISDN PRI II;
- 15 10. Payphone;
- 16 11. Direct Inward Dialing (PBX);
- 17 12. Digital Trunking Service (PBX);
- 18 13. Sprint Solutions;
- 19 14. Busy Verification Service;
- 20 15. Custom Calling Services;
- 21 16. Express Touch;
- 22 17. Network Services Packages;
- 23 18. Forwarded Message Service (PBX); and
- 24 19. Metropolitan Calling Area (MCA), where available.

25 For clarification purposes, I have prepared Schedule JRI-6 listing all service
26 categories within Sprint's General Exchange Tariff and indicating which services
27 Sprint is seeking (a) exchange-specific competitive classification (same list as above),
28 (b) statewide competitive classification (same list as discussed by Mr. Harper) and (c)
29 services for which Sprint is not seeking competitive classification at this time. In
30 addition, I have prepared Schedule JRI-7 to provide a brief service explanation for
31 each of the above items.

32

1 For discussion purposes, I have combined the above 19 individual service categories
2 into the following three primary groups:

- 3 • Residential/Business Access Line Switched Services – includes: (1) Local
4 Exchange Service; (2) Local Measured Service, (3) EAS, (4) ISDN – BRI,
5 PRI and PRI I, (5) Payphone, (6) and all PBX related services –
6 Extension/Time Line mileage, DID, Digital Trunking and Forwarded Message
7 Service.
- 8 • Line-Related Services – included: (1) Extension Service, (2) Directory
9 Listing, (3) Sprint Solutions, and (4) Custom Calling Services – including
10 Express Touch and Network Services Packages.
- 11 • MCA and Busy Line Verification

12
13 **Q. Has the Commission made any previous rulings regarding the Residential/
14 Business Access Line Switched Services you identified above?**

15 **A.** Yes. In the SBC Competition Case (Issues 1 and 6) the Commission found that
16 all core access line services are deemed competitive for those exchanges where
17 effective competition has been demonstrated. Specifically the Commission found
18 that core switched services include the various basic business access services,
19 including exchange access lines, analog trunks, and Basic Rate ISDN that
20 customers use to make and receive calls over the public switched telephone
21 network. The basic exchange access line is a line providing customers the ability
22 to make and receive telephone calls – either voice telephone calls or to transmit
23 data to or from the public switched telephone network. Analog trunks are used to

1 connect the central office to a private branch exchange or key system, located on
2 the customer's premises.

3

4 **Q. Has the Commission made any previous rulings regarding the Line-Related**
5 **Services you identified above?**

6 **A.** Yes. In the SBC Competition Case (Issues 2 and 7) the Commission found that
7 all line-related services are deemed competitive for those exchanges where the
8 Commission has ruled the basic access line faces effective competition.
9 Specifically the Commission found that line-related or vertical services are
10 services a customer may add to the customer's basic access line and which
11 provide additional functions to that line. Line-related or vertical services are
12 related to core switched access line services and the Commission found that these
13 vertical services and custom calling features are inseparable from the underlying
14 basic local service because vertical services and custom calling features are not
15 available to the customer without that customer being provided the basic local
16 service.

17

18 **Q. Has the Commission made any previous rulings regarding the Busy Line**
19 **Verification and MCA services you identified above?**

20 **A.** Yes. In the SBC Competition Case (Issues 10 and 17) the Commission found that
21 MCA and busy line verification services are competitive for those exchanges
22 where the Commission has ruled the basic access line faces effective competition.

23

1 **Q. Has the Commission made any previous rulings regarding what specific**
2 **factors are relevant when determining whether an exchange faces effective**
3 **competition?**

4 **A.** Yes. In the SBC Competition Case, the Commission found that it must make its
5 determination of effective competition based on all the relevant factors including,
6 but not limited to, the following: (1) market share loss; (2) the number of
7 carriers, including resellers, actually providing both resale and facilities-based
8 service in the exchanges, (3) the number of carriers certified to do business in the
9 particular exchange, (4) the comparative longevity of the companies doing
10 business, (5) and CLEC-owned fiber networks.

11
12 **Q. Based upon the Commission's criteria, does Sprint face effective competition**
13 **in its Rolla, St. Robert, Kearney, Platte City, and Norborne exchanges?**

14 **A.** Yes. Sprint has experienced substantial market share loss due to competition
15 from facility-based CLECs. The facility-based CLECs operating in Sprint's
16 exchanges all have made substantial investments in Sprint's operating territory
17 and have established strong presences in the communities over the past five years.
18 In addition to the facility based CLECs, there are numerous other CLECs that are
19 certified to operate in Sprint's exchanges and have entered into interconnection
20 agreements with Sprint. About a dozen resellers are operating in Sprint's
21 exchanges.

1 Norborne

2 **Q. Besides Sprint, which carriers are providing local exchange**
3 **telecommunications services in the Norborne exchange?**

4 **A.** Based upon the area phone book, there are nine competitive carriers in the
5 Norborne area providing local exchange service (See Schedule JRI-8):

- 6 1. Buy-Tel Communications;
- 7 2. 877-RingAgain;
- 8 3. eztalk;
- 9 4. Green Hills Telecommunication Services;
- 10 5. Max-Tel Communications;
- 11 6. Metro Teleconnect Companies;
- 12 7. 1-800-Reconnex;
- 13 8. State Discount Telephone; and
- 14 9. Universal Telecom.

15
16 On February 27, 2003, I contacted each of the above carriers via their published
17 toll free number to verify if they were currently providing local exchange
18 telecommunications service in Norborne. All carriers confirmed that their
19 respective company was offering local exchange service in Norborne.

20
21 **Q. Has Sprint seen a decrease in the number of customers served in Norborne?**

22 **A.** Yes. Sprint has experienced a *** Start Proprietary *** ■ *** End Proprietary
23 *** percent decrease in the number of access lines since competition first entered
24 the Norborne exchange. In December, 1998 Sprint reported a total of 514 access
25 lines in Norborne; however, as of December 31, 2002, Sprint's access lines in
26 Norborne had decreased by *** Start Proprietary *** ■ *** End
27 Proprietary *** total access lines:

1

Norborne	Sprint Access Lines		
	<i>Total</i>	<i>Res</i>	<i>Bus</i>
1998	514	421	93
1999	201	159	42
2000	209	163	46
2001	190	148	42
*** Start Proprietary ***			
2002	█	█	█
*** End Proprietary ***			

2

3 The following chart provides an illustrative viewpoint:

4 *** Start Proprietary ***

5

6 *** End Proprietary ***

7

8 **Q. Is the access line decrease a result of competition or other factors?**

9 **A.** Sprint's access line reduction in Norborne is clearly related to competition rather
10 than other factors. In Norborne, Sprint lost nearly *** Start Proprietary *** █
11 percent *** End Proprietary *** of its access lines from 1998 to 2002; however,

1 on a statewide basis⁷ Sprint experienced a one percent gain over the same time
2 period. Also, as the following chart indicates, Sprint's Norborne exchange lost
3 substantially more access lines than the number of access lines Sprint lost in its
4 neighboring exchanges:

5 *** Start Proprietary ***

6
7 *** End Proprietary ***

8
9 **Q. How many access lines do the competitive carriers you identified above have**
10 **in Norborne for the same time frame?**

11 **A.** Sprint believes nearly all its access line lost in Norborne went to Green Hills
12 Telecommunication Services, which is a 100 percent facilities based competitor.
13 Based on information provided to Sprint by Green Hills, Green Hills had ***
14 Start Proprietary *** ██████████ *** End Proprietary *** access lines as of December
15 31, 2002. The following chart summarizes the access line growth of Green Hills
16 since it started providing service in November, 1999:

⁷ Statewide totals less Kearney, Rolla and Norborne.

Norborne	Green Hills Access Lines		
	Total	Res	Bus
1999	390	302	88
2000	378	313	65
2001	383	321	62
*** Start Proprietary ***			
2002			
*** End Proprietary ***			

1

2 **Q. What is Green Hills current service offering for local exchange telecommuni-**
 3 **cations service?**

4 **A.** Based upon their tariff, Green Hills is offering a residential single access line for
 5 \$6.50 per month, and a single business access line for \$13.00, per month. This
 6 compares to Sprint's basic residential and business rates of \$11.53 and \$17.31,
 7 respectively. Green Hills offers its residential and business customers with
 8 savings of 44 percent and 25 percent, respectively, from basic Sprint rates. In
 9 addition, Green Hills offers its customers with savings of up to 80 percent on
 10 other product offerings when compared to Sprint's rates. I have prepared the
 11 attached chart to compare Sprint's rates to Green Hills rates for Norborne:

Service	Sprint Resident	Green Hills Resident	Diff.	Sprint Business	Green Hills Business	Diff.
Local Phone Service	\$ 11.53	\$ 6.50	44%	\$ 17.31	\$ 13.00	25%
Call Waiting	\$ 4.30	\$ 2.25	48%	\$ 3.95	\$ 2.25	43%
Call Forwarding	\$ 2.70	\$ 1.00	63%	\$ 5.00	\$ 1.00	80%
Three Way Calling	\$ 1.95	\$ 1.00	49%	\$ 2.00	\$ 1.00	50%
Speed Calling 8	\$ 1.95	\$ 1.00	49%	\$ 2.40	\$ 1.00	58%
Speed Calling 30	\$ 5.70	\$ 2.25	61%	\$ 6.00	\$ 2.25	63%
Hot Line/Warm Line	\$ 3.50	\$ 2.25	36%	\$ 4.60	\$ 2.25	51%
Call Forward - Busy	\$ 1.00	\$ 1.00	0%	\$ 1.00	\$ 1.00	0%
Call Forward No Answer	\$ 1.50	\$ 1.00	33%	\$ 1.50	\$ 1.00	33%
Automatic Callback	\$ 4.00	\$ 2.25	44%	\$ 4.00	\$ 2.25	44%
Automatic Recall	\$ 4.00	\$ 2.25	44%	\$ 4.50	\$ 2.25	50%

Caller ID Calling Number	\$ 8.00	\$ 4.00	50%	\$ 8.00	\$ 4.00	50%
Call ID Name/Number	\$ 8.00	\$ 6.00	25%	\$ 9.50	\$ 6.00	37%
Distinctive Ringing	\$ 4.00	\$ 2.25	44%	\$ 5.35	\$ 2.25	58%
Selective Call Acceptance	\$ 5.00	\$ 2.25	55%	\$ 6.00	\$ 2.25	63%
Selective Call Rejection	\$ 4.65	\$ 2.25	52%	\$ 5.00	\$ 2.25	55%
Directory: Addl. Listing	\$ 1.95	\$ 1.00	49%	\$ 2.50	\$ 1.00	60%
Directory: Alt. Listing	\$ 1.95	\$ 1.00	49%	\$ 2.50	\$ 1.00	60%
Directory: Non-published	\$ 1.90	\$ 1.00	47%	\$ 1.90	\$ 1.00	47%

In addition to the above ala carte services, Green Hills offers its customers ten packaged services offerings providing substantial discounts for combined features.

Q. Is Green Hills an Eligible Telecommunication Carrier for federal Universal Service Fund purposes?

A. Yes. The Commission designated Green Hills “as an eligible carrier under the provisions of 47 U.S.C. Section 254 and 47 CFR 54.201(d) to receive federal universal service fund support with respect to the Norborne, Missouri exchange.”⁸

As part of that case, Green Hills stated the following facts:

1. Green Hills provides basic local telecommunications service through the use of its own facilities;
2. Green Hills, through the use of its own facilities, offers all of the services supported by federal universal service support;
3. Green Hills advertises the availability of and charges for such services using media of general distribution within its service area; and
4. Green Hills makes Lifeline service available to qualifying customers.

⁸ Order Approving Stipulation and Agreement, Case No. CO-2003-0162, Ordered Paragraph 2, March 4, 2003

1 **Q. Are there other indicators on the level of competition in Norborne?**

2 **A.** Yes. The City of Norborne imposes a franchise tax on all local service providers
3 providing service within the city limits.⁹ As a result, both Sprint and Green Hills
4 are required to submit to the City the franchise tax it collected, less any collection
5 fees. It is important to note that the franchise fee is the same for Sprint as it is for
6 its competitors. The following chart compares Sprint and Green Hills's franchise
7 tax:

Norborne		Franchise Tax	
<i>Sprint</i>		<i>Green Hills</i>	
11/98	\$1,139		
4/99	\$1,103		
10/99	\$333		
4/00	\$446	5/00	\$2,679
10/00	\$460		
4/01	\$539	6/01	\$2,595
10/01	\$541		
4/02	\$544	6/02	\$1,991
10/02	\$426		

8
9 As the above chart shows, Sprint's Norborne franchise fees have decreased more
10 than half whereas Green Hills franchise tax has increased to where it surpasses
11 Sprint's. In late 1998, Sprint was paying, on average, \$190 in franchise tax per
12 month. As of late 2002, this amount decreased to \$71 per month. For Green
13 Hills, in 2002, the average monthly amount was \$166. Based upon this analysis,
14 Green Hills has captured nearly 70 percent of the market.

15
16 **Q. What is your conclusion regarding the status of competition in Sprint's**
17 **Norborne exchange?**

1 A. Sprint clearly faces effective competition in its Norborne exchange. Based upon
2 both access lines and basic revenue, Green Hills has captured nearly *** Start
3 Proprietary *** 70 *** End Proprietary *** percent of the market in Norborne.
4 In fact, Sprint is not even the dominate market player in Norborne. Since 1998,
5 Sprint has lost *** Start Proprietary *** ■ *** End Proprietary *** percent of its
6 customer base. During that same timeframe, Green Hills access line count has
7 grown from zero to nearly *** Start Proprietary *** ■ *** End Proprietary ***.
8 Green Hills is 100 percent facility based, offering a wide range of products and
9 packages, has been given ETC status, and advertises in general media throughout
10 the exchange. Green Hills' rates are substantially lower than Sprint's; however,
11 Green Hills submits more franchise fee for its customers than does Sprint.

12

13 **Kearney**

14 **Q. Besides Sprint, which carriers are providing local exchange telecommuni-**
15 **cations services in Kearney?**

16 A. Based upon the area phone book, there are five competitive carriers in the
17 Kearney exchanges providing local exchange service. Those carriers include (See
18 Schedule JRI-9):

- 19 1. 877-RingAgain
20 2. EZtalk
21 3. Max-Tel
22 4. State Telephone
23 5. Unite (ExOp of Missouri).

⁹ City limits and exchange boundaries may not be the same.

1 On February 27, 2003, I contacted each of the above carriers via their published
 2 toll free number to verify if they were currently providing local exchange
 3 telecommunications service in Kearney. All five carriers confirmed that their
 4 respective company was offering local exchange service in Kearney.

5
 6 **Q. Has Sprint seen a decrease in the number of customers served in Kearney?**

7 **A.** Yes. Sprint has experienced a *** Start Proprietary *** █ *** End Proprietary
 8 *** percent decrease in the number of access lines since competition first entered
 9 the Kearney exchange. In December, 1998 Sprint reported a total of 4,735 access
 10 lines in Kearney; however, as of December 31, 2002, Sprint's access lines in
 11 Kearney had decreased by *** Start Proprietary *** █ *** End
 12 Proprietary *** total access lines:

Kearney	Sprint Access Lines		
	<i>Total</i>	<i>Res</i>	<i>Bus</i>
1998	4735	3762	973
1999	4616	3832	784
2000	4411	3678	733
2001	4090	3394	696
*** Start Proprietary ***			
2002	█	█	█
*** End Proprietary ***			

13
 14 The following chart provides an illustrative viewpoint:

1 ***** Start Proprietary *****

2

3 ***** End Proprietary *****

4 **Q. Is the access line decrease a result of competition or other factors?**

5 **A.** Sprint's access line reduction in Kearney is clearly related to competition rather
6 than other factors. Kearney lost nearly ***** Start Proprietary ***** ■ ***** End**
7 **Proprietary ***** percent of its access lines from 1998 to 2002; however, on a
8 statewide basis¹⁰ Sprint experienced a one percent gain over the same time
9 period. Also, as the following chart indicates, Sprint's Kearney exchange lost
10 substantially more access lines than the number of access lines Sprint lost in its
11 neighboring exchanges:

¹⁰ Statewide totals less Kearney, Rolla and Norborne.

1 ***** Start Proprietary *****

2

3 ***** End Proprietary *****

4

5 **Q. How many access lines do the competitive carriers you identified above have**
6 **in Kearny for the same time frame?**

7 **A.** Sprint believes nearly all the access lines lost in Kearney went to ExOp of
8 Missouri d/b/a Unite, which is a 100 percent facilities based competitor. Based
9 on information provided to Sprint by Unite, Unite had ***** Start Proprietary *****
10 **██████████** ***** End Proprietary ***** access lines as of December 31, 2002. The
11 following chart summarizes the access line growth of Unite since it started
12 providing service in November, 1999:

1

Kearney	Unite Access Lines		
	<i>Total</i>	<i>Res</i>	<i>Bus</i>
1998	0	0	0
1999	N/A	N/A	N/A
2000	963	575	388
2001	1586	1110	476
*** Start Proprietary ***			
2002			
*** End Proprietary ***			

2

3 **Q. What is Unite's current service offering for local exchange telecommuni-**
 4 **cations service?**

5 **A.** Based upon Unite's website (www.exop.net/phonepricing.html) on March 26,
 6 2003, Unite is offering a single access line with metropolitan calling area (MCA)
 7 service for \$21.99 per month. This compares to Sprint's rate of \$25.27. The
 8 following was taken from Unite's website (see Schedule JRI-10 for a copy of
 9 Unite's webpage as of March 26, 2003):

10

Pricing	
Local Phone Service with Metro Calling	\$21.99
Additional Line with Metro Calling	\$20.34
Enhanced Features	
Value Pack (Your choice of 5 phone features)	\$11.00
Caller ID / Name & Number	\$7.50
Caller ID / Number Only	\$6.50
Call Forwarding	\$3.00
Call Waiting	\$3.00
3-Way Calling	\$1.50
Speed Dial	\$1.50
Call Return	\$3.00
Auto Redial	\$3.00
Teen Ring	\$3.25
Non-Published Number	\$1.60
Caller ID on Call Waiting	\$2.50
Caller ID on TV	\$1.75
Voice mail	\$4.95
Additional mailbox	\$1.95

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17

Q. Does Unite offer any bundled services?

A. Yes. Based on their website, Unite offers customers four bundled packages:

- (1) Bronze -- \$49.95 includes local telephone service and digital cable,
- (2) Silver -- \$79.95 includes local phone service with features, digital cable, 256k DSL internet connection,
- (3) Gold -- \$99.95 includes local phone service with five features, digital cable with movie channels, and 384k DSL internet connection; and
- (4) Platinum -- \$129.95 includes local phone service with ten features and voicemail, digital cable with movie channels, and 512k internet connection.

Q. How does Unite's rates compare to Sprint's rates for the telecommunication services?

A. I have prepared the following chart to provide a side-by-side comparison of Unite's rates and Sprint's rates:

Service	Sprint Residential Rate	Unite Residential Rate	Difference
Local Phone Service with Metro Calling	\$25.27	\$21.99	13%
Additional Line with Metro Calling	\$25.27	\$20.34	20%
Value Pack	N/A	\$11.00	6%
Caller ID / Name & Number	\$8.00	\$7.50	19%
Caller ID / Number Only	\$8.00	\$6.50	-11%
Call Forwarding	\$2.70	\$3.00	
Call Waiting	\$4.30	\$3.00	30%
3-Way Calling	\$1.95	\$1.50	23%
Speed Dial	\$1.95	\$1.50	23%

Call Return	\$4.00	\$3.00	25%
Auto Redial	\$4.00	\$3.00	25%
Teen Ring	\$4.30	\$3.25	24%
Non-Published Number	\$1.90	\$1.60	16%
ISDN - BRI	\$50.27	\$45.00	10%

1

2 **Q. Is Unite an Eligible Telecommunication Carrier for federal Universal Service**
3 **Fund purposes?**

4 **A.** Yes. The Commission designated ExOp of Missouri “as an eligible carrier under
5 the provisions of 47 U.S.C. Section 254 and 47 CFR 54.201(d) to receive federal
6 universal service fun support with respect to the Kearney, Missouri exchange.”¹¹

7

8 **Q. Has Unite or any of its affiliates made any statements regarding its**
9 **competitive status in Kearney?**

10 **A.** Yes. In Case No. TA-97-193, ExOp made the following relevant statements:
11 ExOp provides basic local telecommunications service exclusively through the
12 use of its own facilities throughout the Kearney, Missouri, exchange¹²;

13 1) ExOp has been providing telecommunications services in the Kearney,
14 Missouri, exchange since 1998¹³;

15 2) ExOp advertises the availability of and charges for its telecommunications
16 services in media of general distribution throughout the Kearney,
17 Missouri, exchange.¹⁴

¹¹ Order Granting Designation As An Eligible Carrier Pursuant to Section 254 of the Telecommunications Act of 1996, Case No. TA-2001-251, Ordered Paragraph 1, May 15, 2001.

¹² Order Granting Designation As An Eligible Carrier Pursuant to Section 254 of the Telecommunications Act of 1996, Case No. TA-2001-251, Stipulated Finding of Fact 4, May 15, 2001.

¹³ Order Granting Designation As An Eligible Carrier Pursuant to Section 254 of the Telecommunications Act of 1996, Case No. TA-2001-251, Stipulated Finding of Fact 5, May 15, 2001.

¹⁴ Order Granting Designation As An Eligible Carrier Pursuant to Section 254 of the Telecommunications Act of 1996, Case No. TA-2001-251, Stipulated Finding of Fact 7, May 15, 2001.

1 3) ExOp, through its own facilities, offers the following services throughout
2 the Kearney, Missouri, exchange:

- 3 a. Voice grade access to the public switched network;
- 4 b. Local usage;
- 5 c. Dual tone multi-frequency signaling or its functional equivalent;
- 6 d. Single-party service or its functional equivalent
- 7 e. Access to emergency services;
- 8 f. Access to operator services;
- 9 g. Access to interexchange service; and
- 10 h. Access to directory assistance.

11
12 In addition, in comments filed before the National Telecommunications and
13 Information Administration (Docket No. 011109273-1273-01), Everest Midwest
14 Licensee, LLC dba Everest Connections Corporation, an affiliate of ExOp of
15 Missouri, made the following statement:

16 “In addition to its Everest operations, Utilicorp also owns a
17 controlling interest in Unite, a broadband service provider in
18 Kearney, MO, where it has been successful at attracting 60% of all
19 residential customers and 85% of all business customers from the
20 incumbent local exchange carrier.”¹⁵

21
22 On March 9, 2000, UtiliCorp issued the following (selected statements only –
23 please see Schedule JRI-11 for a full press release):

24 KANSAS CITY, MO, March 9, 2000 – UtiliCorp Communications
25 Services today announced it is partnering with ExOp of Missouri,
26 Inc. to bring digital-quality voice, data and Internet services to
27 rural communities in the Kansas City area with planned expansion
28 into other parts of UtiliCorp United’s energy service territory.

29 UtiliCorp Communications Services, a non-regulated affiliate of
30 UtiliCorp United, is joining the launch of a state-of-the-art
31 telecommunications expansion in western Missouri with a \$7.5
32 million investment in ExOp, a facilities-based local exchange
33 carrier in Kearney, Mo.

¹⁵ December 19, 2001

1 Among services ExOp offers is local telephone service with
2 features such as caller ID, call forwarding and voice mail; long
3 distance services, and high-speed Internet access. Within the next
4 few months, ExOp plans to begin providing digital cable television
5 service UtiliCorp's investment represents a 35 percent ownership
6 in ExOp. An additional 36 percent interest is held by St. Joseph
7 Light & Power. UtiliCorp and St. Joseph currently have a merger
8 agreement pending before the Missouri Public Service
9 Commission. Upon approval of the merger, the combined company
10 would hold a 71 percent interest in ExOp.

11
12 **Q. Are there other indicators on the level of competition in Kearney?**

13 **A.** Yes. The City of Kearney imposes a franchise tax on all local service providers
14 providing service within the city limits.¹⁶ As a result, both Sprint and Unite are
15 required to submit to the City the franchise tax it collected, less any collection
16 fees. It is important to note that the franchise fee is the same for Sprint as it is for
17 its competitors. The following chart compares Sprint and Unite's franchise tax:

Kearney	Franchise Tax	
	<i>Sprint</i>	<i>Unite</i>
1999	\$15,021	N/A
2000	\$14,179	\$5,515
2001	\$8,953	\$7,890
2002	\$8,145	\$12,774

18
19 As the above chart shows, Sprint's Kearney franchise fees have decreased more
20 than 40 percent whereas Unite's franchise tax has increased to where it surpasses
21 Sprint's. Based upon this analysis, Unite has captured nearly 60 percent of the
22 market and Sprint is not the dominate market player in Kearney.

23
¹⁶ City limits and exchange boundaries may not be the same.

1 In addition to franchise fees, Unite also collects and submits E911 surcharges.
2 Based on information received from Unite, the following amounts were submitted
3 to the Clay County E911 administrator:

Kearney E911 Surcharge	
	<i>Unite</i>
2000	\$4,597
2001	\$8,048
2002	\$12,645

4
5 **Q. What is your conclusion regarding the status of competition in Sprint's**
6 **Kearney exchange?**

7 **A.** Sprint clearly faces effective competition in its Kearney exchange. Based upon
8 both access lines and basic revenue, Unite has captured at least *** Start
9 Proprietary *** ■ *** End Proprietary *** percent of the market in Kearney
10 although Unite's own comments indicates the actual market share is more than
11 double. As such, Sprint would not be the dominate market player in Kearney.
12 Since 1998, Sprint has lost over *** Start Proprietary *** ■ *** End
13 Proprietary *** access lines – or *** Start Proprietary *** ■ percent *** End
14 Proprietary *** of its customer base. During that same timeframe, Unite's access
15 line count has grown from zero to *** Start Proprietary *** ■ *** End
16 Proprietary ***. Unite is 100 percent facility based, offering a wide range of
17 products and packages. In fact, Unite's rates are substantially lower than Sprint's.

1 Platte City

2 **Q. Besides Sprint, which carriers are providing local exchange**
3 **telecommunications services in Platte City?**

4 **A.** The same five CLECs that serve Kearney also provide local service in Sprint's
5 Platte City exchange.

6
7 **Q. Is Sprint experiencing the same type of access line loss in Platte City as it**
8 **experienced in Kearney with Unite as a competitor?**

9 **A.** Not yet; however, Unite just started providing service in Platte City and there is
10 no reason to believe that Sprint will not experience a similar situation. Unite is
11 fully authorized to provide service in Platte City and Sprint has already lost the
12 City of Platte City to Unite. Furthermore, through its own admission, Unite
13 provides competitive basic local telecommunications service through the use of its
14 own facilities in Platte City. Unite made this and other admissions in its recent
15 application for ETC status in Platte City¹⁷:

- 16 1. ExOp is a competitive local exchange company ("CLEC")
17 certificated by the Commission in Case No. TA-97-193 to provide
18 basic local telecommunications service in portions of the State of
19 Missouri. The Commission approved an interconnection
20 agreement between ExOp and Sprint Missouri, Inc. ("Sprint") in
21 Case No. TO-98-382. Pursuant to tariffs subsequently approved
22 by the Commission, ExOp provides competitive basic local
23 telecommunications service through the use of its own facilities in
24 Kearney and Platte City. On February 6, 2003 the Commission in
25 Case No. TN-2003-0249 issued its Order recognizing ExOp's
26 change of corporate name to ExOp of Missouri, Inc. d/b/a Unite
27 and approving the Company's tariff adoption notices.
28
- 29 2. ExOp received Commission designation as a carrier eligible for

¹⁷ Unanimous Stipulation and Agreement, Case No. CO-2003-0252, March 14, 2003

1 federal universal fund support in the Kearney, Missouri exchange
2 on May 15, 2001 in Case No. TA-2001-251. In its current
3 Application, ExOp seeks designation as an eligible
4 telecommunications carrier ("ETC") as a CLEC providing basic
5 local telecommunications service in the Platte City, Missouri
6 exchange.

- 7
- 8 3. ExOp, through its own facilities, offers all of the services
9 supported by federal universal service support under § 254(c) of
10 the Act. Specifically, ExOp offers the following services:
11
- 12 i. Voice grade access to the public switched network;
 - 13 ii. Local usage;
 - 14 iii. Dual tone multi-frequency signaling or its functional
15 equivalent;
 - 16 iv. Single-party service or its functional equivalent;
 - 17 v. Access to emergency services;
 - 18 vi. Access to operator services;
 - 19 vii. Access to Interexchange service;
 - 20 viii. Access to directory assistance; and
 - 21 ix. Toll limitation for qualifying low-income consumers.
- 22
- 23 4. ExOp advertises the availability of and charges for such services
24 using media of general distribution within its service area. Copies
25 of Yellow Pages and local newspaper advertising showing proof of
26 such advertising were attached to ExOp's verified Application.
27
- 28 5. ExOp acknowledges that 47 CFR 54.405 requires all eligible
29 telecommunications carriers to make Lifeline services (as defined
30 in 47 CFR 54.401) available to qualifying low income consumers.
31 Lifeline services are available to ExOp's qualifying low-income
32 consumers in its service area.
33
- 34 6. ExOp does not have any pending action, or final unsatisfied
35 judgment or decisions against it from any state or federal agency or
36 court which involve customer service or rates, which action,
37 judgment or decision has occurred within three (3) years of the
38 date of this application.
39
- 40 7. ExOp does not have any annual reports or assessment fees that are
41 overdue.
42
43

1 **Rolla**

2 **Q. Besides Sprint, which carriers are providing local exchange**
3 **telecommunications services in the Rolla exchange?**

4 **A.** Based upon the Rolla-area phone book, there are nine competitive carriers in the
5 Rolla area providing local exchange service (See Schedule JRI-12)

- 6 1. Buy-Tel communications;
- 7 2. 877-RingAgain;
- 8 3. eztalk;
- 9 4. Fidelity Communications;
- 10 5. Max-Tel Communications;
- 11 6. Metro Teleconnect Companies;
- 12 7. 1-800-RECONEX;
- 13 8. State Discount Telephone; and
- 14 9. Universal Telecom.

15
16 I contacted each of the above carriers via their published toll free number to verify
17 if they were currently providing local exchange telecommunications service in
18 Rolla. All nine carriers confirmed that their respective company was offering
19 local exchange service in Rolla.

20
21 **Q. Has Sprint seen a decrease in the number of customers served in Rolla?**

22 **A.** Yes. Sprint has experienced a *** Start Proprietary *** ■ *** End Proprietary
23 *** percent decrease in the number of access lines since competition first entered
24 the Rolla exchange. In December, 1998 Sprint reported a total of 19,282 access
25 lines in Rolla; however, as of December 31, 2002, Sprint's access lines in Rolla
26 had decreased by *** Start Proprietary *** ■ *** End Proprietary
27 *** total access lines:

1

Rolla	Sprint Access Lines		
	<i>Total</i>	<i>Res</i>	<i>Bus</i>
1998	19,282	10,994	8,288
1999	20,408	11,479	8,929
2000	20,244	11,688	8,556
2001	18,576	10,465	8,111
*** Start Proprietary ***			
2002	█	█	█
*** End Proprietary ***			

2

3

The following chart provides an illustrative viewpoint:

4

***** Start Proprietary *****

5

6

***** End Proprietary *****

7

8

Q. Is the access line decrease a result of competition or other factors?

9

A. Sprint's access line reduction in Rolla is clearly related to competition rather than

10

other factors. Rolla lost nearly ***** Start Proprietary *** █ *** End Proprietary**

11

******* percent of its access lines from 1998 to 2002; however, on a statewide basis¹⁸

12

Sprint experienced a one percent gain over the same time period. Also, as the

¹⁸ Statewide totals less Kearney, Rolla and Norborne.

1 following chart indicates, Sprint's Rolla exchange lost substantially more access
2 lines than the number of access lines Sprint lost in its neighboring exchanges:

3 *** Start Proprietary ***

4
5 *** End Proprietary ***

6 **Q. How many access lines do the competitive carriers you identified above have**
7 **in Rolla for the same time frame?**

8 **A.** Sprint believes nearly all the access lines lost in Rolla went to Fidelity, which is a
9 100 percent facilities based competitor. Based on information provided to Sprint
10 by Fidelity from its Annual Reports, Fidelity had *** Start Proprietary ***
11 *** End Proprietary *** access lines as of December 31, 2002. The following
12 chart summarizes the access line growth of Fidelity since 2000:

Rolla	Fidelity Access Lines		
	<i>Total</i>	<i>Res</i>	<i>Bus</i>
2000	190	90	100
2001	2,195	1,066	1,129
*** Start Proprietary ***			
2002			
*** End Proprietary ***			

1
2 **Q. What is Fidelity's current service offering for local exchange telecommuni-**
3 **cations service?**

4 **A.** Based upon their tariff, Fidelity is offering a residential single access line with for
5 \$14.00 per month, and a single business access line for \$23.00, per month. This
6 compares to Sprint's basic¹⁹ residential and business rates of \$20.20 and \$31.38,
7 respectively. Fidelity offers its residential and business customers with savings of
8 31 percent and 27 percent, respectively, from basic Sprint rates. In addition,
9 Fidelity offers its customers with savings of up to 50 percent on other product
10 offerings when compared to Sprint's rates. I have prepared the attached chart to
11 compare Sprint's rates to Fidelity's rates for Rolla:

Service	Sprint Resident	Fidelity Resident	Diff.	Sprint Business	Fidelity Business	Diff.
Local Phone Service:	\$ 13.72	\$ 14.00	31%	\$ 21.70	\$ 23.00	27%
SLC & LNP Surcharge	\$6.48	N/A		\$9.68	N/A	
Call Waiting	\$ 4.30	\$ 3.50	19%	\$ 3.95	\$ 3.50	11%
Call Forwarding	\$ 2.70	\$ 2.00	26%	\$ 5.00	\$ 5.25	5%
Three Way Calling	\$ 1.95	\$ 2.00	-3%	\$ 2.00	\$ 2.00	0%
Speed Calling 8	\$ 1.95	\$ 1.50	23%	\$ 2.40	\$ 2.10	12%
Speed Calling 30	\$ 5.70	\$ 5.70	0%	\$ 6.00	\$ 7.90	-32%
Hot Line/Warm Line	\$ 3.50	\$ 3.25	7%	\$ 4.60	\$ 4.60	0%
Call Forward - Busy	\$ 1.00	\$ 1.00	0%	\$ 1.00	\$ 1.00	0%
Call Forward No Answer	\$ 1.50	\$ 1.50	0%	\$ 1.50	\$ 1.50	0%
Automatic Callback	\$ 4.00	\$ 3.25	19%	\$ 4.00	\$ 3.75	6%
Automatic Recall	\$ 4.00	\$ 3.50	12%	\$ 4.50	\$ 4.50	0%
Caller ID Calling Number	\$ 8.00	\$ 6.50	19%	\$ 8.00	\$ 7.95	1%
Call ID Name/Number	\$ 8.00	\$ 8.00	0%	\$ 9.50	\$ 9.95	-5%
Distinctive Ringing	\$ 4.00	\$ 3.25	19%	\$ 5.35	\$ 4.50	16%
Selective Call Acceptance	\$ 5.00	\$ 3.25	35%	\$ 6.00	\$ 4.50	25%
Selective Call Rejection	\$ 4.65	\$ 3.25	30%	\$ 5.00	\$ 4.50	10%
Directory: Addl. Listing	\$ 1.95	\$ 1.50	23%	\$ 2.50	\$ 2.10	16%
Directory: Alt. Listing	\$ 1.95	\$ 1.60	18%	\$ 2.50	\$ 2.10	16%
Directory: Non-published	\$ 1.90	\$ 1.45	24%	\$ 1.90	\$ 1.45	24%

¹⁹ Sprint's rates includes both the subscriber line charge and the LNP surcharge which is not assessed by Fidelity.

ISDN BRI NRC	\$200.00	\$110.00	45%	\$200.00	\$110.00	45%
ISDN BRI (starting at)	\$45.20	\$35.00	23%	\$66.38	\$45.00	32%
Payphone – Access Line	N/A	N/A	N/A	\$32.25	\$20.00	38%
Payphone – Answer Sup.	N/A	N/A	N/A	\$4.00	\$2.00	50%

1

2 In addition to the above ala carte services, Fidelity offers its customers two
 3 custom calling packaged services offerings (Basic and Deluxe) providing
 4 substantial discounts of over 50 percent for combined features. Fidelity also
 5 offers its customers six convenience packages ranging in price from \$29.95 to
 6 \$93.15 per month (see Schedule JRI-13 for marketing material on all eight
 7 offerings).

8

9 **Q. Is Fidelity an Eligible Telecommunication Carrier for federal Universal**
 10 **Service Fund purposes?**

11 **A.** Yes. The Commission designated Fidelity as an eligible carrier under the
 12 provisions of 47 U.S.C. Section 254 and 47 CFR 54.201(d) to receive federal
 13 universal service fund support with respect to the Rolla, Missouri exchange.²⁰ As
 14 such, Fidelity (a) provides basic local telecommunications services throughout
 15 Rolla using its own facilities, (b) advertise the availability of and charges for these
 16 services in media of general distribution within Rolla, and (c) offers Lifeline
 17 services.

18

19 **Q. Are there other indicators on the level of competition in Rolla?**

²⁰ Case No. TA-2002-122

1 A. Yes. The City of Rolla imposes a franchise tax on all local service providers
 2 providing service within the city limits. As a result, both Sprint and Fidelity are
 3 required to submit to the City the franchise tax it collected, less any collection
 4 fees. It is important to note that the franchise fee is the same for Sprint as it is for
 5 its competitors. The following chart compares Sprint and Fidelity's franchise tax:

Rolla	Franchise Tax	
	<i>Sprint</i>	<i>Fidelity</i>
7/00	\$24,058	7/00-9/00 \$183
10/00	\$26,000	10/00-12/00 \$297
4/01	\$28,494	4/01-6/01 \$928
10/01	\$28,424	10/01-12/01 \$2,867
4/02	\$25,160	4/02-6/02 \$5,155
7/02	\$23,249	7/02-9/02 \$7,232
10/02	\$20,861	10/02-12/02 \$7,992
4/03	\$18,200	

6
 7 As the above chart shows, Sprint's Rolla franchise fees have decreased
 8 approximately 25 percent whereas Fidelity's franchise tax has increased to where
 9 it is 40 percent of Sprint's total. Based upon the above chart, Fidelity has
 10 captured over 30 percent of the market.

11

12 **Q. What is your conclusion regarding the status of competition in Sprint's Rolla**
 13 **exchange?**

14 A. Sprint clearly faces effective competition in its Rolla exchange. In fact, Sprint
 15 has lost more than *** Start Proprietary *** ■ *** End Proprietary *** percent
 16 of its market share in Rolla. During that same timeframe, Fidelity access line
 17 count has grown from zero to *** Start Proprietary *** ■ *** End Proprietary
 18 *** . Fidelity is 100 percent facility based, offering a wide range of products and

1 packages, has been given ETC status, and advertises in general media throughout
2 the exchange. Fidelity's rates are substantially lower than Sprint's.

3

4 **St. Robert**

5 **Q. Besides Sprint, which carriers are providing local exchange telecommuni-**
6 **cations services in the St. Robert exchange?**

7 **A.** The same nine CLECs that serve Rolla also provide service in Sprint's St. Robert
8 exchange.

9

10 **Q. Is Sprint experiencing the same type of access line loss in St. Robert as it**
11 **experienced in Rolla with Fidelity as a competitor?**

12 **A.** Not yet; however, Fidelity just started providing service in St. Robert in February,
13 2003 and there is no reason to believe that Sprint will not experience a similar
14 situation. Fidelity is fully authorized to provide service in St. Robert and Sprint
15 has already lost the City of St. Robert which is now served by Fidelity. Based
16 upon Fidelity prepared literature, Fidelity has over 60 years of local telephone
17 service experience in Missouri and they are looking to expand their service area.
18 In fact, Fidelity has a Lucent 5ESS switch located in Rolla, along with a business
19 office and fully staffed service department. To fully utilize this investment,
20 Fidelity is expanding beyond the Rolla city limits and adding customers. In late
21 2002, Fidelity issued the following press release:

22 Fidelity Communications is making progress on extending lines into the
23 Oak Meadow Country Club area, with service available sometime this fall.
24 Its hybrid fiber coax lines carry telephone, cable TV and high-speed
25 Internet service.

1
2 The project extends from the city limits out Highway BB to the golf
3 course. It will makes services available to the Pines, Forest Lakes and
4 other subdivisions in the area, totaling almost 500 homes.
5

6 “The same services we’re offering in Rolla will be available out there,”
7 said Tim Riggs, Outside Plant Supervisor. “It’s the same technology we’re
8 using in the city limits of Rolla.”
9

10 Two nodes are being added, the first serving 298 homes and the second
11 serving 185. Fidelity crews are now installing underground and aerial fiber
12 optic and coax cables in some of the subdivisions.
13

14 “Our marketing department has been conducting surveys and gathering
15 information from potential customers in these areas,” Riggs said. “We
16 need to let people know they’ll have the same services as Rolla has
17 available to them in a few months.”²¹
18

19 **Q. Does this conclude your testimony?**

20 **A. Yes.**

²¹ Press Release, Fidelity Communications Company, 08/2002 – See Schedule JRI-16 for full press release