

## CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document was mailed via Airborne Express to Cecil Wright, Executive Secretary, Missouri Public Service Commission, 301 W. High Street, Room 530, Jefferson City, MO 65101 and was mailed, postage prepaid, this 10th day of April, 1997 to the following:

W. R. England III Sondra Morgan  
Brydon Swearengen & England  
PO Box 456  
Jefferson City, MO 65102-0456

Carl Lumley Leland Curtis  
Curtis Oetting Heinz Garrett & Soule  
130 S. Berniston Suite 200  
Clayton, MO 63105

Stephen Morris  
MCI  
701 Brazos, Suite 600  
Austin, TX 78701

Craig Johnson  
Andereck Evans Milne Peace &  
Baumhoer  
305 E McCarty Street  
Jefferson City, MO 65102

Paul Lane Leo Bub Diana Harter  
Southwestern Bell  
100 N. Tucker Blvd Room 630  
St. Louis, MO 63101

Linda Gardner  
United Telephone Company of  
Missouri  
5454 W. 110th Street  
Overland Park, KS 66211

Paul DeFord  
Lathrop & Gage  
2345 Grand Blvd  
Kansas City, MO 64108

Mark Harper  
United Telephone Company of MO  
5454 W. 110th Street  
Overland Park, KS 66211

Julie Thomas Bowles  
Sprint  
8140 Ward Parkway 5E  
Kansas City, MO 64114

Paul Gardner  
Goller, Gardner & Feather  
131 E. High Street  
Jefferson City, MO 65101

Mark Comley  
Newman, Comley & Ruth  
205 E. Capitol Avenue  
Jefferson City, MO 65102

Larry Lovett  
AT&T  
101 W. McCarty Suite 216  
Jefferson City, MO 65101

Doug Trabaris, Madelon Kuchera,  
Elizabeth Howland  
Teleport Communications Group  
233 S. Wacker Drive Suite 2100  
Chicago, IL 60606

Michael J. Ensrud  
Competitive Telephone Association  
of Missouri  
6950 W. 56th Street  
Mission, KS 66202

Office of the Public Counsel  
PO Box 7800  
Jefferson City, MO 65102

  
\_\_\_\_\_  
Staci A. Huth  
TW-97-333

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN )  
INVESTIGATION INTO THE )  
PROVISION OF COMMUNITY )  
OPTIONAL CALLING SERVICE )  
IN MISSOURI. )

CASE NO. TW-97-233

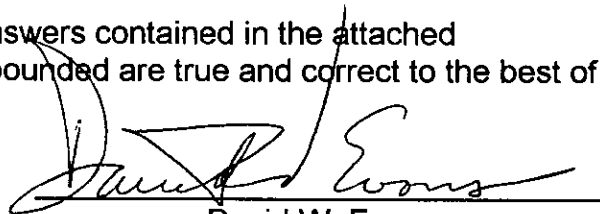
FILED  
APR 11 1997  
MISSOURI  
PUBLIC SERVICE COMMISSION

AFFIDAVIT OF DAVID W. EVANS


STATE OF MISSOURI )  
 ) ss  
COUNTY OF ST. CHARLES )

David W. Evans of lawful age, being duly sworn, deposes and states:

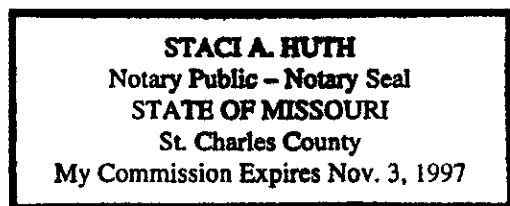
1. My name is David W. Evans. I am Staff Administrator - Rate Design for GTE Telephone Operations.
2. Attached hereto and made part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

  
David W. Evans

Subscribed and sworn to before me this  
10th day of April, 1997.

  
Notary Public

My Commission Expires: 11-3-97



**GTE MIDWEST INCORPORATED**

**DIRECT TESTIMONY OF DAVID W. EVANS**

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

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

**A.** My name is David W. Evans, and my business address is 1000 GTE Dr., Wentzville MO.  
63385.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

**A.** I am employed by GTE Telephone Company as a Staff Administrator - Rate Design.

**Q. PLEASE DESCRIBE YOUR BACKGROUND, QUALIFICATIONS, AND PROFESSIONAL EXPERIENCE.**

**A.** I received a Bachelor of Science degree from Webster University in 1989, majoring in Business Administration. I have worked in the telecommunications industry for 18 years, working in pricing and cost analysis since 1986.

**Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE STATE REGULATORY COMMISSIONS?**

**A.** Yes, I have testified before the regulatory commissions in Missouri, Kansas, Nebraska, and Texas.

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

**A.** I am sponsoring testimony in support of GTE's cost and rate analysis in the matter of the provision of Community Optional Service (COS).

**Q. IS THE PRICING MECHANISM SET OUT BY STAFF IN CASE NO. TT-96-398 APPROPRIATE FOR ONE-WAY RECIPROCAL COS?**

**A.** No. The appropriate rate design for one-way reciprocal COS is one based on the actual cost to provide the service.

**Q. HAVE YOU PERFORMED A COST AND RATE DESIGN ANALYSIS OF ONE-WAY**

**RECIPROCAL COS?**

**A.** Yes.

**Q. PLEASE DESCRIBE THE CONTENT AND STRUCTURE OF THE COST ANALYSIS.**

**A.** The cost analysis is based on actual traffic data for the month of April 1996, for COS traffic originating in GTE exchanges. The analysis is structured in two basic parts - the calculation of the average cost per COS subscriber, and the pricing of a One-way COS offering based on the calculated costs.

**Q. PLEASE DESCRIBE IN DETAIL HOW THE AVERAGE COST FOR A COS SUBSCRIBER WAS CALCULATED.**

**A.** The analysis is based on GTE's actual COS traffic data for April 1996. The traffic was segregated into GTE to GTE traffic, GTE to Southwestern Bell (SWBT) traffic, and GTE to Other LEC traffic. The traffic from GTE to SWBT was further subdivided into Metro traffic and Rural traffic. An average usage profile for a COS customer in each category was calculated using the traffic data and the number of COS lines in the GTE exchange where the traffic originated. The calculation resulted in an average calling profile for business and residence COS customers in each category. The compilation of the COS lines can be found on Exhibit DWE-2, page 1 of 1. The average cost per month per line was calculated using this profile and applying the cost per first minute and per additional minute to the traffic profile.

**Q. HOW WAS THE COST FOR THE FIRST MINUTE AND EACH ADDITIONAL MINUTE CALCULATED?**

**A.** In Case No. TO-96-425, GTE filed a cost for a first minute and each additional minute of use. These costs were adjusted by removing the cost for billing and collection and contain no costs which would be avoided in a wholesale environment. These costs are the appropriate costs to use since the compensation mechanism for COS is based on toll and access, which is precisely how the costs were derived in the prior case.

**Q. PLEASE EXPLAIN THE CALCULATION USED TO ARRIVE AT THE FINAL CALCULATED AVERAGE COST FOUND ON EXHIBIT DWE-1, PG. 2.**

**A.** Using the average COS line profile and the per minute of use costs, the average cost for a COS customer in the GTE to GTE category was calculated and can be found on Exhibit DWE-1, page 1, line 18. Similarly the cost for an average COS line for the other categories can be found on Exhibit DWE-1, page 1, at lines 42, and 66. These costs by category were then carried over to Exhibit DWE-1, page 2. The individual costs by category were weighted by the traffic percentages. This calculation is found on Exhibit DWE-1, page 2, lines 18 through 24.

**Q. PLEASE EXPLAIN HOW THE AVERAGE RATE CALCULATION WAS DONE.**

**A.** The average cost , found on Exhibit DWE-1, page 2, line 24, represents the TSLRIC for the service. The rate was then calculated by considering some percentage of contribution over TSLRIC. The contribution was set based on the interim resale discount rate of 26.93%.

**Q. WHY WAS THE INTERIM RESALE DISCOUNT RATE USED TO CALCULATE CONTRIBUTION?**

**A.** The interim resale discount rate was used to assure GTE of receipt of at least the TSLRIC for the service in the event that the service was purchased by a CLEC for the purpose of resale.

**Q. ARE YOU PROPOSING A CHANGE TO THE EXISTING RATE STRUCTURE OF THE COS OFFERING?**

**A.** Yes. The existing rate structure was based on a calculation of lost toll revenue and was designed on a revenue neutral basis. The rate elements, Metro, Rural, Business, and Residence were set to be revenue neutral in total, but each subset was not revenue neutral. The proposed rate structure would have a rate for business and a rate for residence. The differentiation between Metro and Rural would be eliminated since there is no real cost

1 differential between the rural customer set and the metro customer set. The rate for a  
2 business COS subscriber would be \$29.95, and the rate for a residence COS subscriber  
3 would be \$22.15.

4 **Q. PLEASE DESCRIBE THE EFFECT THAT THIS RATE DESIGN WOULD HAVE RELATIVE**  
5 **TO THE EXISTING RATES.**

6 **A.** Subscribers would experience a rate decrease in all rate categories except rural residence.  
7 The rate for a rural residence subscriber would increase by \$6.15.

8 **Q. WHAT IS THE BASIS FOR THIS RATE DESIGN?**

9 **A.** The proposed rate design is based on the cost to GTE to provide the service. The analysis  
10 of the traffic and the calculation of the average cost per COS line clearly indicates the level  
11 at which rates must be set. It would be imprudent and inconsistent for GTE to propose a rate  
12 structure which did not cover the costs of the service.

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

14 **A.** Yes it does.  
15

GTE TO GTE Traffic Data					Ttl_Msgs	Ttl_Mins	Bus_Msgs	Bus_Mins	Res_Msgs	Res_Mins
1	Total Metro -- GTE to GTE M				0	0	0	0	0	0
2	Total Rural -- GTE to GTE R				253,671	1,447,150	27,604	111,892	226,067	1,335,258
3	Total Return Calls - GTE to GTE T				152,086	884,049	43,928	142,488	107,867	740,652
4										
5										
6										
7										
8										
9	GTE to GTE Petitioning to Target Rural Traffic				253,671	1,447,150	27,604	111,892	226,067	1,335,258
10	GTE to GTE P to T Rural COS Lines									
11	P to T Msgs per line (ln 9 / ln 10)									
12	P to T MOU per line (ln 9 / ln 10)									
13										
14	GTE to GTE									
15	Cost 1st Min 0.01088									
16	Cost Add Min 0.004588									
17										
18	GTE to GTE, P to T Avg. Rural Cost Per Line									
19	(based on Msgs and MOU per line @ ln 11 & 12)									
20	(cost per line does not include imputation of terminating access charges)									
21										
22										
23	GTE TO OTHER Traffic Data				Ttl_Msgs	Ttl_Mins	Bus_Msgs	Bus_Mins	Res_Msgs	Res_Mins
24	Total Metro - GTE to Other Company OTH M				101,735	756,841	15,998	99,423	85,737	657,418
25	Total Rural - GTE to Other Company OTH R				422,205	2,392,769	43,569	153,633	378,636	2,239,136
26										
27										
28	Total GTE to Other Company				535,714	3,224,994	62,543	263,479	473,171	2,961,515
29										
30										
31										
32	METRO G to O									
33	GTE to SWBT Petitioning to Target Metro Traffic				101,735	756,841	15,998	99,423	85,737	657,418
34	GTE to SWBT P to T Metro COS Lines									
35	P to T Msgs per line (ln 33 / ln 34)									
36	P to T MOU per line (ln 33 / ln 34)									
37										
38	GTE to Other (SWBT)									
39	Cost 1st Min 0.033973									
40	Cost Add Min 0.029646									
41	(cost includes term. access charges)									
42	GTE to SWBT P to T Metro Avg Cost Per Line									
43	(based on Msgs and MOU per line @ ln 35 & 36)									
44										
45										
46	RURAL G to O									
47	GTE to Other Petitioning to Target Rural Traffic				422,205	2,392,769	43,569	153,633	378,636	2,239,136
48	GTE to Other, P to T, Rural COS Lines									
49	P to T Msgs per line (ln 47 / ln 48)									
50	P to T MOU per line (ln 47 / ln 48)									
51										
52	GTE to Other (Other)									
53	Cost 1st Min 0.094738 Pct. Rural Traffic to:									
54	Cost Add Min 0.090411 Other									
55	(cost includes term. access charges)									
56	GTE to Other, P to T, Rural Avg Cost Per Line									
57	(based on Msgs and MOU per line @ ln 49 & 50)									
58	(Weighted by Traffic Pct. @ ln 54)									
59										
60	GTE to Other (SWBT)									
61	Cost 1st Min 0.033973 Pct. Rural Traffic to:									
62	Cost Add Min 0.029646 SWBT									
63	(cost includes term. access charges)									
64	GTE to SWBT, P to T, Rural Avg Cost Per Line									
65	(based on Msgs and MOU per line @ ln 49 & 50)									
66	(Weighted by Traffic Pct. @ ln 62)									
67										
68	GTE to Other & SWBT Orig. Rural Avg. Cost Per Ln									
69	(Sum of Cost at lines 58 & 66)									
70										

GTE Telephone Operations - Midwest Region  
 State of Missouri  
 COS Traffic / Cost Analysis  
 Docket # TW-97-333

\*\*\*\* GTE \*\*\*\*

"mocos"  
 Exhibit DWE-1

	TOTAL		BUSINESS		RESIDENCE	
1						
2						
3						
4						
5	GTE to GTE Orig. Rural Avg. Cost Per Line		****		****	
6	(page 1, line 18)					
7						
8	GTE to SWBT Orig. Metro Avg. Cost Per Line		****		****	
9	(page 1, line 42)					
10						
11	GTE to Other & SWBT Orig. Rural Avg. Cost Per Ln		****		****	
12	(page 1, line 68)					
13						
14		Pct. of	Weighted		Pct. of	Weighted
15		Total	Cost		Total	Cost
16						
17						
18	GTE to GTE Orig. Rural Traffic (MOU)	1,447,150	31.48%		111,892	30.66%
19						
20	GTE to Other Orig. Metro Traffic (MOU)	756,841	16.46%		99,423	27.24%
21						
22	GTE to Other Orig. Rural Traffic (MOU)	2,392,769	52.05%		153,633	42.10%
23	Total Traffic (MOU)	4,596,760			2,239,136	52.91%
24	Total Weighted Cost per Line				4,231,812	
25						
26	Resale Discount Pct.					
27						
28	Per line Cost Adj. for Resale					
29						



GTE to GTE Rural Residence COS Lines			GTE to OTHER Rural Residence COS Lines			GTE to OTHER Metro Residence COS Lines		
GTER	COS Res	Take Rate	OTHR	COS Res	Take Rate	OTHM	COS Res	Take Rate
Bellevue	*****	*****	Amazonia	*****	*****	Branson	*****	*****
Bronaugh	*****	*****	Augusta	*****	*****	Branson West	*****	*****
Cabool	*****	*****	Avenue City	*****	*****	Buffalo	*****	*****
Caledonia	*****	*****	Avilla	*****	*****	Conway	*****	*****
Caulfield	*****	*****	Bland	*****	*****	Crane	*****	*****
Centralia	*****	*****	Bourbon	*****	*****	Everton	*****	*****
Clark	*****	*****	Bronaugh	*****	*****	Foley	*****	*****
Clarksdale	*****	*****	Cabool	*****	*****	Galena	*****	*****
Conway	*****	*****	Clarksdale	*****	*****	Niangua	*****	*****
Dora	*****	*****	Conway	*****	*****	Reeds Spring	*****	*****
Forsyth	*****	*****	Cosby	*****	*****	Seymour	*****	*****
Fremont	*****	*****	Easton	*****	*****			
Gower	*****	*****	Edgar Springs	*****	*****			
Helena	*****	*****	Ellsinore	*****	*****			
Houston	*****	*****	Fillmore	*****	*****			
Hunnewell	*****	*****	Gower	*****	*****			
Jenkins	*****	*****	Grovespring	*****	*****			
Jonesburg	*****	*****	Helena	*****	*****			
Koshkonong	*****	*****	Irondale	*****	*****			
Louisburg	*****	*****	La Plata	*****	*****			
Niangua	*****	*****	Laddonia	*****	*****			
Norwood	*****	*****	Marthasville	*****	*****			
Reeds Spring	*****	*****	Nebo	*****	*****			
Rockaway Beac	*****	*****	Rosendale	*****	*****			
Shelbyville	*****	*****	Savannah	*****	*****			
Sturgeon	*****	*****	Sheldon	*****	*****			
Thomasville	*****	*****	St. James	*****	*****			
Vanzant	*****	*****	Timber	*****	*****			
Walker	*****	*****	Vichy	*****	*****			
Wasola	*****	*****	Walker	*****	*****			
GTER RES	3883		OTHR RES	4212		OTHM RES	1262	

GTE to GTE Rural Business COS Lines			GTE to OTHER Rural Business COS Lines			GTE to OTHER Metro Business COS Lines		
GTER	COS Bus	Take Rate	OTHR	COS Bus	Take Rate	OTHM	COS Res	Take Rate
Bellevue	*****	*****	Amazonia	*****	*****	Branson	*****	*****
Bronaugh	*****	*****	Augusta	*****	*****	Branson West	*****	*****
Cabool	*****	*****	Avenue City	*****	*****	Buffalo	*****	*****
Caledonia	*****	*****	Avilla	*****	*****	Conway	*****	*****
Caulfield	*****	*****	Bland	*****	*****	Crane	*****	*****
Centralia	*****	*****	Bourbon	*****	*****	Everton	*****	*****
Clark	*****	*****	Bronaugh	*****	*****	Foley	*****	*****
Clarksdale	*****	*****	Cabool	*****	*****	Galena	*****	*****
Conway	*****	*****	Clarksdale	*****	*****	Niangua	*****	*****
Dora	*****	*****	Conway	*****	*****	Reeds Spring	*****	*****
Forsyth	*****	*****	Cosby	*****	*****	Seymour	*****	*****
Fremont	*****	*****	Easton	*****	*****			
Gower	*****	*****	Edgar Springs	*****	*****			
Helena	*****	*****	Ellsinore	*****	*****			
Houston	*****	*****	Fillmore	*****	*****			
Hunnewell	*****	*****	Gower	*****	*****			
Jenkins	*****	*****	Grovespring	*****	*****			
Jonesburg	*****	*****	Helena	*****	*****			
Koshkonong	*****	*****	Irondale	*****	*****			
Louisburg	*****	*****	La Plata	*****	*****			
Niangua	*****	*****	Laddonia	*****	*****			
Norwood	*****	*****	Marthasville	*****	*****			
Reeds Spring	*****	*****	Nebo	*****	*****			
Rockaway Beac	*****	*****	Rosendale	*****	*****			
Shelbyville	*****	*****	Savannah	*****	*****			
Sturgeon	*****	*****	Sheldon	*****	*****			
Thomasville	*****	*****	St. James	*****	*****			
Vanzant	*****	*****	Timber	*****	*****			
Walker	*****	*****	Vichy	*****	*****			
Wasola	*****	*****	Walker	*****	*****			
GTER BUS	239		OTHR BUS	239		OTHM BUS	100	