

1 DIRECT TESTIMONY OF ROBERT C. SCHOONMAKER

2
3 Q. Would you please state your name and address.

4 A. My name is Robert C. Schoonmaker and my business address is 2270 La Montana
5 Way, Colorado Springs, Colorado 80918.
6

7 Q. By whom are you employed and in what capacity?

8 A. I am a Vice President of GVNW Inc./Management, a consulting firm specializing
9 in working with small telephone companies.
10

11 Q. Would you please outline your educational background and business experience.

12 A. I obtained my Masters of Accountancy degree from Brigham Young University in
13 1973 and joined GTE Corporation in June of that year. After serving in several
14 positions in the revenue and accounting areas of GTE Service Corporation and
15 General Telephone Company of Illinois, I was appointed Director of Revenue and
16 Earnings of General Telephone Company of Illinois in May, 1977 and continued
17 in that position until March, 1981. In September, 1980, I also assumed the same
18 responsibilities for General Telephone Company of Wisconsin. In March, 1981, I
19 was appointed Director of General Telephone Company of Michigan and in
20 August, 1981 was elected Controller of that company and General Telephone
21 Company of Indiana, Inc. In May, 1982, I was elected Vice President-Revenue
22 Requirements of General Telephone Company of the Midwest. In July, 1984, I
23 assumed the position of Regional Manager of GVNW Inc./Management and was
24 later promoted to my present position of Vice President. I have served in this

1 position since that time except for the period between December 1988 and
2 November, 1989 when I left GVNW to serve as Vice President-Finance of
3 Fidelity and Bourbeuse Telephone Companies.

4
5 Q. What are your responsibilities in your present position?

6 A. In my current position, I consult with independent telephone companies and
7 provide financial analysis and management advice in areas of concern to these
8 companies. Specific activities which I perform for client companies include
9 regulatory analysis, consultation on regulatory policy, financial analysis, business
10 planning, rate design and tariff matters, interconnection agreement analysis, and
11 general management consulting.

12
13 Q. Have you previously testified in regulatory proceedings?

14 A. Yes, I have testified on regulatory policy, local competition, rate design,
15 accounting, compensation, tariff, interconnection agreements, and separations
16 related issues before the Illinois Commerce Commission, the Public Service
17 Commission of Wisconsin, The Michigan Public Service Commission, the Iowa
18 Utilities Board, the Tennessee Public Service Commission, and the Missouri
19 Public Service Commission. In addition, I have filed written comments on behalf
20 of our firm on a number of issues with the Federal Communications Commission
21 and have testified before the Federal-State Joint Board in CC Docket #96-45 on
22 Universal Service issues.

1

2 Q. Have you been involved in Missouri proceedings where Community Optional
3 Service (COS) was established?

4 A. Yes, I testified before the Commission in both Case No. TO-87-131 where COS
5 was established and Case No. TO-92-306 where it was modified. I also
6 participated in many of the industry meetings and technical workshops related to
7 implementing COS.

8

9 Q. Who are you representing in this proceeding?

10 A. I am representing the companies shown on Schedule RCS-1. Collectively I refer
11 to these companies as the Small Telephone Company Group (STCG).

12

13 Q. What is the purpose of your testimony?

14 A. My testimony will present information on the numerous Commission proceedings
15 leading to the establishment and modification of COS, the current status of COS
16 throughout the state, and present the recommendations of the STCG regarding the
17 future of COS.

18 Q. Please give a history of interexchange calling issues that led to the establishment
19 and revision of COS?

20 A. The issue of interexchange calling plans has a long and varied history within the
21 State of Missouri, particularly during the last ten years as the Commission has
22 tried a number of alternatives in arriving at the interexchange calling plans that
23 are currently being offered. Historically, interexchange calling on a basis other

1 than toll calling was primarily provided using Extended Area Service (EAS).
2 EAS is an interexchange service offering provided in conjunction with basic local
3 service and is typically offered on a flat-rate basis. For some companies the
4 offering is included as part of the local service rate, while other companies have a
5 specific flat-rate additive for provision of EAS. In all cases EAS is a mandatory
6 offering within the exchange and all customers are required to subscribe to the
7 service. In all but one case in the state, EAS is a two-way service offering. In its
8 earlier stages in an environment where operator services were offered manually,
9 EAS was often proposed by Local Exchange Carriers (LECs) as a means of
10 saving costs while providing customers a wider calling area. As toll dialing
11 became mechanized using direct distance dialing, cost savings associated with
12 implementing EAS evaporated. Implementation of EAS generally became a
13 costly proposition for the telephone company because of the loss of toll revenue
14 and/or intercompany compensation. In the later part of the 1980's, customer
15 demand for wider interexchange calling through EAS was often frustrated because
16 the flat-rate charges proposed to offset the revenue losses associated with
17 implementing the service were high enough that customer votes to implement
18 EAS were often unsuccessful.

19 **Case No. TO-86-8 - Investigation of EAS**

20
21 In 1986 the Commission opened a docket to investigate issues related to the
22 provision of EAS and to address customer demands for wider toll free calling
23 scopes or lower priced interexchange calling.. In its Report and Order issued on

1 March 20, 1987, the Commission established an experimental service, Extended
2 Measured Service (EMS), to be provisioned in exchanges where certain
3 community of interest calling criteria were met, as an alternative to toll calling
4 service. This service was an optional service to customers and provided a fifty
5 percent discount from toll rates for service between the exchanges which
6 requested the service and met the calling criteria. EMS was implemented on an
7 experimental basis in June, 1987.

8 **Case No. TO-87-131 - Investigation of EMS (COS established)**

9
10 Since the EMS plan implemented in 1987 was an experimental plan, the
11 Commission and the industry were directed by the Commission to provide a
12 report regarding the implementation of EMS and the success of the service. The
13 Commission Staff submitted reports to the Commission during June and July,
14 1989. While the EMS plan provided some rate relief to customers with demands
15 for lower priced interexchange calling, the general customer reaction was that the
16 relief was not sufficient and that further service modifications needed to be made
17 in order to provide reasonable calling alternatives. Customer complaints both to
18 the Commission and members of the legislature indicated that EMS service was
19 not adequately addressing customer needs.

20 As a result of this Docket, TO-87-131, the Commission ordered the
21 implementation of Community Optional Service (COS) under three different
22 options:

1 a. Option 1 - 50% discount from toll rates with a \$4.00 per month charge

2 b. Option 2 - Optional one-way flat rate plan with the following rates:

3

	<u>Rural</u>	<u>Metropolitan</u>
Residence	\$ 5.75	\$11.05
Business	\$12.10	\$23.55

4
5 c. Option 3 - Optional two-way flat rate plan with the following rates:

6

	<u>Rural</u>	<u>Metropolitan</u>
Residence	\$10.10	\$19.35
Business	\$21.25	\$41.35

7
8 In all cases COS would only be implemented on routes where a community of
9 interest criteria, based on existing calling, was met.

10 The Commission's order also established an additional docket to review the tiers
11 in the metropolitan calling plans offered by SWBT.

12 Implementation of the two-way COS was most troublesome since it involved
13 issues related to a subscribing customer in one exchange (i.e. the petitioning
14 exchange) being able to receive calls from customers in the other exchange (i.e.
15 the target exchange) who had not subscribed to the service. In the early stages of
16 implementation, two-way COS was implemented by requiring the subscribing
17 customer to have a second telephone number in the target exchange, with calls
18 being forwarded to the customer's normal number in the petitioning exchange

1 using remote call forwarding (RCF) capabilities. Customers found this confusing.

2 When demand for COS service rapidly expanded well beyond what had been
3 expected, both in terms of penetration and new locations requesting service, the
4 telephone companies determined that the RCF method was cumbersome and
5 costly. The telephone companies proposed, and the Commission approved,
6 changing the method of implementating two-way COS to a mechanism using
7 company billing systems.

8 Understanding the complexities of the methods used to implement two-way COS
9 is important to understanding the difficulties with COS in an intraLATA
10 presubscription environment. To illustrate these methods assume that a
11 petitioning exchange of Company A is approved for COS service to a target
12 exchange of Company B. When Company A has a customer, X, who subscribes
13 to COS service, Company A identifies in its billing system that subscriber X is a
14 COS subscriber. In the process of developing its bill for subscriber X, Company
15 A screens all toll calls recorded to subscriber X's account. All calls destined for
16 the NXX code(s) of Company B's target exchange are removed from subscriber
17 X's billing. In addition, Company A notifies Company B that subscriber X is a
18 COS subscriber. In its billing system Company B identifies that subscriber X is a
19 COS subscriber. Toll calls for all customers in Company B's target exchange
20 have to be screened against subscriber X's telephone number and all calls made
21 from the target exchange to subscriber X are removed from toll billing. In order
22 to make this system work in an intraLATA presubscription environment, all IXC's
23 providing service in Company B's target exchange would have to implement

1 similar provisions in their billing systems and Company A would have to notify
2 all these carriers of changes in subscribers to the COS service.

3
4 **Case No. TO-92-306 - Docket modifying COS and establishing MCA and**
5 **OCA**

6
7 Even while COS was being implemented the Commission and legislature were
8 continuing to receive complaints that existing expanded calling plans were not
9 adequate and did not meet the needs of customers. In December, 1990 the
10 Commission established a "Task Force on Calling Scopes in Missouri" to
11 recommend a statewide solution for the ongoing calling scope problem in
12 Missouri. The Task Force filed its report in December, 1991. The Commission
13 then held a series of eleven public meetings across the state to receive public input
14 on the Task Force's report and recommendations. Over 2000 people attended
15 these public hearings and over 400 offered comments or concurred specifically in
16 comments offered by others.

17 The Commission opened Docket TO-92-306 on June 12, 1992 after reviewing the
18 report of the Task Force, the results of the public hearings, and additional
19 information available to it with the hope of developing, "...a comprehensive plan
20 which would address calling requirements for all exchanges and eliminate the
21 need for review of this issue for some years." The Commission proposed a three
22 part plan for meeting these needs.

1 1) Establishment of a Metropolitan Calling Area (MCA) plan which would
2 expand upon SWBT's existing Wide Area Service Plan (WASP) in the
3 metropolitan areas.

4 2) Establishment of an Outstate Calling Area (OCA) plan for calling within a 23
5 mile radius of non-metropolitan exchanges, and

6 3) Modification of the COS plan.

7 After extensive hearings and presentation of testimony, the Commission issued its
8 order in this docket on December 23, 1992. The plan adopted by the Commission
9 included the three services that it proposed with modifications in design and rates
10 based on the evidence presented in the hearings. The approved plans include the
11 following major provisions:

12 1) MCA - MCA plans were adopted in St. Louis, Kansas City, and Springfield
13 with the former two having five tiers of exchanges and the latter one having three
14 tiers of exchanges. MCA is a mandatory plan in the inner tiers in each of the
15 cities and optional in the outer tiers. Rates in the mandatory tiers range from
16 \$11.35 to \$12.50 for residence customers and \$25.70 to \$36.95 for business
17 customers. Optional rates in the outer tiers are in addition to the normal basic
18 service rates and range from \$11.45 to \$32.50 for residence customers and from
19 \$21.75 to \$70.70 for business customers. Because of the nature of the calling
20 scopes included in the plan, customers in the optional exchanges have different
21 NXX codes than the non-subscribers.

2) OCA - This plan provides calling in outstate areas to all exchanges within 23 miles of the originating exchange under block of time plans. Rates for the plan are as follows:

	Residence	Business
Two-Hour Plan	\$9.60	\$10.80
Additional Minutes	Normal toll	Normal
Five Hour Plan	\$21.85	\$24.50
Additional Minutes	\$0.07/minute	\$0.08/minute

3) COS - COS was modified to be a two-way plan only. Community of interest criteria for qualifying for the plan remained unchanged. The two-way rates increased significantly to the following levels:

	Residence	Business
Rural	\$16.00	\$33.50
Metro-STL, KC	\$37.80	\$80.20
Metro-Sprfld	\$24.50	\$50.50

Implementation of the plans took place over about a two-year period. Since implementation the Commission has received few complaints about interexchange calling service. Demand for COS service has continued to expand and additional communities have been added to the list of communities with COS on a continuing basis.

1

2 Q. Initially, COS was adopted with both a one-way and a two-way option. Why was
3 this changed?

4 A. Subscription to two-way COS was subscribed to to a much greater extent than
5 was expected when the service was offered. The one-way service was not nearly
6 so successful. Customers voiced dissatisfaction with the one-way service because
7 they could not use it to have friends and relatives call them from the target
8 exchange, and because toll-free calls could not be made from business locations in
9 the target exchange to the COS number. Business customers in the petitioning
10 exchange often wanted COS so that they could have a marketing presence in the
11 target exchange. When the Commission reviewed COS in Case No. TO-92-306
12 they decided to meet one-way calling needs through the OCA plan and to modify
13 COS to a "premium" two-way calling plan.

14

15 Q. What is the current status of COS in the State of Missouri today?

16 A. Schedule RCS-2 attached to my testimony provides extensive information on
17 COS routes throughout the state today. Based on the data I have available, there
18 are over 17,000 subscribers to COS today on 157 separate routes. Additionally,
19 tens of thousands of additional customers in COS target exchanges benefit from
20 COS by being able to call COS subscribers on a toll-free basis. Approximately
21 94%, or over 16,000 COS subscribers are residence subscribers. These
22 customers, on the average, make about 7.75 hours of COS calls per month. COS
23 subscribers in the petitioning exchanges receive about 5.75 hours of COS calls per

1 month back from the target exchange which represents approximately 75% of the
2 volume going from the petitioning to the target exchange. Overall subscription of
3 COS averages a little more than 12% of the customers in the exchanges where it is
4 available, with subscription rates in individual exchanges ranging from as low as
5 less than 1% to a high of over 60%.

6
7 Q. What impact does the implementation of intraLATA presubscription have on
8 COS in the petitioning exchange?

9 A. Most companies have implemented COS using a 1+ dialing mechanism for
10 originating calling. When intraLATA presubscription is implemented customers
11 in these exchanges who choose carriers other than the current PTCs for their
12 intraLATA toll provider will likely lose their COS, perhaps without realizing that
13 they are doing so.

14
15 Q. How could this impact be mitigated?

16 A. The impact can be mitigated somewhat by assuring that there is a sufficient
17 education process as part of the intraLATA presubscription process so that COS
18 customers would be aware that COS was directly related to their continued choice
19 of the PTC as their intraLATA carrier. This information should be included as
20 part of the written notification that goes to COS subscribers regarding intraLATA
21 presubscription. The Commission may also want to consider the desirability of
22 having other carriers notify customers, as part of their oral marketing efforts for
23 intraLATA services, of the potential impact of customers' choices on COS.

1

2 Q. What are the impacts of intraLATA presubscription on return calling from the
3 target exchange to the petitioning exchange COS subscriber?

4 A. The local exchange companies, acting under Commission order, have
5 implemented the necessary changes to their billing systems to include in their
6 systems the necessary screening tables to identify calls to COS subscribers in the
7 petitioning exchanges and to remove them from toll billing in order to implement
8 two-way COS as required by the Commission,. They also have systems in place
9 to receive from the LEC serving the COS petitioning exchange the necessary
10 service order information to update the screening tables as COS subscribership
11 changes.

12

13 Under intraLATA presubscription, customers will be able to choose, using a 1+
14 dialing scheme, intraLATA carriers other than the current PTCs. IntraLATA
15 carriers other than existing PTCs do not have systems in place to implement COS
16 screening and to provide COS as it has been ordered by the Commission. If
17 intraLATA presubscription is implemented without the Commission addressing
18 these issues, current COS subscribers will find that the two-way feature of the
19 service they have subscribed to will gradually be diminished as subscribers in the
20 COS target exchanges change to other intraLATA carriers. In these
21 circumstances, calls from subscribers in target exchanges to COS subscribers in
22 the petitioning exchange will be billed as toll calls rather than being treated as
23 COS calls. Customers who have subscribed to COS service and those who are

1 used to calling COS subscribers will likely be unhappy and confused by this
2 change in circumstances and the higher charges that they will have to pay.

3 Where the number of calls made by the customer in the target exchange to COS
4 subscribers in the petitioning exchange is relatively few, there will be minor
5 impacts on that customer's toll billing. Where the number of calls is substantial
6 the impact on the customer in the target exchange may be a substantial increase on
7 the toll bill. This will particularly be a surprise if this customer is unaware of
8 COS and the savings that were being realized because the COS subscriber in the
9 petitioning exchange was paying for the service.
10

11 Q. In spite of these impacts, could the Commission decide to make no changes in the
12 provision of COS? What would the impact be of such a decision?

13 A. Yes, it could. If the Commission made that decision, the PTCs could continue to
14 provide COS to those customers who continue to subscribe to the service and to
15 the PTCs toll service if COS is implemented using a 1+ dialing sequence. The
16 service would decline in value to the COS subscriber as customers in the target
17 exchange selected a different carrier as their intraLATA provider. The PTC could
18 use the provision of COS as a marketing tool to encourage customers to continue
19 to use their intraLATA toll service.

20 If the Commission takes such a course of action, I recommend that a strong
21 customer education program be adopted so that COS subscribers recognize clearly
22 the impact of intraLATA presubscription on their COS.

1
2 **MPSC "Straw" Proposal - COS via 800 Number Based Service**

3
4 Q. Of the two straw proposals suggested by the Commission in its Order Establishing
5 Docket in this case, which proposal does the STCG support?

6 A. The STCG supports the proposal to modify the return calling portion of COS to
7 provision it via an 800/888 service provided by the PTC, the current provider of
8 COS.

9
10 Q. Why do you support this proposal over the one-way reciprocal service?

11 A. The STCG supports the 800/888 proposal because this proposal most nearly
12 resembles current COS and has the minimum impact on the thousands of COS
13 customers. Of particular importance is that it preserves the two-way calling
14 feature of COS, a feature that the Commission has found to be a significant
15 benefit to customers in past proceedings when it has considered and rejected
16 proposals for a one-way reciprocal mechanism. The STCG also supports the
17 800/888 proposal because the return calling feature of COS could be used by
18 customers in the target exchange regardless of which IXC they choose as their
19 intraLATA carrier.

20
21 Q. Are there other benefits to the 800/888 proposal as well?

22 A. Yes. Other provisions of COS, such as the requirements for directory listings in
23 the target exchange directory, can be maintained using the 800/888 proposal as

1 well. In addition, the 800/888 proposal will not have any negative impacts on
2 termination of toll services from other locations, since calls to the COS subscriber
3 from locations other than the target exchange will continue to be dialed and
4 terminated using the subscriber's regular number. This will avoid the problems
5 found when COS was implemented using the Remote Call Forwarding method of
6 having regular toll calls terminated in the target rather than the petitioning
7 exchange with its consequent impact on access billing.

8
9 Q. Do you believe that implementation of the 800/888 proposal will have greater
10 public acceptance than will the one-way reciprocal method?

11 A. I do. The public hearings which led to the revisions in COS and implementation
12 of MCA and OCA displayed the strength of customer demand and the depth of
13 emotions on this issue. If the Commission makes a major change to this
14 extremely popular program, it will likely unleash the wrath of currently contented
15 customers.

16
17 Q. What are the negative aspects of the 800/888 proposal?

18 A. From a customer standpoint, the major negative is that this proposal will require
19 the use of a second number, the 800/888 number, for calling from the target
20 exchange to the petitioning exchange rather than using the customer's normal
21 telephone number as is done today. This will cause some customer confusion and
22 lessen the value of the service to a degree. The customer confusion will come
23 from having to remember both telephone numbers. When COS was implemented

1 using RCF, which also required a second telephone number, customers with small
2 children who needed to use the return calling feature found this to be troublesome.
3 While this is a disadvantage of the 800/888 proposal from the current method, I
4 believe that most customers would prefer this to the alternative of having to make
5 a chargeable toll call from the target exchange. This may be mitigated to a certain
6 extent by efforts to make the 800/888 number as close to the customer's normal
7 phone number as possible.

8 The 800/888 proposal will require the use of some 17,000 numbers from the
9 national pool of numbers, thus hastening somewhat the usage of this number pool.
10 However, I view this on a national scale as a rather small impact on the total pool
11 of 800/888 numbers.

12 The 800/888 proposal will also cause some additional network costs since there
13 will be queries to the 800 data base for each call that needs to be set up to identify
14 the network number on which to terminate the call. These costs may be partially
15 offset by some reductions in administrative costs currently encountered to update
16 and maintain the customer data bases in toll billing systems.

17
18 Q. If the Commission adopts the 800/888 proposal, what time frame will be needed
19 to implement the proposal?

20 A. We have not had the opportunity to research this question at this point in time.
21 From my general understanding of the processes that would likely be required, I
22 estimate that for the STCG companies this will probably take in the neighborhood
23 of three to six months to develop procedures, make appropriate notification to

1 customers, get numbers assigned, process appropriate service orders, etc. With
2 the number of customers involved in larger companies, they may need longer time
3 frames in which to implement this proposal. It may be appropriate to have a
4 transition period when both the existing method and the 800/888 number will
5 work to provide the COS return calling.

6
7 **MPSC 'Straw' Proposal - One-Way Reciprocal Service**

8
9 Q. In its Order Establishing Docket in this Case the Commission also proposed the
10 possibility of a one-way reciprocal COS offering. What are your reactions to this
11 proposal?

12 A. I believe that it is inferior to the continuation of COS through 800/888 service
13 provisioning. This method does not allow the COS subscriber in the petitioning
14 exchange any means for paying for the return service to encourage target
15 exchange customers to call the petitioning exchange COS subscribers. It also
16 does not meet the needs of COS subscribers who work or have children in school
17 in the target exchange who need a means to call their homes without charge.
18 Frequently people in these situations are not telephone subscribers in the target
19 exchange and thus would not be in a position to use the one-way reciprocal
20 service.

21 I believe that customer desires for two-way service are much greater now than
22 they were in the past when the Commission chose to adopt and expand two-way
23 COS rather than a proposal for reciprocal one-way service. Demands are greater

1 now because 17,000 COS subscribers and tens of thousands of customers using
2 the return call feature of COS have and are used to using that service. When
3 customers find out that COS is being changed there is likely to be substantially
4 more customer reaction than there has been to the present time.

5
6 **MPSC "Straw" Proposal - Retention of the Current Compensation Mechanism**

7
8 Q. Does the STCG agree with the Commission's proposal to continue the current
9 compensation mechanism for COS?

10 A. Yes. The STCG believes that the compensation mechanism should not be
11 changed even though there may need to be modifications to the provision of COS.

12
13 **Issue #1 - Is the appropriate pricing mechanisms for one-way COS with reciprocal**
14 **service the same as set out by the Staff in Case No. TT-96-398? If not, so**
15 **indicate and substantiate an alternative proposal.**

16
17 Q. Do you agree with the pricing mechanism for one-way reciprocal COS set out by
18 the staff in Case No. TT-96-398?

19 A. On page 5 of Ms. Smith's rebuttal testimony in Case No. TT-96-398, she
20 proposes a 50% reduction and refers to certain evidence included in Case No. TO
21 87-131 to support a reduction of approximately 50%. One-way COS rates
22 approved as a result of Case No. TO-87-131 were, however, set at 57% of the
23 two-way rates. I believe that the COS rate in the petitioning exchange should be

1 set at a level higher than 50% of the two-way rates while the rate in the target
2 exchange should be less than 50% of the two-way rates.

3 Review of the calling data, as shown on RCS Schedule 1 shows that calling from
4 the target to the petitioning exchange is approximately 75% of that in the reverse
5 direction. This indicates that there is somewhat greater calling under the current
6 plan from the petitioning to the target exchange which would appear to cause the
7 petitioning to target exchange direction to have greater value. In addition, COS
8 routes, for the most part, tend to be from smaller petitioning exchanges to larger
9 target exchanges. Thus the petitioning exchange customers have a larger number
10 of potential customers to call, reinforcing the likelihood that they will make a
11 greater number of calls. Furthermore, the petitioning exchange is the exchange
12 which has demonstrated, by meeting the community of interest criteria, a greater
13 usage of and demand for COS. For these reasons I recommend that if the
14 Commission adopts a one-way reciprocal service that the one-way rate from the
15 petitioning exchange be 60% of the two-way rate and the one-way rate from the
16 target exchange be 40% of the two-way rate.

17
18 **Issue #2 - Shall all competitive LECs be required to offer this service?**

19
20 Q. Shall all competitive LECs be required to offer COS?

21 A. The STCG takes no position at this time as to whether all competitive LECs
22 should be required to offer COS.

1
2 **Issue #3 - What, if any, change must be made in the primary toll carrier (PTC) plan**
3 **to accommodate or accomplish the proposed COS changes herein?**
4

5 Q. Should there be changes made in the PTC plan at this time in order to
6 accommodate the changes you propose in the provision of COS?

7 A. The STCG does not believe that any changes need to be made in the PTC plan to
8 accommodate or accomplish the proposed modification of COS to provision
9 return calling through 800/888 calling. The STCG recognizes that the dialing
10 parity issue and other changes in the industry have called the PTC plan into
11 question. The Commission has already established a preliminary procedural
12 schedule in Case No. TO-97-220 to deal with these issues. As the Commission
13 considers the issues in that case, along with other cases such as the state universal
14 service fund, any changes proposed in those cases that would impact the provision
15 of COS will need to consider the COS impacts in conjunction with the changes
16 that are proposed.
17

18 **Issue #4 - Shall the Commission stay all pending and future COS applications?**
19

20 Q. Do you have an opinion as to whether the Commission should stay all pending
21 and future COS applications?

22 A. Since it is much easier to give customers a new and improved service than it is to
23 modify or take away an existing service, the STCG would recommend that the

1 Commission stay all pending and future COS applications until such time as
2 issues related to the future of COS and the PTC plan have been decided and, if
3 appropriate, implemented. When those decisions have been made, the
4 Commission will be in a much better position to determine whether and how COS
5 should be extended to additional communities.

6
7 **Issue #5 - What is the participant's proposal for educating the public?**

8
9 Q. What are your proposals for educating the public under the Commission's
10 800/888 number proposal?

11 A. If the Commission adopts the 800/888 proposal for modifying COS, education of
12 the public should involve a two-step approach. The first would involve letter
13 notification from the LEC to the COS subscribers of the changes that will take
14 place in the offering of COS, the 800/888 number that is assigned to the customer,
15 the date of implementation, timing of transition periods from the current method
16 to the 800/888 method, directory issues, and other information necessary to a
17 smooth transition. Notification should also be given to customers in the target
18 exchange in most situations. In most circumstances this could be done via a bill
19 insert for customers in the target exchange. In cases where the target exchange is
20 a very large exchange such as the Kansas City or St. Louis metropolitan areas,
21 such a notification may not be appropriate.

22 The second step of notification would be related to the intraLATA presubscription
23 implementation. As implementation of this change takes place in the petitioning

1 exchange, COS customers should be notified in writing of the impacts that
2 subscribing to carriers other than the current PTC would have on their COS
3 participation. The Commission should also give consideration as to whether IXCs
4 should be required to notify customers of the impact that choosing the IXC will
5 have on the availability of COS as part of the marketing approach they use. Such
6 requirements would tend to offset the burdens that the PTCs bear by continuing to
7 be required to offer COS.

8
9 Q. Do you see the notification requirements as being different if the Commission
10 adopts the one-way reciprocal proposal?

11 A. Yes, I do in some respects. I view the adoption of a one-way reciprocal COS as a
12 withdrawal and termination of the existing service with replacement by another
13 service with different characteristics, but possibly the same name. If the
14 Commission chooses this course, I believe that COS customers should be notified
15 of the proposed change before the Commission makes a final determination with
16 those customers having the opportunity to submit comments and participate in
17 public hearings before the Commission withdraws the existing service. In this
18 way, customers will have an opportunity to participate before a final decision by
19 the Commission to withdraw the existing COS. After such public input, if the
20 Commission decides to pursue the one-way reciprocal offering, COS customers
21 should be notified by letter of the modifications in the plan, including any service
22 provision and rate changes, so they can choose whether to continue to subscribe to
23 the modified COS. In addition, bill insert notification should be given to

1 customers in the target exchange of the availability of the new reciprocal service
2 with its corresponding service provisions and rates.

3 Notification requirements related to intraLATA presubscription should be similar
4 to those with the 800/888 implementation proposal.

5
6 **Issue #6 - LATA wide or statewide flat-rate calling as a viable substitute for the**
7 **current COS arrangement**

8
9 Q. What are your reactions to the Commission's suggestion of the possibility of a
10 LATA-wide or state-wide flat rate calling plan as a possible substitute for COS?

11 A. I do not believe that such a proposal could be seriously studied with the
12 uncertainties that exist in the regulatory environment today. There are a large
13 number of very significant issues that are currently pending and unresolved that
14 could impact both the operational and financial viability of such a possibility.
15 Included in these are the federal high cost fund proceeding and a federal
16 rulemaking on access reform and a pending federal rulemaking on additional
17 access reform issues for rate-of-return regulated carriers at the federal level. Here
18 in Missouri the Commission has already implemented a procedural schedule to
19 review the Primary Toll Carrier plan. I anticipate that some parties will
20 recommend that intrastate access rates be reviewed as part of, or in conjunction
21 with, that proceeding. At the present time, Southwestern Bell Telephone
22 Company could not participate in any statewide flat-rate offering since it does not
23 yet have legal authorization to offer interLATA services. Each of these

1 proceedings might have impacts on the operational and financial feasibility and/or
2 desirability of offering a flat-rate calling plan or plans suggested by the
3 Commission. Until these issues are resolved, it would not be appropriate to
4 discuss such flat-rate calling plans.

5
6 Q. Does this conclude your testimony?

7 A. Yes

8 .

Small Telephone Company Group

ALLTEL Missouri, Inc.
Bourbeuse Telephone Company
BPS Telephone Company
Cass County Telephone Company
Citizens Telephone Co. of Higginsville, Missouri, Inc.
Craw-Kan Telephone Cooperative, Inc.
Ellington Telephone Company
Fidelity Telephone Company
Goodman Telephone Company
Grand River Mutual Telephone Company
Green Hills Telephone Corp.
Holway Telephone Company
Kingdom Telephone Company
KLM Telephone Company
Lathrop Telephone Company
McDonald County Telephone Company
Mark Twain Rural Telephone Company
Miller Telephone Company
New Florence Telephone Company
New London Telephone Company
Orchard Farm Telephone Company
Oregon Farmers Mutual Telephone Company
Stoutland Telephone Company

Missouri Telephone Companies												
COS Routes and Calling												
April, 1996												
</												

Missouri Telephone Companies												
COS Routes and Calling												
April, 1996												
Rt	Notes	Petitioning Exchange	Target Exchange	Pet. Exchange LEC	Target Exchange LEC	COS Subs in Residence	Pet. Exch. Business	Total Sub in Pet. Exch.	% COS Subs. in Pet. Exch.	Minutes Pet. to Target	Minutes Target to Pet.	Minutes % Target to Pet.
44		Bourbon	Sullivan	GTE	Fidelity							
45		Branson	Springfield	GTE	SWBT							
46		Branson West	Springfield	GTE	SWBT							
47		Bronaugh-Moundville	Nevada	GTE	SWBT							
48		Buffalo	Springfield	GTE	SWBT							
49		Cabool	Houston	GTE	GTE							
50		Calendonia	Potosi	GTE	GTE							
51		Caulfield	West Plains	GTE	GTE							
52		Centralia	Columbia	GTE	GTE							
53		Clark	Columbia	GTE	GTE							
54		Clarksdale	St. Joseph	GTE	SWBT							
55	3	Conway*	Lebanon	GTE	Sprint							
56		Conway*	Springfield	GTE	SWBT							
57		Cosby	St. Joseph	GTE	SWBT							
58		Crane	Springfield	GTE	SWBT							
59		Dora	West Plains	GTE	GTE							
60		Easton	St. Joseph	GTE	SWBT							
61	3	Edgar Springs*	Rolla	GTE	Sprint							
62		Ellsinore	Poplar Bluff	GTE	SWBT							
63		Everton	Springfield	GTE	SWBT							
64		Fillmore	St. Joseph	GTE	SWBT							
65		Foley	St. Louis	GTE	SWBT							
66		Forsyth	Branson	GTE	GTE							
67		Fremont	Van Buren	GTE	GTE							
68		Galena	Springfield	GTE	SWBT							
69		Gower	St. Joseph	GTE	SWBT							
70	3	Grovespring*	Lebanon	GTE	Sprint							
71		Helena	St. Joseph	GTE	SWBT							
72		Houston	Cabool	GTE	GTE							
73		Hunnewell	Monroe City	GTE	GTE							
74		Irondale	Flat River	GTE	SWBT							
75		Jenkins	Aurora	GTE	GTE							
76		Jonesburg	Warrenton	GTE	GTE							
77		Koshkonong	West Plains	GTE	GTE							
78		Ladonia	Mexico	GTE	SWBT							
79		LaPlata	Kirksville	GTE	SWBT							
80	5	Leasburg	Sullivan	GTE	Fidelity							
81		Louisburg	Buffalo	GTE	GTE							
82		Marthasville	Washington	GTE	SWBT							
83	3	Nebo*	Lebanon	GTE	Sprint							
84		Niangua**	Marshfield	GTE	GTE							
85		Niangua**	Springfield	GTE	SWBT							
86		Norwood	Mountain Grove	GTE	GTE							

Missouri Telephone Companies												
COS Routes and Calling												
April, 1996												
		Petitioning	Target	Pet. Exchange	Target Exchange	COS Subs in Pet. Exch.		Total Sub	% COS Subs.	Minutes	Minutes	Minutes
Rt	Notes	Exchange	Exchange	LEC	LEC	Residence	Business	in Pet. Exch.	in Pet. Exch.	Pet. to Target	Target to Pet.	% Target to Pet.
87		Reeds Spring**	Branson	GTE	GTE							
88		Reeds Spring**	Springfield	GTE	SWBT							
89		Rockaway Beach	Branson	GTE	GTE							
90		Rosendale	St. Joseph	GTE	SWBT							
91		Savannah	St. Joseph	GTE	SWBT							
92		Seymour	Springfield	GTE	SWBT							
93		Shelbyville	Shelbina	GTE	GTE							
94		Sheldon	Nevada	GTE	SWBT							
95	3	St. James*	Rolla	GTE	Sprint							
96		Sturgeon	Columbia	GTE	GTE							
97		Thomasville	West Plains	GTE	GTE							
98	3	Timber*	Salem	GTE	Sprint							
99		Vanzant	Mountain Grove	GTE	GTE							
100	3	Vichy*	Rolla	GTE	Sprint							
101		Walker	Nevada	GTE	SWBT							
102	5	Warrenton	Foristell	GTE	GTE							
103		Wasola	Ava	GTE	GTE							
104		Auxvasse	Fulton	Kingdom	SWBT							
105		Auxvasse	Mexico	Kingdom	SWBT							
106		Rhineland	Hermann	Kingdom	GTE							
107		Metz	Nevada	KLM	SWBT							
108		Richards	Nevada	KLM	SWBT							
109		Baring	Edina	Mark Twain	SWBT							
110		Brashear	Kirksville	Mark Twain	SWBT							
111		Greentop	Kirksville	Mark Twain	SWBT							
112		Hurdland	Edina	Mark Twain	SWBT							
113		Hurdland	Kirksville	Mark Twain	SWBT							
114		Knox City	Edina	Mark Twain	SWBT							
115		Novelly	Edina	Mark Twain	SWBT							
116		Philadelphia	Palmyra	Mark Twain	GTE							
117		Arrow Rock	Marshall	Mid Missouri	SWBT							
118		Gilliam	Marshall	Mid Missouri	SWBT							
119		Gilliam	Slater	Mid Missouri	SWBT							
120		Marshall Junction	Marshall	Mid Missouri	SWBT							
121		Marshall Junction	Sedalia	Mid Missouri	SWBT							
122		Miami	Marshall	Mid Missouri	SWBT							
123		Nelson	Marshall	Mid Missouri	SWBT							
124		Pilot Grove	Boonville	Mid Missouri	SWBT							
125		Speed	Boonville	Mid Missouri	SWBT							
126		Queen City	Kirksville	Modern	SWBT							
127		Green City	Kirksville	NE Missouri	SWBT							
128		Novinger	Kirksville	NE Missouri	SWBT							
129		Omaha	Unionville	NE Missouri	Modern							

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COS Routes and Calling												
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						Residence	Business					
130		Pollock	Milan	NE Missouri	ALLTEL							
131	7	New Florence	Montgomery City	New Florence Tel	SWBT							
132		New London	Hannibal	New London	SWBT							
133		Peace Valley	West Plains	Peace Valley Tel	GTE							
134	1,3	Clarksburg	California	Sprint	Sprint							
135	1,3	Deepwater	Clinton	Sprint	Sprint							
136	1,3	Green Ridge	Sedalia	Sprint	SWBT							
137	1,3	Hardin	Richmond	Sprint	SWBT							
138	1,3	Hopkins	Maryville	Sprint	Sprint							
139	1,3	Houstonia	Sedalia	Sprint	SWBT							
140	1,3	Ionia	Sedalia	Sprint	SWBT							
141	1,3	Lexington	Kansas City	Sprint	SWBT							
142	1,3	Newburg	Rolla	Sprint	Sprint							
143	1,3	Otterville	Sedalia	Sprint	SWBT							
144	1,3	Smithton	Sedalia	Sprint	SWBT							
145	1,3	Unich	Clinton	Sprint	Sprint							
146	3	Eldridge	Lebanon	Stoutland	Sprint							
147	3	Stoutland	Lebanon	Stoutland	Sprint							
148	1	Argyle	Jefferson City	SWBT	Sprint							
149	1	Center	Hannibal	SWBT	SWBT							
150	1	Frankford	Bowling Green	SWBT	SWBT							
151	1,3	Freeburg	Jefferson City	SWBT	Sprint							
152	1	LaMonte	Sedalia	SWBT	SWBT							
153	1,3	Linn	Jefferson City	SWBT	Sprint							
154	1	Macks Creek	Camdenton	SWBT	SWBT							
155	1,3	Meta	Jefferson City	SWBT	Sprint							
156	1	Union	Washington	SWBT	SWBT							
157	1,3	Westphalia	Jefferson City	SWBT	Sprint							
						16,533	1,054	139,072	12.6%	8,026,177	5,969,816	74.38%
Notes:						94%	6%			456.37	339.44	
1 - SWBT and Sprint Total Subscribers based on 12/31/95 access lines per annual report												
2 - Data for BPS Bernie exchange is July, 1996 data												
3 - COS Usage data for Sprint based on 7 day studies conducted between July 10 and August 4, 1996.												
4 - Implemented 4/1/97. Usage data not available.												
5 - These routes were implemented in 5/96. GTE indicates that data would be "very burdensome to obtain."												
6 - Route implemented in 7/96.												
7 - Route implemented 8/1/96. Data from January, 1997.												

Schedule RCS-2