

Exhibit No.:
Issues: Rate Design
Witness: Michael J. Pauls
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: AT&T Communications
of the Southwest, Inc.
Case No.: TT-2001-117

AT&T COMMUNICATIONS OF THE SOUTHWEST, INC.

CASE NO.

TT-2001-117

FILED²
DEC 21 2000
Missouri Public
Service Commission

SURREBUTTAL TESTIMONY

OF

MICHAEL J. PAULS

Kansas City, Missouri
December, 2000

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF THE ACCESS TARIFF FILING)
OF OZARK TELEPHONE COMPANY)

CASE NO. TT-2001-117

AFFIDAVIT OF MICHAEL J. PAULS

STATE OF MISSOURI)
) ss:
COUNTY OF JACKSON)

MICHAEL J. PAULS, of lawful age, being first duly sworn deposes
and states:

1. My name is Michael J. Pauls. I am Manager, Access Landscape
Management and am testifying on behalf of AT&T Communications of the
Southwest, Inc.

2. Attached hereto and made a part hereof for all purposes is
my testimony consisting of pages 1 through 6 and schedules MJA-1,
~~through~~

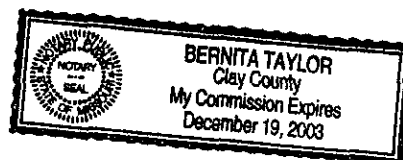
3. I hereby swear and affirm that my answers contained in the
attached testimony to the questions therein propounded are true and
correct to the best of my knowledge and belief.


Michael J. Pauls

Subscribed and sworn on this 15 day of December, 2000.


Notary Public

My Commission Expires: 12-19-03.



AT&T COMMUNICATIONS OF THE SOUTHWEST, INC.

**SURREBUTTAL TESTIMONY
OF
MICHAEL J. PAULS**

CASE NO. TT-2001-117

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

2 A. My name is Michael J. Pauls. My business address is 2121 E. 63rd Street, Kansas
3 City, Missouri 64130.

4

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

6 A. I am employed by AT&T as Manager, Access Landscape Management. My
7 responsibilities include the review and analysis of intrastate access tariff filings
8 and other related telecommunications regulatory issues in the state of Missouri.

9

10 **Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL
11 BACKGROUND?**

12 A. I received a Bachelor of Science degree in Finance (summa cum laude) from Fort
13 Hays State University in 1979. I was awarded a Masters of Business
14 Administration degree, with distinction, from Keller Graduate School of
15 Management in 1992.

16

17 **Q. WOULD YOU PLEASE DESCRIBE YOUR PREVIOUS WORK
18 EXPERIENCE?**

19 A. I was employed by Southwestern Bell Telephone Company ("SWBT") as a Rate
20 and Cost Analyst in its Revenues and Public Affairs Department in 1979. In
21 1983, I joined AT&T and have held various access service cost analyst, pricing

1 and regulatory positions within the Southwest Region State Government Affairs
2 organization. I was appointed to my present position on January 1, 1993.
3

4 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY OR APPEARED AS AN**
5 **EXPERT WITNESS BEFORE A REGULATORY BODY?**

6 A. Yes. Attachment MJP-1 provides a listing of other regulatory proceedings in
7 which I have provided testimony on behalf of AT&T.
8

9 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN**
10 **THIS PROCEEDING?**

11 A. The purpose of my testimony is to respond to the rebuttal testimony of Mark L.
12 Oligschlaeger, filed on behalf of the Missouri Public Service Commission Staff
13 ("Staff"), and to present AT&T's recommendation on the proposed Ozark
14 Telephone Company ("Company") intrastate access tariff revisions filed on
15 August 23, 2000.
16

17 **Q. WOULD YOU PLEASE SUMMARIZE THE COMPANY'S PROPOSED**
18 **INTRASTATE ACCESS TARIFF REVISIONS FILED ON AUGUST 23,**
19 **2000?**

20 A. Yes. The proposed revisions seek to eliminate the "interim and subject to refund"
21 provision which currently exists with regard to the Company's intrastate
22 originating and terminating Carrier Common Line ("CCL") rates. This "interim
23 and subject to refund" provision was included when the Company filed revised
24 intrastate CCL rates to recover the revenue shortfall it expected to experience as a
25 result of termination of the Primary Toll Carrier ("PTC") Plan in June, 1999.
26

1 **Q. ACCORDING TO MR. OLIGSCHLAEGER, HAS THE COMPANY MET**
2 **THE CONDITIONS SET OUT BY THE COMMISSION TO JUSTIFY**
3 **APPROVAL OF THE PROPOSED ACCESS TARIFF REVISIONS?**

4 A. No. Staff states that the Company did not file sufficient information concerning
5 all relevant factors pertaining to its overall earnings levels as part of its tariff
6 filing. Staff further states that the information provided by the Company does not
7 provide a reasonable basis for the Commission to make a determination of
8 whether the Company's current earned rate of return is adequate or not.

9
10 **Q. BASED ON THIS DETERMINATION, DOES STAFF BELIEVE THAT**
11 **THE COMMISSION IS JUSTIFIED IN REJECTING THE ACCESS**
12 **TARIFF REVISIONS PROPOSED BY THE COMPANY?**

13 A. Yes. Staff believes that the Company's failure to meet the Commission's stated
14 condition of filing a general rate proceeding within eight to ten months after
15 implementing an "interim and subject to refund" revenue neutrality case has
16 caused the Company to be unable to prove its case for a permanent CCL tariff.

17
18 **Q. WHAT IS THE STAFF'S SUGGESTED COURSE OF ACTION FOR THE**
19 **COMMISSION TO TAKE IN THIS PROCEEDING?**

20 A. The Staff proposes that the Commission not act at this time to make the
21 Company's current "interim and subject to refund" CCL rates permanent until
22 additional information is available concerning the Company's earnings level. The
23 Staff will file with the Commission a report on the Company's current earnings
24 level on or before January 31, 2001. This report will be filed in conjunction with
25 an earnings complaint, stipulation, or some other notice which will contain

1 recommendations on disposition of the current interim CCL rates and a possible
2 refund of interim rate collections to customers.
3

4 **Q. DO YOU AGREE WITH THE STAFF'S SUGGESTED COURSE OF**
5 **ACTION IN THIS PROCEEDING?**

6 A. No.
7

8 **Q. WHAT IS YOUR RECOMMENDATION AS TO THE COURSE OF**
9 **ACTION FOR THE COMMISSION TO TAKE IN THIS PROCEEDING?**

10 A. Based on the Staff's finding that the Company was unable to prove its case, I
11 recommend that the Commission reject the proposed access tariff revisions. In
12 addition, the Commission should order the Company to file a general rate case
13 proceeding in which all relevant factors and the Company's entire rate design
14 package will be examined. The Company should rightly bear the burden of proof
15 to show that the "interim and subject to refund" CCL rate adjustments are
16 necessary, as well as to show that its existing total rate design package is
17 reasonable. If the Company is unable to prove in its general rate case that the
18 interim rates are necessary, it should be required to eliminate the interim rates,
19 refund any over-collections to its applicable access customers, and adjust its rate
20 design package (as necessary) on a going-forward basis.
21

22 **Q. SHOULD THE COMPANY BE REQUIRED TO FILE A GENERAL RATE**
23 **CASE IF THE STAFF (OR ANY OTHER PARTY) HAS ALREADY FILED**
24 **AN EXCESS EARNINGS COMPLAINT CASE AGAINST IT?**

25 A. No. The existence of an excess earnings complaint case against the Company
26 would eliminate the need for the Company to file a duplicative general rate case.

1 The existence of an excess earnings complaint case would also allow parties to
2 examine all relevant factors and the Company's entire rate design package; which
3 would include access, local, and vertical service rates. The disposition of such
4 excess earnings complaint would result in a determination by the Commission of
5 the proper amount of revenues to be collected by the Company, as well as the
6 appropriate rate design package to achieve such collection.

7
8 **Q. WHY DO YOU BELIEVE YOUR RECOMMENDATION IS**
9 **APPROPRIATE IN THIS PROCEEDING?**

10 A. In my opinion, the issue before the Commission is simply to either approve or
11 disapprove the Company proposed access tariff revision (to eliminate the "interim
12 and subject to refund" language for CCL service). Since, according to Staff, the
13 Company has not proven its case, I believe the Commission must disapprove the
14 proposed tariff filing. The Commission need not wait for any additional
15 information concerning the Company's earnings level. This information will be
16 presented by the Company in its general rate case filing, or will be provided by
17 Staff in its excess earnings complaint case, if warranted. The existence of a
18 general rate case or an excess earnings complaint case, as opposed to a simple
19 tariff filing, is the proper forum to address all relevant factors and the Company's
20 entire rate design package in implementing the PTC Plan termination. Moreover,
21 this rationale appears to be consistent with the Commission's directives in its
22 Report and Order in Case No. TO-99-254, et al.

23
24 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

25 A. Yes. AT&T recommends that the Commission reject the Company's proposed
26 access tariff filing to eliminate the "interim and subject to refund" language for

1 CCL service rates. In addition, the Commission should order the Company to file
2 a general rate case proceeding in which all relevant factors and the Company's
3 entire rate design package will be examined, unless an excess earnings complaint
4 has already been filed against it by Staff or any other party.
5

6 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

7 **A.** Yes, it does.

Arkansas

Docket No. 99-220-U; November, 1999

In the Matter of the Joint Application of GTE Southwest Incorporated, GTE Arkansas Incorporated and GTE Midwest Incorporated for Authority to Sell and for CenturyTel of Northwest Arkansas, LLC. And CenturyTel of Central Arkansas, LLC. To Acquire Certain Assets and for Relinquishment of Certain Rights Under Certificates of Public Convenience and Necessity

Docket No. 97-450-U; January, 1998

In the Matter of Objection to Arkansas Universal Service Funds Requests

Docket No. 97-386-U; January, 1998

In the Matter of a Motion to Vacate Order No. 7 of Docket No. 93-142-U

Docket No. 86-160-U; September, 1998

In the Matter of Those Elements of the Intrastate Access Charge Maintained at Parity with Interstate Access

Docket No. 90-105-U; December, 1992

In the Matter of a Generic Proceeding to Address the Establishment of a Community Calling Plan on an Interim Basis

Docket No. 86-166-TF/86-186-TF; January, 1987

In the Matter of Tariff Filing of Southwestern Bell Telephone Company

Kansas

Docket No. 00-GIMT-455-GIT; July, 2000

In the Matter of the Investigation into the Cost to Provide Local Service of the United Telephone Companies of Kansas d/b/a Sprint, as Required by K.S.A. 1998 Supp.66-2008(d)

Docket No. 00-GIMT-236-GIT; January, 2000

In the Matter of an Investigation to Determine the March 1, 2000 Assessment for the New Kansas Universal Service Fund Year

Docket No. 99-GIMT-784-GIT; August, 1999

In the Matter of a General Investigation into Issues Relating to Local Competition in the State of Kansas

Docket No. 98-GIMT-712-GIT; June, 1999

In the Matter of a General Investigation into IntraLATA Toll Dialing Parity Cost Recovery, PIC Change Charge and Other Issues

Docket No. 190,492-U (Phase II); June, 1996

In the Matter of a General Investigation into Competition within the Telecommunications Industry in the State of Kansas

Docket No. 190,383-U; November, 1995

In the Matter of a General Investigation into Access Charges

Docket No. 93-UTAT-426-TAR; November, 1993

In the Matter of United Telephone Association, Inc. Filing Access Service Tariff Table of Contents, Sheet 7; Section 4-SS7 Access Tariff, Original Sheets 1 through 18. (Introduction of SS7 Switched Access Service.)

Missouri

Case No. TT-2000-22; December, 1999

In the Matter of AT&T's Tariff Filing to Introduce an IntraLATA Overlay Plan, PSC Mo. No. 15

Case No. TO-99-254 et al.; April, 1999

In the Matter of an Investigation Concerning the Primary Toll Carrier Plan and IntraLATA Dialing Parity

Case No. TR-98-345; October, 1998

In the Matter of the Investigation into the Earnings of Lathrop Telephone Company

Case No. TC-98-350; September, 1998

In the Matter of the Investigation into the Earnings of Miller Telephone Company

Case No. TR-98-343; August, 1998

In the Matter of the Investigation by the Staff of the Missouri Public Service Commission into the Earnings of Mid-Missouri Telephone Company

Case No. TT-98-545; August, 1998

In the Matter of GTE Midwest Incorporated's Proposed Revision of its PSC Mo. No. 1 to Introduce LATA-Wide GTE Extended Reach Plan

Case No. TO-98-329; July, 1998

In the Matter of an Investigation into Various Issues Related to the Missouri Universal Service Fund

Case No. TT-98-351; April, 1998

In the Matter of Southwestern Bell Telephone Company's Tariff Revisions Designed to Introduce a LATA-Wide Extended Area Service (EAS) Called Local Plus, and a One-Way COS Plan

Case No. TO-98-216; April, 1998

The Investigation into the Over-earnings of Northeast Missouri Rural Telephone Company

Case No. TR-97-567; February, 1998

In Re the Investigation into the overearnings and modernization of Eastern Missouri Telephone Company, Missouri Telephone Company, and ALLTEL Missouri, Inc.

Case No. TO-97-217/220; August, 1997

In the Matter of an Investigation Concerning the Continuation or Modification of the Primary Toll Carrier Plan when IntraLATA Presubscription is Implemented in Missouri
In the Matter of the Request for Suspension and Modification of Federal Communications Commission Rules Regarding IntraLATA Dialing Parity

Case No. TT-96-398; December, 1996

In the Matter of GTE Midwest Incorporated's Tariff Revision Designed to Provide IntraLATA Equal Access Conversion in GTE End Offices

Case No. TT-96-268; May, 1996

In the Matter of Southwestern Bell Telephone Company's Tariffs Designed to Revise P.S.C. Mo.-No. 26, Long Distance Message Telecommunications Services, to Introduce Designated Number Optional Calling Plan

Case No. TR-96-123; January, 1996

In the Matter of Steelville Telephone Exchange, Inc.'s Tariff Revisions Designed to Increase Rates for Telephone Service Provided to Customers in the Missouri Service Area of the Company

Case No. TT-96-21; November, 1995

In the Matter of Southwestern Bell Telephone Company's Tariffs to Revise P.S.C. Mo.-No. 36, Optional Payment Plan (Volume and Term Discounts) for Switched Access Service

Case No. TR-95-342; September, 1995

In the Matter of Southwestern Bell Telephone Company's Tariff Sheets Designed to Restructure Local Transport Rates

Case No. TC-93-224/192; May, 1993

The Staff of the Missouri Public Service Commission, Complainant, V. Southwestern Bell Telephone Company, A Missouri Corporation, Respondent
In the Matter of Proposals to Establish an Alternative Regulation Plan for Southwestern Bell Telephone Company

Case No. TR-93-181; February, 1993

In the Matter of the Application of United Telephone Company of Missouri for Authority to File Tariffs Increasing Rates for Telephone Service to Customers in Missouri

Oklahoma

Cause No. 200000471; December, 2000

Application of AT&T Communications of the Southwest, Inc. for an Order Revising the Intrastate Access Tariff of Southwestern Bell Telephone Company in Parity with Interstate Access Tariff

Cause No. 980000580/604; November, 1998

Applicant: Southwestern Bell Telephone Company; Chouteau Telephone Company; Pine Telephone Company; Totah Telephone Company. Relief Sought: Approval of Compensation Agreements for Local Plus and Area Wide Calling Service

Applicant: Southwestern Bell Telephone Company and Salina-Spavinaw Telephone Company, Inc. Relief Sought: Approval of Compensation Agreement for Local Plus and Area Wide Calling Service

Cause No. 980000144; October, 1998

Application of Southwestern Bell Telephone Company for an Order Approving Proposed Revisions to Applicant's Access Service Tariff in Accordance with H.B. 1815

Cause No. 980000263; August, 1998

In the Matter of the Application of Atlas Telephone Company ET AL., for Approval of Tariffs

Cause No. 000254; September, 1988

In the Matter of the Application of Southwestern Bell Telephone Company for an Order Approving Proposed Additions and Changes in Applicant's Access Service Tariff and Wide Area Telecommunications Service Plan Tariff