

MO LEGAL DEPT.

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	FILE
Mr. Young	
Mr. Fischer	
Mr. Davis	
Mr. Haralson	
Mr. [unclear]	<input checked="" type="checkbox"/>
Mr. [unclear]	

Thomas J. Horn
Attorney



Southwestern Bell Telephone

Room 630
100 North Tucker Boulevard
St. Louis, Missouri 63101-1976
Phone (314) 247-3000

ORIC August 18, 1988

Mr. Harvey G. Hubbs
Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Dear Mr. Hubbs:

Re: Case No. TA-88-218

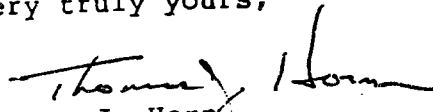
Enclosed please find an original and fourteen copies of the direct testimony of the following witness on behalf of Southwestern Bell Telephone Company in the case referenced above:

William C. Bailey

Please stamp "Filed" on the extra enclosed copy and return to me in the enclosed self-addressed, stamped envelope.

Thank you for bringing this filing to the attention of the Commission.

Very truly yours,


Thomas J. Horn

Enclosures

Exhibit No. 17
Date 9-20-88 Case No. TA-88-218 et al
Reporter Tweedy

FILED

AUG 19 1988

PUBLIC SERVICE COMMISSION

Exhibit No.:
Issue: Alternate Operator Service Providers
Witness: Bailey
Type of Exhibit: Direct Testimony
Sponsoring Party: Southwestern Bell Telephone
Company: Southwestern Bell Telephone
Case No.: TA-88-218 et al.

FILED

AUG 19 1988

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

In the Matter of the Application)
of American Operator Service, Inc.)
for a certificate of service)
authority to provide Intrastate)
Operator-Assisted Resold)
Telecommunications Services)
Case No. TA-88-218

In the Matter of Teleconnect Company)
for authority to file tariff sheets)
designed to establish Operator)
Services within its certificated)
service area in the State of Missouri.)
Case No. TR-88-282

In the Matter of Dial U.S. for)
authority to file tariff sheets)
designed to establish Operator)
Services within its certificated)
service area in the State of Missouri.)
Case No. TR-88-283

In the Matter of Dial U.S.A. for)
authority to file tariff sheets)
designed to establish Operator)
Services within its certificated)
service area in the State of Missouri.)
Case No. TR-88-284

In the Matter of International)
Telecharge, Inc. for authority to file)
tariff sheets designed to establish)
Operator Services within its)
certificated service area in the State)
of Missouri)
Case No. TR-89-6

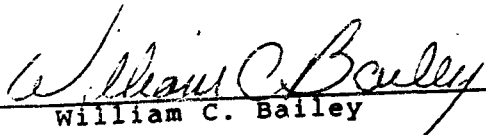
AFFIDAVIT OF WILLIAM C. BAILEY

William C. Bailey, of lawful age, being duly sworn, deposes and states:

1. My name is William C. Bailey. I am presently District Manager-Rate Administration for Southwestern Bell Telephone Company.

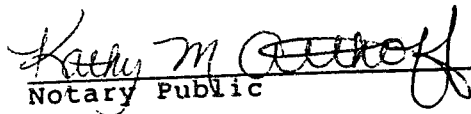
Page 2

2. Attached hereto and made a part hereof for all purposes is my direct testimony consisting of Pages 1 through 8 and a Schedule numbered and identified as (BAILEY) Schedule No. 1.
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.



William C. Bailey

Subscribed and sworn to me before this 18 day of August,
1988.



Notary Public

My commission expires: 7-6-92

KATHY M. ALTHOFF
NOTARY PUBLIC, STATE OF MISSOURI
MY COMMISSION EXPIRES 7/6/92
ST. LOUIS COUNTY

DIRECT TESTIMONY OF WILLIAM C. BAILEY

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. I am William C. Bailey. My business address is 100 North Tucker, St. Louis, Missouri.

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

A. I am employed by Southwestern Bell Telephone Company as District Manager-Rate Administration for the state of Missouri.

Q. HAVE YOU PREPARED AN EXHIBIT WHICH PROVIDES INFORMATION REGARDING YOUR EMPLOYMENT AND EDUCATIONAL BACKGROUND?

A. Yes, I have. That information is attached as (BAILEY) Schedule No. 1.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to discuss the environment of operator services in Missouri as it exists today, how it appears to be changing and propose alternatives the Commission may want to consider as it addresses this issue. In addition, my testimony will discuss the potential impact of those decisions on other Southwestern Bell-provided services, such as billing and collections.

Q. ARE ALTERNATE OPERATOR SERVICE (AOS) PROVIDERS OPERATING WITHIN MISSOURI?

A. Yes, there are a number of carriers operating within Missouri.

Q. WOULD YOU AGREE THAT COMPETITION EXISTS TODAY IN THE OPERATOR SERVICES MARKET?

A. There are many competitive forces present in the marketplace where owners of establishments such as hotels and private pay phone operators select from among carriers who will provide operator services at their locations. From the viewpoint of an end user customer at a hotel, for example, or a pay phone, since they may have no way of selecting a different operator services provider than the default provider, the benefits of these competitive forces may not be experienced. To my knowledge, many AOS providers do not permit end users a choice at the locations they serve.

Today, when an individual customer places an intraLATA 0+ or 0- call from a hotel or pay phone, they assume that they will be billed by the certificated local exchange carrier for that area. Based on the complaints that have been received from customers, some AOS providers are taking advantage of this perception by charging these customers a premium above the Commission approved rates and not informing customers that this is taking place until they are billed. These two factors, the absence of a choice of operator service providers at many establishments and pay phones and the abuse of

customer perceptions by some AOS providers, have raised questions concerning the issues in the Commission's Order of April 5, 1988:

1. Access to local emergency services for Applicant's end users;
2. Provision of notice to potential end users of the provider's name, rates and complaint procedures;
3. The procedure for billing end users including whether Applicant proposes to request the local exchange carrier to disconnect end users for nonpayment of AOS bills;
4. The proposed rates to be charged;
5. The manner of handling the end users' complaints; and
6. The quality of service the Applicant proposes to provide, such as the time necessary to process the end user's calls.

Q. WHAT ACTION SHOULD THE COMMISSION TAKE IN DEVELOPING A FRAMEWORK BY WHICH AOS WILL BE OFFERED IN MISSOURI?

- A. The Commission should allow certificated carriers to provide service pursuant to a tariff. The tariff requirement is the best method the Commission has to review the rates of these carriers and determine if their intrastate rates are reasonable. In addition, the Commission needs to consider

several alternatives regarding the way AOS providers are accessed and if changes are required to billing agreements between these carriers and local exchange companies.

Q. WHAT ALTERNATIVES EXIST REGARDING THE WAY AOS PROVIDERS ARE ACCESSED?

A. Typically, from a Southwestern Bell pay phone or over a Southwestern Bell local service line, if a customer dials 0 and an intraLATA telephone number, the call is routed to a Southwestern Bell operator. Dialed interLATA telephone numbers are routed to the presubscribed interLATA carrier if that carrier provides operator service. On 0- traffic, intraLATA calls are routed to a Southwestern Bell Telephone operator and interLATA calls are routed to AT&T for administrative reasons. Currently, AT&T is the presubscribed carrier from all Southwestern Bell pay telephones. If the customer wants to reach a carrier other than Southwestern Bell for intraLATA calls or their presubscribed carrier for interLATA calls, they can dial 10XXX to reach that carrier. In other words, the customer has a choice. It is my understanding that from many locations that use an AOS provider, the customer has no such choice. All 0+ and 0- traffic is routed to the AOS provider. This could, for example, cause serious safety problems when a customer dials 0 to reach emergency services such as the police or fire

department and finds that the AOS provider has no independent means of knowing which police or fire department to connect the customer to.

Q. IF THE COMMISSION REQUIRED THAT ALL 0- TRAFFIC BE ROUTED TO THE LOCAL TELEPHONE COMPANY, WOULDN'T THAT ELIMINATE THE EMERGENCY PROBLEM THAT YOU JUST DESCRIBED?

A. Yes, however, that would put the local telephone company at a competitive disadvantage because 0- calls cost more to handle than 0+ calls and in the case of emergency calls there is no revenue associated with that service. This has never troubled Southwestern Bell because it is, and will continue to be, a necessary and appropriate public service. It would be more appropriate, if the Commission allows AOS providers in this market, to require that all providers of operator service provide both 0+ and 0- calling and make provisions to properly handle emergency calls. Therefore, everyone is treated equally and more important the consumer is expeditiously served.

Q. IS THIS CURRENT POSITION CONSISTENT WITH THE POSITION YOU STATED IN YOUR RESPONSE TO THE NARUC QUESTIONNAIRE?

A. No, it is not. In that response we stated that it would be appropriate to require that all 0- traffic be directed to the local exchange telephone company. Our answer was based on our

desire that all customers receive adequate service in an emergency. We are still concerned about the ability of customers to reach emergency services; however, we now believe that if the Commission authorizes AOS providers in this market, all customers will best be served by requiring that all operator service providers make provisions for adequate emergency service connections.

Q. WHAT IS YOUR RECOMMENDATION REGARDING THE WAY CUSTOMERS ARE CONNECTED TO AOS PROVIDERS?

A. My first choice recommendation would be that the Commission require that all 0+ and 0- intraLATA traffic be routed to the local exchange telephone company and that access to AOS providers be allowed by dialing 00+ or 00-. My second choice recommendation would be that the Commission allow customers to access AOS providers by pushing the 0 button but also require that operator service providers inform the customer who is providing the operator service. If, after notification, the customer decides not to use that carrier, the customer should not be billed. Without this requirement customers will not have the opportunity to exercise a choice. If the consumer expresses a choice other than that carrier, the AOS provider should be in a position to honor it in an equitable manner.

Q. DOES YOUR COMPANY CURRENTLY PROVIDE BILLING SERVICES FOR AOS PROVIDERS?

A. Yes, we do.

Q. ARE ALL OF THE COMPANIES FOR WHICH YOU BILL INTRASTATE COMMUNICATIONS CERTIFICATED IN MISSOURI?

A. Our current policy is to sign contracts only with carriers who are certificated; however, before this policy was put into effect, we signed contracts with uncertificated carriers. There are approximately 11 carriers for which we are performing intrastate billing service who do not hold a certificate in Missouri. We have contacted these carriers in an effort to have them request certificates. We will keep the Commission informed as to the progress of this effort.

Q. DO YOU BELIEVE THAT IT IS APPROPRIATE FOR YOUR COMPANY TO DENY SERVICE FOR NONPAYMENT OF CHARGES OF AN AOS PROVIDER?

A. I believe that the Commission should regulate the rates of AOS providers through the tariff process. If the Commission approves intrastate rates, then it is appropriate that the local exchange companies bill the tariffed rates for those companies and deny service for nonpayment. It is not appropriate, however, to bill the surcharges imposed by hotels, coin phone owners or others.

Q. WOULD YOU PLEASE EXPAND ON YOUR LAST POSITION?

A. Yes. In some circumstances when we bill for a carrier, the carrier provides the billing information including the charges. It would be difficult, if not impossible, for the local exchange company to verify that the charges are the appropriate tariffed rates. It is possible that the carrier might be including charges other than the tariffed rates in billing information. For example, if a customer were to place a five-minute call from a hotel and the tariffed rate for that call was \$.10 per minute, the carrier should instruct us to bill the customer \$.50. The carrier may, however, include in the information a surcharge for the hotel. Were that surcharge \$1.00, the carrier would tell us to bill the customer \$1.50 and we would be unaware that we are billing charges in excess of the tariffed rates.

I believe that this is inappropriate and the Commission should prohibit it. The customers bill should not reflect charges other than tariffed rates. To the extent the tariffed rate includes a surcharge, either explicitly or implicitly and the Commission has approved those charges, the LEC should be allowed to bill and collect the rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

SUMMARY OF EDUCATION AND WORK EXPERIENCE

EDUCATION BACKGROUND

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I completed a bachelor degree in business from St. Louis University in St. Louis, Missouri in 1982.

In addition, I have attended numerous Company-sponsored seminars on cost development, separations, economic analysis and rate development.

WORK EXPERIENCE

Q. PLEASE OUTLINE YOUR WORK EXPERIENCE.

A. I was employed by Southwestern Bell Telephone Company in December of 1967 in a nonmanagement position in the Plant department. After two years in that job, I was promoted and subsequently held various management positions in the Plant department until 1976 when I joined the Cost Studies organization at General Headquarters. In that department, I was responsible for the completion of cost studies and the development of cost methodologies for various products and services of Southwestern Bell. In late 1982, I was appointed to the position of District Staff Manager-Depreciation Studies and took part in the 1983 Three Way Meeting for the re-
scription of depreciation rates. In 1983, I assumed the responsibilities of District Staff Manager-Revenue Requirements and State Regulatory, where I coordinated support

Work Experience (Cont.)

for the state Regulatory organizations. In 1984, I joined the Access Services group at General Headquarters, where I was responsible for Access Service cost studies and rate levels in the interstate jurisdiction. In addition, I was responsible for rate and structure recommendations to the state Rate organizations for Access Services. On February 1, 1986, I assumed my current position.

CURRENT RESPONSIBILITIES

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES AS DISTRICT MANAGER-RATE ADMINISTRATION?

A. I am responsible for the preparation and subsequent administration of Switched and Special Access Services, Private Line Services, Toll, WATS, Operator Assistance, and Billing and Collection tariffs.

WITNESS APPEARANCES

Q. HAVE YOU PREVIOUSLY APPEARED AS A WITNESS BEFORE A REGULATORY BODY?

A. Yes, I testified before the State Corporation Commission in Kansas regarding cost support for terminal equipment services, and I testified before the Arkansas Public Service Commission regarding depreciation rates. In Missouri, I filed testimony in Docket TR-86-84 but did not appear because the case was settled. In addition, I have testified in Missouri in TO-87-42 and in TR-87-58.