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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 25, 1997
Jefferson City, Missouri
Volume V

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

REPORTED BY:

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Citizens Telephone Company of Higginsville,
6 Missouri, Inc.
Craw-Kan Telephone Cooperative, Inc.
7 Ellington Telephone Company.
Farber Telephone Company.
8 Fidelity Telephone Company.
Goodman Telephone Company, Inc.
9 Granby Telephone Company.
Grand River Mutual Telephone Corporation.
10 Green Hills Telephone Corporation.
Holway Telephone Company.
11 KLM Telephone Company.
Kingdom Telephone Company.
12 Lathrop Telephone Company.
Le-Ru Telephone Company.
13 Mark Twain Rural Telephone Company.
McDonald County Telephone Company.
14 Miller Telephone Company.
New Florence Telephone Company.
15 New London Telephone Company.
Orchard Farm Telephone Company.
16 Oregon Farmers Mutual Telephone Company.
Ozark Telephone Company.
17 Rock Port Telephone Company.
Seneca Telephone Company.
18 Steelville Telephone Exchange, Inc.
Stoutland Telephone Company.

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1 P R O C E E D I N G S

2 (Witness sworn.)

3 ALJ ROBERTS: On the record, please.

4 Good morning, ladies and gentlemen. We are
5 back on the record for TW-97-333, the third day of
6 hearings.

7 Ms. Meisenheimer is on the witness stand.
8 She has been sworn in.

9 Mr. Dandino, this is your witness. Would
10 you like to proceed?

11 MR. DANDINO: Thank you, your Honor.

12 BARBARA MEISENHEIMER testified as follows:

13 DIRECT EXAMINATION BY MR. DANDINO:

14 Q. Please state your name and position for the
15 record.

16 A. My name is Barbara Meisenheimer. I'm a
17 public utility economist with the Office of the Public
18 Counsel. Business address is 7800 -- or P.O.
19 Box 7800, Jeff City, Missouri, 65102.

20 Q. And are you the same Barbara Meisenheimer
21 that caused to be filed Meisenheimer direct testimony,
22 which has been marked Exhibit 9; Meisenheimer rebuttal
23 testimony, which has been marked Exhibit 10; and
24 Exhibit 1 to Meisenheimer rebuttal testimony, which
25 has been marked Exhibit 10-C?

1 A. Yes, I am.

2 Q. And do you have any corrections to those
3 exhibits --

4 A. No, I don't.

5 Q. -- or testimony? Are those exhibits true
6 and correct to the best of your information, knowledge
7 and belief?

8 A. Yes, they are.

9 Q. And if I asked you the same questions here
10 today, would your answers be the same?

11 A. Yes.

12 MR. DANDINO: Your Honor, at this point I
13 would like to offer Exhibits 9, 10 and 10-HC and
14 tender the witness for cross-examination.

15 ALJ ROBERTS: Is there any objection to the
16 admission of 9, 10, 10-HC?

17 (No response.)

18 ALJ ROBERTS: Hearing none, those exhibits
19 will be admitted.

20 (EXHIBIT NOS. 9, 10 AND 10-HC WERE RECEIVED
21 INTO EVIDENCE.)

22 ALJ ROBERTS: I believe this witness first
23 goes to Small Telephone Group.

24 MR. ENGLAND: No questions.

25 ALJ ROBERTS: Mid-Missouri Group?

1 MR. JOHNSON: No questions.
2 ALJ ROBERTS: TCG?
3 MS. FORREST: No questions.
4 THE WITNESS: AT&T?
5 MR. DeFORD: No questions.
6 ALJ ROBERTS: MCI?
7 MR. CURTIS: No questions.
8 ALJ ROBERTS: GTE?
9 MR. SHANNON: No questions.
10 ALJ ROBERTS: And let me stop. I should
11 have done this earlier, for the record note that
12 Mr. Stroo was excused yesterday, and Mr. Shannon --
13 MR. SHANNON: That's correct.
14 ALJ ROBERTS: -- is sitting in for GTE.
15 Do you want to state your first name for the
16 court reporter?
17 MR. SHANNON: Gerald.
18 ALJ ROBERTS: Gerald Shannon?
19 MR. SHANNON: Yes.
20 ALJ ROBERTS: Thank you.
21 CompTel?
22 MR. ANGSTEAD: No questions, your Honor.
23 ALJ ROBERTS: Southwestern Bell?
24 MR. BUB: We just have a few, your Honor.
25 ALJ ROBERTS: Thank you.

1 CROSS-EXAMINATION BY MR. BUB:

2 Q. Ms. Meisenheimer, can I direct your
3 attention to Page 3 of your direct testimony? There
4 you talk about the 800 method of providing the return
5 calling feature for COS. Would you agree that this
6 proposal's impact on the supply of 800 and 888 numbers
7 is a valid concern?

8 A. I would say that it is -- that it is a
9 concern. I think that the Commission's willingness to
10 pursue obtaining 800 numbers is my primary concern.

11 Q. Okay. But you agree that the Commission
12 needs to take the -- that limited resource into
13 account in making its decision?

14 A. Yes, I do.

15 Q. On the next page, 4, at the top, Line 2, you
16 say, "even though COS is considered a premium
17 service." Do you see that reference in your
18 testimony?

19 A. Yes.

20 Q. You're basically quoting from prior
21 Commission orders, aren't you, when you talk about a
22 premium service?

23 A. Yes, I am.

24 Q. And you agree with that characterization?

25 A. In the context in TO-92-306, yes, I do.

1 Q. Okay. I'll move quickly to your rebuttal
2 testimony, Page 9. At Line 6 you talk about an
3 appropriate competitive neutral compensation
4 mechanism. Do you see that?

5 A. Yes.

6 Q. I take it you've read Office of the Public
7 Counsel's previous testimony in other dockets so you
8 know what the Office of the Public Counsel's position
9 has been previously with regard to COS; is that right?

10 A. Generally.

11 Q. Okay. You're aware that in its previous
12 testimony in Docket TO-92-306 it was Office of the
13 Public Counsel's position that no LEC should
14 financially profit in provisioning of COS at the
15 expense of another LEC? Are you aware that was Public
16 Counsel's position?

17 A. I would have to review that specific
18 reference.

19 Q. Okay. Would you agree that that's an
20 appropriate position for Public Counsel to take in
21 this docket, that no LEC should profit at the expense
22 of another LEC in providing COS, which is a service
23 that's supposed to meet a social need?

24 A. I would agree with that.

25 MR. BUB: Okay. Those are the only

1 questions I have.

2 Thank you, your Honor.

3 ALJ ROBERTS: United?

4 MS. GARDNER: Thank you.

5 CROSS-EXAMINATION BY MS. GARDNER:

6 Q. In your rebuttal testimony on Page 9,
7 Line 9, you say, "The Commission should designate COS
8 as a local service and require ILECs to continue to
9 offer two-way COS." Do you see that reference?

10 A. Yes.

11 Q. When you say "ILECs," is that the serving
12 LEC, the -- so it would be Mid-Missouri? It would
13 include --

14 A. The incumbent LEC.

15 Q. -- the secondary carriers? I'm sorry?

16 A. Yes.

17 MS. GARDNER: That's all I have.

18 ALJ ROBERTS: Staff?

19 MS. MCGOWAN: I don't believe Staff has any
20 questions for this witness.

21 ALJ ROBERTS: Redirect?

22 MR. DANDINO: No redirect, your Honor.

23 ALJ ROBERTS: You may step down. You -- if
24 you could be available, you may be recalled when the
25 Commissioners are available. Thank you very much.

1 Off the record.

2 (Witness sworn.)

3 ALJ ROBERTS: Back on the record.

4 We're back on the record, and Mr. Lovett has

5 taken the witness stand.

6 This is your witness, Mr. DeFord.

7 LARRY R. LOVETT testified as follows:

8 DIRECT EXAMINATION BY MR. DeFORD:

9 Q. Would you state your name and business

10 address for the record, please?

11 A. Larry Lovett, 101 West McCarty, Suite 216,

12 Jefferson City, Missouri, 65101.

13 Q. By whom are you employed and in what

14 capacity?

15 A. AT&T, state regulatory manager.

16 Q. Are you the same Larry R. Lovett that's

17 caused to be prepared and filed what has been marked

18 for identification in this docket as Exhibit 15,

19 direct testimony?

20 A. I am.

21 Q. And if I were to ask you the questions set

22 forth therein, would your answers be substantially the

23 same today?

24 A. Yes.

25 Q. Are those answers true and correct to the

1 best of your information and belief?

2 A. Yes.

3 MR. DeFORD: I'd offer Exhibit 15 and tender
4 the witness for cross-examination.

5 ALJ ROBERTS: Any objection to the admission
6 of Exhibit No. 15?

7 (No response.)

8 ALJ ROBERTS: Hearing none, it will be
9 admitted.

10 (EXHIBIT NO. 15 WAS RECEIVED INTO EVIDENCE.)

11 ALJ ROBERTS: The questions first go to
12 CompTel.

13 MR. ANGSTEAD: No questions, your Honor.

14 ALJ ROBERTS: MCI?

15 MR. CURTIS: No questions.

16 ALJ ROBERTS: GTE?

17 MR. STROO: No questions.

18 ALJ ROBERTS: TCG?

19 MS. FORREST: No questions.

20 ALJ ROBERTS: Southwestern Bell?

21 MR. BUB: We just have a couple, your Honor.

22 CROSS-EXAMINATION BY MR. BUB:

23 Q. Mr. Lovett, on Page 7 of your testimony at
24 the top --

25 A. Yes.

1 Q. -- you express a concern that a mandatory
2 flat rate would put interexchange carriers who must
3 pay access at a competitive disadvantage to carriers
4 that compute -- connect their own access?

5 A. Yes.

6 Q. If carriers offering this service were
7 required to resell it, wouldn't that eliminate your
8 concern here?

9 A. It helps. It doesn't eliminate it.

10 Q. If AT&T was permitted to resell the service,
11 it wouldn't have to pay any access charges, would it?

12 A. No.

13 Q. Okay.

14 A. That's true.

15 MR. BUB: Those are all of our questions.

16 Thank you, your Honor.

17 ALJ ROBERTS: United?

18 MS. GARDNER: No questions.

19 ALJ ROBERTS: Staff?

20 MS. MCGOWAN: No questions.

21 ALJ ROBERTS: Public Counsel?

22 MR. DANDINO: No questions, your Honor.

23 ALJ ROBERTS: Small Telephone Group?

24 MR. ENGLAND: No questions.

25 ALJ ROBERTS: Mid-Missouri Group.

1 MR. JOHNSON: No questions.

2 ALJ ROBERTS: Redirect, Mr. DeFord?

3 MR. DeFORD: Just one.

4 REDIRECT EXAMINATION BY MR. DeFORD:

5 Q. Mr. Lovett, would you explain why resale of
6 COS doesn't solve all of the problems associated with
7 access charges?

8 A. Well, in terms of access charges, in
9 general, you have imputation which -- which does
10 indeed solve a lot of the problems. You still have
11 the problem of the margin between resale -- excuse
12 me -- between the access charges and the imputed
13 access charges, so the person who's charging the
14 access charges and imputing them can go to a very
15 narrow margin and still make money since it is more or
16 less a paper thing.

17 When you resell, if you assume that you have
18 got credit, in effect, for all avoidable costs in
19 resale, then I guess you probably would be okay.

20 Now, if you resell without a discount that's
21 an avoidable cost discount, then, in fact, you still
22 have your cost in addition. Then there is other
23 problems associated with billing, for example, and
24 data collection and those sorts of problems. So you
25 have some expenses associated with it that -- that

1 doesn't make it as simple as it seems just to say that
2 if you have resell you're somehow going to make money.

3 MR. DeFORD: Thank you. That's all I have.

4 ALJ ROBERTS: Thank you, sir.

5 You may step down subject to recall.

6 Off the record, please.

7 (A discussion off the record.)

8 (Witness sworn.)

9 ALJ ROBERTS: Back on the record, please.

10 Debbie Bourneuf has been sworn and has taken
11 the witness stand. But before we start with this
12 witness, while we were off the record Mr. Curtis
13 brought to my attention that he wanted to raise an
14 issue on behalf of MCI.

15 MR. CURTIS: Thank you, your Honor.

16 Your Honor, previously we announced to the
17 Bench and the parties that Mr. Klaus would be
18 unavailable for these proceedings. His testimony has
19 been already marked as Exhibit 16, and I've inquired
20 of the parties as to whether they would have any or
21 would be willing to waive cross-examination of this
22 witness. The preliminary indications are that that
23 would be acceptable.

24 At any rate, at this time, with the Bench's
25 permission, I would ask for leave to admit Exhibit 16,

1 which is Randy Klaus's direct testimony on behalf of
2 MCI, and ask that it be received in that fashion.

3 The parties can indicate whether they would
4 be willing to waive cross-examination or have any
5 objection to its admission, I guess, at this time.

6 ALJ ROBERTS: Thank you.

7 Is there any objection to the admission of
8 the testimony of Mr. Klaus which -- did you say that's
9 16?

10 MR. CURTIS: I believe it's 16.

11 ALJ ROBERTS: Yes. -- which is Exhibit 16?
12 And let me do it this way: Will you waive
13 cross-examination on this witness, CompTel?

14 MR. ANGSTEAD: Yes, your Honor.

15 ALJ ROBERTS: MCI?

16 I'm sorry. We don't have that.

17 ALJ ROBERTS: GTE?

18 MR. STROO: Yes, sir.

19 ALJ ROBERTS: TCG?

20 MS. FORREST: Yes.

21 ALJ ROBERTS: SWBT?

22 MR. BUB: Yes, your Honor.

23 ALJ ROBERTS: United?

24 MS. GARDNER: Yes.

25 ALJ ROBERTS: Staff?

1 MS. MCGOWAN: Yes.
2 ALJ ROBERTS: Public Counsel?
3 MR. DANDINO: Yes.
4 ALJ ROBERTS: Small Telephone Group?
5 MR. ENGLAND: Yes.
6 ALJ ROBERTS: Mid-Missouri Group?
7 MR. JOHNSON: Yes.
8 ALJ ROBERTS: Who did I leave out?
9 AT&T?
10 MR. DeFORD: Yes.
11 ALJ ROBERTS: I'm working from the list from
12 your witness.
13 Exhibit 16 will be admitted.
14 (EXHIBIT NO. 16 WAS RECEIVED INTO EVIDENCE.)
15 ALJ ROBERTS: I will note for all of you, if
16 you noted that you are -- and we understand that
17 witnesses are unavailable, and especially when our
18 schedule gets to be a little bit beyond what we had
19 anticipated -- if you could let us know in advance,
20 that gives me an opportunity to poll the
21 Commissioners. There were some potential questions,
22 and I discussed it with the Commissioners yesterday,
23 and they believe that as long as his testimony was
24 admitted, that would address their questions. We may
25 send out something and ask him to respond to it.

1 But any time any of you know that a witness
2 is not available, if you will let me know in advance
3 or the ALJ to whom the case is assigned, that would
4 certainly be helpful.

5 Mr. Bub, your witness is on the witness
6 stand. Would either you or Mr. Lane like to proceed?

7 MR. BUB: Thank you, your Honor.

8 DEBBIE BOURNEUF testified as follows:

9 DIRECT EXAMINATION BY MR. BUB:

10 Q. Ms. Bourneuf, would you please state your
11 full name for the record?

12 A. Debbie J. Bourneuf.

13 Q. And by whom are you employed?

14 A. Southwestern Bell Telephone Company.

15 Q. What do you do for Southwestern Bell?

16 A. I'm the area manager of rate administration.

17 Q. Are you the same Debbie Bourneuf that's
18 caused to be filed three pieces of testimony in this
19 case, the first being Exhibit 23, which is your direct
20 testimony?

21 A. Yes, I am.

22 Q. And the second is your rebuttal testimony,
23 which is Exhibit 24 and 24-HC?

24 A. Yes, I am.

25 Q. And your surrebuttal testimony that's been

1 marked as Exhibit 25?

2 A. Yes.

3 Q. Okay. Are there any changes or corrections
4 that you would like to make to your testimony at this
5 time?

6 A. Yes, there are several changes to my
7 rebuttal testimony and my surrebuttal testimony.

8 Q. Could you go through those, please, for us?

9 A. Certainly. Beginning with my rebuttal
10 testimony, which is Exhibit No. 24, on Page 15,
11 Line 12, in the middle of that line please delete the
12 word "weekly."

13 At the bottom of that page, please delete
14 Lines 18 through 21 in their entirety.

15 On the next page, Page 16, please delete
16 Lines 1 through 9 in their entirety.

17 Also in my rebuttal testimony on Page 62,
18 Line 20, the first word in that line should be the
19 word "these," t-h-e-s-e. Please delete the "S" at the
20 end of that word.

21 In my surrebuttal testimony, which is
22 Exhibit No. 25, on Page 15, Line 9, in front of the
23 No. 888, please insert "800/." At the end of that
24 line please delete the word "that."

25 At the beginning of Line 10 on that same

1 page, please delete the phrase "numbering plan area
2 left (NPA)" and replace it with the words "those
3 numbers."

4 On the same page, beginning in the middle of
5 Line 12, please delete the two sentences that go from
6 the middle of Line 12 down to the middle of Line 16.

7 On Page 17 of my surrebuttal testimony on
8 page -- I'm sorry -- on Line 6, please delete the
9 phrase "through their weekly allotment" at the end of
10 that line.

11 On Line 7, please replace the words "the
12 weekly" with "its," i-t-s.

13 On Lines 9 through 11 of that page, please
14 delete the sentence that begins on Line 9 and ends on
15 Line 11.

16 And beginning on Line 12 and proceeding to
17 Line 13, please delete the phrase "in the strongest
18 terms."

19 And that concludes the revisions to my
20 testimony.

21 Q. Okay. With those changes in mind, are the
22 answers that you've given in your direct, rebuttal and
23 surrebuttal true and correct?

24 A. Yes, they are.

25 Q. And if we were to ask you the same questions

1 contained in those pieces of testimony today, would
2 your answers be the same?

3 A. Yes, they would.

4 MR. BUB: Your Honor, at this time we'd like
5 to move for the admission of Exhibits 23, 24, 24-HC,
6 and 25 and to tender Miss Bourneuf for
7 cross-examination.

8 ALJ ROBERTS: Is there any objection to the
9 admission of those exhibits?

10 (No response.)

11 ALJ ROBERTS: Hearing none, 23, 24, 24-HC
12 and 25 will be admitted.

13 (EXHIBIT NOS. 23, 24, 24-HC and 25 WERE
14 RECEIVED INTO EVIDENCE.)

15 ALJ ROBERTS: I believe this witness first
16 goes to the Staff.

17 MS. MCGOWAN: Staff does not have any
18 questions of this witness.

19 ALJ ROBERTS: United?

20 MS. GARDNER: Well, I didn't, but now I do.
21 CROSS-EXAMINATION BY MS. GARDNER:

22 Q. Is there no longer a problem with allotment?
23 What happened that caused you to strike all of this
24 testimony?

25 A. That's a good question, and thank you for

1 asking.

2 There is still a problem with an allotment,
3 and if I can explain the reasons for those particular
4 revisions to my testimony.

5 I learned on Friday, last Friday, before
6 this hearing began that the FCC's allotment procedure
7 has changed since the filing of my direct testimony.
8 It's not that there isn't an allotment procedure.
9 It's that the number that's being allotted and the
10 actual process is different than it was when I filed
11 my direct.

12 At the time that I filed my direct,
13 telecommunications carriers had a weekly allotment.
14 You could get so many 888 numbers in a given week.
15 That was the allotment process, so it was relatively
16 easy for me in my testimony to look at the number of
17 888 numbers that would be required under COS and
18 divide by that weekly allotment, at least for
19 Southwestern Bell and its SCs.

20 The process has changed so that now rather
21 than being a weekly allotment of a given number of 888
22 numbers that a telecommunications provider can obtain,
23 it's an ongoing limit of the number of reserve 800 and
24 888 numbers that a telecommunications carrier can have
25 at any point in time. And rather than controlling the

1 number you ask for in a given week, they appear to be
2 trying to expedite the churn so that there is less
3 opportunity for companies to hoard numbers.

4 So I can't really look at that cap on the
5 number of reserved numbers as I could before and make
6 a simple arithmetic calculation to determine exactly
7 what impact that new allotment procedure would have on
8 the implementation time frames.

9 I know that it would be more than, for
10 example, a day, because that daily cap on the number
11 of reserve numbers is greater than the number of COS
12 subscribers. But how fast you process those reserve
13 numbers really dictates how long it would take to
14 implement this alternative, and I don't know that
15 answer. So I can no longer state with certainty it
16 would be six months to a year or what it would be.

17 Q. So there is still a limitation?

18 A. Correct.

19 Q. And is that by company or is that
20 nationwide, then, per day?

21 A. The limitation for all telecommunications
22 carriers is that you cannot have more than 2,000 or
23 8 percent of your in service 800/888 numbers at any
24 time in reserved status, the greater of whatever those
25 two numbers are.

1 So if you were a new -- brand-new LSP, or
2 something like that, that was offering an 800/888
3 service, your limit would be 2,000 because you have
4 zero in service. But for a company such as
5 Southwestern Bell or AT&T that currently provides
6 800/888 services, if 8 percent of Southwestern Bell's
7 in service in its five states exceeded 2,000, then my
8 limit on the number of reserved I can -- the number of
9 800 and 888 numbers I can have on reserve status at
10 any time is 8 percent of my current in service, which
11 may be a number that's bigger than 2,000.

12 MS. GARDNER: That's all I have. Thanks.

13 ALJ ROBERTS: AT&T?

14 MR. DeFORD: I think just one.

15 CROSS-EXAMINATION BY MR. DeFORD:

16 Q. Miss Bourneuf, would it be fair to say that
17 this new allotment procedure would complicate the use
18 of an 800 or 888 call-back feature?

19 A. No, not the technical provisioning. What I
20 think it would complicate is the determin-- I'm
21 sorry -- the determination of how long it will take to
22 implement the procedure. And it could be shorter than
23 I previously thought and it could be longer. It's
24 just not going to be as easy to figure out.

25 MR. DeFORD: Thank you.

1 That's all I have.

2 ALJ ROBERTS: MCI?

3 MR. CURTIS: No questions.

4 ALJ ROBERTS: TCG?

5 MS. FORREST: No questions.

6 ALJ ROBERTS: CompTel?

7 MR. ANGSTEAD: No questions, your Honor.

8 ALJ ROBERTS: GTE?

9 MR. STROO: No questions.

10 ALJ ROBERTS: Public Counsel?

11 MR. DANDINO: No questions, your Honor.

12 ALJ ROBERTS: Small Telephone Company Group?

13 MR. ENGLAND: Oh, yes.

14 CROSS-EXAMINATION BY MR. ENGLAND:

15 Q. Good morning, Miss Bourneuf.

16 A. Good morning.

17 Q. Bear with me, if you will, please. I've got

18 some things I'm going to ask you, but I'm going to

19 jump around. I'm going to try to let you know where

20 I'm going partially.

21 On Page 3 of your rebuttal testimony you

22 discuss some take rates, or what I call take rates,

23 there on Lines 11 through 17. And the actual percents

24 I understand are highly confidential, so I don't

25 really want to get into the actual amounts. My

1 questions have to do with how that was calculated.

2 A. Sure.

3 Q. You let me know, though, if I'm getting into
4 highly confidential information.

5 There, in general, you indicate certain
6 percents of your residence and business customers
7 making 7.75 hours or more of intraLATA toll calling?

8 A. That's correct.

9 Q. Okay. Now, am I correct in understanding
10 that those percents were calculated on the basis of
11 all Southwestern Bell customers, including those who
12 have MCA service and EAS service available to them?

13 A. That's correct.

14 Q. Okay. What would be the percent of
15 Southwestern Bell customers who do not have MCA or
16 EAS currently available to them?

17 A. I don't know.

18 Q. Did you hear Mr. Schoonmaker place that at
19 about 7 to 8 percent?

20 A. No, I did not.

21 Q. Okay. You have no reason to know one way or
22 the other whether that's correct or not then?

23 A. Well, I believe what Mr. Schoonmaker said
24 was that 88 percent of Southwestern Bell's customers
25 have MCA service and 27 percent of Southwestern Bell's

1 customers have EAS service, and that there is some
2 overlap between those two numbers. So, arguably, if
3 Mr. Schoonmaker's numbers are correct, and I don't
4 know that, but it's 12 percent, or something less than
5 that.

6 Q. Intuitively, does 12 or something less than
7 12 percent sound reasonable to you as a percent of
8 your customers who do not have MCA or EAS available to
9 them?

10 A. Yes.

11 Q. Okay. I want to ask you some questions
12 about your calculation now on Page 43 of your
13 rebuttal, having to do with the toll revenue loss
14 associated with the internet calling.

15 A. I'm there.

16 Q. I believe it's -- well, I'm really
17 interested in that \$5 million figure that appears on
18 Page -- or excuse me -- Page 43, Lines 12 and 13.

19 A. Correct.

20 Q. And if I can paraphrase your testimony,
21 essentially what you've calculated here is lost toll
22 revenue on those 13 COS internet telephone numbers
23 which you discuss earlier in your testimony, and I
24 believe what you've attempted to do is calculate what
25 toll revenue would have been had those lines been

1 charged MTS, message toll service, rates; is that
2 correct?

3 A. I'm saying that those minutes occurred.
4 This is not an estimate. This is an actual. This
5 service was used in a manner that it was not intended,
6 and that was in violation of our tariff. And the
7 value of those minutes at the price that Southwestern
8 Bell has tariffed for those minutes is \$5 million a
9 year.

10 Q. Well, I appreciate your remarks about
11 whether that was permitted or not permitted under your
12 tariff, but that wasn't my question, was it? I simply
13 asked about the calculation.

14 A. And I believe I explained the calculation.

15 Q. Okay. And you said it was not estimated.
16 It was based on actual minutes. Right?

17 A. That's correct.

18 Q. And actual rates?

19 A. That's correct.

20 Q. And the rate you use, at least the rate that
21 you've submitted to us in response to a data request,
22 was exactly 16 cents a minute, was it not?

23 A. As I just indicated, I believe I said that
24 we applied the price, our tariff price, for those
25 minutes that were actually used. That's correct.

1 Q. Am I correct that it was 16 cents a minute
2 or that it was something else?

3 A. You are correct in that it was 16 cents a
4 minute.

5 Q. All right. And 16 cents a minute is an
6 average, is it not?

7 A. That's correct.

8 Q. Because your toll rates vary depending on
9 length of call and time of day. Correct?

10 A. Length of call meaning length of call or
11 length of conversation?

12 Q. I meant distance and mileage.

13 A. Correct.

14 Q. Now, that 16 cents a minute is based on an
15 average of all of your toll rates, some of which span
16 a distance of 400 miles; is that correct?

17 A. Given the size of the LATAs in Missouri, I
18 don't know if a 400-mile call is physically possible,
19 but that is an average of all of our toll rates in
20 Missouri. That's correct.

21 Q. You're getting a little ahead of me, but my
22 question was, do you have a 400-mile band in your toll
23 rates?

24 A. We have a band that allows for a call as
25 long as 400 miles. I don't know that any of our LATAs

1 are up to 400 miles wide.

2 Q. But, nevertheless, that rate, whatever it
3 may be for that length of call, distance-wise, was
4 used for purposes of developing this 16-cent average,
5 was it not?

6 A. The number of minutes at those miles times
7 those rates was used to develop the average. And I
8 don't mean to get into semantics with you, but if
9 there are zero calls at 400 miles, then it would not
10 have gone into the average. If there were ten calls
11 at 300 miles, those minutes at that rate would have
12 gone into the average.

13 Q. Well, maybe I need to have you or have --
14 first have you explain to me your data request
15 response. But it appears to me that you applied the
16 16 minutes -- excuse me -- the 16 cents to the total
17 minutes that were --

18 A. The total minutes to these 13 internet --

19 Q. Yes.

20 A. That's correct.

21 Q. I thought you just told me, though, that you
22 applied it to whatever minutes may have gone -- excuse
23 me -- may have traversed a route that was that long?

24 A. And I apologize if I'm misunderstanding your
25 question, but I believe your questions at the time

1 were going to how the 16-cent-per-minute was derived
2 and whether or not the rate for a 400-mile call was
3 included in that 16-minute average, so I thought that
4 was your question. I may have misunderstood, and I
5 apologize.

6 Q. Then let's get back to the calculation of
7 16 cents because I thought it was a simple average.
8 Are you telling me it's a weighted average?

9 A. It's weighted by the number of minutes that
10 actually -- for Southwestern Bell's customers as
11 indicated in my data request response. It's based on
12 data from January through April of 1997, the number of
13 minutes that actually occurred for Southwestern Bell
14 times the number of what rate they were actually
15 charged.

16 Q. Let me get at it this way then: Did you
17 look at these routes, determine what mileage band or
18 bands they were in and apply that rate to that route?

19 A. No, I did not.

20 Q. Okay. And let me get to my broader
21 question: Your calculation assumes that these calls
22 would have been made over your MTS network in lieu of
23 using the return COS feature?

24 A. No. The calls were made over my MTS
25 network.

1 Q. If the customer knew that that call was
2 going to be charged a toll rate as opposed to being
3 toll-free via the return COS feature, you're assuming
4 it would have made that call and paid you that money
5 to calculate this lost toll, are you not?

6 A. And, again, I hope we're not getting into an
7 argument of semantics, but let me clarify what I meant
8 by that.

9 And I'll go back to my original answer. It
10 was the minutes that were actually made over my MTS
11 network times the value of those minutes to my company
12 as reflected in my tariffs, so to me that's kind of
13 like saying if I had a shoe store and somebody walked
14 into my store and put on a pair of my shoes and walked
15 out and used them for two years and then came back,
16 and I said, "The price of those shoes was \$30. I
17 should have gotten \$30," and they say to me, "If I'd
18 known you were going to charge me \$30, I would have
19 never taken them," to me that doesn't mean the value
20 of the price of those shoes is zero.

21 Q. Okay. Then what you're saying is that was
22 the value of those calls. That wasn't necessarily
23 lost revenue that you experienced because you did not
24 have an understanding with the customer at the
25 beginning as to whether or not they were going to have

1 to pay for those shoes or not.

2 A. The customer didn't have an understanding
3 with me.

4 Q. Nevertheless, you're not saying that you're
5 out \$30 for a pair of shoes, or in this case --

6 A. Yes, I am.

7 Q. -- you're are not out 8 million -- so you
8 are saying that this is toll revenue that would
9 have -- or excuse me -- toll calls that would have
10 been made regardless of whether the COS return feature
11 was there?

12 A. Those are calls that would have been made.
13 I do not know at what price they would have been made
14 because there are other options available from
15 Southwestern Bell that somebody might have used to
16 create those calls. For example, if common line 800
17 service were used, that amount might have been
18 \$4.2 million.

19 Q. For example, if that customer had used your
20 designated number service, they would have paid you
21 \$15 a month, a flat rate?

22 A. That's correct.

23 Q. Okay. So would you agree with me that it's
24 not -- excuse me -- it's not entirely accurate to say,
25 and I don't know if you're saying that or not, but for

1 me to say that this is toll revenue you otherwise
2 would have had but for the return call feature of COS?

3 A. If another service were used instead of
4 those toll minutes -- which I don't know what would
5 have been used -- I know I've lost something, the
6 amount would have been lower, but I've lost revenue
7 nonetheless.

8 Q. Or the customer could have chosen not to
9 make the call at all and there would have been no
10 revenue?

11 A. Based on the Mid-Missouri Group's responses
12 to questions from attorneys yesterday, I don't think
13 that's a true statement. I believe they said that
14 they are not going to abandon their internet access
15 service customers, that they would have found an
16 alternative way to do it.

17 Q. That's not my question. I'm looking at it
18 from the customer's perspective.

19 Some customers may have chosen, regardless
20 of whether something else was available at some cost,
21 some customers still would have made the decision not
22 to make that call, would they -- wouldn't they?

23 A. No. I'm saying, no, they would not, based
24 on the responses I heard in this hearing room
25 yesterday that the Mid-Missouri Group indicated it

1 would have purchased an alternative service, but those
2 customers would have still had that toll-free internet
3 access. So to the customer, they don't know whether
4 this is necessarily a COS call or a call over
5 something else.

6 Q. Excuse me a second.

7 Let me get back to your calculation of the
8 16-cent average, if I can, please.

9 Would there have been any minutes from the
10 200-mile band?

11 A. Yes, there would.

12 Q. Because some COS routes span 200 miles?

13 A. You're speaking now about the calculation of
14 16-cent minute?

15 Q. Yes.

16 A. No. As I explained, that is an average MTS
17 rate per minute in our toll tariff multiplied by our
18 MTS calls, and we have 200-mile intraLATA MTS calls.

19 Q. Well, I guess I'm still confused on the
20 calculation of the average then. You didn't use the
21 actual calls that were made and the minutes over these
22 routes to calculate your average?

23 A. That's correct.

24 Q. Okay. So you would agree with me that
25 although rates from your 200-mile band may have been

1 used in calculating the average, there are no COS
2 routes, at least of these 13, that span 200 miles?

3 A. That's correct.

4 Q. None of them span 10 miles, do they?

5 A. That's correct.

6 Q. Would you agree with me that there are
7 probably more in 25- to 30-mile bands?

8 A. Certainly.

9 Q. And would you agree with me that the rates
10 per minute for the 20- or 30-mile bands are less than
11 the 16-cent average you've calculated?

12 A. That's correct.

13 Q. Okay.

14 A. That's correct.

15 Q. Okay. On Bob Schoonmaker's schedule Revised
16 RCS-2, he has the various COS routes and makes a
17 calculation for return calling, at least as a percent,
18 versus the petitioning to target exchange. Are you
19 familiar with that?

20 A. Could you repeat that?

21 Q. Yeah, and I'll try to do a better job of it.

22 In Bob Schoonmaker's revised schedule he
23 attempts to calculate a percent of return calling on
24 each COS route versus, if you will, the petitioning-
25 to-target-exchange calling.

1 A. And could you refresh my memory. Was that a
2 highly confidential schedule?

3 Q. It was with respect to each route.

4 A. Okay.

5 Q. And I don't want to get into -- and I'm
6 going to talk about some routes that you were involved
7 in.

8 A. And I'm just trying to recall how much of it
9 I have seen if it was a highly confidential schedule,
10 so . . .

11 Q. Well, we have some data requests about some
12 routes where Southwestern Bell serves as the
13 petitioning exchange --

14 A. Okay.

15 Q. -- COS routes, and we asked about certain
16 routes where return calling to that petitioning
17 exchange actually exceeded, in some instances by five
18 times, calling from the petitioning exchange to target
19 exchange. Do you recall those data requests?

20 A. Yes, I do.

21 Q. Okay. One of the questions we asked was if
22 you were aware of any internet service providers that
23 may subscribe to that COS service in your petitioning
24 exchange.

25 A. I remember those.

1 Q. Okay. And I believe your answer was no, you
2 were not aware of any ISPs in those petitioning
3 exchanges?

4 A. I don't have a copy of that DR response in
5 front of me, but we not only are not aware, but we
6 looked for them and didn't find any.

7 Q. I mean, I think that's consistent with what
8 I recall and I think your answer will show.

9 My next question was on the data request to
10 identify all facts and/or circumstances which you
11 might be aware which would explain why return calling
12 on these routes exceed calling from the petitioning to
13 target exchange.

14 A. And I responded to that data request.

15 Q. That's right. I think you were responsible.

16 And, again, paraphrasing your response, my
17 understanding was you were unaware of any facts or
18 circumstances which would explain that heavy return
19 calling; is that correct?

20 A. That's correct.

21 Q. What type of investigation did you do to
22 determine that you were aware of no facts or
23 circumstances, Ms. Bourneuf?

24 A. Well, we looked at our business COS
25 subscribers' names and didn't find any that were

1 internet service providers that we were aware of.

2 Frankly, unless -- and I hate to use the
3 word that they're hiding their real company name, but
4 if they are using a name with us to hide from us that
5 they are an internet service provider, but we viewed
6 our list of business U.S. subscribers' telephone names
7 and there were no internet service providers that we
8 were aware of on that list. So we can't say --
9 obviously, we are not aware of any internet service
10 providers, so we're not aware of any reason why the
11 target to petitioning would be greater than the
12 petitioning to target.

13 Q. Is that the extent of your investigation?
14 Was there anything else you did to try to determine
15 why that return calling was so -- so substantial on
16 those routes?

17 A. No.

18 Q. For example, you didn't call any of those
19 individuals to find out why that return calling may be
20 so high?

21 A. I would -- let me put it this way: I
22 wouldn't -- not having any reason to suspect a tariff
23 violation -- it's not a tariff violation for a COS
24 subscriber to receive more target to petitioning
25 minutes than to make petitioning to target, so I'm not

1 sure why I would harass them in that manner.

2 Q. But apparently you're not -- once you've
3 determined that their name, as I understand it,
4 doesn't connote to you an internet service provider or
5 that type of business, you're inquiry was at an end
6 and you weren't interested in why that return calling
7 might be so high?

8 A. I'm -- I'm interested in correcting any
9 tariff violations that occur, and if I have any reason
10 to believe that there is an internet service provider
11 in one of my exchanges using COS inappropriately, we
12 will contact them and -- and make the -- take the
13 appropriate measures to get them off of COS and onto a
14 more appropriate service. But without harassing them,
15 I have no reason to believe just because a customer
16 has more target to petitioning minutes than
17 petitioning to target that they need me to call them
18 and find out exactly what's going on here.

19 For example, without revealing any customer
20 proprietary network information type of highly
21 confidential information, I know that one COS
22 subscriber is a county government office. Now,
23 without calling them and harassing them about their
24 petitioning to target and target to petitioning type
25 of minutes, intuitively it wouldn't particularly

1 surprise me that they have a lot of inward calls.

2 Now, I don't know that that's a reason -- I
3 don't know that that's one of the customers that has a
4 lot of inward calls. I don't know that that's a
5 reason there would be a lot of target to petitioning
6 minutes. So in answer to your data request, I can't
7 say that I'm aware of a specific reason why that would
8 occur. But depending on the nature of the customer,
9 it doesn't particularly surprise me either.

10 Q. Well, first of all, your tariff doesn't just
11 prohibit internet service providers as you've
12 interpreted it. Right? You also prohibit general
13 forms of resale, general forms of sharing, general
14 forms of trunk hunting, things of that nature, so
15 there are other uses of COS that your tariff would
16 purport to prohibit?

17 A. That's correct.

18 Q. Okay. Now, you settle with the PTC serving
19 the target exchange on some of these routes which is
20 someone other than yourself. Right?

21 A. I'm sorry. Repeat that.

22 Q. Okay. That was awkward.

23 On some of these routes you do not serve the
24 target exchange. That's served by another PTC?

25 A. That's correct.

1 Q. Okay. And to the extent that there is heavy
2 return calling from that PTC's exchange back to your
3 exchange, you receive terminating access for that
4 because you charge on an actual basis, do you not?

5 A. I am certainly not an expert in intercompany
6 compensation. With the suggestion that you would want
7 to verify that for certain with Mr. Taylor, I -- I
8 believe that to be true.

9 Q. Okay. So to the extent there is terminating
10 calling and assuming for purposes of my argument -- or
11 for my question that you're getting paid for that on
12 an actual basis, it's not necessarily in your
13 financial best interest to inquire too deeply as to
14 what's causing that return calling to exceed the
15 petitioning calling, is it?

16 A. That is absolutely incorrect.

17 Q. Okay. Let me turn your attention to
18 something else, a favorite topic of some of the
19 witnesses, internet.

20 Is it your company's opinion that the
21 provision of internet services is a telecommunications
22 service?

23 A. The provision of the internet service
24 itself, no.

25 Q. Okay. Would you agree with me, then, that

1 an internet service provide, an ISP, does not require,
2 at least from this commission, a certificate of public
3 convenience and necessity or a certificate of service
4 authority?

5 A. Yes, I agree.

6 Q. Okay. You'd also agree, then, that they do
7 not have to file tariffs with this commission for
8 approval?

9 A. That's correct.

10 Q. Okay. Now, I understand that your company
11 has an affiliate, I believe it's called Southwestern
12 Bell Internet Services, that provides internet
13 services in the state of Missouri; is that correct?

14 A. That's correct.

15 Q. And in response to a data request -- I would
16 be happy to share that with you -- my understanding is
17 that it provides service in the, what I'll call, three
18 metropolitan areas: Kansas City, St. Louis and
19 Springfield. Is that correct?

20 A. That's what the data request indicates.
21 That's correct. It's Springfield as of June 1st of
22 this year.

23 Q. Okay. And as we've discussed, since
24 internet service is not regulated, if you will, by
25 this commission, your affiliate does not hold a

1 certificate, nor does it file tariffs with this
2 commission for purposes of offering that service; is
3 that correct?

4 A. I assume that's correct.

5 Q. Okay. In looking at the metropolitan
6 service area or metropolitan -- excuse me -- serving
7 area of your affiliate, for example, in St. Louis, I
8 note that your affiliate offers service in Wentzville,
9 Missouri. That's not an exchange that Southwestern
10 Bell serves as a local exchange company, is it?

11 A. No, it's not.

12 Q. It also provides service in Orchard Farm,
13 Missouri. Again, that's not a town or a community
14 that your local exchange company serves, is it?

15 A. That's correct.

16 Q. That's served by Orchard Farm Telephone
17 Company, if I'm correct?

18 A. That's correct.

19 Q. Okay. So it appears -- well, let's just
20 take Kansas City, for example, as well. It appears
21 that your internet affiliate provides service in
22 Lathrop, Missouri --

23 A. That's correct.

24 Q. -- served by Lathrop Telephone Company?

25 A. That's correct.

1 Q. And apparently it provides service down in
2 the exchanges -- some or all of the exchanges served
3 by the new Cass County Telephone Company, Peculiar and
4 Garden City, I believe.

5 A. I assume -- if you say they're served by
6 Cass County, I assume they are. I agree it says
7 Peculiar and Garden City on the DR.

8 Q. Drexel, East Lynne?

9 A. Yes.

10 Q. It serves Freeman served by MoKan Dial?

11 A. That's correct.

12 Q. Okay. Do you have any idea how they are
13 provisioning the internet to these communities?

14 A. It's my understanding that -- and I don't
15 know what type of service it is, but they have service
16 in the metropolitan exchange.

17 Q. Do you think they are using MCA to haul that
18 internet traffic to their modem pools and what have
19 you?

20 A. Well, as I indicated, they have service in
21 the metropolitan exchange, and I believe the way it's
22 commonly worded in the Commission orders and whatnot,
23 "MCA" service is mandatory in the metropolitan
24 exchange.

25 Q. On Page 9 of your rebuttal, Lines 11 through

1 15, you trace the flow of an internet call. Do you
2 see that?

3 A. Yes.

4 Q. And you trace it from the target exchange to
5 the internet service provider's modem, if you will, in
6 the petitioning exchange, and from there to anyone
7 anywhere in the world?

8 A. I see that.

9 Q. Okay. Is it your opinion that the
10 telecommunications path of this call terminates in the
11 petitioning exchange or someplace else?

12 A. Terminates in the petitioning exchange?

13 Q. Does the call go from the target exchange to
14 the petitioning exchange, or does it go from the
15 target exchange to someplace else?

16 A. It goes to someplace else. And as indicated
17 in Mr. Godfrey's testimony yesterday, the companies
18 involved in the rural area information network
19 apparently agree with that assessment as they are
20 buying interstate private line services to provision
21 the service as well, indicating that they also believe
22 the nature of these calls are interstate in nature.

23 MR. ENGLAND: Well, I think Mr. Godfrey's
24 testimony will stand for itself for what Mr. Godfrey's
25 testimony is.

1 I'd object to the witness's answer. It is
2 her characterization of what Mr. Godfrey believes.

3 MR. BUB: Your Honor, she is just reciting
4 what a witness stated yesterday, and that's on the
5 record. I agree with Mr. England. The record does
6 speak for itself, and I think the witness is entitled
7 to take into account what other witnesses, and
8 especially opposing witnesses, say under oath the
9 previous day.

10 ALJ ROBERTS: Her recitation of his answer
11 may not have been accurate, but it is her
12 understanding. It's overruled.

13 BY MR. ENGLAND:

14 Q. Let me get at it this way, if I can,
15 Ms. Bourneuf: Let's take an example. Let's say the
16 internet user in the target exchange accesses the
17 internet initially in the petitioning exchange, but
18 communicates with another internet user in Texas. I'm
19 assuming the internet user is here in Missouri. My
20 question is, is that, in your opinion, an interstate
21 call?

22 A. Yes, it is.

23 Q. Okay. I guess my first question is, then,
24 why is that not a telecommunications service and why
25 is that not regulated by the Missouri Public Service

1 Commission, and why does your affiliate not have a
2 certificate to do that?

3 MR. BUB: Your Honor, I object. Mr. England
4 is calling for the witness to reach a legal
5 conclusion, and so we object to the question.

6 MR. ENGLAND: I don't want a legal
7 conclusion. I just want her opinion on this.

8 ALJ ROBERTS: Overruled. She can state her
9 opinion on that.

10 THE WITNESS: The telecommunications
11 services -- the information services -- the internet
12 service provider are separate from the
13 telecommunications services that are used for the
14 end-to-end communication from Texas to Missouri.

15 And I agree that just the provision of the
16 information and the processing of the information is
17 not a telecommunications service, but
18 telecommunications services are used or otherwise the
19 communication couldn't occur. It's -- it's
20 inconceivable to me that one can argue
21 telecommunications services aren't involved because if
22 it didn't happen, nobody would communicate.

23 BY MR. ENGLAND:

24 Q. Well, let me turn it around then and let me
25 ask you this: What if that internet user located in

1 Peculiar, Missouri, accesses your affiliate and over
2 the internet communicates with a customer in Texas.
3 That, in your opinion, is an interstate call?

4 A. That's correct.

5 Q. Okay. And I guess my question is, how does
6 your affiliate -- or how is your affiliate able to
7 carry that call in light of the intraLATA restrictions
8 placed on it by the MFJ?

9 A. Well, in -- if you let me turn in my binder
10 to some notes, I'll take just a second here.

11 I'm sorry. I thought I had an FCC case
12 order cite here, and I do not.

13 The FCC has provided internet service
14 providers an exemption from using access services.
15 They are permitted to use local services in lieu of
16 switched access. And, frankly, Southwestern Bell may
17 not have agreed with that exemption, but it
18 nonetheless exists. Therefore, the internet service
19 providers -- not just Southwestern Bell's internet
20 affiliate, but any internet service provider may use
21 local services in lieu of switched access. That's an
22 FCC decision.

23 Q. But it's still your opinion that your --
24 under my last example, your affiliate is carrying an
25 interstate call from the Kansas City metro area down

1 to Texas over the internet?

2 A. It is my opinion that the end-to-end
3 communication is an interstate call, and I don't know
4 how much of it my internet affiliate is providing.

5 Q. Okay. Let me switch gears on you. We're
6 still with your rebuttal testimony though.

7 Page 29, your rebuttal, I believe, Lines 17
8 and 18, do you see that?

9 A. Yes, I do.

10 Q. You state, "COS was previously tariffed by
11 SWBT as a local service from the time of its inception
12 1990 until May 1993." Would you agree with me that
13 other companies that participated in the provision of
14 COS during that period of time did not tariff it as
15 local?

16 A. No company tariffed it as toll. Other
17 companies tariffed it as something other than local.

18 Q. Was there any company other than
19 Southwestern Bell that put it in their local tariff
20 that you know of?

21 A. I honestly don't know.

22 Q. Okay. Now, on Lines 18, 19 -- well, excuse
23 me. Let me back up a second.

24 The Commission never really made a
25 determination whether it was a local or toll service,

1 did they?

2 A. It's my understanding, and I believe the
3 Commission orders will probably speak for themselves,
4 but it's my understanding they made a determination it
5 is not a toll service and could not be tarified as a
6 toll service.

7 Q. But they really never got to the big issue
8 that we're all concerned about, and that is whether it
9 is local or whether it is toll. They chose to avoid
10 that issue at that time?

11 A. I don't know that that's what the language
12 of the order said, no.

13 Q. And that's not your understanding?

14 A. That's correct.

15 Q. Okay. Okay. Lines 18 and 19 you go on to
16 note that, "All of the services that were predecessors
17 of COS and which ultimately led to the development of
18 COS were local services."

19 A. Well, excluding the parenthetical just as
20 described in the history contained on Pages 3 to 8 of
21 Mr. Schoonmaker's direct testimony, that's correct.

22 Q. Okay. But you heard Mr. Schoonmaker's
23 testimony yesterday that EMS was not a local service,
24 it was a toll service, did you not?

25 A. I heard that. I don't believe it was

1 correct.

2 Q. Okay. Then you would disagree -- you are
3 familiar, excuse me, with the Commission's report and
4 order issued December 29, 1989 in Case No. TO-87-131,
5 are you not? You've cited it several times in your
6 testimony.

7 A. I have read it.

8 Q. You would disagree, then, with the
9 Commission's statement of Page 16 that "In its
10 decision issued in Case No. TO-86-8 the Commission
11 designated EMS as toll for purposes of settlements."
12 Is that right?

13 A. That's what this says. And I may be
14 mistaken. I didn't think EMS was in our toll tariff.
15 I could be wrong. This clearly says for purposes of
16 settlement. Perhaps that means it was in the toll
17 tariff as well. I thought it was in our local tariff,
18 but, frankly, I could be wrong because EMS was
19 eliminated prior to 1990, or whenever it was when I
20 got in this job.

21 Q. If I can, let's talk about the alphabet soup
22 of expanded calling plans that we either have had or
23 currently have.

24 A. Sure.

25 Q. If I understand, in the beginning, there was

1 EAS, was there not?

2 A. Yes.

3 Q. And that was classified as local, and still

4 is --

5 A. Correct.

6 Q. -- to the extent it exists, still exists?

7 Next -- and I'm just talking about

8 Commission-ordered to mandated services -- we had EMS?

9 A. Correct.

10 Q. And at least as far as the Commission is

11 concerned, it was toll?

12 A. The order indicates it was toll for purpose

13 of settlements.

14 Q. Okay. Then we have COS-1 which you chose to

15 tariff as a local service but no one else did, and the

16 Commission never really made a final determination on

17 that?

18 A. Well, it was certainly not toll, and the

19 Commission did make a determination on that.

20 Q. So what do we call that? Should we call

21 that -- somebody wanted to call it cabbage, I think,

22 years ago, but it was something in between.

23 A. I'm comfortable with the word "local."

24 Q. Well, I -- why does that not surprise me?

25 I'm not.

1 I'm going to leave that blank for a minute.

2 Let's go to COS-2 as a result of TO-92-306.

3 I know you're not happy with it, but that was
4 classified as toll, was it not?

5 A. That is correct.

6 Q. Then there was MCA, and still is.

7 A. Excuse me. If you're going to MCA, I think
8 you've left off some predecessors.

9 Q. As ordered by the Commission?

10 A. Yes. Local Metropolitan Service, Special
11 Optional Local Metropolitan Service, Optional Measured
12 Metropolitan Exchange Service and GTE's MOSP, which I
13 forget what that stands for.

14 Q. I guess I'm looking at the ones that were
15 required to be provided by the industry, not by maybe
16 an individual company.

17 A. Well --

18 Q. I mean, for example, my clients never
19 participated in those dockets for those services that
20 you just referenced, did they?

21 A. Well, they were certainly predecessors of
22 MCA and COS and were the basis for the genesis of
23 these subsequent services. So I understand your
24 clients may not have participated in them. I don't
25 think that makes them irrelevant to the Commission's

1 determination in this docket.

2 Q. Fair enough, but answer my questions. My
3 clients did not participate in them. The issue of
4 local versus toll was never really framed in those
5 services or the development of those services as it
6 has been in the statewide-type service, has it?

7 A. They were framed in the development of those
8 services for Southwestern Bell and for the carriers
9 that did participate in them, yes.

10 Q. But not in the context that we find
11 ourselves today, and that's an industry-wide debate
12 over local versus toll?

13 A. Yes, because they were a part of the genesis
14 for the industry-wide debate.

15 Q. Well, I guess I'm not going to get the
16 answer I want, so let me go on. And let me ask the
17 questions.

18 As far as MCA is concerned, local?

19 A. That's correct.

20 Q. Okay. OCA?

21 A. It's classified as toll.

22 Q. Okay. So we've got at least three items
23 that have been classified as toll, two that are local
24 and one that's a tweener; is that right?

25 A. Fair enough.

1 Q. So when your counsel gets up and talks
2 about, in opening statement, all of the predecessor
3 services have been classified as local, that's not
4 necessarily true, is it?

5 A. Depending on the question of the tariffing
6 of EMS in which I may have been mistaken, and that
7 would be my fault, I thought that was tariffed as
8 local. But with that exception, I believe their
9 comments were correct.

10 Q. I need to ask you some questions about this.
11 It's my defensive nature.

12 At Page 46 of your rebuttal, starting on
13 Line 11 and continuing essentially through the end of
14 that page to the very top of the next page, do you see
15 that?

16 A. Yes, I do.

17 Q. Do I understand you to criticize the Small
18 Telephone Company Group for exercising its right to
19 object to your data request?

20 A. Not for exercising its legal rights, no.

21 Q. Okay. Because there are times when you find
22 it necessary to object to other parties' data requests
23 as well?

24 A. Absolutely.

25 Q. Okay. Do I understand you to be critical of

1 the Small Telephone Company Group for taking 21 days
2 to respond to your data request, one day beyond the
3 time period allowed by the rules?

4 A. No, I didn't mind the one day. I minded the
5 two months.

6 Q. The two months, on which data was that?

7 A. On the original set of data requests
8 numbered one through three.

9 Q. Well, the original set was answered in a
10 timely fashion is my recollection. There were
11 revisions that we found and forwarded to you.
12 Correct?

13 A. Yes.

14 Q. And then there were further discussions
15 between you and Mr. Schoonmaker because you weren't
16 happy with the rates that he used for purposes of
17 calculating certain access revenues or access costs,
18 as I understand it?

19 A. I can't completely agree with that
20 characterization. The reason for the discussions with
21 Mr. Schoonmaker was because the Small Telephone
22 Company Group and the Mid-Missouri Group did not
23 provide the data requested in the data request.

24 Q. What didn't they provide? And I'm talking
25 about my clients now, the Small Telephone Company

1 Group.

2 A. And I'll be honest. It's going to be hard
3 for me to separate because, as you know,
4 Mr. Schoonmaker provided both sets of companies
5 together in Data Requests No. 1 through 3, but I'll
6 nonetheless attempt to answer it.

7 Q. Okay.

8 A. Specifically, the original request was for
9 the Small Telephone Company Group to provide to us --
10 or one of the original requests was for the Small
11 Telephone Company Group to provide to us a year's
12 worth of access payments, originating and terminating
13 access payments, by COS route.

14 Subsequent to our making that request, the
15 Small Telephone Company Group contacted us and
16 requested our cooperation in making a compromise, that
17 that was a burdensome data request, and they asked --
18 we didn't require, they asked -- that instead of
19 having to provide a full year of access payments, that
20 they would provide us one month, April of 1996, and we
21 agreed on the condition that if we had April 1996
22 access payments and annualized that, that nobody would
23 later debate in the hearing that that annualized April
24 1996 number was overstated, because we were only
25 agreeing to that number to accommodate your clients.

1 What we found when we got the original data
2 request response is that that was not what was
3 provided to us. What was provided to us was the April
4 1996 minutes times an access rate that would not have
5 applied in April of 1996, so the access payments that
6 we requested were not April 1996 access payments.

7 And -- and we didn't find that out because
8 the Small Telephone Company Group contacted us and
9 asked us to agree to yet a different response. We
10 found out by searching through the data requests and
11 finding it in a footnote. So we had to call the Small
12 Telephone Company Group, ask why the data originally
13 agreed to was not provided and request that the data
14 request response be revised to provide what was
15 requested.

16 Q. The debate here was whether or not to apply
17 the discount rate, the discount access rate, to those
18 minutes or the full intraLATA access rate to those
19 minutes; is that correct?

20 A. No, that is not the debate. The debate is
21 whether or not the data that we requested is the data
22 that was provided to us.

23 Q. Isn't what you wanted was to have those
24 minutes rated at the full intraLATA access rate?

25 A. No. As -- as --

1 Q. Well, then. I'm sorry.

2 A. Yeah. What we wanted was a year's worth of
3 access payments. That's what we asked for. That
4 would have been full access rates at minutes that were
5 rated at full access rates and discounted access rates
6 at minutes that were rated at discount access rates.
7 And when we talked to Mr. Schoonmaker to ask him why
8 we didn't receive what we had agreed to, what I
9 suggested to him was that he provide to us April times
10 a weighted average, what I'll call a hybrid access
11 rate, that accurately reflected the number of minutes
12 in a year that are charged at full access and the
13 number of minutes a year that are charged at
14 discounted access so we could get to what we wanted,
15 which was an actual -- actual appropriate annual
16 number reflective of what we really paid, not all of
17 the minutes at full access.

18 Q. Okay. Let me ask you this: The PTC plan
19 was implemented in 1988?

20 A. Correct.

21 Q. The NTS cap was instituted at that time for
22 secondary carriers?

23 A. If you could ask that question to
24 Mr. Taylor, I'm sure he could answer it for you.
25 Unfortunately, I cannot.

1 Q. Just assume it for purposes of my question,
2 please.

3 A. Sure.

4 Q. And essentially what that says is once we've
5 reached our 1988 level of minutes, anything above that
6 was going to be at the cap or the discount rate in
7 future years?

8 A. Could you repeat that?

9 Q. Sure. Once we reach the 19-- I guess they
10 weren't 1988, but they were the minutes used for
11 developing rates which may have been based on 1987,
12 1986 or something in between.

13 Once we reached that level of minutes, we
14 would no longer charge our full access rate. For
15 minutes above that level, that test year amount, we
16 would charge the discount level. Correct?

17 A. I don't know. If you could ask Mr. Taylor.
18 If you've got follow-up questions, I can accept it for
19 the purpose of continuing.

20 Q. I would appreciate that, if you would do
21 that, please.

22 My question is, or my point is that in 1990
23 when we first had COS, this additional calling or the
24 additional minutes created by COS would be above that
25 test year amount or into the discount level, would it

1 not, if you assume what I've said to you before is
2 correct?

3 A. I think it depends on an individual company
4 and what's happened since 1988. I think that is
5 possible --

6 Q. Okay.

7 A. -- for an individual company.

8 Q. Okay. Well, let me get back to the data
9 requests. So we provided the data requests in a
10 timely fashion. You didn't like the answer?

11 A. No. No. The data request response is the
12 final response. The numbers, if they keep changing --
13 I couldn't write my testimony, that was the problem,
14 because the numbers weren't final. They kept
15 changing.

16 We -- my testimony actually doesn't even
17 reflect the last revision which we got which was the
18 day this rebuttal testimony was filed, and I had
19 already put mine in overnight mail the day before.
20 And Mr. Schoonmaker made a call to Southwestern Bell
21 on May 23rd and submitted to us yet one more verbal
22 revision.

23 Q. Let me ask you this: I sent a set of data
24 requests to your company. It's called our third set
25 of data requests. I faxed it and I mailed it on

1 May 30th.

2 Included in that third set were certain
3 requests, I believe, directed to you, or at least
4 your rebuttal testimony, asking for certain studies or
5 work papers supporting calculations, for example, the
6 5 million that we've talked about earlier.

7 A. I recall those data requests.

8 Q. Okay. For whatever reasons, I was advised
9 by your counsel that my fax was not received on
10 May 30th, but my mail was on June 5th.

11 A. I was not aware of that.

12 Q. Okay. Well, you may not have seen the data
13 requests until sometime after June 5th, but it was
14 agreed that you would still try to get me the answers
15 by Thursday, June 19. That was last Thursday, one or
16 two working days before this hearing. And, in fact,
17 those answers were provided on the 19th of June,
18 including your studies and your work papers. Okay?

19 A. Okay.

20 Q. I mean, does that --

21 A. I know that's some data request responses
22 were provided to you on June 19th, yes.

23 Q. Well, let me ask you this: I guess --
24 and I'll assume for purposes of this question that
25 you didn't get my data requests until June 5th or

1 June 6th, or whatever. Why did it take approximately
2 14 days for you to provide us with a copy of your work
3 papers and studies that you used for purposes of
4 preparing your rebuttal testimony when that was filed,
5 I believe, May 23rd?

6 ALJ ROBERTS: Before you answer that,
7 Ms. Bourneuf, let me ask -- I don't know where any of
8 this is going. And I'm looking over the list of
9 questions that this docket addresses in terms of the
10 contested issues set out in the issues memorandum and
11 the issues set out by the Commission, and I'm trying
12 to see where all of this addresses any issue that
13 concerns --

14 MR. ENGLAND: I guess, as I said, it's my
15 overly defensive nature. And included in
16 Ms. Bourneuf's rebuttal testimony, I think, were some
17 derogatory remarks about our efforts to comply with
18 data requests. More -- and maybe I'm reading more
19 into this than I should, but not just our efforts to
20 comply, but our efforts to withhold information.

21 And I have would just like the record to
22 reflect, one, that we exercised a legal right to
23 object to certain data requests, which, in fact, they
24 did as well. And I found out that she has no problem
25 with that.

1 But, two, to the extent that she wasn't
2 happy with some of the data that we got and in the
3 manner that we got it to them, I would like to show
4 that there doesn't seem to be much excuse for them to
5 take 14 days to provide us with a copy of work papers
6 that existed prior to the time I sent the data
7 request.

8 MR. BUB: Your Honor --

9 MR. ENGLAND: I would just like -- I would
10 like an even balance in the record.

11 ALJ ROBERTS: Well --

12 MR. BUB: Your Honor, could I respond to a
13 couple of things?

14 ALJ ROBERTS: I don't think -- I would
15 rather you wouldn't, Mr. Bub, but I will let you if
16 you insist.

17 I mean, I -- I just don't think -- I mean,
18 if you want to file a motion to strike because
19 something wasn't timely filed or file an objection,
20 that's fine, but I -- you know, we're in overtime and
21 I'd rather get back to the issues of should one-way
22 reciprocal COS service replace two-way COS and the
23 real issues of what you're addressing.

24 And I'll state for the record I -- there
25 have been motions to compel to which I didn't get a

1 timely order out. This case hasn't moved as smoothly
2 as it should have. We've all been naughty. I'd like
3 to get back to the issues, if we may.

4 MR. ENGLAND: Fair enough.

5 ALJ ROBERTS: Thank you.

6 Mr. Bub, do you want to insist on
7 commenting?

8 MR. BUB: No, your Honor. I think it's
9 covered.

10 ALJ ROBERTS: Thank you.

11 MR. ENGLAND: That concludes my
12 cross-examination.

13 ALJ ROBERTS: I didn't mean to cut you off.

14 MR. ENGLAND: You didn't.

15 ALJ ROBERTS: Okay. Mid-Missouri Group.

16 MR. JOHNSON: Thank you.

17 CROSS-EXAMINATION BY MR. JOHNSON:

18 Q. Miss Bourneuf --

19 ALJ ROBERTS: And let me -- before you
20 start, Mr. Johnson, I'm probably going to either
21 interrupt you at 10:00 or if you think you have a lot
22 of questions and would like to be uninterrupted, we
23 can break now.

24 MR. JOHNSON: No, I don't have many
25 questions.

1 ALJ ROBERTS: Okay.

2 BY MR. JOHNSON:

3 Q. I want to refer you to the changes to your
4 testimony that you introduced this morning to reflect
5 the changes in the allotment procedure for 800 or 888
6 numbers?

7 A. Is there a particular page you're
8 referencing?

9 Q. No. No. This is just some general
10 questions.

11 A. Thank you.

12 Q. The change in the FCC procedure that you
13 referred to, is that a change that showed up in the
14 report and order?

15 A. I believe it was an April 11 report and
16 order. Are you looking for the docket number?

17 Q. Yeah, I was looking for the type, the date,
18 and the docket number.

19 A. Let me see if I've got that. Hold on a
20 second, please.

21 Unfortunately, I do not. It would have been
22 a good thing to have, and I apologize.

23 I know it was issued on -- released, I
24 suppose, is the correct word -- released on
25 April 11th, 1999 (sic). I know it was implemented by

1 the 800 database people on May 27th, 1997.

2 Q. Okay.

3 A. Did I say 1999?

4 Q. You did.

5 A. 1997. I apologize.

6 Q. The FCC action was issued April 11, 1997?

7 A. That's correct.

8 Q. And then you indicated that something
9 happened on May 22nd?

10 A. May 27th.

11 Q. Twenty-seventh.

12 A. Right.

13 Q. What happened on May 27th?

14 A. The national 800 database administrator --
15 apparently there were some questions about some of the
16 things that the FCC meant, and there were some
17 industry meetings that occurred between April 11th and
18 May 27th, and they didn't know how to implement the
19 order. And they got those clarifications and they
20 implemented the changes from the old allocation
21 procedure to the new allocation procedure on May 27th.

22 Q. Okay. And so you would have received your
23 information subsequent to May 27, 1997?

24 A. Unfortunately, I received it last Friday,
25 which I don't recall the date.

1 Q. Okay. I want to go back to your rebuttal
2 testimony at Page 29.

3 A. I'm there.

4 Q. As I understood some of your responses to
5 Mr. England's questions, you believe that MCA service
6 has several predecessors?

7 A. Yes, it does.

8 Q. Okay. And I understand that for
9 Southwestern Bell your wide area service plan in the
10 Central Tiers 1 and 2 in Springfield and Kansas City
11 was a predecessor; is that correct?

12 A. Where you were referring to Central 1 and 2,
13 I was referring to the local metropolitan service and
14 the special optional local metropolitan service that
15 was available in Tiers 3 and 4.

16 Q. Let me ask it this way: With respect to MCA
17 service in the optional tiers --

18 A. Okay.

19 Q. -- would you agree that that traffic that is
20 MCA traverses the same facilities as does toll or MTS
21 traffic?

22 A. Yes.

23 Q. And I guess you would agree that with
24 respect to OCA traffic, it traverses the same
25 facilities as are used to make PTC and MTS calls?

1 A. That's correct.

2 Q. And the same, of course, is true for COS?

3 A. That's correct.

4 Q. And that was true even when it was COS-1?

5 It still traveled the same facilities?

6 A. That's correct.

7 Q. And isn't it also true that those are the

8 same facilities that were used for just plain old toll

9 that existed back before -- let's go back between the

10 time EAS was rescinded and EMS was created. Would

11 those calls during that period of time have been MTS

12 calls?

13 A. For all of the predecessors, I'm not sure.

14 For example, for --

15 Q. I'm talking about optional MCA, OCA and COS.

16 A. Okay. So am I. For example, one of the

17 predecessors for MCA was local metropolitan and

18 special optional local metropolitan.

19 If your question is were those facilities

20 toll facilities, I don't know.

21 Q. I am sorry. It was a poor question. I

22 intended when I referred to optional MCA to avoid

23 the -- avoid including for purposes of my question

24 what existed in Southwestern Bell's downtown

25 exchanges.

1 A. As am I, so perhaps -- do I need to clarify
2 what I mean?

3 Q. Was WASP available in Freeman, Missouri?

4 A. In where?

5 Q. Freeman, MoKan Dial's exchange.

6 A. No.

7 Q. I was trying to limit my questions to those
8 areas where both small company exchanges as well as
9 PTC exchanges can be included in either MSA, OCA or
10 COS.

11 A. Thank you. Then the answer to your question
12 is yes.

13 Q. So during that window of time, those would
14 are been toll calls?

15 A. That's correct.

16 Q. So would you agree with me that one of the
17 predecessors, at least for purposes of that set of
18 calling services, one of the predecessors for those
19 services was, in fact, MTS itself?

20 A. That's correct.

21 Q. And I would assume you have no
22 disagreement that at the time MTS was tariffed as
23 a toll service?

24 A. That's correct?

25 MR. JOHNSON: That's all I have.

1 ALJ ROBERTS: Redirect, either Mr. Bub or
2 Mr. Lane?
3 MR. BUB: No, your Honor.
4 ALJ ROBERTS: None?
5 All right. You may step down subject to
6 recall by the Commissioners. I assume you will be
7 available until the end of the day.
8 This looks like a good opportunity for us to
9 take a break. I believe when we come back Mr. Taylor
10 will be the next witness. I believe we'll take about
11 a 15-minute break.
12 Off the record, please.
13 (A recess was taken.)
14 ALJ ROBERTS: Good morning, ladies and
15 gentlemen. We are back on after a morning break.
16 The Commissioners are available at this
17 time. We have recalled Witness Meisenheimer from the
18 Office of the Public Counsel so that the Commissioners
19 may address their questions to this witness.
20 You understand you are still under oath. I
21 appreciate your continuing to be available.
22 The questions first go to Vice Chair
23 Drainer.
24 BARBARA MEISENHEIMER, being recalled, testified as
25 follows:

1 QUESTIONS BY COMMISSIONER DRAINER:

2 Q. Good morning, Ms. Meisenheimer.

3 A. Good morning, Commissioner.

4 Q. Thank you for coming back up to the stand.

5 Let me ask you, on your direct testimony,
6 Page 3 at Lines 15 through 18 you discuss that having
7 to use 800 numbers would reduce economic value of the
8 COS service. Have you put any dollar amount on what
9 that reduction would be?

10 A. No, I have not.

11 Q. But would you talk to me a little bit about
12 that? Do you think we should keep two-way, and if we
13 have to use 800, that's what we should do. Correct?

14 A. I think what is best for customers is to
15 keep the two-way if at all possible.

16 Q. And if it has to be with 800?

17 A. If it has to be with 800, then with 800.

18 Q. And then -- okay. But then if we do that,
19 you think that's going to in some way reduce the
20 economic value to the customer?

21 A. I think that it will make the service harder
22 to use for some customers. For example, if my kids
23 were in school in another exchange where there was a
24 COS route between them, I think that now that they
25 would have to learn an 800 number to call home.

1 Q. How many residential access lines are there
2 in Missouri?

3 A. I can't give you an exact number. I know
4 that we're talking over -- we're talking in the
5 millions.

6 Q. And the Office of the Public Counsel
7 represents those residential customers?

8 A. That's correct.

9 Q. You've heard testimony in this case about
10 the number of access lines that are using COS?

11 A. Yes, I have.

12 Q. And that it's -- with residential it would
13 be less than a half of 1 percent?

14 A. I think that in some discussion
15 Mr. Schoonmaker pointed out that if you exclude
16 consideration of customers that are served by some
17 other service such as --

18 Q. No, I just said -- I'm not talking about the
19 other services, but COS compared to the toll access
20 lines in Missouri is less than one half a percent of
21 the access lines, residential access lines, that are
22 using --

23 A. That's my understanding.

24 Q. Okay. Is there any type of a means test
25 or a test for low income to establish that these

1 customers should have a discount for toll?

2 A. No, there is not.

3 Q. So when we talk about economic value and
4 economic cost of the service, we don't know if even
5 that one half of 1 percent -- we know nothing about
6 the economic strength of those customers as
7 individuals?

8 A. In -- in dollar terms, I would agree with
9 that. I think that there is a consideration of margin
10 and utility per dollar spent by the consumer which
11 includes other considerations besides strictly income
12 and price.

13 Q. Such as --

14 A. Such as consumer's -- amount of satisfaction
15 that they receive from a good.

16 Q. Because they get it for less dollars?

17 A. Because a consumer considers additional
18 things besides strictly their income. There's also
19 how do they perceive that good? Do they perceive it
20 to be what's considered a normal good or an inferior
21 good based on their tastes and their preferences as
22 well as income?

23 Q. Well, okay. That's just stating that if
24 I can have a flat rate service, I'm going to value
25 that more than I am a measured service that will

1 cost me more, and there is a lot of convenience, and
2 then we do a cost benefit and we talk about the
3 yootles (ph. sp.) we get, and so I understand that,
4 but we get yootles (ph. sp.) from every good we
5 consume.

6 A. Yeah.

7 Q. Okay. But then you've also heard
8 conversation about what I'll call the puts and takes
9 of the dollars between the secondary carriers and the
10 primary LEC carriers with respect to COS and that
11 there is an exchange of revenues and that for revenue-
12 neutrality purposes some primary toll carriers may
13 have actually had to increase some of the
14 discretionary service.

15 Does that concern the Office of the Public
16 Counsel that there are customers in -- a large number
17 of customers for primary toll carriers that are
18 subsidizing a service or a secondary carrier's
19 services?

20 A. I think -- I think that that does concern
21 us. However, we view COS as a service that is
22 beneficial to a group of people that don't have other
23 choices necessarily or not good substitutes for COS.

24 Q. But they have other choices or good
25 substitutes in the sense that there are other choices

1 that are as inexpensive?

2 A. That's true.

3 COMMISSIONER DRAINER: Okay. I have no
4 further questions. Thank you.

5 ALJ ROBERTS: Commissioner Crumpton?

6 COMMISSIONER CRUMPTON: Yes.

7 QUESTIONS BY COMMISSIONER CRUMPTON:

8 Q. Good morning.

9 A. Good morning.

10 Q. If the take rate is so low in the exchanges
11 where COS is offered, how do you suppose other
12 families' childrens (sic) are getting back home or
13 reaching home over the telephone?

14 A. I think that, first of all, if you don't
15 mind, I'd address the take rates.

16 Q. No. I asked you a question, and I would
17 like for you to address it.

18 You made a strong argument, I thought, that
19 one of the reasons we ought to keep this service is
20 because there are children who are away from home who
21 may want to call back, and I'm asking you how do you
22 think the other family's childrens are -- or children
23 are reaching home?

24 A. I think that maybe they are using a
25 traditional toll offering to do that --

1 Q. Okay.

2 A. -- or they may just not be reaching home
3 when they might otherwise.

4 COMMISSIONER CRUMPTON: Okay. I guess
5 that's all.

6 ALJ ROBERTS: Commissioner Murray?

7 QUESTIONS BY COMMISSIONER MURRAY:

8 Q. Good morning. I think you've been in the
9 hearing room for most of this proceeding, and, as I
10 recall, a couple of days ago Commissioner Drainer
11 asked one of the witnesses about if he felt that there
12 were benefits that he derived from living in a rural
13 community versus in a metropolitan community, and his
14 answer to that was yes, that there were benefits that
15 he derived from that.

16 My question in thinking about this issue is
17 do you think that because many people may choose to
18 live outside of a metropolitan area for the benefits
19 that they receive or the benefits they perceive they
20 receive by living in that area that those who do live
21 within the metropolitan areas should subsidize their
22 services so that they receive them for the same cost?

23 A. I might first say that I don't know that
24 everyone has the luxury of necessarily choosing where
25 they -- where they live within the state of Missouri.

1 I think that there are goods that are
2 necessary for people -- "essential" is the word that I
3 would really like to use. I think there are goods
4 that are essential for people, and that even though
5 that may be for a relatively small number of people in
6 Missouri relative to the entire population of
7 Missouri, that if this commission is able, then those
8 needs should be addressed, and that in many -- for
9 many types of goods, there are subsidizations.

10 Q. Well, let's take it a step further. If --
11 if you consider the fact that someone living outside a
12 metropolitan area would have to -- and working within
13 the metropolitan area would have to spend more money
14 on fuel getting back and forth to work or getting
15 their children back and forth to school, do you think
16 that the people within the metropolitan community
17 should subsidize their purchase of fuel so that they
18 can get back and forth to work at the same cost as the
19 people in the metropolitan area can? I mean,
20 transportation is a fairly essential service also.

21 A. I think that for goods that are necessary to
22 people that there are those types of cross-
23 subsidizations that happen regularly and that -- and
24 that markets -- markets can be kind of a cold, hard
25 place. They provide goods to those who are willing

1 and able to pay and that when markets fail to provide
2 the goods that people need that are essential to
3 people, then that -- then some type of cross
4 subsidization may be appropriate?

5 Q. But we're not actually talking here about
6 the markets failing to provide the services. The
7 services are available. And the subsidization as it
8 has been pointed out is not just for those who are of
9 low income, but it is for anyone within those calling
10 areas. And if we continue with COS in its current
11 form, we continue to subsidize all people within those
12 particular areas who choose that service regardless of
13 income.

14 Do you think that it should be changed in
15 any way to have some kind of -- kind of a means test
16 applied to it, or do you think it is appropriate to
17 continue to subsidize people at all income levels?

18 A. I think that the Commission needs to
19 consider whether the toll rates that are incurred by
20 individuals that live in rural areas are just,
21 reasonable and affordable to those consumers.

22 COMMISSIONER MURRAY: Thank you.

23 ALJ ROBERTS: Commissioner Lumpe?

24 COMMISSIONER LUMPE: Just one question
25 here.

1 QUESTIONS BY COMMISSIONER LUMPE:

2 Q. In sort of looking or listening to the
3 testimony and sort of following up on Commissioner
4 Drainer's first question about -- on Page 3, the
5 economic value, as I was looking at that, what crossed
6 my mind was more that it's perhaps a -- it was
7 established more as a social value to the buying
8 community rather than as an economic value, the issue
9 of convenience and certainty, that people sort of like
10 to know the exact bill they are going to pay every
11 month to calculate their costs, et cetera.

12 Do you have any comment on that? I saw it
13 as more of a social value as -- than as an economic
14 value.

15 A. I think in terms of the population as a
16 whole, you can think of it as a social value. I think
17 that for the individuals who take advantage of COS it
18 is a -- it can be looked at as an economic value to
19 them.

20 Q. Because of the -- of the cost or the price
21 that they are paying, so that they may be calculating
22 it more in terms of economics rather than the social
23 value of being able to connect to another community?

24 A. If the individual would internalize that.

25 COMMISSIONER LUMPE: Thank you.

1 ALJ ROBERTS: Commissioner Drainer?

2 COMMISSIONER DRAINER: I have a couple more
3 questions.

4 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

5 Q. Ms. Meisenheimer, were you involved in the
6 92-306 case for the Office of the Public Counsel?

7 A. No, I was not.

8 Q. Have you been involved with a primary toll
9 carrier case?

10 A. I have attended technical conferences and,
11 yes, I have.

12 Q. So you were involved in the putting together
13 the primary toll carrier plan?

14 A. No, not --

15 Q. But you've read that?

16 A. I have read that.

17 Q. You've read the primary toll carrier plan.

18 Okay. One of the issues that you bring up
19 in your sur-- or in your rebuttal testimony, and I
20 believe your attorney in his opening remarks, was that
21 to remove COS or to have prices increased for the
22 customers would not be consistent with the
23 Telecommunications Act of 1996 or Senate Bill 507.

24 Do you look just at the local charge in --
25 that local rates need to be kept at their current

1 levels or lower with competition?

2 A. I would say that the goal of the
3 Telecommunications Act is to -- is to allow
4 competition to produce lower prices and better
5 services for consumers.

6 Q. And isn't the access reform as part of the
7 FCC trilogy looking at, and doesn't House Bill 507
8 also look at, a rebalancing between local and toll?

9 A. Yes, it does.

10 Q. And so even if COS were to, say, become a
11 one-way service or no longer be a mandatory service
12 that with a rebalancing between local and toll there
13 will be other options? And we don't know what those
14 are yet. Correct?

15 A. That may be true, but I don't know what
16 those are.

17 Q. I think we heard one possible cell option
18 from Mr. Roberts yesterday, but there will -- although
19 we don't know what those are, competition, and if we
20 look at Adam Smith's invisible hand working in the
21 marketplace, those might bring forth options for
22 customers?

23 A. They might.

24 COMMISSIONER DRAINER: Thank you very much.

25 No other questions.

1 ALJ ROBERTS: Questions based upon these
2 questions from the Bench. It goes first to Small
3 Telephone Company Group.

4 MR. ENGLAND: Thank you, judge.

5 RECROSS-EXAMINATION BY ENGLAND:

6 Q. Ms. Meisenheimer, following up on some
7 questions, I believe, that were asked by Commissioners
8 Murray and Lumpe, is there value to the urban
9 customers for rural telephone customers to have
10 phones?

11 A. Certainly.

12 Q. Is there value to the urban customers for
13 rural subscribers to be able to conduct business, for
14 example, with urban subscribers?

15 A. Yes.

16 Q. And vice versa?

17 A. Yes.

18 Q. That's kind of the nature of universal
19 service, is it not?

20 A. I believe it is.

21 MR. ENGLAND: Thanks. No other questions.

22 ALJ ROBERTS: Mid-Missouri Group?

23 MR. JOHNSON: Thank you, your Honor.

24 RECROSS-EXAMINATION BY MR. JOHNSON:

25 Q. Ms. Meisenheimer, do you agree with the

1 other testimony in this case that COS is, in fact,
2 priced below its cost?

3 A. Yes, I do.

4 Q. What is Public Counsel's position on that?
5 Is that acceptable in this day and age?

6 A. I think that it is acceptable given that I
7 think there has to be a consideration of the degree to
8 which it is below its cost and that with competition
9 that there be a competitively neutral way to recover
10 those costs from somewhere.

11 Q. I want to ask you just a few questions about
12 this topic of subsidies. Would you agree that
13 typically this commission has approved local -- a
14 local rate structure for most companies in this state
15 where the business rate is approximately twice the
16 residential rate?

17 A. Yes.

18 Q. How long has that been in effect?

19 A. I don't know the date?

20 Q. Do you know whether or not the cost of
21 serving businesses is higher or lower than the cost of
22 serving residential people for local service?

23 A. For local service, I -- I can't -- I can't
24 tell you that.

25 Q. Okay. Do you agree that business has been

1 helping to subsidize residential local rates for
2 years?

3 A. I believe that that's a general consensus.

4 Q. And how long in your -- based on your
5 studies and your experience with the industry have --
6 have urban rates or urban revenues been used to
7 subsidize rural rates and rural revenues? How long
8 has that been going on?

9 A. I can't give you an exact date again, once
10 again, but I believe that that is -- that that has
11 been a longstanding occurrence.

12 MR. JOHNSON: Okay. Thank you.

13 That's all I have.

14 ALJ ROBERTS: TCG?

15 MS FORREST: No questions.

16 ALJ ROBERTS: AT&T?

17 MR. DeFORD: No questions.

18 ALJ ROBERTS: MCI?

19 MR. CURTIS: No questions.

20 ALJ ROBERTS: GTE?

21 MR. SHANNON: No questions.

22 ALJ ROBERTS: CompTel?

23 MR. ANGSTEAD: No questions, your Honor.

24 ALJ ROBERTS: Southwestern Bell?

25 MR. BUB: I just had a couple of follow-up

1 questions to some of the questions that Commissioner
2 Murray had asked.

3 RECROSS-EXAMINATION BY MR. BUB:

4 Q. Ms. Meisenheimer, Commissioner Murray had
5 talked to you a little bit about customers that choose
6 to live for their own personal reasons in rural
7 communities at opposed to living in the metro area,
8 and she had talked about those customers that live in
9 rural areas that commute to the metro areas to go to
10 work and that they, because they have a longer drive
11 to work, pay more in fuel costs than those that live
12 in the metro areas and work there, and she asked you
13 about whether it would be appropriate that citizens in
14 the metro area be required to subsidize the commute
15 for those that chose to live outside.

16 You don't think that type of a subsidy would
17 be appropriate, do you?

18 A. I think that if we're talking about the tax
19 on fuel, that --

20 Q. No, ma'am. Just the price that people pay
21 to get in to work. Gas, not taxes.

22 A. In that market, no, I don't think that would
23 be appropriate.

24 MR. BUB: Thank you.

25 ALJ ROBERTS: That it?

1 MR. BUB: Yes.

2 ALJ ROBERTS: Sorry.

3 Okay. United?

4 MS. GARDNER: No questions.

5 ALJ ROBERTS: Staff?

6 MS. MCGOWAN: Just a couple.

7 RECROSS-EXAMINATION BY MS. MCGOWAN:

8 Q. In response to a question from Commissioner
9 Drainer you stated that retention of two-way was best
10 for customers. Do you recall that statement?

11 A. It's best for the customers who use it.

12 Q. By "best for customers" then you mean the
13 one half of 1 percent of residential customers that
14 take COS and not the toll customers that are
15 potentially subsidizing that call; is that correct?

16 A. I think that many other customers besides
17 those who actually subscribe to COS benefit from it.

18 Q. Many?

19 A. Pardon?

20 Q. Many others?

21 A. Many. I think that Mr. Schoonmaker
22 referenced hundreds of thousands that live in metro
23 areas and may be able to return calls.

24 Q. To the one half of 1 percent that subscribe
25 to COS?

1 A. If you're talking about access lines, yes.

2 Q. Okay. In response to a question from
3 Commissioner Murray, you supported subsidization of
4 COS by comparing it to subsidization of other things
5 that are, in your term, essential?

6 A. Yes.

7 Q. Could you define "essential" for me?

8 A. I think that there is -- there is an ability
9 for the Commission to determine what are essential
10 services. That's -- that authority is given to them
11 by Senate Bill 507.

12 Q. Well, what I mean is -- you referred to
13 other things that are currently subsidized that you
14 said were essential services. Don't you think that
15 everyone is aware that, say, food is subsidized for
16 people of lower income?

17 I just want to know what's your definition
18 of "essential" since you made that comparison.

19 A. Essential, I would say that it involves
20 people being able to obtain necessary things to them,
21 including food, medicine, education, the things that
22 allow them to participate in society.

23 Q. Allow them -- so if they have another avenue
24 to obtain these things, then they would not be
25 essential?

1 A. I think that the characteristic of the good
2 makes it essential. How they obtain it, they may have
3 a choice in.

4 Q. So what you're saying, then, is basic
5 telecommunications service is essential, not that
6 necessarily COS is essential, and that would be for
7 the Commission to determine?

8 A. I certainly think it's for the Commission to
9 determine whether it's essential. But I would say
10 that for the consumers that are using it now, I think
11 there is a pretty good indication that -- that they
12 consider it to be essential.

13 Q. Again, I'm going to have to ask you to --
14 they consider it to be essential. It's essential that
15 they have a discounted calling plan regardless of
16 their income because they can subscribe to it based on
17 choice not on -- as Commissioner Murray was
18 referencing, on any type of economic criteria whereby
19 the people that are less advantaged financially could
20 subscribe to the service and make calls presumably at
21 a discount that they make a volume of calls?

22 A. Could you restate or repeat your question?
23 I'm sorry.

24 Q. I think I will just forget that one.

25 One other thing, in response to something

1 the commissioner stated, you said COS service is based
2 upon calling criteria that determined whether a
3 service is in a community of interest. Is that your
4 understanding of how the service is set up, determine
5 whether there is interest between communities in
6 making a significant number of calls to justify the
7 service?

8 A. That's my understanding.

9 Q. Wouldn't you say that a community of
10 interest is a social issue?

11 A. I would say that a community of interest
12 would be both a social issue and an individualized
13 issue.

14 Q. So COS has both its social aspects as well
15 as economic -- excuse me -- aspects in determining
16 whether it should be retained?

17 A. I think that's reasonable to say.

18 MS. MCGOWAN: No further questions.

19 ALJ ROBERTS: I believe there are more
20 questions from the Bench.

21 Vice Chair Drainer?

22 COMMISSIONER DRAINER: Yes.

23 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

24 Q. I want one clarification with respect to
25 Mr. Johnson's question to you on residential and

1 business charges, and he stated that the ratio of
2 business to residential was higher -- higher charges
3 for business. I do believe there are only seven of
4 the companies in the state who have a ratio of two or
5 more. But outside of that fact, he asked you if
6 business -- if you believed that business rates were
7 higher because they help subsidize residential, and
8 you stated that that was a general belief.

9 Is that your belief, that it is the business
10 customers who subsidize residential rates?

11 A. I believe that -- I've looked at some
12 traffic volumes, in particular, but that was involved
13 in a toll service offering. It wasn't involved in a
14 local traffic study.

15 Q. Uh-huh.

16 A. And so all that I -- all that I have to base
17 that on is a general belief that probably traffic --

18 Q. Is higher.

19 A. -- for -- it might be higher for business
20 customers, but I don't necessarily have reason to
21 believe that it's double.

22 Q. Well, let me ask this: When we talk about a
23 subsidy, aren't we usually talking about if -- if one
24 group for a service doesn't cover its cost that the
25 subsidy is what helps cover the cost? I mean, you

1 don't have to subsidize something that's covering its
2 cost. Correct?

3 A. I'd agree with that.

4 Q. So I guess my concern was -- it seemed
5 Mr. Johnson was asking you if business subsidized
6 residential -- that if you believed that, then you're
7 telling me that the Office of the Public Counsel
8 believes that residential rates don't cover their
9 cost?

10 A. And I appreciate you pointing that out for
11 me. That -- I was not trying to imply that --

12 Q. This isn't friendly cross. I just want to
13 understand.

14 A. I did not mean to imply that Public Counsel
15 believes that residential service does not cover its
16 cost.

17 Q. So would it be clearer to say that maybe
18 business has a higher contribution to the company than
19 residential possibly, but we don't know that, or do we
20 know that? I thought maybe you knew something I
21 didn't know.

22 A. I would say that that's a more accurate
23 statement.

24 COMMISSIONER DRAINER: Okay. Thank you very
25 much.

1 ALJ ROBERTS: Commissioner Crumpton?

2 COMMISSIONER CRUMPTON: Yes. After that
3 friendly cross, I am a little confused.

4 FURTHER QUESTIONS BY COMMISSIONER CRUMPTON:

5 Q. I need you to answer yes or no. Do you
6 believe business rates subsidize local service?

7 A. No.

8 Q. Okay. So when you responded to
9 Mr. Johnson's cross, you were not responding for
10 yourself, because I thought you said it was generally
11 thought that business rates subsidize local service.
12 Is that what you said?

13 A. I believe that really my confusion was more
14 with the use of the term "subsidize."

15 Q. Oh, okay. So do you answer no to his
16 question also?

17 A. Can you repeat your question?

18 MR. JOHNSON: I don't remember it.

19 BY COMMISSIONER CRUMPTON:

20 Q. Maybe it wasn't important. We'll just --
21 we'll just go ahead. I think you did answer my
22 question. You said no.

23 A. I could say that --

24 COMMISSIONER CRUMPTON: And so my question
25 was after his, and that means that your response to

1 mine supersedes his.

2 MR. JOHNSON: I don't agree with that.

3 COMMISSIONER CRUMPTON: After that friendly
4 cross, apparently there was a learning process.

5 And, Commissioner Drainer, I don't really
6 mean to imply it was friendly. I'm just trying to
7 change the --

8 COMMISSIONER DRAINER: That's quite all
9 right. I'm not done. I have more questions.

10 COMMISSIONER CRUMPTON: Oh, okay.

11 BY COMMISSIONER CRUMPTON:

12 Q. Now, my next question pertains to calls from
13 the target exchange to the petitioning exchange. Do
14 you know what percent of the calls from the target
15 exchange to the petitioning exchange are made by
16 internet users?

17 A. I do not know that. I was present when that
18 information was requested by the Commission.

19 Q. Okay. Did you read the testimony of
20 Mr. Taylor --

21 A. Yes, I did.

22 Q. -- and Ms. Bourneuf?

23 A. Yes, I did.

24 Q. Okay. Would your impression of this service
25 and its need by the mother who has children in school

1 that need to call home be tempered any if it was
2 discovered that the preponderance of the calls were
3 not made by families like that but were made by
4 internet providers?

5 A. I think that it's up to the Commission to
6 determine whether internet is appropriate over COS. I
7 believe that if the Commission determines that it is
8 appropriate that internet be provided over COS and
9 that if COS or if internet usage is making the
10 minutes -- the return minutes look extremely high,
11 that it would be appropriate maybe to charge a
12 different -- a higher rate?

13 Q. To the internet users?

14 A. Yeah.

15 Q. Okay.

16 A. I'm not sure whether I answered your
17 question yet.

18 Q. Well, I think you're leading me in the right
19 direction.

20 Is there a limit to the amount of subsidy
21 that Southwestern Bell Telephone Company customers,
22 and many of them are poor, should provide to COS
23 users? Yes or no?

24 A. Yes.

25 Q. Could you tell me what that limit is per

1 family?

2 A. I can't give you a dollar amount. I --
3 would you like for me to continue?

4 Q. Let's see. I asked you what the limit was.
5 If you continue, will you tell me what that limit is?

6 A. I won't give you a dollar amount.

7 Q. Well, then, maybe you should say I don't
8 know.

9 A. Okay. I don't know.

10 Q. Is that what you want to say?

11 A. Yeah.

12 COMMISSIONER CRUMPTON: I think that
13 finished my questions. Thank you.

14 ALJ ROBERTS: Commissioner Drainer?

15 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

16 Q. Do you think that the Office of the Public
17 Counsel believes that internet usage should be used in
18 conjunction with COS? Have you a position on that?

19 A. I think that we -- that we believe that it
20 is beneficial that rural communities can utilize
21 internet, and if COS makes that possible, then -- then
22 we generally support that.

23 Q. That should be an option.

24 Okay. Let's wrap up for me the business and
25 residential. Do you -- because you mentioned that you

1 had looked at some traffic studies, even outside of
2 toll, do you think that the average business line has
3 more usage per day than a residential line on average?

4 A. I would believe that to be true.

5 Q. So outside of the cost of what it takes to
6 drop a cable to a home or a business when we look
7 at -- from an economic point of view of other
8 cost/benefit-type analyses the benefit that a business
9 line has over residential, there might be other
10 reasons for a difference in ratio?

11 A. Certainly. A business probably intends to
12 generate revenue in some part through usage of that
13 line.

14 Q. Do you think a business has other methods of
15 recovering its cost of having telephone service that
16 is part of its connection to the business community
17 than a residential rate payer has if its rates change?

18 A. Yes, I do.

19 Q. And with respect to COS and the community of
20 interest and the need for COS, and what we do here,
21 often our discussions with calling a hospital or
22 calling your children or vice versa, do you think
23 businesses necessarily need a service to the same
24 degree and discount that your residential customer
25 does?

1 A. I'm going to have to ask you to elaborate a
2 little bit on "degree."

3 Q. You discussed that COS is at a discount that
4 allows a certain group of customers to make what you
5 called an essential service. Do you think that a
6 business customer needs it in the same way, or if they
7 had discount toll plans on an intraLATA basis, would
8 they have other avenues to pay for a discounted
9 service that a residential customer might not have if
10 we're looking from just the dollar point of view?

11 A. Yes.

12 COMMISSIONER DRAINER: Okay. Thank you.

13 I have no other questions.

14 ALJ ROBERTS: Additional questions from the
15 Small Telephone Group?

16 MR. ENGLAND: No, thank you.

17 ALJ ROBERTS: Mid-Mo?

18 MR. JOHNSON: No.

19 ALJ ROBERTS: TCG?

20 MS. FORREST: No.

21 ALJ ROBERTS: AT&T?

22 MR. DeFORD: No, thank you.

23 ALJ ROBERTS: MCI?

24 MR. CURTIS: None, your Honor.

25 ALJ ROBERTS: GTE?

1 MR. SHANNON: No.

2 ALJ ROBERTS: CompTel?

3 MR. ANGSTEAD: No, your Honor.

4 ALJ ROBERTS: Southwestern Bell?

5 MR. BUB: No, your Honor.

6 ALJ ROBERTS: United?

7 MS. GARDNER: No.

8 ALJ ROBERTS: Staff?

9 MS. MCGOWAN: No questions.

10 ALJ ROBERTS: Thank you very much.

11 MR. DANDINO: Your Honor, may I have an

12 opportunity to redirect?

13 ALJ ROBERTS: I'm sorry. Redirect,

14 Mr. Dandino?

15 MR. DANDINO: Thank you, your Honor.

16 REDIRECT EXAMINATION BY MR. DANDINO:

17 Q. Getting back to probably one of the last

18 considerations first, are you aware -- is it your

19 understanding that most rates, local rates, rates for

20 local service in the state of Missouri have been

21 residually set or set or established based -- well,

22 let's just put it this way: Many of the local rates

23 are residually established in the state of Missouri?

24 Is that your understanding?

25 A. That is my understanding, yes.

1 Q. And there hasn't been many rate cases from
2 the small telephone companies, and I'm -- by "small,"
3 I'm putting that other than Southwestern Bell, GTE and
4 United, in the last two or three years?

5 A. Not to my knowledge.

6 Q. And have you seen any evidence that local
7 service or -- whether residential or business, are
8 priced below cost?

9 A. No.

10 Q. Commissioner Drainer had asked about
11 income -- income tests or whether persons -- people
12 who are subscribed to COS should consider their
13 income. Is it your understanding -- has income of a
14 COS customer ever been a consideration for the
15 Commission in these services?

16 A. I would say that it has. I would say that
17 the Commission has -- has included a consideration of
18 the cost to a consumer which is constrained by their
19 income or the -- the cost in terms of in total what is
20 that consumer going to pay, which is constrained by
21 their income. I would say that's been incorporated.

22 Q. And in the setting of the price; is that
23 correct?

24 A. Yes.

25 Q. In terms of who can subscribe, there has

1 never been an income test?

2 A. That's correct.

3 Q. Okay. When you're speaking of a community
4 of interest, does that -- does that also include a --
5 a community of interest is determined not by income or
6 numbers of subscribers under the present Commission's
7 rules. How is it determined?

8 A. It's determined by measuring calling from
9 the originating exchange to the terminating exchange,
10 and it's six calls per month per access line and that
11 two-thirds of the customers make at least two calls
12 per month.

13 Q. Do you see a toll as being some type of
14 impediment or incurring toll charges being some type
15 of impediment for people to use the telephone system?

16 A. It might be for people on fixed incomes.

17 Q. And it is important if someone has to make a
18 toll call to call their -- their county assessor or
19 their county court clerk or the -- to get tax
20 information, that's going to create a burden or an
21 additional burden on the customer?

22 A. It certainly might.

23 Q. It's -- so there is somewhat of a
24 governmental interest in this community of interest;
25 is that correct?

1 A. You could say that.

2 Q. What would be the effect of a business if to
3 call the business customers in a -- in a nearby
4 community would have to incur a toll call? Would that
5 help or hinder that business?

6 A. It might hinder it.

7 Q. Commissioner Murray had asked you about
8 the -- about the possibility of the difference between
9 the people living in the rural areas and the urban
10 areas, the possibility of a subsidy between them.
11 Does the federal Telecommunications Act require some
12 type of equity between the -- the rural communities
13 and the urban communities?

14 A. Yes.

15 Q. And what do you understand that to be?

16 A. I understand that there should be comparable
17 rates for comparable services.

18 Q. And Senate Bill 507 provides a similar type
19 of an equitable principle?

20 A. I believe that it does. The term
21 "reasonably comparable" comes to mind.

22 Q. Do you as an economist tend to value 911
23 service by the number of people who use it?

24 A. By the number of people that use it, no.

25 Q. Does the society value 911 service by the

1 number of people that use it?

2 A. Not as a primary concern, no.

3 Q. The same with Lifeline? If not very many
4 used it, would it -- could it still have social,
5 economic and political value?

6 A. Certainly.

7 Q. And the same way with the Missouri Relay
8 System?

9 A. Yes.

10 Q. And if there's -- the Missouri Relay System,
11 do you know if there is any income qualification for a
12 person to take advantage of that program?

13 A. I'm not sure.

14 Q. Okay. And do you know if the 911 life --
15 well, Lifeline there certainly is, but for 911, there
16 is no income qualification for it?

17 A. No.

18 Q. Nor should there be?

19 A. No.

20 MR. DANDINO: That's all I have, your Honor.

21 ALJ ROBERTS: Thank you very much.

22 You may -- I'm sorry.

23 Commissioner Crumpton, do you have another
24 question?

25 COMMISSIONER CRUMPTON: Yes.

1 FURTHER QUESTIONS BY COMMISSIONER CRUMPTON:

2 Q. The telephone relay service, is it a hidden
3 subsidy?

4 A. A hidden subsidy as in you mean --

5 Q. Does it appear on the customer's bill?

6 A. There is a surcharge that's used to cover
7 relay, so --

8 Q. On the cus--

9 A. So then I guess in the manner you're
10 referring to it, it might be considered explicit.

11 Q. Was it mandated by the Legislature?

12 A. I believe that it was.

13 COMMISSIONER CRUMPTON: Thank you.

14 QUESTIONS BY ALJ ROBERTS:

15 Q. Speaking of essential services, is 911 an
16 essential service under, for example, the
17 Telecommunications Act?

18 A. It is -- it is under the federal Act. It's
19 included. And at the state level that will be for the
20 Commission to determine, but, I mean, that's something
21 that's been generally accepted in the proposed rule.

22 ALJ ROBERTS: One more time. Small
23 Telephone Group?

24 MR. ENGLAND: No, thank you.

25 ALJ ROBERTS: Mid-Missouri Group?

1 MR. JOHNSON: No.
2 ALJ ROBERTS: TCG?
3 MS. FORREST: No, thank you.
4 ALJ ROBERTS: AT&T.
5 MR. DeFORD: None.
6 ALJ ROBERTS: MCI?
7 MR. CURTIS: None. Thank you.
8 ALJ ROBERTS: GTE?
9 MR. SHANNON: None, your Honor.
10 ALJ ROBERTS: CompTel?
11 MR. ANGSTEAD: No, your Honor.
12 ALJ ROBERTS: Southwestern Bell?
13 MR. BUB: None, your Honor.
14 ALJ ROBERTS: United?
15 MS. GARDNER: No questions.
16 ALJ ROBERTS: Staff?
17 MS. McGOWAN: No questions.
18 ALJ ROBERTS: Mr. Dandino?
19 MR. DANDINO: No questions, your Honor.
20 ALJ ROBERTS: Thank you very much. You may
21 step down.
22 Off the record, please.
23 (A discussion off the record.)
24 (Witness excused.)
25 ALJ ROBERTS: Back on the record, please.

1 Southwestern Bell witness Debbie Bourneuf
2 has returned to the witness stand.

3 Thank you for remaining available.

4 I believe there are questions from the Bench
5 starting with Commissioner Drainer.

6 DEBBIE BOURNEUF, being recalled, testified as
7 follows:

8 QUESTIONS BY COMMISSIONER DRAINER:

9 Q. Good morning.

10 A. Good morning.

11 Q. First, I apologize that we could not be here
12 for your cross, because I may ask you some of the same
13 questions you've already been asked, and I apologize
14 if I'm repetitive.

15 Staff Witness Smith and then GTE and United
16 in their surrebuttal have suggested that we eliminate
17 COS, that although that would be a painful step, that
18 it's time to do that.

19 Your attorney in opening remarks said that
20 you were not advocating eliminating COS. However, I
21 do believe in your surrebuttal testimony you discuss
22 it on Page 22. And I would like to know what you as a
23 technical witness for Southwestern Bell's position is
24 at this point.

25 A. Certainly.

1 Q. You could -- if you could write that part of
2 the order, what would you write?

3 A. When I indicated the Commission should
4 consider this possibility, I wasn't necessarily
5 indicating that it should be done for all LECs.

6 I think if I were writing that part of the
7 order that the mandatory requirement to offer COS,
8 particularly at rates that are less than cost, should
9 be eliminated, but that LECs such as Southwestern Bell
10 that are willing to continue to offer to provide the
11 service would -- at rates that exceed cost will be
12 permitted to do that.

13 So I am not requesting, and frankly don't
14 want COS to be eliminated in Southwestern Bell
15 exchanges. I just want the price to be adjusted so
16 that the rates cover the costs.

17 Q. Well, I believe that's really what I, more
18 or less, got out of the other testimonies, too. It's
19 not so much to make it go away and not be open to any
20 possibilities, but -- so what you are saying, in its
21 existing format and its existing rate, it ought not
22 continue?

23 A. Correct.

24 Q. But that a one-way optional service that is
25 cost based is something that you believe Southwestern

1 Bell -- is the type of service that Southwestern Bell
2 would be willing to offer?

3 A. Southwestern Bell would commit to offering
4 that service.

5 Q. And has Southwestern Bell pushed the pencil
6 on what those type of one-way rates would be more or
7 less?

8 A. Yes. As I indicate in my rebuttal testimony
9 that if the service were classified as local and one
10 way, we believe that Staff's proposed 50 percent price
11 reduction to the current two-way prices would cover
12 our cost of providing that service, and we would be
13 willing to do that.

14 Q. So you would offer a one-way service should
15 you be the petitioning exchange?

16 A. Correct.

17 Q. For \$8?

18 A. For residence customers in rural routes,
19 correct.

20 Q. Okay. And whatever the other appropriate
21 rates are, the 33.50 on business would be, then --

22 A. Half of that.

23 Q. -- 16.75, something like that?

24 A. That's correct.

25 Q. Okay. So that would be the approach that

1 Southwestern Bell would take.

2 Now, tell me about -- what would be a
3 realistic transition to go to that type of service?
4 Would it be a statewide transition that there would be
5 a cut date?

6 A. Based on our research, we think that's
7 feasible as long as there is sufficient time before
8 that cut date, and we think approximately six months
9 in Southwestern Bell's case to make the billing system
10 adjustment. So some programming would have to be done
11 and that might take a period of time. But if we knew
12 that date far enough in advance, we believe we could
13 flashcard our customers on that date.

14 I really can't speak for the other LECs
15 because I'm not sure if their situations are the same.

16 Q. And would Southwestern Bell be offering that
17 service as a toll service or a local service?

18 A. As a local service.

19 Q. Southwestern Bell believes that the other
20 companies should also have the option of offering the
21 service, but if they did, would they offer it as a
22 local service or a toll service?

23 A. Southwestern Bell believes it should be
24 classified as a local service, but if GTE or United or
25 any other carrier were willing and wanting to offer it

1 as a toll service, we have no objection to that.

2 Q. Do you know when the 92-306 technical
3 conferences were completed and there was the report on
4 the revenue positions of the companies, did
5 Southwestern Bell with respect to two-way COS end up
6 with additional revenues or a negative revenue impact?

7 A. Negative.

8 Q. Did it need to do a revenue neutrality
9 adjustment?

10 A. Yes. It did several.

11 Q. To what type of services?

12 A. First, directory listing rates were
13 increased with the original COS and some of that
14 carried over to the additional negative impacts due to
15 modified COS. Second, our local metropolitan service
16 and special optional local metropolitan service, when
17 it became MCA, those local rates were increased. And
18 the numbers that I recall for the residence customers
19 but in Tier 3, they were increased \$5 per line per
20 month and in Tier 4 they were increased \$7 per line
21 per month.

22 In addition, the last amount of the
23 adjustment was in our earnings investigation. An
24 amount was included in the earnings investigation for
25 the additional COS routes that had gone in as of that

1 point in time. So, in essence, other Southwestern
2 Bell rates that would have gone down in the earnings
3 investigation didn't because that credit went for
4 expanded calling services.

5 Q. I don't know if it would have been
6 confidential, so if it is, you don't need to answer,
7 obviously. But were the negative impacts to
8 Southwestern Bell in the hundreds of dollars,
9 thousands or ten thousands, or were we getting into
10 seven figures?

11 A. I believe -- and you're not talking about
12 the nets after all of the increases? You're talking
13 about -- I believe it was in the millions of dollars.

14 Q. If we were to eliminate the two-way COS and
15 it was no longer -- it was mandatory that you had to
16 provide it, even if you provided just a one-way at
17 cost, wouldn't Southwestern Bell then need to do a
18 true-up and make adjustments and reduce rates to its
19 customers?

20 A. Yes.

21 Q. So would we have to have some type of a
22 technical report that then showed those type of
23 adjustments and the proposals that the company was
24 going to do?

25 A. It would be Southwestern Bell's

1 recommendations that if the nature of the service was
2 that Southwestern Bell's service stood on its own and
3 it wasn't dependent on numbers from other companies
4 because of, for example, access charge reductions,
5 that we would be able to make our tariff filing for
6 our revenue neutral adjustment and be able to submit
7 to Staff and Office of Public Counsel and the
8 Commission our justification for our own tariff filing
9 and that it wouldn't be necessary for other companies
10 and a technical committee necessarily to review our
11 numbers.

12 Q. Do you believe that the way the two-way COS
13 was implemented and with the revenue impacts to
14 Southwestern Bell and then the increases to its
15 customers that its customers then were subsidizing
16 customers for other companies to have COS?

17 A. Certainly.

18 Q. I was just asking the Public Counsel witness
19 about other options in a competitive environment, and
20 although we may not know what they are, do you believe
21 that COS could actually be causing a barrier to entry
22 to other services if it is allowed to continue at
23 below cost?

24 A. Yes, I do. All of us, of course, are sworn
25 to tell the truth up here, but CompTel Witness Ensrud

1 testified to that, and I have to believe he believes
2 that. He is, after all, the competitive entrant.

3 Q. But do you believe that? Do you believe
4 Southwestern Bell might come up with other options
5 even --

6 A. Oh, yes. And, specifically, you know, the
7 Commission included in its order in Issue No. VI about
8 a LATA-wide COS, and I think Southwestern Bell's ideas
9 on that suggestion constitute such a potential
10 offering.

11 Q. We've also heard testimony and concerns
12 about the -- concerns that the one half of 1 percent
13 would have with the possible elimination or turning
14 COS to a one-way service. Has Southwestern Bell
15 thought about whether there are educational processes
16 that could help customers understand why the
17 environment today and the technology today would be
18 different than it was ten years ago?

19 A. Southwestern Bell has given some thought to
20 the educational efforts to notify customers of the
21 changes to COS.

22 When I wrote my testimony, I didn't
23 particularly understand the Commission's question
24 fully on that issue because I didn't realize that part
25 of it may be telling them that this is because of

1 competition and whatnot. But I would think that would
2 be totally appropriate and we could include some of
3 that information in our notification.

4 Q. In your direct testimony I was a little
5 concerned on Page 30 at the top where you discussed
6 changing out COS, and -- and on Lines 2 and 3 you say
7 that the letter should indicate that the customers not
8 returning the form, the service will change as
9 indicated in that letter on a certain date. So if
10 they didn't return the form, they would continue
11 getting the service only in its changed form?

12 A. That was -- this is my discussion of the --
13 the education process for petitioning exchange COS
14 subscribers, so these are customers who have COS today
15 in its two-way form at a particular rate. And my
16 proposal was let's notify them about the form -- I'm
17 sorry -- about the changes, make sure they're aware,
18 and if they want to disconnect it, they can submit a
19 form to us.

20 We can do it in reverse. If they want to
21 keep it, they've got to send us a form. I thought
22 this would be least disruptive to customers, but we're
23 not opposed to going the other way and saying they
24 automatically lose the service unless they send us a
25 form saying they want it in this changed form.

1 Q. I was just concerned because I was afraid
2 that somehow I was getting into the area of negative
3 balloting, and I painfully remember one incident back
4 years ago with another company that will go unnamed.

5 But --

6 A. That's certainly not my intent. You've got
7 to do -- I think you've got to do one or the other.
8 Once you've notified them of the changes, if they
9 don't get back to you, what are you going to do, you
10 know, take it away or automatically change it? And
11 Southwestern Bell is willing to do it either way.
12 This was my proposal. It's not a big issue for us.

13 Q. Okay. On Page 43 of your direct testimony
14 at the top you say, "If the Commission finds that COS
15 provisioning will continue to be mandated, all
16 competitive LECs should be required to offer the
17 service only if its revenue is less than the cost to
18 provide it."

19 A. Correct. Is that sentence construction
20 confusing or --

21 Q. Yes. For me, it is.

22 A. If it's a subsidized service --

23 Q. You're saying that they would be required to
24 offer the service only if the revenue that they
25 receive from it is less than the cost to provide the

1 service?

2 A. If the price is less than the cost.

3 Q. Then they should be required?

4 A. That's correct.

5 Q. I am confused. Please help me with that.

6 Why wouldn't it be you would only require them if it
7 would be at cost?

8 A. If it were at cost --

9 Q. Uh-huh.

10 A. -- and -- I think in that case competition
11 will develop and it shouldn't necessarily be mandated
12 at all. But if one competitor is required to offer
13 service on which it's going to lose money, then
14 perhaps it's competitively neutral that they all be
15 put in that same boat.

16 Q. Thank you.

17 And I just need clarification on your
18 rebuttal testimony, Page 50. You state that the
19 situation currently exists on COS generally that on
20 practically -- okay. "That is the situation that
21 currently exists on COS generally and" practically "on
22 routes" -- "particularly on routes where PTCs pay
23 access charges of other LECs that are even higher than
24 basic toll rates."

25 A. Correct.

1 Q. Okay. I don't understand that sentence and
2 I just need help. What are you saying here?

3 A. I'm saying that in situations where
4 Southwestern Bell is paying secondary carriers access
5 rates, and this is just one hypothetical example, but
6 if our average tolerate is 16 cents a minute and
7 yesterday we heard examples of access rates that were
8 30-some cents a minute, that that particularly causes
9 us losses on those type of routes.

10 Q. So you're basically saying your toll rates
11 would be less -- Southwestern Bell's toll rates --

12 A. Yes.

13 Q. -- would be less than the access rates that
14 they have to pay to other companies because your
15 access rates are, like, six cents compared to some
16 that are 35 cents?

17 A. Correct.

18 Q. Okay. Finally, there was a question by the
19 Public Counsel attorney talking about 911 and COS and
20 essential services and just a small group using it and
21 its value. Do you think those are comparable?

22 A. No, I do not.

23 Q. Why?

24 A. Everybody needs access to emergency
25 services. It doesn't matter if I live on a COS route

1 or not. If I'm in a COS petitioning exchange, whether
2 I am a COS subscriber or not, I need access to
3 emergency services.

4 COS is, in my mind, not at all the same
5 thing. It's used by a very, very small number of very
6 high-use customers. We don't know -- we don't know
7 why they're using it necessarily. We don't know if
8 they are -- well, I guess I'll stop there.

9 We don't know their income. We don't know
10 why they're using it. It's not like 911, where I
11 could literally die if I don't have access to
12 emergency services.

13 Q. Wouldn't it be that if I didn't have 911, I
14 would have to get out the telephone book and look up
15 my phone number for Boone Hospital to get a service,
16 and I would lose time? If I didn't have COS, I could
17 use a toll line and I really don't have that critical
18 time element?

19 A. Yes.

20 COMMISSIONER DRAINER: Thank you. I have no
21 other questions.

22 ALJ ROBERTS: Commissioner Crumpton?

23 COMMISSIONER CRUMPTON: Yes.

24 QUESTIONS BY COMMISSIONER CRUMPTON:

25 Q. Good morning.

1 A. Good morning.

2 Q. Is not 911 a part of basic service by
3 definition of basic service?

4 A. Yes.

5 Q. Yesterday we discussed the issue of true-up
6 at length, and there was a promise that I would be
7 provided a copy of the minutes of a meeting where a
8 decision was made to end the true-up process.

9 Were you involved with this -- with this COS
10 service when the true-up process was being discussed?

11 A. Yes, I was, and I was present for those
12 discussions; although I will tell you on the true-up
13 issue particularly it's more of an intercompany
14 compensation issue, and Mr. Taylor, who will be up
15 next --

16 Q. Okay.

17 A. -- was also there and would have been more
18 actively participating in those particular
19 discussions.

20 Q. So if I asked you of what value is the true-
21 up to this process, you would still direct me to him?

22 A. Yes.

23 Q. Okay. In your direct testimony on Page 7
24 you discuss the problems with the remote call
25 forwarding. If the preponderance of the calls are to

1 an internet provider, is this not an irrelevant issue,
2 the fact that you have to use two numbers?

3 A. Not if the two-way calling is provided via
4 remote call forwarding, because the internet service
5 provider, assuming they kept two-way COS -- that's
6 what I've assumed -- has an RCF number now in the
7 petitioning exchange, so internet users -- I'm sorry.
8 Let me take that back.

9 The internet service provider would have an
10 RCF COS number in the target exchange.

11 Q. Right.

12 A. And internet users in the target exchange
13 would still have to call that RCF number in the target
14 exchange and it would be forwarded onto the
15 petitioning exchange, so, to me, that's a very large
16 problem because that indicates to me the demand for
17 remote call forwarding would be huge because it would
18 be related to the number of internet end users in the
19 target exchange wanting to access RCF numbers.

20 Q. Is there a limit on the number of RCF
21 numbers available?

22 A. Yes, there are. It depends on switch time.
23 I believe the most limiting type of switch is a DMS-10
24 in which you can have a maximum of 256 remote call
25 forwarding numbers in that type of switch.

1 Q. So in a small community that has less than 2
2 percent of the eligible customers dialing this RCF
3 number, would that be a problem?

4 A. If it had more than 256 customers and they
5 were all internet users, that would be a problem.

6 Q. Well, maybe I don't understand this RCF
7 technology. My understanding was that there would be
8 a number in the target exchange that the customer
9 would dial --

10 A. Correct.

11 Q. -- and that number would act like a private
12 line and take it immediately over to the exchange
13 where -- that the customer is trying to reach.

14 A. It acts like a private line in that it
15 originates at one number and terminates at one number,
16 but the calls go out over the public switch network
17 like regular MTS calls.

18 Q. Now, you're bringing me to another question.
19 Why do we have to switch those calls over the voice
20 network? Your company has technology and designs and
21 systems that they bypass that voice network; isn't
22 that correct?

23 A. I don't think I understand what those
24 systems might be.

25 Q. Oh, okay. Would Mr. Taylor be able to

1 discuss that?

2 A. He might be. Given the look I'm getting,
3 he'll have to think fast.

4 Q. Well, maybe he can bring another witness to
5 help him out.

6 Okay. Now, I'm still working on this RCF
7 issue.

8 A. All right.

9 Q. If the customer dials a number in the target
10 exchange and he enters into a modem pool --

11 A. In the target exchange.

12 Q. Uh-huh.

13 A. Okay.

14 Q. -- can we not use one circuit to carry all
15 of that traffic over to -- or to get him into the
16 internet network? You don't --

17 A. Not a regular voice grade -- not using
18 public switch network is the answer to your question.
19 It's my understanding from our remote call forwarding
20 product manager that that would require multiple paths
21 from the RCF number to the petitioning exchange. It
22 would require as many paths as there could be callers
23 at one time.

24 Q. Oh, okay. On Page 8 you talk about the
25 problem with the customers' confusion using 800 direct

1 numbers and you discuss the fact that these calls
2 could be routed to a recorded announcement. Is that
3 the intercept process? It's on Page 8, Lines 5
4 through 8 of your testimony?

5 A. Okay. That intercept announcement is -- it
6 exists today. It wouldn't be unique to COS.

7 Q. Right.

8 A. And if you call an 800 number whose inward
9 calling scopes are outside of, then you don't get
10 charged toll. The call just goes to an intercept and
11 it doesn't get through.

12 Now, your question is --

13 Q. The intercept would tell you what?

14 A. That you are outside the calling scope for
15 this 800 number.

16 Q. And so the customer would realize that they
17 can't use that number?

18 A. That's correct.

19 Q. Okay. And, of course, the customer could
20 decide whether or not he or she wanted to make a
21 long-distance call?

22 A. That's correct.

23 Q. Okay. All right. I would like to go over
24 to Page 13 of your direct testimony. You talk about
25 allowing combination of routes from the target

1 exchange. Can you elaborate on that a little bit for
2 me?

3 A. Sure. This is in the context of the one-way
4 reciprocal proposal specifically, and the question I
5 was raising is if you have a one-way reciprocal
6 service, in target exchanges that are the target on
7 multiple COS routes, what is going to be the calling
8 scope of that reciprocal COS? And I will use the
9 example of -- I'm trying to think of a target exchange
10 that's a target on two routes. One second, please.
11 Let me --

12 Q. Uh-huh. How about the Springfield
13 metropolitan exchange?

14 A. Well, Springfield is a target on 12 routes,
15 so that examples get pretty complicated, but I will
16 use it.

17 If you're in Springfield and you want to be
18 a subscriber to the reciprocal COS, then the question
19 is what is the reciprocal COS that Southwestern Bell
20 is going to offer you? There is a COS route from
21 Branson to Springfield and one from West Branson to
22 Springfield. Is the service I'm going to offer you,
23 you can buy COS to Branson or you can buy COS to West
24 Branson and those are your two choices, or can you buy
25 COS to Branson on West Branson, or can you buy COS to

1 Branson, West Branson and Niangua? You know, can you
2 buy anywhere from one to 12 routes? And that's the
3 problem that I'm discussing, that the number of
4 possible combinations of anywhere from one to 12
5 routes, and, granted, this is our most extreme
6 example. That's actually 4,095 different
7 combinations.

8 Q. Could we not expand the Springfield MCA out
9 to pick up those other exchanges?

10 A. On a mandatory basis?

11 Q. Yes.

12 A. There are certain problems that you would
13 have to struggle with --

14 Q. Excuse me. As an option? In other words,
15 those would be optional tiers.

16 A. Oh, I understand. Yes, if you have the
17 designated NXXs to do that. And in the 417 LATA
18 right now you probably do.

19 Q. So we could do that. That would satisfy
20 those who have an interest and live in Branson and
21 some of those other outlying exchanges?

22 A. Yes.

23 Q. Well, why did you-all not propose that?

24 A. Primarily because of the concerns -- the
25 growing concerns with conservation of NXXs, and that's

1 the primary concern.

2 Q. Nobody else is concerned about that. Why
3 would you be concerned?

4 A. I don't have a good answer for that.

5 Q. Because the problem is, is that we have all
6 of these numbers out here that are totally
7 underutilized and will not be utilized in this century
8 or the next; isn't that right?

9 A. Within an NXX, that's --

10 Q. You have some central offices that have 300
11 or 400 customers, do you not? I don't mean your
12 company --

13 A. That's correct.

14 Q. -- but we have in Missouri.

15 A. That's correct.

16 Q. So we would solve that problem some other
17 way, wouldn't we?

18 A. That's correct.

19 Q. If we ever become strong enough, we could
20 solve that problem of running out of NXXs?

21 A. That is an issue for somewhere else. I
22 agree.

23 Q. Yes. Absolutely.

24 A. Okay.

25 Q. On Page 22 of your testimony you discuss

1 base and revenue neutrality calculations on a certain
2 date, but it raises a question in my mind: Is revenue
3 neutrality desirable with the issues that we're facing
4 right now?

5 A. I think so.

6 Q. Can we get to revenue neutrality if we have
7 the will?

8 A. Yes.

9 Q. And how would we do that?

10 A. We would propose -- depending on the
11 compensation mechanism and whether one company's
12 calculations were dependent upon another company's
13 calculations, we would propose that an individual
14 company that was impacted by this issue -- and there
15 are many in the state that are not because they don't
16 participate in the COS. The companies that are would
17 bring to you -- here is my own revenues, here is my
18 projection of my new revenues and here is my proposal
19 for how I make up that difference, and the burden of
20 the proof is on the company making its case.

21 Q. Okay. On Page 26 of your testimony I've
22 written a note, and the note is, "If access rates are
23 trued up and COS resale is mandated, will competitors
24 be able to compete effectively in this market?"

25 A. If access rates are trued up --

1 Q. Uh-huh.

2 A. -- by the secondary carriers?

3 Q. The carriers, right.

4 A. And what was the second part? If access

5 rates are trued up and COS is --

6 Q. -- resale is mandatory, will competitors be

7 able to compete in this market?

8 A. Competitors compete -- can compete on a

9 resale basis.

10 Q. Okay. That answers that question.

11 In order to create a marketplace where other

12 competitors like CompTel members could compete, is the

13 only thing we can do is change access rates?

14 A. I think the other thing you can do is to

15 change the price of the end user service to make sure

16 that they cover the access rates.

17 Q. That would imply that we raise those?

18 A. That's correct.

19 Q. But if we went back to the day we created

20 COS and made this issue revenue neutral by reducing

21 access charges, would we be moving in a direction in

22 which CompTel members could participate because the

23 access charges would be lower? Would that be helpful

24 to them?

25 A. In order to be revenue neutral from COS, if

1 all of the adjustments went to access charges, in
2 Southwestern Bell's case that means access charges
3 would go up.

4 Q. And --

5 A. I don't think that the competitors would
6 find it easier to compete in that situation. They may
7 find it easier to compete in the secondary carrier
8 situations where access rates would go down.

9 Q. Your rates are already the lowest in the
10 state, are they not?

11 A. That's correct.

12 Q. Give me an example of one of your
13 terminating rates. Are they statewide also?

14 A. Yes, they are.

15 Q. Okay. Give me your terminating access
16 charge.

17 A. Could you save that question for Mr. Taylor,
18 because I'm sure he is more familiar with that.

19 Q. I hope he will remember that question. When
20 my turn comes to question him, can you guarantee that
21 he will remember?

22 A. Can you just ask him to?

23 Q. I'll try. If I forget, just raise your
24 hand.

25 A. I apologize.

1 Q. That's quite all right.

2 I want to talk about the testimony of
3 Mr. Schoonmaker yesterday. He and I engaged in a
4 discussion concerning making the companies he
5 represents whole.

6 A. I recall that discussion.

7 Q. And we went through a number of
8 calculations. Did you calculate along with us?

9 A. I -- not on paper, but I was following
10 along. Yes, I was.

11 Q. Well, subject to check, I believe he stated
12 that his clients would be satisfied with \$465 per COS
13 subscriber on an annual basis. Do you recall that?

14 A. Yes, I do.

15 Q. How do you respond to that?

16 A. Well, I respond to that with the help of
17 Rich Taylor's surrebuttal testimony. He used those
18 same numbers, and instead of dividing the revenue they
19 would need just by the COS subscribers, he divided it
20 by their total access lines, and that amount would be
21 about -- I believe the number is \$1.95 per access
22 line.

23 So to -- to put the subsidy in terms of just
24 a COS subscriber, it doesn't really reflect the
25 possible sources they have for getting that revenue,

1 you know, just to Southwestern Bell and to other
2 customers, then COS customers, for its revenue
3 shortfalls, so could the SCs.

4 And Southwestern Bell isn't recommending a
5 particular revenue neutrality adjustment mechanism for
6 these companies. It's only pointing out that there
7 are other sources besides COS subscribers for those
8 companies to achieve revenue neutrality.

9 Q. Give me a couple right quickly. You
10 probably covered this in your testimony, but just --

11 A. Actually I do not, but vertical services,
12 local exchange rates, if the Commission felt that was
13 appropriate.

14 Q. Local exchange rates, we would raise --

15 A. That's correct.

16 Q. -- their rates? Would that be politically
17 possible?

18 A. Politically possible, yes.

19 Q. Give me another one.

20 A. Vertical services such as call waiting or
21 call forwarding or -- and I don't know how many of
22 these companies -- class services -- I believe I've
23 seen tariff filings by some of these companies for
24 class services.

25 Q. Could a USF, a state USF, pick up some of

1 these costs?

2 A. I don't believe it could, only because the
3 Senate Bill 507 restricts, it's my understanding, the
4 funding -- the purposes for which universal service
5 funds could be used.

6 Q. Does it also give the Commission an
7 opportunity to redefine certain services?

8 A. It gives the Commission opportunity to
9 define essential local telecommunications services.

10 Q. So if we're convinced by the opposing
11 parties that this is an essential service, could we
12 redefine it so that we could pick up USF funding?

13 A. The Commission has that authority, yes.

14 Q. That's the question.

15 Okay. Now, on Page 6 of your surrebuttal
16 testimony, you discuss at length the issues that I was
17 trying to reach a few minutes ago concerning the total
18 charges for a COS subscriber that I guess your -- the
19 smaller companies receive and the total amounts that
20 Southwestern Bell receives. Can you explain it to me
21 a little bit more? Can you --

22 A. Explain this analysis?

23 Q. Yeah. Help me with it.

24 A. Sure. This is based on information that was
25 filed in -- in Robert Schoonmaker's rebuttal

1 testimony, so I'm pretty much just bringing up his
2 analysis. But he testified that for the small
3 telephone companies -- and the number he gave of those
4 telephone companies COS subscribers was 5,749.

5 Q. Uh-huh.

6 A. For those telephone companies' customers,
7 COS customers, they receive certain benefits. Among
8 them \$3 1/2 million worth of outgoing toll calling,
9 what would be outgoing toll calling if toll rates
10 apply --

11 Q. Right.

12 A. -- 3.9 million return calling, and for that
13 they pay 1.5 million in COS charges.

14 Okay. So if you add the pluses and subtract
15 the minus, that's a 6.1 million, what he termed,
16 annual benefit. And divide that by the number of
17 subscribers to come up with a \$1,085 benefit per
18 subscriber.

19 He gave similar numbers for total COS
20 subscribers in the next section of my testimony --

21 Q. Excuse me. So he's saying that the subsidy
22 right now is -- the -- yeah, the subsidy is \$1,085 per
23 COS subscriber?

24 A. No.

25 Q. Is that what he's saying?

1 A. No, he is not, because he is not comparing
2 the revenue for the call to that underlying cost of
3 the call. He's comparing what the customer receives
4 in value when that value is measured in terms of
5 prices for toll versus that customer's cost.

6 Q. Okay.

7 A. Okay.

8 Q. All right. Excuse me. You may proceed.

9 A. Okay. When I subtracted the small telephone
10 companies' customers' benefits from the total
11 companies' customers' benefits I was able to derive
12 what would then be the benefits to COS customers of
13 PTCs. And when you take those benefits and divide by
14 our number of subscribers, the benefit per subscriber
15 is \$717 per COS subscriber as opposed to the \$1,085
16 per COS subscriber for secondary carrier customers.

17 My only point being there, where
18 Mr. Schoonmaker testified about these benefits to COS
19 subscribers was that primary toll carrier customers
20 are paying for it, and even where primary toll carrier
21 customers subscribe to COS, the benefit they are
22 receiving from the service is substantially less than
23 the benefit that small telephone company customers
24 receive from the service.

25 COMMISSIONER CRUMPTON: I think that

1 finishes my testimony -- my cross. Thank you very
2 much.

3 ALJ ROBERTS: This is probably a good time
4 for us to break for lunch and go back on the record at
5 1:15. There will be additional questions from the
6 Bench, and then questions from the attorneys at that
7 time.

8 So with that, we'll go off the record,
9 please.

10 (A recess was taken.)

11 ALJ ROBERTS: Good afternoon, ladies and
12 gentlemen. We are back on the record in 97-333.

13 Southwestern Bell's Witness Bourneuf is
14 still on the witness stand.

15 And you are still under oath. We appreciate
16 you coming back again.

17 QUESTIONS BY ALJ ROBERTS:

18 Q. I think we had finished questions from the
19 Bench, except for this, and you may have to refresh my
20 memory a little bit. I'm going to refer to a case
21 that was here at the Commission about a year, year and
22 a half ago, and it was your designated number optional
23 call planning case which was sometimes also referred
24 to as dial --

25 A. One-plus saver direct.

1 Q. -- one-plus saver direct. I think it was

2 9-- TR-97-342 or --

3 A. It was TT-96-268.

4 Q. It was?

5 A. Yes.

6 Q. Okay. I'll take your word for it.

7 This may be a silly question, but were you a
8 witness in that case?

9 A. Yes, I was. I thought so. I remember Diana
10 Harter, I think was the attorney. Leo Bub was.

11 MR. BUB: We actually were both here.

12 BY ALJ ROBERTS:

13 Q. Let's skip to the chase here. In that -- I
14 believe in the testimony or somewhere in that case the
15 issue came up, I thought, that -- and you mentioned
16 this earlier which is what reminded me, that Bell had
17 offered either LATA-wide dialing like a LATA-wide COS
18 type of program or something similar to that in
19 Arkansas and or Kansas. Is that --

20 A. LATA-wide?

21 Q. I thought so. I thought --

22 A. We have the --

23 Q. I thought a program -- I'm sorry to
24 interrupt, but I thought a program like that had been
25 offered for a short period of time and then withdrawn

1 for some reason.

2 A. No. LATA-wide -- in Arkansas we had a
3 designated number optional calling plan.

4 Q. Okay.

5 A. We did not have a LATA-wide flat-rate
6 service.

7 In Texas, in three LATAs we have a service
8 that is not quite LATA-wide. It's basically in the
9 southern half of the Brownsville LATA and portions of
10 the Dallas and Houston LATA. We offer a service
11 called local plus which doesn't quite incorporate the
12 whole LATA down there but sizable portions of it.

13 Q. And I thought you had attempted it in
14 Kansas, but possibly not, and withdrawn it?

15 A. No. I'm sorry. We did file it in Kansas.
16 It went to hearings, and the Commission rejected it.

17 We filed it in Missouri in February of 1995
18 and we withdrew it in July of that year.

19 Q. All right. The reason I was asking about
20 that is you had alluded to the fact that you might
21 be -- your company might be interested in doing
22 LATA-wide -- a LATA-wide plan in Missouri, and I
23 wanted to know if you had done that elsewhere and how
24 well it worked and what your experience with that is.

25 A. The -- the similar service would be the

1 Texas service. The only real difference between what
2 we propose in Missouri and what they are doing in
3 Texas is that Texas isn't completely LATA-wide.

4 My understanding of how it's done in the
5 Brownsville LATA, which is the location that it's been
6 in service the longest, is it's been doing well. And,
7 unfortunately, I can't tell you what that means in
8 terms of take rates or numbers because I don't know.

9 It -- it's been in place in Dallas and
10 Houston since middle to late last year, and I really
11 haven't gotten any direct feedback on how that's
12 going.

13 Q. You're not going to defer to Mr. Taylor on
14 that?

15 A. No, sir.

16 ALJ ROBERTS: That's all I had then.

17 Redirect based upon questions for the Bench,
18 and I think those go first to Staff -- or re-cross.

19 MS. MCGOWAN: Yes.

20 RE-CROSS-EXAMINATION BY MS. MCGOWAN:

21 Q. I have more of a clarification question,
22 something that confused me a little.

23 In your response to very early questions by
24 Commissioner Drainer you stated that Southwestern Bell
25 felt that mandatory COS should be eliminated, but that

1 all companies should be allowed to provide COS if they
2 wanted to, all companies that were capable of
3 providing the service.

4 A. If by mandatory COS you mean the mandatory
5 requirement that it be offered, yes.

6 Q. Okay. Because I have some confusion, just
7 maybe for the record it might be best to understand
8 what you mean by "mandatory."

9 I guess basically, under your scenario, if a
10 company wants to offer COS, would COS -- would that be
11 COS in all of its exchanges or COS in exchanges that
12 meet a certain criteria or only in those exchanges
13 where it wanted to? Do you see what I mean? In the
14 future if there is not mandatory, and you're saying
15 that you would offer it, would you offer it in any
16 exchange or only those that meet a certain criteria
17 the way it is now, or pick and choose?

18 A. Just to clarify what I meant, I meant that
19 we would continue to offer it in those exchanges where
20 it's currently available.

21 Q. Okay. And not necessarily in any additional
22 exchanges, or you wouldn't know until you did a study?

23 A. Not necessarily in additional exchanges and
24 partly because of our interest in the LATA-wide COSs.
25 That may make additional exchanges unnecessary.

1 MS. MCGOWAN: Okay. Thank you very much.
2 That's all I have.
3 ALJ ROBERTS: United?
4 MS. GARDNER: No questions.
5 ALJ ROBERTS: AT&T?
6 MR. DeFORD: No questions.
7 ALJ ROBERTS: MCI?
8 MR. CURTIS: No questions.
9 ALJ ROBERTS? TCG?
10 MS. FORREST: No questions.
11 ALJ ROBERTS: CompTel?
12 MR. ANGSTEAD: No questions.
13 ALJ ROBERTS: GTE?
14 MR. SHANNON: One question, just a
15 clarification.
16 RECROSS-EXAMINATION BY MR. SHANNON:
17 Q. I believe Commissioner Crumpton asked you if
18 911 was a basic service, and you answered yes?
19 A. I did.
20 COMMISSIONER CRUMPTON: Part of basic.
21 BY MR. SHANNON:
22 Q. Part of basic service. 911 is not
23 necessarily a part of basic service? The access to
24 911 is the basic service; is that correct?
25 A. That's correct.

1 MR. SHANNON: Just a clarification.
2 ALJ ROBERTS: Public Counsel?
3 MR. DANDINO: No questions, your Honor.
4 ALJ ROBERTS: Small Telephone Company Group?
5 MR. ENGLAND: Yeah, just a couple.
6 RECROSS-EXAMINATION BY MR. ENGLAND:
7 Q. Again, early on in your questioning by the
8 Commission, I believe it was Commissioner Drainer,
9 your voluntary, if you will, proposal to provide COS
10 in the future, did I understand you to say that it
11 would be -- the rate would be one-way? Excuse me.
12 A. That's correct.
13 Q. The rate would be 50 percent of what it is
14 today?
15 A. If it was a local service, that's correct.
16 Q. Okay. Well, then, maybe that's going to
17 answer my next question, or next after next.
18 You mentioned that that rate would cover
19 your cost?
20 A. We believe so, yes.
21 Q. Okay. How do you measure your cost? And
22 when you said it would be local, do I assume then that
23 you're not paying any access, at least as I've come to
24 know it, intrastate access charges on the terminating
25 end of that call?

1 A. We -- we assumed that we would be paying
2 access rates minus carrier common line in to United
3 Telephone Company for those six routes that terminate
4 to United exchanges. Southwestern Bell doesn't have
5 any COS routes that terminate to anybody else.

6 But it was a total proposal taken -- you
7 know, mine and Rich Taylor's testimony taken together
8 that we would be willing to offer it as a one-way
9 local service with the type of access that Mr. Taylor
10 proposed.

11 Q. Okay. For purposes of your own exchanges
12 and your cost analysis, did you impute your own access
13 less the CCO rate to determine whether that 50 percent
14 rate would be appropriate?

15 A. No. For the purposes of our own exchanges
16 we used our incremental costs which honestly are
17 probably close to our own access rate minus CCL. So
18 that's not how we calculate it, using access minus
19 CCL, but we used our incremental costs.

20 MR. ENGLAND: Thanks. No other questions.

21 ALJ ROBERTS: Mid-Missouri Group.

22 MR. JOHNSON: Thank you, your Honor.

23 RE CROSS-EXAMINATION BY MR. JOHNSON:

24 Q. Miss Bourneuf, in response to some of
25 Commissioner Crumpton's questions you were discussing

1 possible small company revenue sources that we could
2 go to to offset access rate reductions?

3 A. Yes.

4 Q. And I take it, first of all, that
5 Southwestern Bell would be in favor of such an access
6 rate reduction on the part of the small companies?

7 A. Yes.

8 Q. And you identified some potential service --
9 revenue sources would be vertical services?

10 A. Yes.

11 Q. And would you tell me what type of services
12 you call vertical services?

13 A. Yes. I was referring to services such as
14 call forwarding and call waiting and those types of
15 things.

16 Q. Okay. You also mentioned class services.
17 Could you tell us what type of class services you were
18 referring to?

19 A. Unfortunately I cannot. I review the
20 Commission's weekly list of tariff filings
21 occasionally, and I have seen some small telephone
22 company filings for class services. I am not familiar
23 with the details of those tariff filings, so I can't
24 tell you what they contain.

25 Q. Can you give us an idea of what would be a

1 class service as opposed to vertical services?

2 A. Without a more specific question, I assume
3 all class services may be vertical services.

4 Q. So maybe vertical and class are the same
5 group of services?

6 A. I assume class is a subset of vertical.

7 Q. Okay. And you also indicated -- or as I
8 understood you indicated that Southwestern Bell's
9 position would be that you would not be in favor of
10 small companies going to a statewide universal service
11 fund to recover -- as a revenue source to make up for
12 the access rate reduction. Did I interpret your
13 answer correctly?

14 A. I believe my answer was that the Senate
15 Bill 507 doesn't permit that.

16 Q. Does Southwestern Bell have a position --
17 assuming the bill would permit the Commission to order
18 that, do you have a position that would oppose the
19 small companies from being able to go to that fund?

20 A. I am not the expert on the universal fund
21 docket, and I don't know if anything has been filed in
22 that case that states our position, but I am generally
23 aware that, yes, we are opposed to that.

24 Q. Right. Why is Southwestern Bell opposed to
25 a small company -- in order to make the access rate

1 reductions that you want, why are you opposed to them
2 being able to go to the high cost fund to recoup that?

3 A. Again, not being an expert in the universal
4 service fund issues particularly, because I do not
5 participate directly in that docket at this point,
6 it's our understanding that is not permitted by the
7 law.

8 Q. I understand that, but I interpreted your
9 earlier answer to be that you understood Bell's
10 position to oppose it. And my question is if you
11 understand that Bell opposes it, do you also
12 understand why they would oppose that?

13 A. Well, at least in part Bell opposes it
14 because it is not permitted by Senate Bill 507.

15 MR. JOHNSON: That's all I have.

16 ALJ ROBERTS: Commissioner Drainer?

17 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

18 Q. I have -- I need to clear up a point.

19 In your surrebuttal testimony if you look at
20 Lines 1 and 2 on Page 5, you say "Since COS is priced
21 below cost, it would seem that maintaining it in an
22 area would guarantee that no competitive offering
23 could be developed," and I think that sentence spoke
24 to when I asked you if COS, because it was priced
25 below cost, would be a barrier to entry, and you had

1 said, yes, it would be for competition.

2 A. Not a barrier to entry necessarily because
3 to me that's more of a technical -- literally a
4 barrier to entry, but certainly discourage
5 competition, yes.

6 Q. Okay. Because then if you go to Page 9 of
7 your testimony, on Page -- or on Lines 13 to 15 you
8 say that "While Southwestern Bell does not agree that
9 below-cost pricing on Commission-mandated services
10 constitutes a barrier to entry, Southwestern Bell
11 believes it may serve to discourage the development of
12 competition," and I guess I am having a problem
13 understanding the differences between these two
14 sentences because I think they are kind of
15 contradictory. Why aren't they contradictory?

16 A. Because by "barrier to entry" I mean
17 something that is an outright -- a legal barrier. For
18 instance -- and we're not proposing this, but, for
19 example, to say that interexchange carriers could not
20 be certified to serve on COS routes, that would be an
21 absolute barrier to entry because they couldn't enter
22 that market under any circumstances.

23 To say that they couldn't compete by also
24 offering a service under cost, that's not necessarily
25 a barrier to entry because they could make that

1 choice. I think it certainly discourages competition
2 because I don't expect them to make that choice.

3 Q. So that's why you would say on Page 5 that
4 you believe that it basically guarantees that nobody
5 else would offer it?

6 A. Correct. It doesn't prohibit them from
7 losing money on the service, but it pretty much
8 guarantees it.

9 COMMISSIONER DRAINER: Okay. All right.
10 Thank you very much.

11 ALJ ROBERTS: Staff?

12 MS. MCGOWAN: No questions.

13 ALJ ROBERTS: United?

14 MS. GARDNER: No questions.

15 ALJ ROBERTS: AT&T?

16 MR. DeFORD: No questions.

17 ALJ ROBERTS: MCI?

18 MR. CURTIS: None, your Honor.

19 ALJ ROBERTS: TCG?

20 MS. FORREST: No questions.

21 ALJ ROBERTS: CompTel?

22 MR. ANGSTEAD: No questions.

23 ALJ ROBERTS: GTE?

24 MR. SHANNON: No questions.

25 ALJ ROBERTS: Public Counsel?

1 MR. DANDINO: No questions.

2 ALJ ROBERTS: Small Telephone?

3 MR. ENGLAND: No questions.

4 ALJ ROBERTS: Mid-Mo?

5 MR. JOHNSON: No questions.

6 ALJ ROBERTS: Redirect, Mr. Bub?

7 MR. BUB: Just a couple, your Honor.

8 REDIRECT EXAMINATION BY MR. BUB:

9 Q. These are just a couple of questions of

10 follow-up on what Commissioner -- some of the topics

11 Commissioner Crumpton raised about 911.

12 You already pointed out that access to 911

13 is a basic service. I'd also like to ask you, is

14 there a difference between that and the tariff service

15 that telephone companies offer to government agencies

16 that actually provide that 911 service?

17 A. Yes.

18 Q. And that service that the telephone

19 companies offer to government agencies that provide

20 the 911, it's provided under a tariff, isn't it?

21 A. That's correct.

22 Q. Okay. And the costs to provide those tariff

23 services to government entities, they cover their

24 costs, don't they?

25 A. Yes. That's correct.

1 MR. BUB: Okay. Those are all of the
2 questions I have.
3 ALJ ROBERTS: Thank you very much. You may
4 step down.
5 (Witness excused.)
6 ALJ ROBERTS: The next witness is
7 Mr. Taylor, I believe.
8 Go off the record, please.
9 I'm sorry. Just a moment.
10 Yes, you may step down.
11 We would like to recall Mr. Lovett to the
12 stand.
13 I know you thought you escaped the wrath of
14 the Bench when I indicated the Commissioners were not
15 available. I'm sorry. You may take a seat.
16 (A discussion off the record.)
17 ALJ ROBERTS: Back on the record, please.
18 We have recalled AT&T's witness, Mr. Lovett,
19 to the witness stand so that he may answer some
20 questions from the Bench starting first with
21 Commissioner Drainer.
22 You understand you are still under oath?
23 THE WITNESS: Yes.
24 ALJ ROBERTS: Thank you, sir.
25 LARRY R. LOVETT, being recalled, testified as follows:

1 QUESTIONS BY COMMISSIONER DRAINER:

2 Q. Good afternoon, Mr. Lovett.

3 A. Good afternoon.

4 Q. I just have a couple of questions.

5 Basically, in your testimony you discussed
6 that it's AT&T's position that there be a one-way COS,
7 that 800 not be an option. Would you talk to me a
8 little bit about AT&T's concern with the 800 option?

9 A. Sure. There are a couple of reasons. First
10 of all, I really hate to see a specific service listed
11 as the answer for the return calling. I think, if not
12 today, then the potential for development of better
13 alternatives is still there. So I would hate to see a
14 service-oriented solution to that problem.

15 Even today, for example, there are some
16 discount plans and -- WATTS, of course, is one example
17 and -- depending on the customer, other services that
18 could just as well handle the return calling if that's
19 what you want to do, so I would rather see that be
20 more flexible.

21 In addition, there are the other problems
22 that have been pretty well covered, I think, with
23 regard to using 800 service. Our own technical people
24 are concerned that it's sort of non-standard use of
25 the -- the selection features of 800 service to limit

1 it to one specific exchange. You normally might
2 limit -- limit it jurisdictionally or you might limit
3 your 800 access by area codes or a fairly large group,
4 but you're sort of using it backwards in order to
5 eliminate everybody so that you can take the one
6 specific exchange. Those are the kind of problems.

7 Q. Versus broadening it, you think?

8 A. Yeah. There are others I pointed out. 800
9 service is generally used for a pretty broad scope,
10 usually LATA-wide, statewide, area code, those sorts
11 of things.

12 Q. What are the charges that AT&T have that
13 they will -- they have an 800 service that would be
14 LATA-wide?

15 A. Sure. Yes, I guess.

16 Q. Do you have any idea what type of ballpark
17 the charge is?

18 A. No, I really don't. I really don't. I
19 would have to think for a minute about -- I don't know
20 that we actually provide a service that we say is
21 LATA-wide, but we provide 800 services of a variety of
22 nature.

23 Q. I could check the tariffs though?

24 A. So could I and respond to you later.

25 Q. Okay. Do you think -- you've heard

1 conversation here about -- with the new environment,
2 different potential solutions that we may not have
3 even thought of. Has AT&T had discussions about the
4 types of services they may see coming down the road?

5 A. Not specifically addressing COS service.
6 Our biggest discussions at the moment are revolving
7 around how to compete with the service and how to
8 respond to it as provided by other companies. There
9 are a lot of potential problems, and, in fact, there
10 are two points of view even in AT&T because we really
11 today are looking at it as a response from the IXC
12 point of view and then as a response from a local --
13 potential local provider. So we have two different
14 interests there.

15 In terms of specific services, I have not
16 been involved in any conversations regarding it other
17 than from a sales strategy point of view. For
18 example, the interest generally revolves around trying
19 to make a package good enough that it would allow you
20 to entice a current COS user to use your services, the
21 strategy being to convince them that your package of
22 services makes up for the perceived disadvantage they
23 would have by losing their COS.

24 Q. One of the concerns is that oftentimes COS
25 is made a rural problem and therefore needs a rural

1 solution and that in the rural areas competition
2 doesn't come as quickly as to maybe metropolitan
3 areas. However, how many years have you been with
4 AT&T?

5 A. Do I have to?

6 Q. Yeah.

7 A. Thirty-five.

8 Q. Wow.

9 A. I say that a lot of times, many days.

10 Q. Would AT&T, if it were looking at putting
11 together a package as it moved forward into the
12 competitive environment as both IXC and local, would
13 it package services for just St. Louis and Kansas City
14 and ignore the rest of the state, or is AT&T's
15 approach, at least in the past, to do statewide
16 packaging?

17 A. It is. It was and it is. There are many
18 reasons that you do tend to avoid a -- a city-specific
19 service. It's not particularly economical or
20 efficient and advertising, for example, causes you
21 problems in today's advertising environment.

22 You don't -- you can't target advertising to
23 Springfield very well without including the areas
24 out-- outlining Springfield, and we have had some
25 problems in that regard in our attempts to get into

1 the intraLATA market, for example, advertising to a
2 city, and you can't prevent the people in the outlying
3 exchanges from getting that advertising, and yet then
4 they feel that they've -- that they're being excluded
5 from something. So there is a tendency for many
6 reasons not to design city-specific services.

7 Q. But services that would be statewide?

8 A. Generally, yes.

9 Q. And since you've been with AT&T 35 years,
10 can I ask you something from your expertise?

11 Are there services today such as cell phones
12 and internet, things that you haven't even thought
13 about ten years ago?

14 A. Or even five years ago, absolutely.

15 Q. Do you think that it's possible with the
16 federal Act of 1996 and with our own House Bill 507
17 that we now are going to see another generation of
18 those type of changes that we haven't thought about
19 yet?

20 A. I certainly think so, yes.

21 COMMISSIONER DRAINER: Thank you. I have no
22 other questions.

23 ALJ ROBERTS: Commissioner Crumpton?

24 QUESTIONS BY COMMISSIONER CRUMPTON:

25 Q. Good afternoon.

1 A. Good afternoon.

2 Q. Can AT&T Wireless provide a one-way-COS-type
3 service, or do you envision AT&T having the ability to
4 provide a wireless one-way service?

5 A. I would think wireless could. I'm not an
6 expert in wireless service, but I would think they
7 could.

8 Q. Then they could also provide a one-way
9 reciprocal COS service?

10 A. I would think so.

11 Q. So if the market structure got too far out
12 of whack and there was some money to be made, can you
13 envision AT&T coming into some of these smaller areas
14 or Tier 3 and Tier 4 cities?

15 A. Sure. Sure. I mean, that's -- AT&T
16 wireless or AT&T carriers are certainly motivated by
17 profit.

18 Q. Would they also -- can you envision AT&T
19 also requesting the right to resell local exchange
20 service in Tier 2, Tier 3 and Tier 4 cities?

21 A. Absolutely.

22 Q. All right. I have some questions from your
23 testimony. On Page 2 you talk about use of AT&T's 800
24 service, and you said it would prevent economic and
25 technical barriers. Even if you had answered that

1 question earlier, can you explain to me what this --
2 what these barriers are?

3 A. Economically, what I had in mind at the time
4 was that the service itself is still more expensive
5 than COS --

6 Q. Oh.

7 A. -- in terms of technical. We talked earlier
8 about some of the problems associated with actually
9 restricting a service that's basically designed for a
10 broad base to just one specific location. It's not
11 very economical either.

12 Q. Okay. So you would have a barrier with the
13 pricing? Why should this be on pardon? Why should
14 restricting it be on pardon? Let's say that we get
15 around the price barrier.

16 A. I didn't -- I mean --

17 Q. Why should we get involved in designating
18 that a service would be one that could be restricted?

19 A. No, you shouldn't. I mean, I agree.

20 Q. Okay. Did you agree with Mr. Jones's
21 testimony?

22 A. Yes.

23 Q. Okay. Could you evaluate his testimony in
24 terms of your testimony on Page 4? I have it circled,
25 and then I have this question. "COS is not only a

1 problem for LECs and CLECs but IXC's are also affected
2 because potentially high-volume customers are
3 encouraged to take a subsidized anti-competitive
4 alternative."

5 A. Uh-huh.

6 Q. Can you elaborate on that a little?

7 A. Could you read that paragraph again? I am
8 sorry.

9 Q. Sure. "COS is not only a problem for LECs
10 and CLECs, but IXC's are also affected because
11 potentially high-volume customers are encouraged to
12 take a subsidized anti-competitive alternative."

13 A. Yes. The intention there was that the drift
14 of most of the testimony seemed to revolve around a
15 LEC or a CLEC or a combination providing the service.
16 And my point, unlike I think Mr. Ensrud made on
17 several occasions, was that actually as you're
18 introducing COS routes, it's the IXC's that are losing
19 the revenue, and they are truly involved, not the
20 LECs.

21 From one point of view, if you were going to
22 deal with the question of requiring someone to provide
23 the service or not, you might consider that the -- the
24 IXC's are the injured parties, if you will. That was
25 my point there.

1 Q. Okay. Let me see if I get this point. If
2 CompTel Missouri members want to enter this market,
3 they cannot because we are so heavily subsidizing the
4 service, it's just impossible for them to compete, so,
5 therefore, we're creating a class of providers who are
6 privileged and protected by regulatory action if we
7 continue to let this happen?

8 A. Sure. Yes. I agree with that statement.

9 Q. So this is like a regulatory protection for
10 a class of providers?

11 A. In that particular -- on those routes, yes.

12 Q. Okay. Let's see. On your -- on Page 6 of
13 your direct you talk about LATA-wide or statewide
14 flat-rate services. You mentioned that WATTS and 800
15 and many other rate plans are tailored to meet
16 specific customer needs in this regard. Are you
17 offering those services as substitutes for COS?

18 A. Are we today?

19 Q. Yes.

20 A. Yes, we are, except that they aren't very
21 practical --

22 Q. They can't compete?

23 A. -- because of cost. Exactly.

24 Q. They cannot compete because the COS services
25 are heavily subsidized?

1 A. Exactly. Yes.

2 Q. That's the point you're trying to make?

3 A. Sure.

4 Q. Do you think it's the responsibility of a
5 Public Service Commission to create classes of
6 providers that are privileged at the expense of
7 others?

8 A. I personally think there are times when that
9 is the Public Service Commission's responsibility, and
10 I think that's, as has been discussed to this point,
11 generally situations that are what I would truly call
12 necessary services or Lifeline-type services, for
13 example, services for underprivileged, handicapped or
14 whatever. In this case I don't think it's their
15 responsibility.

16 Q. In other words, if it's truly a monopoly
17 service, then that may be happening, but may be
18 required. But if it is a competitive market where
19 there are many offerers or service providers, is that
20 a place where we would create privilege to providers?

21 A. Under normal circumstances, I don't think
22 so. Now, again, I would agree that there might be a
23 truly disadvantaged group of customers who might need
24 assistance.

25 Q. Okay.

1 A. And a -- a dual-party relay service, for
2 example, is -- there wouldn't be a competitor that
3 would likely provide that service in the way that this
4 state has intended to provide it, so I think that's a
5 good thing for the state to do.

6 COMMISSIONER CRUMPTON: Thank you.

7 ALJ ROBERTS: Commissioner Drainer?

8 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

9 Q. I need you to go back to the future with me
10 for one more moment.

11 If when -- when AT&T has approved tariffs
12 and is offering local service in Missouri, let's say
13 down in the Springfield area where it is all the way
14 around with all Southwestern Bell exchanges, is AT&T
15 going to be restricted to the same exchange
16 boundaries, defining the same exchange boundaries, or
17 can it expand out two and three exchanges into one
18 exchange boundary with one price, if it wishes?

19 A. I believe we can price within reason however
20 we wish. I'm not sure I'm answering your question,
21 though.

22 Q. Well, I guess what I'm asking is, do you
23 know whether or not the law requires you to define
24 your exchanges the same as the existing exchanges
25 today?

1 A. I don't believe it does, other than I don't
2 believe we can have anything smaller than an exchange
3 without the Commission's authority at least.

4 Q. So you could potentially take Springfield
5 and a couple, or whatever you chose to do, existing
6 exchanges and widen it to one big metro Springfield
7 exchange and have service --

8 A. If --

9 Q. -- if you chose?

10 A. If we chose to do so, I believe we could. I
11 realize I need to talk to an attorney. I hate to fall
12 on that bandwagon.

13 COMMISSIONER DRAINER: Okay. Now that we
14 are back to the present, I have no other questions.
15 Thank you.

16 ALJ ROBERTS: Let's see if I can remember
17 our order for cross for AT&T. I lost my sheet.

18 I may be off the hook.

19 It is CompTel first.

20 MR. ANGSTEAD: No questions, your Honor.

21 ALJ ROBERTS: MCI?

22 MR. CURTIS: No questions.

23 ALJ ROBERTS: GTE?

24 MR. SHANNON: No questions.

25 ALJ ROBERTS: TCG?

1 MS. FORREST: No questions.
2 ALJ ROBERTS: Southwestern Bell?
3 MR. BUB: No questions, your Honor.
4 ALJ ROBERTS: United?
5 MS. GARDNER: No questions.
6 ALJ ROBERTS: Staff?
7 MS. MCGOWAN: No questions.
8 ALJ ROBERTS: Public Counsel?
9 MR. DANDINO: No questions.
10 ALJ ROBERTS: Small Telephone Group?
11 MR. ENGLAND: No questions.
12 ALJ ROBERTS: Mid-Missouri Group?
13 MR. JOHNSON: Yes, please.
14 RECROSS-EXAMINATION BY MR. JOHNSON:
15 Q. Mr. Lovett, as I understand two-way COS,
16 which you believe to be an unattractive service from
17 AT&T's perspective because it's heavily subsidized,
18 over the past four years it's attracted 17,600
19 customers statewide. Is that your understanding of
20 the testimony today?
21 A. Yes, in two-way.
22 Q. Is that a significant part of that market
23 area that AT&T would like to target?
24 A. Yes --
25 Q. Okay.

1 A. -- it is. Would you like me to amplify?

2 Q. If you would like to. I don't want to keep
3 you --

4 A. In reality, the fact that there are -- let
5 me rephrase.

6 I've been involved in discussions with our
7 marketing strategy people, and I am not one of them,
8 but it was a great concern that there are, indeed,
9 some attractive customers that we probably will not be
10 able to get as our customers because they have this
11 service and it would be our preference to somehow be
12 able to provide that service and retain those
13 customers.

14 Q. Do you know how many subscribers subscribe
15 to the optional tiers of MCA service?

16 A. No.

17 Q. Do you believe that to be a larger market
18 than what have taken the two-way COS service?

19 A. Yes.

20 Q. Is that a market what AT&T would like to
21 target either in an interexchange capacity or in the
22 potential capacity as a new local service entrant?

23 A. We're talking about MCA?

24 Q. Yes, sir.

25 A. Yes. Sure.

1 Q. Do you believe that MCA service under its
2 present terms created a privileged class of providers
3 with a subsidized service?

4 A. I don't know that that was subsidized. I'm
5 not arguing. I just don't know.

6 Q. Okay. Let me switch gears a minute and ask
7 about some services that AT&T is presently offering.

8 Currently, as I understand it, AT&T is
9 marketing in Missouri a plan, and I can't recall the
10 name of it, where for 10 cents a minute evening and
11 weekend calls can be made. Do you know what the name
12 of that plan is, just to help me out?

13 A. No. No, I really don't. I'm sorry.
14 Does -- I mean, we can call it Plan X, if you like.

15 Q. These plans change names from time to time,
16 and I can't keep track of what MCI, Sprint and AT&T
17 are marketing, but is there one available in Missouri
18 today where it's being marketed under those terms,
19 10 cents a minute for evenings and weekends?

20 A. I didn't recall that there was one being
21 marketed that way, but it could well be. It would not
22 surprise me at all.

23 Q. Can you give me -- what's the best
24 residential plan that AT&T offers in Kansas City and
25 St. Louis today?

1 A. Residential long distance?

2 Q. Yes, sir.

3 A. There are very many and it depends a lot on
4 your calling patterns. It would be difficult for me
5 to say which one is the best. It would depend on your
6 own calling capabilities.

7 Q. Are any of those services that are available
8 in Kansas City and St. Louis which are not available
9 in Pilot Grove, Missouri?

10 A. There may be some that because of billing
11 limitations are not available, yes.

12 Q. What does billing limitations have to do
13 with whether a service is available in Pilot Grove?

14 A. Because we can't bill it, or Pilot Grove
15 can't bill it.

16 Q. Why can't they bill it? They bill it for
17 Southwestern Bell. Why can't they bill it for AT&T?

18 A. For whatever reason. I don't know. Usually
19 it's limitations on being able to do what we want to
20 do. We send out the billing advices and ask the
21 independents for a rate, and sometimes we just don't
22 get one back in terms of willingness to bill.

23 Q. Does AT&T directly bill any residential
24 customers in the state of Missouri?

25 A. Some, I understand, yes.

1 Q. Why can't you bill -- directly bill
2 residential customers in Pilot Grove?

3 A. I would imagine we could, and we may for all
4 I know. We've been taking back billing on a
5 continuing basis, and I'm not sure which cities we are
6 and are not.

7 I also know we're -- some billing problems
8 have developed because we have taken back some
9 portions of the billing, so that as I understand the
10 way that particular situation works, Pilot Grove would
11 collect the data, they would send it to us. We would
12 massage it and send it back to them to actually bill,
13 so there are a variety of take-back things, and I'm
14 not really sure on where that stands for any given
15 company in Missouri.

16 MR. JOHNSON: Thank you. That's all I have.

17 ALJ ROBERTS: Thank you very much. I think
18 that's -- that's it. You may step down.

19 MR. DeFORD: I'm happy.

20 ALJ ROBERTS: You're happy. I'm sorry. No
21 redirect. Thank you.

22 You may step down.

23 Off the record, please.

24 (A discussion off the record.)

25 (Witness sworn.)

1 ALJ ROBERTS: Southwestern Bell's witness,
2 Mr. Taylor, is on the witness stand.
3 Mr. Bub, you may proceed.
4 MR. BUB: Thank you, your Honor.
5 RICHARD L. TAYLOR testified as follows:
6 DIRECT EXAMINATION BY MR. BUB:
7 Q. Mr. Taylor, could you please state your full
8 name for the forward record?
9 A. Yes. Richard L. Taylor.
10 Q. By whom are you employed, sir?
11 A. Southwestern Bell Telephone Company.
12 Q. What do you do for Southwestern Bell?
13 A. I am the director of regulatory and industry
14 relation for Missouri.
15 Q. Okay. Are you the same Richard Taylor that
16 filed direct testimony in this case that's been marked
17 as Exhibit 26?
18 A. Yes.
19 Q. And you also filed rebuttal testimony in
20 this case, which has been marked as Exhibit 27?
21 A. Yes, sir.
22 Q. And also surrebuttal testimony that's been
23 marked as Exhibit 28?
24 A. Yes, sir.
25 Q. Are there any changes or corrections that

1 you need to make to this testimony?

2 A. No, sir.

3 Q. Okay. Is this testimony true and correct?

4 A. Yes, sir.

5 Q. And if we were to ask you the same questions
6 today, would your answers be the same?

7 A. Yes, they would.

8 MR. BUB: Thank you.

9 Your Honor, at this time we would like to
10 move for the admission of Exhibits 26, 27 and 28, and
11 to tender Mr. Taylor for cross-examination.

12 ALJ ROBERTS: Thank you. Is there any
13 objection to the admission of 26, 27 and 28?

14 (No response.)

15 ALJ ROBERTS: Hearing none, those exhibits
16 will be admitted.

17 (EXHIBIT NOS. 26, 27 AND 28 WERE RECEIVED
18 INTO EVIDENCE.)

19 ALJ ROBERTS: Questions first go -- witness
20 goes to Staff.

21 MS. MCGOWAN: No questions.

22 ALJ ROBERTS: I'm sorry?

23 MS. MCGOWAN: No questions of this witness.

24 ALJ ROBERTS: United?

25 MS. GARDNER: No questions.

1 ALJ ROBERTS: AT&T?
2 MR. DeFORD: No questions.
3 ALJ ROBERTS: MCI?
4 MR. CURTIS: No questions.
5 ALJ ROBERTS: TCG?
6 MS. FORREST: No questions.
7 ALJ ROBERTS: CompTel?
8 MR. ANGSTEAD: No questions.
9 ALJ ROBERTS: GTE?
10 MR. SHANNON: No questions.
11 ALJ ROBERTS: Public Counsel?
12 MR. DANDINO: No questions.
13 ALJ ROBERTS: Small Telephone Group?
14 MR. ENGLAND: Yes, please.
15 CROSS-EXAMINATION BY MR. ENGLAND:
16 Q. Good afternoon, Mr. Taylor.
17 A. Good afternoon, Mr. England.
18 Q. Can you tell me if Southwestern Bell
19 possesses a certificate of public convenience and
20 necessity or a certificate of service authority from
21 this commission?
22 A. I believe the answer is neither. I think
23 it's chartered prior to the establishment of the
24 Commission.
25 Q. What then defines Southwestern Bell's

1 serving area in the state in your mind?

2 A. Our tariffs primarily.

3 Q. Okay. Do exchange boundaries define your
4 serving area too?

5 A. Exchange by exchange, yes, and the total of
6 those comprise our total service area.

7 Q. Okay. Would you agree with me that
8 Southwestern Bell owns and operates telecommunication
9 facilities that are actually located outside your
10 exchange boundaries but within the exchange boundaries
11 of other companies?

12 A. In a few instances, yes, I would.

13 Q. And are those primarily toll-carrying
14 facilities, if you will --

15 A. Yes, they are.

16 Q. -- or interexchange facilities?

17 A. Yes.

18 Q. I guess you've anticipated I'm going to ask
19 you some questions about T/O ratios, have you not?

20 A. I'm surprised by that.

21 Q. Now, would you agree with me that there are
22 currently no secondary carriers that are billing
23 Southwestern Bell on an actual terminating minute of
24 use basis for purposes of intrastate intraLATA access
25 charges?

1 A. I would agree there are none that are. I
2 believe there are four that should be, but I would
3 agree that there are none that are.

4 Q. Would you agree with me, and correct me if
5 I'm wrong, that most of the T/O ratios that are
6 currently in use today were set around 1988 when the
7 PTC plan was implemented, or maybe even before that?

8 A. I would agree that most of them were created
9 around the time of the PTC plan. A few have been
10 changed since then. I don't believe any were created
11 prior to that.

12 Q. Prior to 1988?

13 A. That's correct. Now, those 1988 ones may
14 have been established based on 1986 or 1987 test-year
15 data.

16 Q. So you think that those ratios were
17 established as part of the implementation of the PTC
18 plan?

19 A. By and large, with a few exceptions.

20 Q. Okay. Is it your company's position that
21 secondary carriers can change from T/O ratios to
22 actual terminating minutes at any time they choose to
23 do so?

24 A. I believe that they can change from T/O to
25 actuals, have encouraged them on more than one

1 occasion to do so, expressing a strong preference for
2 all of them to do it at the same time so that the puts
3 and takes sort of balance out for my company. But,
4 yes, I would agree they can do it under the terms of
5 at least the Oregon Farmers tariff that most of them
6 concur in.

7 Q. Now, maybe I need to be more specific. Is
8 it your company's position that an individual
9 secondary carrier could do that irrespective of what
10 the other ones do?

11 A. I think they can convert from T/Os to
12 actuals individually. I think they can adjust the T/O
13 factors individually. I think the appropriate thing
14 to do is for all of them to do it.

15 Q. Would you be willing to pay an access bill
16 next month, the month after that, depending on how
17 quickly it happens, if one or more but not necessarily
18 all of the secondary carriers switched to actual
19 terminating minutes?

20 A. If I have an opportunity to review the data
21 upon which that change is made and am convinced that
22 it is accurate and representative of the traffic and
23 I'm properly billed, I will pay it. If the only ones
24 who make the change are the ones who profit by doing
25 so, I will do whatever I can find to do to encourage

1 the others to also make the change.

2 Q. Well, let's take an example. Let's take a
3 pure winner, a secondary carrier with profit who will
4 do better by converting to actual minutes --
5 terminating minutes as opposed to the current T/O
6 ratio. Is it your testimony that, one, they can
7 change tomorrow; two, if they submit a bill based on
8 those actual minutes, which you verify, that, three,
9 you will pay that bill?

10 A. Yes, sir, I think I said that.

11 Q. Okay. Irrespective of whether or not any of
12 the other people -- any of the other secondary
13 carriers, that is, make the conversion?

14 A. If you accept my yes, but not irrespective
15 of the efforts I will make to get others to make the
16 same sort of change. There is another way that you
17 could do it, but if it happened the way you've
18 described, I think I have little choice but to pay it.
19 Another way you could do it that might be more
20 appropriate is for all of the companies to make the
21 change, let the winners win and the losers lose. In
22 the aggregate, I suspect I come out somewhere about a
23 wash.

24 Another way you could do it is to have each
25 of them adjust their access rates so that when they

1 made that conversion it was revenue neutral to each of
2 them and would therefore be expense neutral to me. At
3 the go-down, no one's harmed.

4 Q. There have been a lot of discussions between
5 you and various representatives of the secondary
6 carriers about these T/O ratios, have there not?

7 A. Yes.

8 Q. And I guess the general consensus, would you
9 not agree, has been that they would not do it on an
10 individual basis. They would respect your wishes. If
11 they were going to do it, they were going to do it
12 either in the context of a rate case where everything
13 can be examined, or it would be on an industry-wide
14 basis, where, as you say, hopefully the puts and takes
15 wash each other out?

16 A. I would agree with that characterization.

17 Q. Okay. As a matter of fact, Citizens
18 Telephone Company, which was in for a rate increase
19 three or four years ago, did some modifications to
20 their T/O ratio. They weren't able to go to actual,
21 but they did do some modifications to what I'll call a
22 fixed T/O ratio, did they not?

23 A. I don't want to argue semantics. I wouldn't
24 call it fixed. It's actually a quarterly updated T/O
25 factor based on the actuals on a quarterly basis.

1 Q. Yeah.

2 A. So it's not month by month actuals, but
3 it's, in essence, a T/O based on quarterly actuals.
4 And, yes, they did, and they did that in a rate case
5 and we did agree to that.

6 Q. Okay. But I guess when I meant -- when I
7 said "fixed," excuse me, I meant what proceeded that
8 or what the other secondary carriers were on right now
9 is what I envisioned to be a fixed T/O ratio.

10 A. Yes. And they did move away from that.

11 Q. Citizens went to, as I understand it, sort
12 of a rolling -- is it 12 months adjusted every three
13 months?

14 A. That's correct.

15 Q. Okay. It's also my understanding that those
16 adjustments are based on your measurements, not on
17 Citizens Telephone Company measurements?

18 A. I think that's also correct.

19 Q. And haven't you had some discussions
20 recently with Citizens Telephone Company about actual
21 terminating minutes that they are now able to measure
22 versus what you were measuring for terminating minutes
23 in their exchanges?

24 A. Yes. And there have been some disparities
25 in the numbers, and we have not reconciled all of

1 those yet, but both of our companies are still working
2 toward those. There are some units of traffic that
3 are not within the confines of the PTC SC arrangement
4 that account for part of the difference and some of
5 the difference we haven't identified yet.

6 Q. Now, let me take you back to your earlier
7 testimony about verifying the numbers and try to bring
8 it back to maybe a more focused example.

9 If Citizens were to send you a bill tomorrow
10 for actual terminating minutes based on their
11 measurements, as I understand it based on your earlier
12 testimony, correct me if I'm wrong, you might have a
13 problem paying that bill because you haven't
14 reconciled their minutes as they measure them with
15 your minutes as you measure them; is that right?

16 A. If they sent me a bill based on the actual
17 minutes for the types of traffic that fall under the
18 primary carrier/secondary carrier plan, I would pay
19 that bill.

20 Q. I guess that's a problem with the Feature
21 Group C arrangement that we have between primary toll
22 carriers and secondary carriers in that more than just
23 PTC traffic, if you will, is coming over those trunks?

24 A. It's -- it's a problem, as the latter half
25 of your question implied. I'm not sure that I caught

1 the first half, and I think it might be different.

2 Q. Well -- and I'm getting into an area that's
3 beyond my headlights. But as I understand, the PTCs
4 and SCs interexchange traffic on a Feature Group C
5 basis where --

6 A. That's correct.

7 Q. -- versus other IXCs, which is done on a
8 Feature Group D basis. Because of the
9 interconnections arrangements that we have, "we," the
10 secondary carriers with the PTCs via Feature Group C,
11 there are different types of traffic coming over that
12 connection, if you will, that we can't distinguish and
13 tell whether it's PTC traffic, or, as you say, non-PTC
14 traffic; is that right?

15 A. That's correct. We can, however, I think
16 agree and have or nearly have agreed on what are the
17 units of traffic that do fall under the primary toll
18 carrier/secondary carrier plan, and I think there is
19 little, if any, dispute about that. What we're still
20 wrestling with are what are some of the other
21 variances?

22 Q. Until -- until we get off, if you will,
23 "we," the secondary carriers, get off the Feature
24 Group C arrangements, it's my understanding that we
25 will not be able to distinguish -- distinguish the

1 types of traffic coming over that connection, even
2 though we may be able to agree that one type of
3 traffic is appropriate and another one is not
4 appropriate for purposes of billing access?

5 A. I don't think that's necessarily true,
6 Mr. England. I think there are two things that
7 perhaps keep it from being true. First of all, I
8 think we will be able ultimately to determine what the
9 other kinds of traffic are and identify them. Failing
10 that, we can change the trunking arrangement so that
11 the Feature Group C traffic is on a discreet set of
12 trunk groups on that same toll route and only the
13 Feature Group C primary-toll-carrier type of traffic
14 uses those trunk groups. Then the Feature Group C
15 measurement on that trunk group would be the same that
16 you would get on a Feature Group D trunk group in
17 terms of the validity of the numbers.

18 And I think even if we have to go to that
19 point, it's much less expensive and just as viable as
20 a Feature Group D measurement. I do not disagree,
21 Mr. England, with your premise that your client should
22 be paid for the actual traffic they terminate.

23 Q. Let me switch gears on you, please. I want
24 to talk about your proposal to convert COS to, as I
25 understand it, a one-way reciprocal service, classify

1 it as local and require the LECs serving the -- I'll
2 call it the originating exchange responsible for
3 paying terminating access, that is partial terminating
4 access, I guess, transport and switching but not
5 carrier common line --

6 A. Yes.

7 Q. -- to the LECs serving the terminating
8 exchange. Is that a fair summary of your proposal?

9 A. It is with one exception. I think our first
10 choice recommendation was to convert it to a
11 one-way-only service, as an alternative one-way
12 reciprocally available. With that correction, I would
13 agree that that's a fair assessment.

14 Q. Okay. Now, I believe you have criticized
15 Mr. Schoonmaker's attempt to calculate the overall
16 rate impact of your proposal because, as I understand
17 it, he included the CCL element in his calculations
18 for trying to determine the puts and takes of that
19 type of an arrangement?

20 A. Having criticized his attempts, I disagreed
21 with his results.

22 Q. But neither you or any other Bell witness in
23 this proceeding has attempted to quantify what those
24 rate impacts would be either on Bell or on the rest of
25 the secondary carriers, have you?

1 A. No, but I think I could do it in about
2 10 seconds if you assume, as I said in my testimony,
3 that the carrier common line element is roughly half
4 of the minute-of-use charge, and it might be as simple
5 as changing Mr. Schoonmaker's 2.7 million to half
6 that, though it may be a little more complicated than
7 that. I have not further refined his analysis.

8 Q. Would you agree with me that if -- well, to
9 the extent you understand Mr. Schoonmaker's
10 calculation, you understand that he assumed that there
11 would be comparable calling back from the target
12 exchange to the petitioning exchange as there was from
13 petitioning to target?

14 A. Yes, and that was one of the things that I
15 didn't agree with, but I do understand he made that
16 assumption, and he made it clear that he made that
17 assumption.

18 Q. Yeah. If, however, it was a one-way only,
19 that rate impact would vary significantly from what he
20 attempted to quantify, would it not?

21 A. That's correct.

22 Q. Now, I believe you've indicated in your
23 surrebuttal testimony at Page 4, and I don't know --
24 if you want to take a look at it, it's Lines 13
25 through 20, that if Southwestern Bell receives any net

1 financial benefit from modification of COS, you have
2 agreed to flow it through to your subscribers?

3 A. That's correct.

4 Q. Okay. Now, am I also correct in
5 understanding that at least in Southwestern Bell's
6 opinion they are now a price-capped company under
7 Senate Bill 507 and no longer a rate base of return
8 regulator?

9 A. That's correct.

10 Q. Okay. If you take that assumption or if you
11 hold that opinion and you further assume that the --
12 or excuse me -- that Southwestern Bell receives a net
13 financial benefit or, for that matter, a net financial
14 detriment as a result of a decision in this case,
15 would you also agree with me that as a price-capped
16 company you really, on one hand, aren't required to
17 make those refunds or, on the other hand, don't have
18 the availability to come back and make up that
19 detriment if you were adversely impacted by a
20 decision?

21 A. I wouldn't for a couple of reasons. First
22 of all, as I understand the rules for price-capped
23 company, what I can't raise is my maximum rate.
24 Nothing in the price cap rule says I can't lower. If
25 I get a windfall, so to speak, out of a change in COS,

1 there isn't anything that says I can't lower rates to
2 give that back. And regardless of the rules, what I'm
3 telling this commission is we'll do that.

4 Q. Okay. Sorry.

5 A. If I come up with a shortfall, I would agree
6 that under price cap I don't have any automatic way to
7 go get it back unless I have an opportunity between my
8 minimum and maximum rates to adjust within those
9 bands. If I can find an opportunity to do it, I think
10 it would be allowable.

11 Q. And I wasn't saying that you necessarily
12 wouldn't do it in the instance of a financial benefit
13 and you wanted to make a refund. I guess my point
14 was, if you didn't want to do that, neither this
15 commission, nor could anyone else, force you to do
16 that under price-cap regulation?

17 A. I agree that they couldn't force me to, but
18 I'm telling them they don't have to. I'll do it.

19 MR. ENGLAND: I understand. I've got some
20 questions about your intrastate toll revenues, but I
21 believe I'm going to get into some highly confidential
22 information, so I can wait on that. We can go in
23 camera now or whatever.

24 ALJ ROBERTS: If you would wait --

25 MR. ENGLAND: I can do that. Other than

1 that, I'm done.

2 ALJ ROBERTS: Mr. Johnson?

3 MR. JOHNSON: Yes. Thank you.

4 CROSS-EXAMINATION BY MR. JOHNSON:

5 Q. Mr. Taylor, I want to visit the topic of the
6 revenue-neutrality adjustments that were made in 1993
7 when MCA, COS and OCA were created.

8 A. Okay.

9 Q. And, first of all, is it correct that the
10 revenue-neutrality adjustments that Southwestern Bell
11 made were the result of the combination of the puts
12 and takes of all three of those services?

13 A. I think that's right.

14 Q. There was not a separate revenue-neutrality
15 adjustment affiliated with COS, MCA and OCA; is that
16 correct?

17 A. Depending on the time frame you're referring
18 to. If you go back to the original COS -- and, I'm
19 sorry, I don't recall the docket number. We were
20 dealing only with COS there. In the subsequent case
21 we had the combination of the three you mentioned.

22 Q. And as I understood from Miss Bourneuf's
23 testimony, Southwestern Bell increased -- had a
24 revenue -- adverse revenue impact from the combination
25 of those three services implemented in 1993?

1 A. That's correct.

2 Q. Okay. And in order to recover that, there
3 were some increases made to discretionary services
4 that Southwestern Bell offered its customers?

5 A. That's correct.

6 Q. Okay. It's further my understanding from
7 Ms. Bourneuf's testimony that later in the context of
8 an earnings review, the additional losses experienced
9 by the COS routes that were implemented after the
10 first six months were taken care of there as well; is
11 that correct?

12 A. That's correct.

13 Q. Have there been any COS routes implemented
14 since that earnings review was put to bed?

15 A. Yes.

16 Q. How many?

17 A. Mr. Johnson, I don't know the answer to
18 that, but several.

19 Q. How many toll routes is Southwestern Bell
20 involved with, COS routes?

21 A. I think it's 117.

22 Q. And so have there been about 10 or 15
23 implemented since that last --

24 A. I think it's more like 55, 57. Let me look.
25 I may have that, if you give me just a second.

1 Q. Certainly.

2 A. Well, I also may not have it. I'm sorry,
3 Mr. Johnson, I don't have it. But it's been closer to
4 50 than it's been to five.

5 Q. Okay. I want to turn to the other side of
6 the table, the revenue-neutrality adjustment and the
7 small companies. You were part of that process as
8 well, were you not?

9 A. Yes, I was.

10 Q. And is it also correct for the small
11 companies that their adjustment was the result of a
12 combination of puts and takes for all three services
13 that were ordered in 1993?

14 A. To the extent they were impacted by all of
15 them, yes.

16 Q. Okay.

17 A. Most of them were only impacted by one or
18 two.

19 Q. And the initial mechanism that was developed
20 for those small companies, and they typically had a
21 revenue increase from the implementation of those
22 three new services; is that correct?

23 A. That's correct.

24 Q. And so in order to -- as I recall it and as
25 I understand it, in order to make it revenue neutral

1 for small companies, they studied the stimulation on
2 access for six months after implementation of those
3 new services?

4 A. Yes. They looked -- they looked at the
5 usage volumes for the six months after implementation
6 of those initial routes, compared that usage volume to
7 the six months' volume prior, determined the
8 difference, reduced that difference by an amount to
9 accommodate normal growth, if you will, and reduced
10 their access carrier common line access rate elements
11 rates proportionate to, in effect, give back the
12 windfall from those additional routes, yes, sir.

13 Q. And besides doing the access rate reduction
14 that reflected normal growth and stimulation, they
15 also refunded that difference on the actual traffic
16 during the six months that was studied?

17 A. Yes, for that interim period of time.
18 That's correct.

19 Q. And that was refunded with interest?

20 A. That's correct.

21 Q. And the minutes that were studied, were they
22 both COS and OCA minutes?

23 A. They were COS, OCA and regular toll.

24 Q. Okay. What happened to the small companies
25 that went into the MCA? What happened to their

1 minutes?

2 A. The small companies that became part of the
3 MCA -- I'm not sure that I can remember as detailed
4 the process, but there was a process whereby they were
5 kept whole and in the event that they didn't come out
6 whole, the primary toll carriers agreed under the
7 joint recommendation that GTE, United and Southwestern
8 Bell filed in that case that we would provide support
9 payments to those companies to make up any deficiency
10 that remained. And, as I recall, there were four
11 companies, one of which never needed a support
12 payment, one of which -- or three of which needed
13 supported payments, two of them are still getting
14 them, one of them asked us to stop making it because
15 they didn't need it anymore, and the Commission
16 approved that.

17 Q. Okay. Just to make sure we're all operating
18 on the same recollections here, when the small
19 companies involved had a reduction in their CCL
20 element of their access charges, that reduced rate was
21 applied from that point forward to the MTS traffic?

22 A. It was applied to all traffic for all
23 carriers that paid the intraLATA rate. That's
24 correct.

25 Q. So that reduction was not just passed back

1 to Southwestern Bell. It would have been passed back
2 to the IXC community as well?

3 A. That's correct. Now, the refund period for
4 that initial six month interim period, the refund came
5 only to the respective primary toll carrier. But the
6 going-forward rate reduction benefited the primary
7 toll carriers and any interexchange carrier that paid
8 intraLATA access.

9 Q. Okay. Mr. Taylor, as of today, whether
10 we're talking about MTS traffic or COS traffic, for
11 customers that reside in the small company exchanges
12 that Bell serves as a PTC, those customers are
13 considered Southwestern Bell's toll customers, are
14 they not?

15 A. Those customers pay Southwestern Bell's toll
16 rates. Southwestern Bell, by virtue of this
17 commission's decision and by virtue of this
18 commission's approval of our tariffs, has undertaken
19 under the primary toll carrier plan to carry the
20 small -- what we consider to be the small companies'
21 carrier of last resort obligation for that service for
22 the length of the PTC plan.

23 We don't -- we never conceded that we had
24 that obligation. Your clients didn't concede that
25 either, and because we reached an agreement to the

1 primary toll carrier plan, the Commission was able to
2 not decide the issue.

3 Q. Well, all through your testimony or that of
4 Mrs. Bourneuf, you keep talking about not wanting to
5 be forced to provide service to customers of another
6 company. Isn't that basically the premise that you
7 presented in your testimony?

8 A. Yes, sir.

9 Q. Okay. As competition unfolds is every
10 customer just going to have one serving company?

11 A. I don't know, but to the extent he's my
12 customer, I'd like to be everything I can be to him,
13 and I can't be all of those things in your client's
14 exchanges.

15 Q. Well, I may want Southwestern Bell internet
16 access from your affiliate for internet access; I may
17 want AT&T for my interLATA; I may want CompTel, one of
18 their clients for my intraLATA, and I may want
19 somebody else for my new local service provider.
20 Isn't it kind of parochial to say every customer has
21 to be owned by one company?

22 A. No, and I -- if that's what you read from my
23 answer, perhaps I need to give the answer again
24 because I didn't mean to imply that.

25 Customers will have a myriad of choices,

1 okay, and serving companies will have some choices to
2 make. Our choice is to be all we can be to the
3 customers in our exchanges and other locations on a
4 basis that we select, and we don't want to continue to
5 be the primary toll carrier for intraLATA traffic in
6 the secondary carrier exchanges. We think it's more
7 appropriate for the secondary carriers to assume that
8 responsibility. It's kind of like we've had our turn.
9 It's somebody else's turn.

10 Q. You indicated in response to some of
11 Mr. England's questions that if as a result of the
12 decision in this case there is a net gain to
13 Southwestern Bell that you would pass that on to your
14 toll customers?

15 A. Yes, sir.

16 Q. As I understand it, those set of toll
17 customers would not include the local exchange
18 customers of the small companies?

19 A. It depends on when we did it. If -- if
20 everything that's going to happen to COS happened
21 tomorrow and the next day we determined that I had, to
22 pick a number, a million dollar gain, and I was going
23 to reduce toll rates by a million dollars, and if I
24 chose to do it by reducing my regular message toll
25 rates, and if I'm still the primary toll carrier for

1 the secondary carriers at that point, then, yes, those
2 customers in the secondary carrier exchanges would get
3 the benefit.

4 Now, if that doesn't happen until I'm
5 hopefully no longer the primary carrier, then they
6 wouldn't get that benefit directly.

7 Q. I don't know when I picked up on this, but
8 it was either Monday or Tuesday. Southwestern Bell,
9 since 1988, has reduced its toll rates by 28 percent?

10 A. I think that's about right. Yes.

11 Q. And during that period of time since 1988,
12 you have been serving both your customers and the
13 "customers of the small companies"; is that right?

14 A. Yes, since July 1 of 1988.

15 Q. So in the past ten years those rate
16 reductions have been passed through to all of your
17 toll customers regardless of whether they reside in a
18 small company exchange or in a Southwestern Bell
19 exchange?

20 A. That's correct.

21 Q. It is correct that today Southwestern Bell
22 has toll facilities that either run to or meet the
23 small companies' facilities somewhere in this
24 interexchange environment; is that correct?

25 A. That's correct. And those are agreed-upon

1 meet points and sometimes they are at the exchange
2 boundary between our exchanges; sometimes they are a
3 little one side or the other of that boundary. In a
4 few cases, I think we still own the -- the line haul
5 facility all of the way to the switching office of the
6 independent company.

7 Q. And those facilities and those
8 interconnections are required in order for Bell to
9 carry toll traffic today?

10 A. Sure. They are required for the two
11 companies to jointly carry the traffic.

12 Q. If you are allowed to stop providing toll in
13 the small company exchanges, are you going to remove
14 those facilities?

15 A. Absolutely not. I still have to take my
16 customer's traffic. When my customer calls your
17 client's customer, I still have to have a delivery
18 vehicle and I'll still have to deliver that traffic,
19 it's my intention, over the same facilities, and I'm
20 more than willing to keep those same facilities there
21 for your clients to use for their outbound calling.

22 Q. How many exchanges does Southwestern Bell
23 serve in Missouri?

24 A. Southwestern Bell exchanges, I think the
25 number is 166.

1 Q. And how many different access rates does
2 Southwestern Bell have in Missouri?

3 A. Two.

4 Q. One for interLATA and one for intraLATA?

5 A. Yeah. I think they happen to be the same
6 rate, but they're tariffed as an interLATA rate and an
7 intraLATA rate, each applying statewide.

8 Q. So you average all of your costs over all of
9 your exchanges; is that correct?

10 A. That's correct.

11 Q. Does Southwestern Bell have some rural
12 exchanges of, say, 500 to 1,000 subscribers or access
13 lines?

14 A. Absolutely.

15 Q. Okay.

16 A. Several.

17 Q. Does Southwestern Bell study your costs of
18 access separately by exchange?

19 A. No.

20 Q. If you did, do you believe that your access
21 rates for that exchange might be comparable to a
22 comparably-sized small company exchange?

23 A. All other things being equal?

24 Q. Yes, sir.

25 A. It might be.

1 Q. Is Southwestern Bell in the process of doing
2 exchange-specific costing information for access in
3 the context of the USF proceedings?

4 A. I'm not certain.

5 Q. Okay.

6 A. I really don't know.

7 Q. Do you believe that if the small
8 companies -- let's say -- let's take one.
9 Mid-Missouri Telephone Company, if it's required to
10 carry all of the interLATA toll that originates in its
11 exchange, that it will have the same power of
12 geographical averaging as Bell does and will be able
13 to offer toll to its customers at the same rates that
14 Bell can offer toll today?

15 A. I think they could offer toll at the same
16 rates that Bell does today. Do I believe they'll have
17 the same volume of customers over which to recover
18 costs that we have today, obviously not, but there are
19 some other things they can do to mitigate those
20 problems, I think.

21 Q. Does Southwestern Bell's access rates
22 contribute to the cost of providing local service in
23 Southwestern Bell exchanges?

24 A. Southwestern Bell's access rates are priced
25 above cost; therefore, they make a contribution to the

1 general cost and overhead of the company, yes.

2 Q. So through Southwestern Bell's averaged
3 access rates, your urban customers are contributing to
4 the cost of providing local service to your own
5 customers. Is that fair?

6 A. Let me be sure I understand. Are you
7 talking about switched access rates, the type of
8 access rates that we charge interexchange carriers, or
9 are you talking about the customers' local service
10 access line?

11 Q. I'm talking about your 6-cent-a-minute
12 switched access charges.

13 A. I think it's 6.4. Now, help me with the
14 question again.

15 Q. I think we previously established that that
16 6.4 cent per minute rate applies to St. Louis as well
17 as your most rural exchange?

18 A. That's correct with the -- there may be a
19 little differentiation in that depending on what the
20 transport band is because our transport element is
21 distance sensitive, so there may be a little
22 differentiation there, but on the whole, yes.

23 Q. And I think we've established that your
24 access rate is priced above its cost to contribute to
25 the common overhead cost of Southwestern Bell?

1 A. Yes.

2 Q. And that, in turn, helps keep -- well,
3 through residual pricing it keeps your local rates
4 lower than they would have to be if they were priced
5 strictly to cover their own costs; is that correct?

6 A. Yeah, just as any other service that we
7 price above its cost.

8 Q. I'm not saying that any of this is new or a
9 sudden discovery on my part, but isn't it fair to say
10 then that because the actual cost per minute in the
11 urban areas are lower than the actual cost per minute
12 in your own rural areas that, in effect, your urban
13 customers are contributing to cover the cost of local
14 service to your rural customers?

15 A. Whatever carrier is paying more access
16 minute of use charges in the metropolitan area is
17 paying the rate that -- as you describe.

18 Q. In St. Louis are your business local rates
19 higher than your residence local rates?

20 A. Yes.

21 Q. Are they higher by a factor of three?

22 A. Something approaching that. 2.9 sticks in
23 my mind, but something approaching that, in the
24 metropolitan area.

25 Q. Is the cost of providing local service to

1 businesses in St. Louis three times as expensive as
2 the cost of providing residential local service?

3 A. I haven't looked at that data recently, and
4 I'm not a cost expert in that regard, but I doubt it.

5 MR. JOHNSON: That's all I have.

6 ALJ ROBERTS: We will take a break at this
7 time.

8 When we come back, we will go in camera to
9 address the in-camera questions of Mr. England and any
10 other in-camera matters, so during the process of the
11 break if the attorneys will -- or company
12 representatives will advise their parties who can
13 remain in the room and who needs to stay out. When we
14 finish the in-camera portion, we will take a very
15 brief break so that the remainder of the -- so that
16 the parties who can't be in here for the in camera
17 portion can return.

18 The break itself, I think we only need about
19 ten minutes.

20 Mr. Lane, do you have a question?

21 MR. LANE: Well, after the last break you
22 had asked us to get together and talk among ourselves
23 about how we would meet the Commission's request for
24 information. I didn't know when you wanted us to
25 report back to you.

1 ALJ ROBERTS: We were just interested in
2 approximately when the response would be available.

3 MR. LANE: I think what we have, as we
4 talked about among the parties, is that we've got a
5 list now of -- from the target exchange to the
6 petitioning exchange. We've got for all exchanges the
7 top 250 on a combined basis that we serve, right, 100
8 for GTE, and that we don't -- what we don't have is
9 the associated telephone number that's the called
10 number, and we'll have to get that from the small
11 telephone companies that are the petitioning exchange.
12 But we could get that very shortly, as soon as that's
13 put together.

14 The process of going -- I'm sorry if I said
15 that wrong. We have the telephone number, but not the
16 subscriber name.

17 Going the other way from the target to
18 the -- from the petitioning to the target, it will
19 take us probably some 30 days or more to put that type
20 of information together. What we talked about was on
21 an exchange basis, doing that top 20 by exchange.

22 COMMISSIONER CRUMPTON: Now, where would the
23 time be spent? Would it be spent with -- which
24 companies are going to take 30 days and which are
25 going to take less than 30 days?

1 MR. LANE: We could do it in about a week to
2 two weeks. I don't know about the other companies,
3 but my general understanding was that 30 days was
4 acceptable.

5 COMMISSIONER CRUMPTON: We can do it in
6 about two weeks.

7 Now, who are the other companies? And why
8 don't they just stand up and tell me how long it's
9 going to take them?

10 MR. ANGSTEAD: We would probably need
11 30 days for both petitioning and target. Southwestern
12 Bell is at an advantage that they had undertaken a
13 study prior to this, but we had not, so . . .

14 COMMISSIONER CRUMPTON: Okay. What about
15 the other companies?

16 MR. HARPER: United would attempt to get
17 100 customers as well, and I think it's going to take
18 probably 30 days to do it.

19 MR. ENGLAND: I will let Bob speak on behalf
20 of the small companies.

21 MR. SCHOONMAKER: In regards to our group, I
22 don't know for sure. I think some of the companies
23 can do it relatively quickly. We do have about four
24 or five companies that are target exchange companies,
25 and I'm just not certain of the availability of that

1 data and how quickly it will be gotten. We will move
2 toward to try to get that, but I don't know at this
3 point in time. I'm sure some of them we could have in
4 a week or two; others of them may take longer.

5 COMMISSIONER CRUMPTON: Can you find out and
6 let us know?

7 MR. SCHOONMAKER: Okay.

8 COMMISSIONER CRUMPTON: How soon do you-all
9 want a decision?

10 MR. ENGLAND: Are we on the record?

11 ALJ ROBERTS: We are on the record.

12 MR. ENGLAND: What I was going to -- I mean,
13 if we can do it -- and, again, Bob needs to check with
14 the individual companies, but if we can do it within
15 30 days, I would still think that would be within the
16 briefing time before -- I mean, I know that you-all
17 talk about things before you get all of the briefs in,
18 but I'm not so sure that even if it took us 30 days to
19 do this it wouldn't fit into the time frame we
20 anticipate a decision.

21 ALJ ROBERTS: That sounds fine. If you get
22 more information about the availability of this data,
23 we'll talk about briefing at the end of the hearing,
24 so we can tie this down at that time.

25 COMMISSIONER CRUMPTON: Could we accept the

1 data from those who can provide it early? As you get
2 it, would you send it to the record?

3 ALJ ROBERTS: It may come in in pieces, if
4 that's all right with you as --

5 COMMISSIONER CRUMPTON: We'll get a couple
6 of big pieces. Yeah, we'll get a couple of big
7 pieces.

8 ALJ ROBERTS: I don't know. I'm just asking
9 you if you want it in one table together or in pieces?

10 COMMISSIONER CRUMPTON: No. It can be
11 tables. That's fine.

12 MR. SHANNON: Actually, it may get a little
13 more complex than that in the fact that those of us
14 that have multiple routes with multiple companies,
15 once we've identified just the numbers, then that's
16 going to be passed back to those other companies for
17 them to identify the customer names, so that does slow
18 down the process.

19 COMMISSIONER CRUMPTON: Okay. Whatever.

20 MR. BUB: Your Honor, one thing that was
21 suggested, there was some concern about some companies
22 of passing those numbers to other companies and having
23 highly confidential customers' names produced, so one
24 suggestion was to have the numbers passed to Staff,
25 and Staff will do the translation from the number to

1 the name.

2 COMMISSIONER CRUMPTON: Is that okay?

3 MS. SMITH: Yeah, that's fine.

4 COMMISSIONER CRUMPTON: Okay. Well, 30 days
5 is fine with me if that's fine with you.

6 ALJ ROBERTS: We'll take a minute for ten
7 minutes, and then we'll come back strictly in camera.

8 Off the record, please.

9 (REPORTER'S NOTE: At this time, an
10 in-camera session was held, which is contained in
11 Volume No. VI, Pages 663 to 673, of the transcript.)

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 25, 1997
Jefferson City, Missouri
Volume VI

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

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Grand River Mutual Telephone Corporation.
10 Green Hills Telephone Corporation.
Holway Telephone Company.
11 KLM Telephone Company.
Kingdom Telephone Company.
12 Lathrop Telephone Company.
Le-Ru Telephone Company.
13 Mark Twain Rural Telephone Company.
McDonald County Telephone Company.
14 Miller Telephone Company.
New Florence Telephone Company.
15 New London Telephone Company.
Orchard Farm Telephone Company.
16 Oregon Farmers Mutual Telephone Company.
Ozark Telephone Company.
17 Rock Port Telephone Company.
Seneca Telephone Company.
18 Steelville Telephone Exchange, Inc.
Stoutland Telephone Company.

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1 I N - C A M E R A P R O C E E D I N G S

2 ALJ ROBERTS: We're back on the record for
3 an in-camera portion.

4 Mr. Taylor is still on the witness stand,
5 and it's my understanding that Mr. England had some
6 questions that might get into highly confidential
7 information.

8 If you would like to proceed, Mr. England.

9 MR. ENGLAND: Thank you, Judge.

10 RICHARD L. TAYLOR testified as follows:

11 CROSS-EXAMINATION BY MR. ENGLAND:

12 Q. Mr. Taylor, I believe I've handed you a data
13 request response that your company provided to the
14 Small Telephone Company Group regarding certain toll
15 revenue information for, I believe, calendar year
16 1996.

17 A. Yes, sir.

18 Q. Did you have a chance to look at that?

19 A. Briefly, yes.

20 Q. And I'm just going to deal with the totals
21 if I can, but if I'm reading this correctly, it
22 appears to me that Southwestern Bell received
23 approximately \$22 million from secondary carriers
24 during 1996; is that what you take from this
25 information?

1 A. Yes, I would.

2 Q. Okay. And that in addition to that, the
3 other information you've provided me is that your own
4 company received approximately \$61 million in toll
5 revenues from, what I'll say or call, your own
6 customers --

7 A. Yes.

8 Q. -- for that same period of time?

9 A. Yes.

10 Q. Okay. Now, I was doing some admittedly
11 rough and dirty calculations, but assuming 150,000
12 subscribers making up the Small Telephone Company
13 Group, including ALLTEL, and dividing that into the
14 22 million, I came up with a rough annual
15 per-access-line amount of approximately \$140. Does
16 that sound -- does that sound reasonable, or would you
17 accept that subject to check?

18 A. I think that's in the neighborhood.

19 Q. Okay. And I also took then the 61 million
20 that your customers paid but divided it by what I at
21 least obtained from the MTIA directory for an access
22 line count, which was approximately 2.7 million. I
23 understand that may understate it based on some
24 numbers I heard earlier in this proceeding, but for
25 purposes of my calculation, I used the 2.7 million,

1 and arrived at an annual per-access-line average of
2 \$23.

3 Would you agree, either subject to check or
4 does that appear to be reasonable to you?

5 A. Yeah. Excepting the accuracy of your
6 arithmetic, I think that's probably about right. The
7 only thing is the 2.7-million figure I think would
8 slightly overstate the access line count as opposed to
9 understating it, but not by a wide margin.

10 Q. Well, as I said, I just took the number out
11 of the MTIA directory.

12 A. I understood.

13 Q. And I guess what struck me is that SC
14 customers on average pay approximately \$140 a year in
15 intraLATA toll rates and Bell customers on average pay
16 approximately \$23 a year in intraLATA toll rates. But
17 intuitively based on the nature of this case, or at
18 least the issues we're getting at in this case, that
19 didn't surprise me because, at least as we've
20 asserted, and I don't know if you necessarily agree --
21 I guess that's my question. Bell customers tend to
22 have a wider calling scope either because of the size
23 of the exchange that they're located in or the
24 availability of other expanded calling plans such as
25 MCA and EAS.

1 A. I think that's true generally, primarily
2 because of the three metropolitan areas that you've
3 talked about.

4 MR. ENGLAND: Okay. Thanks.

5 I have no other questions.

6 ALJ ROBERTS: Any other in-- I'll go around
7 briefly for -- I take that back. There won't be
8 anything subsequent to that in camera.

9 Commissioner Crumpton, we are just getting
10 ready to conclude the in camera portion unless you
11 have any questions.

12 COMMISSIONER CRUMPTON: Did I miss anything?

13 THE WITNESS: Excuse me, your Honor?

14 ALJ ROBERTS: Yes, sir.

15 THE WITNESS: It could -- could it be
16 possible for me to get my calculator and double check
17 the numbers that I just went through with Mr. England?
18 I'm not as comfortable with those as I think about
19 them, and I might want to change my answer to his
20 question.

21 ALJ ROBERTS: You can use -- your counsel --

22 MR. ENGLAND: I'd like for him to do that.

23 ALJ ROBERTS: Your counsel can certainly
24 hand you a calculator, or if someone has one.

25 COMMISSIONER DRAINER: Do you know how to

1 use a Hewlett Packard?

2 ALJ ROBERTS: Sure.

3 THE WITNESS: Anything.

4 MR. ENGLAND: I express the same
5 reservations as another counsel yesterday about my
6 ability at math and art.

7 ALJ ROBERTS: While you are running through
8 those numbers, depending on how they come out, I'll
9 offer your attorney the opportunity for redirect based
10 upon highly confidential before we go back out again.

11 COMMISSIONER CRUMPTON: When he recalculates
12 the number, can he say what the number is?

13 MR. ENGLAND: I'm sorry. That's highly
14 confidential, Judge.

15 COMMISSIONER CRUMPTON: That's why I came
16 back.

17 THE WITNESS: No. I think Mr. England's
18 numbers were close to accurate, as I said.

19 COMMISSIONER CRUMPTON: Can you say what
20 they were?

21 ALJ ROBERTS: Can I ask you to run through
22 those numbers --

23 MR. ENGLAND: Excuse me. Is that on the
24 record?

25 Okay. Thanks. I'm just teasing.

1 ALJ ROBERTS: Mr. Taylor, would you walk
2 through those numbers, please?

3 THE WITNESS: Yeah. The question and answer
4 basically were looking at the long distance revenue
5 that the secondary carriers bill that accrued to
6 Southwestern Bell in 1996. Mr. England had divided
7 that number, which was a little over \$22 million, by
8 the approximately 150,000 secondary carrier customers
9 and conclude that, on average, Southwestern Bell
10 received from those customers the \$140 annually in
11 long distance revenues.

12 And he made a similar comparison to
13 Southwestern Bell's own customers, and on a per-
14 customer annual basis, it was \$23 or \$24.

15 And I was just verifying those numbers, and
16 they are close.

17 ALJ ROBERTS: Thank you, sir.

18 Redirected on the highly confidential, on
19 the in-camera portion?

20 MR. BUB: No, your Honor.

21 ALJ ROBERTS: Thank you very much.

22 In that case, we'll reopen the hearing.

23 We'll go off the record for a moment,
24 please.

25 WHEREUPON, the in-camera portion of

1 Richard L. Taylor's testimony was concluded.

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 25, 1997
Jefferson City, Missouri
Volume VII

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

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Seneca Telephone Company.
18 Steelville Telephone Exchange, Inc.
Stoutland Telephone Company.

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1 P R O C E E D I N G S

2 ALJ ROBERTS: We have concluded the
3 in-camera portion for this witness, Mr. Taylor, and
4 now to questions from the Bench, starting with
5 Commissioner Drainer.

6 QUESTIONS BY COMMISSIONER DRAINER:

7 Q. Good afternoon, Mr. Taylor.

8 A. Good afternoon, Commissioner.

9 Q. I've waited two years for this.

10 A. I'm sorry?

11 Q. I've waited two years for this.

12 A. I was afraid you'd say that.

13 Q. Okay. All joking aside, I do have some
14 questions.

15 Let me ask a couple of just overencompassing
16 questions about the primary toll carrier plan. And I
17 don't want to go into a lot of detail here, but you
18 were very involved throughout the whole process of
19 putting the primary toll carrier plan together; isn't
20 that correct?

21 A. Yes, ma'am.

22 Q. And one of the statements made in the
23 opening remarks by the Staff attorney was that the
24 primary toll carrier plan allowed for COS -- two-way
25 COS in its current form to exist and that it only took

1 a little bit of modification to allow for COS.

2 Was it a rather simple task to make all of
3 the necessary adjustments and puts and takes, as you
4 would say, to have two-way COS?

5 A. It was not a simple process. The fact that
6 the primary toll carrier plan existed, I would agree
7 with Staff counsel that it made it administratively
8 easier. I wouldn't agree with others who have opined
9 that were it not for the primary toll carrier plan, we
10 could not have had two-way COS, because I think there
11 are other ways it could be done, and, in fact, it was
12 done another way for a period of time in the revenue-
13 sharing plan not on an access-based settlement plan.

14 But I would agree with her that the
15 existence of the PTC plan and the existence of the
16 settlement mechanisms therein made it administratively
17 easier.

18 Q. Okay. Now, with the two-way COS from
19 TO-92-306, there has been testimony throughout that
20 there had to be, after the report and order, technical
21 conferences and analysis of who would be the winners
22 and the losers with respect to revenue adjustments to
23 implement two-way COS. Was Southwestern Bell a loser?

24 A. Yes, before we were made whole through the
25 revenue-neutral process.

1 Q. How were you made whole through the
2 revenue-neutral process?

3 A. We adjusted some rates, directory assistance
4 I think Miss Bourneuf testified to, and in the second
5 round of COS we had an additional revenue shortfall
6 that as it turned out we were ready to deal with at
7 the same time we were dealing with the conclusion of
8 our last earnings investigation case and it washed
9 through the resolution of the earnings investigation
10 case. So we didn't go raise any other rates
11 specifically to recover that shortfall.

12 Q. So you did true-ups, so to speak, when more
13 COS routes came on?

14 A. No, ma'am, we did not.

15 Q. You said the second phase.

16 A. I'm sorry. I was referring back to the
17 original COS case, the 232 case, when COS was first
18 implemented under the revenue-sharing plan, and then
19 in the 92-306 case where it was converted to the
20 existing arrangement. There were shortfalls in both
21 of those cases.

22 Q. Okay. In the 232 case, the companies were
23 allowed to be made whole, or it was considered a
24 taking; isn't that correct?

25 A. That's correct.

1 Q. And so in the 306 case, in the 92-306, then
2 you once again had a shortfall?

3 A. That's correct.

4 Q. And I want to be clear. Should COS change
5 in such a fashion that it were to become a one-way COS
6 whether it were toll or local and Southwestern Bell
7 were to do a review and then have revenues, it is your
8 position that they would make an adjustment?

9 A. Assuming that Southwestern Bell would come
10 out, to use your vernacular, a winner in that
11 situation, we would not expect to pocket that. We
12 would flow it back through rate reductions, yes,
13 ma'am.

14 Q. And what was the rate design that you
15 thought would be used? You had --

16 A. Some reduction in some toll rates, and I
17 wasn't more specific than that. We haven't
18 determined -- it would depend a lot on what the dollar
19 value was and where it could reasonably be done and
20 what the market situation was. But we think it's most
21 appropriate that it be somewhere in our toll rate
22 services that are under our toll schedules.

23 Q. I see. Could you also tell me just for a
24 point of clarification because it's been bothering me,
25 up on the board behind you, I take it -- I wasn't in

1 here when that was put up, but they are saying EAS was
2 local and EMS was toll.

3 In the 332 (sic) case with COS, how was that
4 designated, because there's this blank there?

5 A. It's blank there because Mr. England and
6 whoever the witness was at the time, I think
7 Miss Bourneuf, didn't agree on which it was.

8 But COS in the 232 case the Commission left
9 to the discretion of the service provider whether to
10 tariff the service as local or other, but it could not
11 be tarified as toll. Some people called it cabbage.
12 I think it was actually filed just as COS for those
13 that didn't file it as local. And we may have been
14 the only company that filed it as local.

15 Q. Thank you.

16 When you did the true-up in 306, I also was
17 hearing in this hearing that there was the OCA, the
18 MCA, and COS, and that they really weren't separated
19 out to look at what was going to happen to the
20 revenues for each company. Do you have an opinion or
21 any evidence on which you based your opinion to
22 whether Southwestern Bell would have generated
23 revenues or lost revenues by each of those services?

24 A. Individually, I don't recall, but I do
25 recall that we dealt with them in the aggregate, and

1 in the aggregate there was a loss, and that was the
2 loss that the Commission allowed us revenue neutrality
3 for, and we wound up washing it through, if you will,
4 the resolution of the earnings investigation case.

5 Q. Do you believe that MCA is priced below
6 cost?

7 A. I could not tell you with certainty, but,
8 no, I don't believe that.

9 Q. You don't believe it's priced below cost?

10 A. I don't believe it was intended to be priced
11 below cost. I don't believe that it is, but I have
12 not seen a specific cost study on the MCA service.

13 Q. Do you believe that OCA is priced below
14 cost? It's a discounted toll. Correct?

15 A. It's an optional toll calling plan. I don't
16 believe that it's priced below cost.

17 Q. Do you believe COS is priced below cost?

18 A. Definitely.

19 Q. I had asked the other Southwestern Bell
20 witness, Miss Bourneuf, what her opinion was with
21 respect to what this commission could -- should do if
22 she were writing this order.

23 Mr. Taylor, you've been through different
24 COS cases and have watched PTC plans. What do you
25 think is the approach in this environment that this

1 commission should take with respect to two-way COS?

2 A. With regard to two-way COS, I think that
3 two-way COS should not be continued, that the service
4 should be changed to probably a one-way outgoing
5 service only on a local basis provided by the
6 incumbent local exchange company in the petitioning
7 exchange. And if the Commission feels compelled to go
8 further than that to make an accommodation for what's
9 been referred to as the return calling, I'd recommend
10 the adoption of the one-way reciprocal available so
11 that the incumbent local exchange company and the
12 target exchange would provide the route coming back.

13 Q. Yes, but I asked what would you think we
14 should do, not if we did a reciprocal. Do you think
15 we should do a reciprocal? If you were writing this
16 order, what would you think that the Commission should
17 do?

18 A. If I were writing the order, I would change
19 the service to one-way only outgoing local service
20 provided by the incumbent local exchange company in
21 the petitioning exchange, and I'd have the
22 intercompany compensation be less than full access as
23 I proposed in my testimony at a rate level without the
24 carrier common line charge element because it carries
25 too much implicit subsidy in it to allow you to price

1 the service in a fashion that would make it continue
2 to be attractive to the customers. And if you can
3 basically cut that intercompany compensation rate in
4 half by eliminating the carrier common line element, I
5 think it goes -- enables you to go a long way toward
6 satisfying the customer.

7 Q. Would this service then be optional for each
8 company in whether or not they wanted to offer this
9 service?

10 A. I think it could be optional of whether or
11 not the company wanted to provide the service. It
12 wouldn't bother Southwestern Bell if you required us
13 to. I think Miss Bourneuf testified that we're
14 willing to on that basis, even if you don't require
15 it. I think it's within the scope of your authority
16 to require it if you believe it's necessary to satisfy
17 the customer demand there.

18 Q. If we looked at the -- doing the service as
19 you now have described it, what would happen in your
20 opinion to the revenues for the primary toll carriers
21 and the secondary carriers if they were to choose to
22 offer such a service?

23 A. I think the primary toll carrier -- let me
24 speak specifically for Southwestern Bell.

25 Q. Yeah.

1 A. Southwestern Bell would be in a better net
2 financial position in that environment than we're in
3 today. I think we would have a gain not necessarily
4 in terms of revenues, but in the total of access
5 expense and revenues. We'd be in a gain situation. I
6 think most, if not all, of the secondary carrier
7 companies would be in a negative position compared to
8 where they are today under the current arrangement.

9 Q. Because they would be losing the access --
10 originating and terminating access?

11 A. That's correct. And I believe that the --
12 you would have to deal with making them revenue
13 neutral for that loss, but I think that's something
14 that can be dealt with.

15 Q. There was a question, I believe, by
16 Mr. England yesterday about whether or not secondary
17 carriers would have to be made revenue neutral. If
18 the service were changed, would they -- would there
19 have to be revenue neutrality in spite of a rate case
20 or would one have to look at their return -- their
21 rate of return and --

22 A. I think given -- given the court precedent
23 back in the 232 case that you referred to, I think,
24 earlier, I think that each company, if they come out
25 in a negative position, I think they should be made

1 revenue neutral without a full-blown rate case if it's
2 a mandated service for them to provide.

3 Q. But it's not a mandated service, if you're
4 eliminating a service?

5 A. If you just eliminate the service, then I
6 don't think there is necessarily a revenue-neutral
7 requirement outside of a rate case environment. I
8 think it's a change in circumstances at that point
9 like other changes in business circumstances, and each
10 company would have to identify whether or not there
11 was a sufficient loss that warranted the process of a
12 rate case.

13 I would tell you that if you eliminated the
14 service altogether it would take a little time to
15 identify what the negative revenue impact on each
16 company would be because if COS were no longer
17 available, some customers are still going to make some
18 of those calls on some basis. Some of that's going to
19 be toll service. Some of that's going to continue to
20 provide access revenues. So I think it would take a
21 while, a reasonable period of time, to determine what
22 the net effects of that were.

23 Q. What would be the problem in the regulatory
24 environment we're going into with having COS kept as a
25 one-way service and defined as toll?

1 A. I'm sorry. You used the word COS as a
2 one-way service --

3 Q. Yes.

4 A. -- defined as toll?

5 Q. Uh-huh.

6 A. Most toll is a one-way service, so in that
7 regard, I don't know that there is an insurmountable
8 problem. You would still have a debate or an issue to
9 deal with as to who should be the provider of that
10 one-way COS service, whether it's toll or whether it's
11 local.

12 My belief is that since you've chosen to
13 deal with COS separate from the primary toll carrier
14 case that it makes it much easier to do that if you
15 classify the service as local and assign the
16 responsibility to the incumbent local exchange
17 company. Otherwise, it remains part and parcel of the
18 whole toll basket and who's going to be required, if
19 anyone, to be the provider of that as a toll service
20 in a post-intraLATA presubscription environment.

21 But I think -- I think we'll revisit the
22 issue all over again in a PTC case if the service
23 remains toll because of the debate we will find there
24 as to who the toll provider is or should be.

25 Q. Okay. Would that be because if we use the

1 Pilot Grove/Boonville example we've used throughout,
2 then if we make this one-way and it was from Pilot
3 Grove to Boonville and Southwestern Bell got the
4 revenues from COS, whatever they are, and then carried
5 the traffic because they are a primary toll carrier --
6 Right?

7 A. Correct.

8 Q. -- they can carry the traffic and therefore
9 pay access, originating and termin-- well, I guess in
10 this case if it's one-way, they would just have to be
11 paying the originating access?

12 A. It depends, again, on if -- the secondary
13 carrier in that scenario --

14 Q. Uh-huh.

15 A. -- would be Mid-Missouri Telephone Company.
16 If they were still billing access using the T/O
17 factor, every time a customer made a one-minute call
18 from Pilot Grove to Boonville, assuming their T/O
19 factor was a one to one, then every time they make a
20 minute of call from Pilot Grove to Boonville, they
21 bill me a minute of originating access and a minute of
22 terminating access whether or not in that particular
23 situation a terminating minute was actually generated.
24 If they convert to billing based on actuals,
25 then they'd only be billing the minute of originating

1 access. But depending on how you price that one-way
2 service, you referred to it as a discounted toll plan,
3 depending on how you discount that, how deeply you
4 discount that, we could still have a situation where
5 the revenues didn't cover the access expense.

6 Q. Do you believe that it's Southwestern Bell's
7 customers that are subsidizing the COS customers and
8 other companies' exchanges?

9 A. Yes.

10 Q. Philosophically, do you have a problem with
11 that or is that fine?

12 A. Philosophically, I have a problem with that
13 at any time. I have an even greater problem with it
14 with the future I see because I think it's primarily
15 my long distance customers that are paying that
16 subsidy, and while I don't think that's ever really
17 the best way to do it, I don't think it's sustainable
18 in an intraLATA presubscription or an intraLATA equal
19 access environment.

20 My rationale there is simply today I have
21 all of the one-plus intraLATA long distance that my
22 Southwestern Bell customers make, routes to me as the
23 primary toll carrier. In an intraLATA presubscription
24 environment, unless the competing carriers for that
25 one-plus traffic are totally unsuccessful, I won't

1 have all of that traffic as the source from which to
2 subsidize the other companies in the other services.

3 So while I'm not fond of it today, nor was I
4 in particular yesterday, I'm really scared of it in
5 the future in that presubscription environment.

6 Q. Do you know what Southwestern Bell charges
7 for different types of 800 plans?

8 A. No, I don't specifically.

9 Q. Do you have any idea for like a LATA-wide or
10 a small area plan?

11 A. The only number that quickly comes to mind,
12 Commissioner, if you will recall in Miss Bourneuf's
13 testimony, she was looking at the internet traffic
14 from the target exchanges to the petitioning
15 exchanges, and I think she quantified that had all of
16 those minutes of use been billed at long distance
17 rates, assuming our average revenue per minute of
18 16 cents, it would have been rated \$5 million in long
19 distance revenue.

20 I know that she also made a calculation that
21 she shared this morning either with Mr. England or
22 Mr. Johnson that had that usage been billed at our 800
23 common line rates, it would have been, I believe she
24 said, 4.2 million. So I think there is a relationship
25 there that sounds to me like the 800 rate is maybe

1 about 80 percent of the average long distance rate.

2 Q. Okay. And then, finally, something that --
3 that I struggle with on -- in the neutral competitive
4 environment that we're going into, if Southwestern
5 Bell or a secondary carrier -- the secondary carrier
6 basically has a \$4 local rate and a \$16 COS -- two-way
7 COS rate and, for \$20 they open themselves up to a
8 couple of exchanges, and it may be services that with
9 Southwestern Bell's help that Pilot Grove to Boonville
10 they can do because you're subsidizing that service
11 through your customers, and if AT&T comes in and wants
12 to provide local services and they want to define
13 Pilot Grove and Boonville as one exchange and have
14 local service to compete, they would have to be able
15 to carry traffic and offer that customer that same
16 service possibly at \$20 or less, and nobody is going
17 to be subsidizing them for a local exchange that's the
18 two exchanges at \$20. Am I confused there?

19 A. I don't think so.

20 Q. Well, are we going to go into an
21 environment -- is Southwestern Bell going to help
22 subsidize some of our new competitors so they can
23 offer local service in more than one exchange?

24 A. It depends on what you do with the discount
25 rate.

1 COMMISSIONER DRAINER: I have no other
2 questions.

3 THE WITNESS: But I hope not.

4 BY COMMISSIONER DRAINER:

5 Q. Well, I just feel that that is something
6 that, you know, I appreciate any help in addressing
7 that.

8 A. I would offer one additional comment on it,
9 if I could. And you are right, when the competitive
10 local service company, what we've been referring to as
11 LSPs comes in, and we have reached interconnection
12 agreements with, I think, 19 of those companies, all
13 of which have been filed, some of which have been
14 approved, some of which are still pending, and by and
15 large for the type of traffic we're talking about
16 here, if -- if the LSP wants to say that my local
17 calling scope is not just Pilot Grove, but it's
18 Pilot Grove and an adjacent exchange, or let me put
19 it in context of two Southwestern Bell exchanges,
20 St. Charles and Harvester, and my local calling scope
21 is both of those, and not just one, in those
22 interconnection agreements the reciprocal intercompany
23 compensation is 1.6 cents per minute for that traffic
24 that is EAS in nature, if you will, between the two
25 exchanges.

1 And that's one of the guiding reasons why I
2 proposed in this case that if we convert COS to a
3 one-way service and it's interexchange but it's local,
4 then the reason -- one of the reasons I proposed the
5 1.6 cents per minute would be my price or switched
6 access less the carrier common line element, and mine
7 comes out to be in round numbers 1.6 cents a minute,
8 that's the same interconnection rate for the exchange
9 of that traffic that we will pay reciprocally with the
10 LSPs.

11 So I think one of the guiding principles
12 there was trying to be consistent between Southwestern
13 Bell and the secondary carriers for the interchange of
14 that traffic as the agreements that we have with the
15 LSPs, so that if -- if either is being subsidized
16 hopefully one not more than the other.

17 Q. But Southwestern Bell would not go into
18 these interconnection agreements taking a service and
19 putting it below cost intentionally to have them
20 subsidized by their customers, would they?

21 A. No, it wouldn't be something we would want
22 to do.

23 COMMISSIONER DRAINER: All right. Thank you
24 very much.

25 ALJ ROBERTS: Commissioner Crumpton?

1 QUESTIONS BY COMMISSIONER CRUMPTON:

2 Q. Good afternoon. How are you?

3 A. Good afternoon, Commissioner.

4 Q. I have some learning to do here. Why did we
5 not use billing keep arrangements for this COS
6 service? Was that a consideration?

7 A. It was a consideration. I'd have to go back
8 a step to answer your question. At a time in the 1990
9 era when COS first came into existence, it was not
10 settled on an access charge basis. It was tariffed by
11 each of the local exchange companies, and there was a
12 revenue-sharing agreement between the companies that
13 served as the intercompany compensation.

14 When we got into the 92-306 case and we
15 were looking at the construction of the MCA, at
16 modification to COS, and at the development of the
17 OCA plan and everybody brought their proposals for
18 rates and prices and calling scopes and intercompany
19 compensation, the Commission held that the MCA service
20 would be local. It would be provided by the local
21 exchange company respectively in that the settlement
22 mechanism would be bill and keep. There was a little
23 side where the primary carriers would keep any
24 secondary carrier hold that had a shortfall after
25 certain adjustments. But by and large, it's bill and

1 keep, and so far as I know, it's been working just
2 fine.

3 COS, the Commission determined that they
4 would reclassify it from toll or -- excuse me -- from
5 local or other to toll, and as a toll service they
6 deemed that we already had a settlement mechanism for
7 toll, and it was access. And rather than create a
8 situation where some toll service was settled at
9 access and some toll service was settled at something
10 else, and rather than play into the potential
11 discriminatory issue there, if interexchange carriers
12 are all paying access and LECs are paying something
13 else for a toll service, it was their judgment to just
14 settle it on an access basis.

15 I would add also what was in their thinking
16 at the time and it's not my opinion. It's stated in
17 the Commission's order. The expectation was that COS
18 would, one, be a premium service and, two, would not
19 be a greatly expanding service. There were about 90
20 COS routes subsumed by the MCA service when it was
21 created, and the Commission's order, in fact, says,
22 and I agreed at the time with their expectation, that
23 there wouldn't be just hoards of new COS routes in the
24 future. It would be a premium service. Didn't expect
25 a lot of new routes. Didn't expect the volumes to be

1 so substantial that it would be problematic to settle
2 it on a toll access basis. And that was the
3 Commission's decision and that's what we went forward
4 with expecting it was probably a reasonable decision.

5 Q. So the Commission basically did not want to
6 have a dual clearing system or compensation system?

7 A. That's my assessment of their determination,
8 yes, sir.

9 Q. Okay. Now, I have a problem that I'm trying
10 to clear up with the T/O ratios. When you have a
11 number like .6433, does that mean that you are paying
12 64.33 percent of the terminating charge and one full
13 originating charge?

14 A. In essence -- let me restate it, if I may.

15 Q. Okay.

16 A. If you are a secondary carrier and you're
17 looking at a toll route between Point A and Point B --

18 Q. Right.

19 A. -- and if you have a T/O factor that's,
20 let's say, .6433 --

21 Q. Uh-huh.

22 A. -- every time you bill your primary carrier
23 one minute of originating access, you bill them
24 .6433 minutes of terminating access --

25 Q. Right.

1 A. -- at whatever your rate is.

2 Q. Right. Now, you mentioned earlier that

3 you could also bill one minute of originating and

4 one minute of terminating in your response to

5 Commissioner Drainer?

6 A. That was -- that was assuming that the T/O

7 factor was 1.0.

8 Q. Oh, okay.

9 A. And I'm sorry if I didn't make that clear.

10 Q. Okay. So under this circumstance of .6433,

11 they would only bill the terminating piece --

12 A. They'd bill --

13 Q. -- .6433 of the terminating charge?

14 A. They'd bill .6433 minutes of the full rate.

15 Q. Oh.

16 A. The factor determines the number of minutes.

17 Q. Okay. Let's say that the rate is 10 cents.

18 What would the bill be?

19 A. I'm sorry. You're -- 6.433 cents.

20 Q. Okay. So what I was saying was right?

21 A. Yes, you are correct.

22 Q. Okay. Okay. Why would your company agree

23 to these arrangements whereby it would be billed one

24 minute of terminating, unless I misunderstood you,

25 and one minute of originating when the company did not

1 do -- really provide the service?

2 A. On average, every minute that originates
3 someplace terminates someplace.

4 Q. Right.

5 A. Okay. So you would expect that on the whole
6 the terminating minutes would be somewhat equal to the
7 originating minutes. Actually, as I'm sure you know
8 from your previous experience, the originating minutes
9 are a little more than the terminating minutes because
10 you have the call setup time --

11 Q. Right.

12 A. -- non-conversation time, on the originating
13 side. But excluding that, every minute that
14 originates has to terminate someplace --

15 Q. Right.

16 A. -- or it's not a billable minute, so on the
17 whole, you expect that to be one to one.

18 In -- for some companies their customers
19 originate more calls than they receive, so their T/O
20 factor would be less than 1.0. For some companies
21 their customers receive more calls than they place.

22 Q. Okay.

23 A. So you would expect their factor to be
24 greater than 1.0.

25 Q. So that's how you get the variance on the

1 T/O ratio --

2 A. That's correct.

3 Q. -- is based on the traffic?

4 A. That's correct.

5 Q. Okay.

6 A. And the T/O should be representative and

7 reviewed periodically to be representative of the

8 actual traffic?

9 Q. To make sure they are in sync --

10 A. That's correct.

11 Q. -- with what is really happening?

12 Okay. You've told me -- I think I feel

13 pretty good about what a T/O ratio is and why we use

14 it.

15 And I believe you have stated that we can

16 really use actuals if that's the desire of the

17 parties?

18 A. Yes.

19 Q. Can the Commission order the parties to

20 switch to actuals?

21 A. I think they can, but it would require you

22 to order them to make a change in their current tariff

23 because it is a tariff issue, and the Oregon Farmers

24 Mutual Telephone Company tariff that most of the

25 secondary carriers concur allows for them to use T/O

1 factors or actuals, and you'd have to take that option
2 out of the tariff in order to enforce that.

3 Q. So -- but is it your opinion that we do have
4 the authority if we give all of the parties due
5 process?

6 A. It's my opinion, yes, that you have the
7 authority to do that, and I -- that wouldn't be an
8 unreasonable think from my perspective. As I
9 commented to Mr. England earlier today, I think those
10 companies should be compensated for the actual use of
11 their network, and if that's a better way to do it,
12 that's fine with me.

13 Q. And even though their rates may be three
14 times or ten times yours, if that's their rate, they
15 should have the right to access to that?

16 A. If that's their rate. Now, I might argue
17 whether that ought to be their rate. Whatever the
18 rate is, it is.

19 Q. We would need to have a rate case to find
20 out?

21 A. That's correct. It is what it is.

22 Q. But whatever it is, that's what it is?

23 A. That's correct.

24 Q. And so they would still have an advantage
25 over companies that are low access rates. If they

1 have high access rates, companies that have low access
2 rates would be -- would receive less compensation for
3 the same work or --

4 A. That's correct.

5 Q. I'm struggling with this.

6 I want to ask you a few questions about the
7 COS true-up process, and forgive me if I am a little
8 redundant.

9 When did we drop the COS true-up and were
10 you involved in the process at that time?

11 A. We dropped it after the initial true-up for
12 each respective company that made a true-up. Those
13 were not all done simultaneously because the routes
14 were not all implemented simultaneously. And, yes, I
15 was.

16 Q. Were you at the meeting where the decision
17 was made to drop the COS true-up on all future COS
18 routes?

19 A. I was at a meeting in which that was debated
20 significantly, and I lost the debate.

21 Q. Okay. Who participated in the debate? Was
22 our Staff involved in that debate?

23 A. Yes. Staff was represented there, several
24 of the primary toll carrier personnel were there,
25 secondary carrier representatives were there, and,

1 frankly, there was not an agreement among those
2 parties.

3 And my pretty clear recollection of what
4 evolved was, frankly, I may have been the lone voice,
5 and I did not interpret the Commission's order to say
6 specifically that each company would do one true-up
7 and one true-up only and for all time. I thought
8 it -- the Commission thought it made sense to make a
9 true-up after the initial routes. That made sense to
10 me to make additional true-ups after additional routes
11 because the same phenomena would occur again when
12 additional routes were implemented.

13 The parties could not reach agreement and
14 there was significant disagreement as to what the
15 Commission's order intended. At a point the Staff, as
16 I recall, sought advice from the General Counsel of
17 the Commission who told me I was misinterpreting the
18 Commission's intent.

19 Q. Who was the General Counsel at that time?

20 A. Mr. Hack at the time.

21 Q. And who were the Staff members that were in
22 the debate? Do you recall?

23 A. My recollection, and that's all I'm going
24 on --

25 Q. Sure.

1 A. -- is Miss Smith. I believe Collie Dale
2 was a Staff attorney, and I'm not sure whether
3 Mr. Van Eschen was in that particular discussion.
4 From time to time various Staff members participated.

5 My recollection was that Staff's position
6 was -- they understood that it could be read either
7 way and didn't force a decision one way or the other,
8 but sought an interpretation from the General Counsel.
9 The General Counsel disagreed with me, and we went
10 forward with it as a reasonable interpretation of the
11 Commission's decision.

12 Q. Based on Mr. Hack's -- Mr. Hack's opinion?

13 A. That's my recollection.

14 Q. And why -- and I'm not trying to belabor the
15 issue, but why did your company not appeal to the
16 Commission for an interpretation of its order?

17 A. Well, for a couple of reasons: One was at
18 the point in time we were having the somewhat heated
19 debate, it was an exercise in the abstract in that we
20 didn't know then what we know now in terms of the
21 number of additional routes. There was a rational
22 explanation -- I want to add I'm not intending to be
23 critical of Mr. Hack's interpretation.

24 The somewhat rational explanation was,
25 "Remember, the Commission does not expect a lot of

1 additional COS routes. Remember, the Commission
2 expects it to be a premium service. A lot of routes
3 are going to be subsumed by the MCA service. COS is
4 going to satisfy a lot of the radius calling plan.
5 COS service would satisfy a lot of rural calling
6 needs, and we're probably arguing about something here
7 that's not going to be a big deal down the road."

8 Now, as it turned out, it turned out to be a
9 little bigger deal, I think, than some people thought
10 it was. But in fairness to him, we now have the
11 luxury of hindsight that he didn't have.

12 Q. Who represented the Small Telephone Company
13 and the Mid-Missouri Telephone Group at that meeting?
14 Do you recall?

15 A. I am not sure, Commission, about that
16 particular meeting.

17 Q. Did you-all keep minutes? I'm told you did.

18 A. There were minutes kept. My recollection of
19 those meetings were they were summed down to what the
20 final resolutions and agreements were and not
21 encumbered with all of the debates and issues that
22 were discussed, or the volumes would have filled the
23 room.

24 But I think Mr. Schoonmaker represented some
25 of the small companies. I don't know that he was in

1 that particular discussion.

2 Q. Would the minutes reflect who was present?

3 A. I'm not sure.

4 Q. Okay. I want to now move to PTC issue
5 because, while I know this isn't the PTC docket, it
6 surely has been thoroughly discussed in this
7 particular hearing. And so that all of the
8 commissioners, new ones as well as the old ones, will
9 understand what the PC-- PTC provider does, can you
10 tell me the service that the PTC provider provides?

11 A. Yes. The primary toll carrier of which
12 there are four in this state, and initially there were
13 five, CompTel was one and has been subsumed by GTE,
14 but the four primary toll carriers are Sprint/United,
15 Fidelity, GTE, and Southwestern Bell.

16 And as such, each of those four file toll
17 tariffs in the state and each of the other local
18 exchange companies in the state are treated as
19 secondary carriers. Now, they each had their choice
20 whether they wanted to be a primary toll carrier or a
21 secondary carrier --

22 Q. Excuse me one second. I want to go to the
23 service that --

24 A. I'm sorry.

25 Q. -- it actually provides. What service does

1 the PTC provide for the SCs?

2 A. Okay. Excuse me.

3 Q. Uh-huh.

4 A. The services that Southwestern Bell as a PTC
5 provides in our secondary carrier exchanges are all of
6 the services that are tariffed in our toll tariffs.
7 The message toll, 800 service, our various toll
8 optional calling plans, whatever we provide in the way
9 of toll services in our exchanges, we provide to
10 customers in the secondary carrier exchanges. We
11 assume the carrier of last resort responsibility for
12 the intrastate, intraLATA long distance that
13 originates in those exchanges.

14 Q. So they basically take your -- the services
15 you just described? Do they resell those services?

16 A. No, they don't resell it. Our tariffs
17 actually list the secondary carrier exchanges in which
18 our toll services are provided at our toll rates. So
19 they serve more as our agent than as a reseller.

20 Q. Okay. They serve as your agent.
21 What monetary consideration do they receive
22 for acting as your agent?

23 A. Okay. We carry the toll, and when their
24 customer makes a call from Pilot Grove to Boonville,
25 Southwestern Bell's toll rates are billed by

1 Mid-Missouri. They collect that revenue and that
2 revenue is Southwestern Bell's revenue.

3 We pay the secondary carrier, Mid-Missouri
4 in that case, originating and terminating switched
5 access charges, and they also do the billing on our
6 behalf, and we pay them billing and collection charges
7 for billing their customers our toll.

8 Q. Billings and collections, I'm told, by
9 interexchange carriers run about 6 percent of their
10 gross revenue, is that right, or would you have any
11 information to that effect?

12 A. I'm not certain about that. I can tell
13 you, Commissioner, that in 1996 Southwestern Bell
14 paid to our secondary carriers in Missouri a little
15 over \$32 million in total access, and that included
16 \$3,745,000 billing and collection charges, so it looks
17 like it's maybe -- maybe 8 percent.

18 Q. Maybe eight. Okay.

19 Now, I had the -- the idea that the primary
20 toll carrier really provided access for the secondary
21 carriers' customers' calls over to the tandem office
22 or to some point of presence for some other carrier so
23 it's more than --

24 A. It's a little more complicated than that,
25 but --

1 Q. You get it down to the toll network. Right?

2 They have no access to the toll network?

3 A. Actually, in most all cases we -- there is a
4 toll facility from the Class 5 end office, the
5 originating central office --

6 Q. Right.

7 A. -- there is a facility between that office
8 and the toll tandem.

9 Q. Okay.

10 A. In most cases we own part of that facility
11 and the independent company owns part of that
12 facility.

13 Q. So transport along the trunks?

14 A. Right. Excuse me. And there is a meet
15 point.

16 Q. Right.

17 A. And when we pay them access --

18 Q. Uh-huh.

19 A. -- we pay them transport for their portion
20 of the facility, and if anyone is paying us access,
21 they pay us for our portion of the facility. So we
22 pay them the end office element, the carrier common
23 line element, the portion of transport that they own,
24 so they are compensated for all of the use of their
25 network or all of the components of their network and

1 then the billing and collection charges. And in
2 exchange for that, we get the toll revenue.

3 Q. Now, why should we as Commissioners protect
4 your PTC customers from other interexchange carriers?

5 A. Why should you as Commissioners protect our
6 customers from other interexchange carriers?

7 Q. Yeah, in the one-plus presubscription
8 market.

9 A. Now --

10 Q. Why should we protect any of your customers
11 from other interexchange carriers?

12 A. I don't think you can, nor do I think you
13 should.

14 Q. Okay. But, now, if we had COS the way the
15 opposing parties want it, would we not be, in fact,
16 protecting a group of your customers for your specific
17 use?

18 A. By virtue that COS would be provided below
19 cost and therefore wouldn't be available to
20 Mr. Ensrud's customers, that sort of thing?

21 Q. Yeah.

22 A. I think you have a subset of customers or a
23 subset of traffic for a subset of customers that would
24 be very difficult in a subsidized environment for
25 anyone else to compete for that business.

1 I jokingly told Mr. Ensrud if he wanted all
2 of my COS customers out there, I would just give them
3 to him. He wouldn't have to take them.

4 Q. Would you pay him to take them?

5 A. And he said, "No, thank you." But your
6 point, I think, is valid.

7 Q. My other question was, would you pay him to
8 take them?

9 A. If he would take them for less than they're
10 costing me now, we could talk.

11 Q. All right. The next thing I want to talk
12 about is a special internet network that would, in
13 effect, remove the internet traffic from the voice
14 network. Are you familiar with that process?

15 A. Only in the most general sense.

16 Q. Okay.

17 A. I understand that there is an arrangement
18 out there, and there are -- there are methods that are
19 in some places being deployed today to move internet
20 traffic among some of the companies that are involved
21 in this proceeding that don't use COS service and
22 don't use any of our toll services but use some
23 channelized private-line services to move traffic from
24 the originating exchange to the exchange in which the
25 internet server is located.

1 Q. Is it possible -- let me ask this question:
2 Has your company applied for tariffs to tariff this
3 kind of service?

4 A. Commissioner, I think the answer is yes.
5 And I wasn't involved in it. And I apologize. I
6 can't tell you the status of it.

7 Q. That's all right. Could you provide to this
8 record the tariffs if they are not filed or the
9 proposed tariffs, and I don't want -- if I'm moving
10 outside my bounds -- what I'm trying to do is to
11 preserve low cost internet access for customers or
12 citizens of Missouri who live in rural communities and
13 have no toll-free access.

14 So is there any way that you can provide
15 information to this record that would give us a feel
16 for that, the prices of those kind of services?

17 A. Commissioner, I will determine whether or
18 not we have filed such a tariff, and, if so, we can
19 provide either a record of that filing to this record,
20 or if I find that we haven't, I suppose I can provide
21 that information --

22 Q. Okay.

23 A. -- to the record.

24 There are -- there are some vehicles that
25 are available out there today that would go a long way

1 toward your objective, I think. I don't know whether
2 you want me to go further with that, but --

3 Q. If you want to get them in the record, go
4 ahead.

5 A. Well, for instance, we -- there has been a
6 lot of discussion about the internet usage of COS and
7 about the fact that my company doesn't like what's
8 going on out there and -- and we don't -- and I'm not
9 at all apologetic about that. I think the use is not
10 what COS was designed for. I know that's not what the
11 rates were built to cover, and that sort of thing, but
12 there are some other things out there that are going
13 on.

14 For instance, I know that Citizens Telephone
15 Company in Higginsville, Missouri participates in the
16 RAIN network and they offer the internet service to
17 customers in their Higginsville exchange. Now, only
18 within the Higginsville exchange --

19 Q. Right.

20 A. -- as I understand it, and they don't happen
21 to have any COS route. But they sell the service to
22 the customers in Higginsville who dial a local
23 seven-digit telephone number to access the internet.

24 Citizens has acquired actually a jointly
25 provided 56 kilobyte private line circuit from

1 Higginsville to Pilot Grove where I understand the
2 internet server is located. So the Higginsville
3 customer places a free local call, free, assuming they
4 are paying for -- other than the fact they are paying
5 for their local service.

6 Q. Right.

7 A. It hits a modem bank in the central office
8 of Citizens Telephone Company in Higginsville and is
9 routed to the channelized 56 kilobyte private line
10 that carries that traffic on a toll-free basis
11 toll-free to the end user customer in Higginsville.

12 Now, Citizens is paying the private line
13 rates for that 56 kilobyte private line and the MUX
14 equipment to channelize it, but it's a way on a
15 flat-rate monthly private line basis that they've
16 provided a facility that allows their local
17 Higginsville customers to reach that same internet
18 server in Pilot Grove.

19 Q. You've mentioned the magic word. Do you
20 know what it was?

21 A. I do not.

22 Q. MUX. We discussed this with -- in earlier
23 testimony. The RAIN organized network, does it use
24 MUX, multiplexes, and --

25 A. I've told you almost as much as I know about

1 MUX, but it's my understanding that where they use
2 private-line-type facilities that they have to be
3 using some MUX equipment to channelize the service.

4 Q. Is that a form of aggregation?

5 A. In a sense.

6 Q. Okay. But is this the aggregation that your
7 company is claiming that's incorrect?

8 A. No.

9 Q. Okay. I have a few questions to ask you
10 about -- from -- that are coming from your testimony.
11 And on Page 4 of your direct you have a chart and it's
12 probably been thoroughly discussed, but I want you to
13 discuss it with me.

14 Is there any way for you to tell me whether
15 or not internet traffic is involved in this analysis
16 here? Do you recall?

17 A. I can tell you that two of the companies
18 exhibited in that display are participating in the
19 type of internet traffic that we've been talking
20 about.

21 Q. Greenhills is one. Right?

22 A. Greenhills is one; Mark Twain is the other,
23 but I cannot tell you and did not intend to tell you
24 that that internet traffic is what created these
25 numbers, because it's my understanding at this

1 point --

2 Q. Uh-huh.

3 A. -- that because those companies bill me on a

4 T/O factor rather than on actuals --

5 Q. Uh-huh.

6 A. -- that I'm not paying for that traffic.

7 I'll give you an example: From internet

8 traffic from Southwestern Bell's Kirksville

9 exchange --

10 Q. Right.

11 A. -- to Mark Twain's Hurdland exchange, since

12 there is no originating traffic going the other way,

13 whatever their T/O factor is it comes out zero on

14 access. Now, it causes me some other problems because

15 I still provide the service. I still spend money

16 providing the network and --

17 Q. Facilities.

18 A. -- carrying the traffic, all of the

19 facilities and the billing mechanisms and those sorts

20 of things, but it's not a direct access payment.

21 There are some other problems involved with that as to

22 whether we're being paid the right amount for the COS

23 service that was being used, but those are the numbers

24 that do not reflect access payments on all of those

25 internet lines.

1 Q. My next question is how would this table
2 look if COS access was trued up?

3 A. Trued up in terms of go back and make the
4 same type of --

5 Q. Yeah, make it --

6 A. -- true-up that was made from the initial
7 routes?

8 Q. Yes, sir.

9 A. It would look different because -- because
10 the -- I would expect that there was stimulation on
11 the subsequent routes just as there were on the
12 initial routes. That would result in a lowering of
13 the secondary carriers access charges by some amount,
14 so the access payments on here that reflect
15 Southwestern Bell access pay to the secondary carrier
16 would be less than those numbers. How much less would
17 only be conjecture, but I would expect it to be less.

18 Q. That would be the effect. Now, that means
19 if you change that column, you're also changing the
20 net cash flow column. Right?

21 A. Yes.

22 Q. Where -- I guess you can't -- you can't tell
23 me where you think the numbers would fall out? I
24 guess that's impossible.

25 A. No. I can tell you my recollection of the

1 initial adjustments that were made on the routes that
2 I recall. The access rate reductions were relatively
3 small. I'm remembering in the 5, 6 percent reduction.
4 And I can't tell you for sure that that would hold
5 true here, but if it did, that \$900,000 number might
6 be 840,000 or -50,000 instead.

7 Now, if the stimulation were significantly
8 greater, it could be considerably less than that.
9 But, no, I can't tell you with certainty.

10 Q. If we used actuals, what would happen to
11 that?

12 A. It would depend for each company on how
13 close the T/O factor they're using today is to really
14 representing the actual traffic. Some would go up;
15 some would go down.

16 Q. So we really can't say?

17 A. Yeah. There are a few companies out there
18 that, I think, are being undercompensated by the T/O
19 factor that they are using today.

20 Q. Okay. And on Page 5 -- and I'm almost
21 finished -- I have a note with reference to Lines 19
22 through 21 where you state, "Second, the current
23 compensation mechanism should be terminated no matter
24 what decision the Commission makes as to the
25 definition of future COS retail product."

1 Is there any way to fix this compensation
2 mechanism? And I guess that's what we've really been
3 discussing, ways to fix this compensation mechanism.

4 A. There are ways to better it significantly,
5 and I think I've proposed a decent one, and that's to
6 make the compensation at access less CCL because you
7 basically cut the access burden in half or a little
8 more than in half when you do that.

9 The reason I said that whatever you do with
10 the service you need to change the compensation
11 mechanism, the whole business relationship that exists
12 between the primary carriers and the secondary
13 carriers here puts us unfortunately at odds. We have
14 a scenario in which what's a revenue to a small
15 company is an expense to me. It shouldn't surprise
16 anyone, Commissioner, that that from time to time puts
17 us at odds over an issue like that. They want that
18 number to be bigger and I want that number to be
19 lower, each fearing buyer/owner genuine business
20 interest.

21 But when you realize that for most of these
22 small companies we pay them more -- if you look at
23 total toll, we pay them more in access than we collect
24 from their customers in total toll. If you wanted to
25 set a COS rate that recovered all of the costs

1 including all of the access costs, the COS rate might
2 have to be higher than toll rates. That's not the
3 kind of discount, I think, customers are looking for
4 when they went to look for COS.

5 Q. I think I'm almost finished. I'll check.

6 I have one last question.

7 In your rebuttal testimony -- I'll have to
8 find the page again. I accidentally lost it.

9 On Page 8 you state that -- the Line 6, "I'm
10 not sure yet." The question was, "Does Southwestern
11 Bell pay Mark Twain terminating access for terminating
12 in Kirksville to Hurdland traffic," as an example.
13 And state, "I'm not sure yet or it may be that we do
14 not."

15 Are you sure yet?

16 A. It's my belief now that we do not because
17 they do bill us on a T/O factor, not on actuals. And
18 assuming there is no originating traffic and they
19 haven't adjusted the T/O factor, I think we do not.

20 COMMISSIONER CRUMPTON: Okay. Thank you.

21 That finishes my questions.

22 Thank you.

23 ALJ ROBERTS: Off the record, please.

24 (A discussion off the record.)

25 ALJ ROBERTS: Back on the record, please.

1 Actually, just a short equipment break is
2 the reason we were off the record.

3 Mr. Taylor is still on the stand. It's time
4 for questions based upon those questions from the
5 Bench, and I believe the order of questioning goes
6 first to Staff.

7 MS. MCGOWAN: Yes, I just had one question.

8 RE CROSS-EXAMINATION BY MS. MCGOWAN:

9 Q. Earlier on you were talking about meetings
10 relating to recording and billing and true-up --
11 recording, billing and true-up?

12 A. Yes, ma'am.

13 Q. And you discussed the Staff's position was
14 based upon an interpretation by the then General
15 Counsel, Rob Hack?

16 A. That's my recollection, yes.

17 Q. Were you in the meeting where Rob Hack made
18 the statement that that was General Counsel's
19 position?

20 A. Yes.

21 Q. Do you remember whether he mentioned that he
22 went to the executive secretary at the time who
23 actually went to the Commission at the time and got
24 an opinion from them?

25 A. I think that's accurate.

1 COMMISSIONER CRUMPTON: Is that hearsay
2 or --
3 MS. MCGOWAN: I was going to --
4 ALJ ROBERTS: It is totem pole hearsay.
5 It's hearsay on top of hearsay.
6 MS. MCGOWAN: I was asking if he remembered.
7 But you asked him what was General Counsel's position.
8 We actually do have the minutes of those meetings.
9 ALJ ROBERTS: But we will admit it and give
10 it the weight it's due.
11 Anything further from Staff?
12 MS. MCGOWAN: No.
13 ALJ ROBERTS: United?
14 MS. GARDNER: No, thank you.
15 ALJ ROBERTS: AT&T?
16 MR. DeFORD: No.
17 ALJ ROBERTS: MCI?
18 MR. CURTIS: No, thank you.
19 ALJ ROBERTS: TCG?
20 MS. FORREST: No questions.
21 ALJ ROBERTS: CompTel?
22 MR. ANGSTEAD: No.
23 ALJ ROBERTS: GTE?
24 MR. SHANNON: No.
25 ALJ ROBERTS: Public Counsel?

1 MR. DANDINO: No questions.

2 ALJ ROBERTS: Small Telephone Group?

3 MR. ENGLAND: No.

4 ALJ ROBERTS: Mid-Missouri Group?

5 MR. JOHNSON: I have two.

6 RECROSS-EXAMINATION BY MR. JOHNSON:

7 Q. In response to some of the Commission's
8 questions, Mr. Taylor, you indicated that you had a
9 special concern about the one-plus environment of the
10 future in that you felt if you had retained the
11 obligation to provide toll in a small company's
12 exchange that that would be -- would be very difficult
13 for you to do in a one-plus -- or in presubscribed
14 environment?

15 A. Yes.

16 Q. Would you agree with me that the small
17 company if he gets -- if it gets stuck with that
18 obligation will have the same problem in an equal
19 access environment that Southwestern Bell would have?
20 They're not automatically getting to get all of the
21 one-plus traffic either, are they?

22 A. No. I suspect they will not get all of the
23 one-plus traffic. That traffic that they don't get as
24 a toll carrier they will get access charges for which
25 may be better.

1 Q. I'm putting Ms. McGowan's bull's eye back up
2 here on the board. And were you here when she went
3 through that?

4 A. No, sir, I was not. I apologize. I had to
5 be gone.

6 Q. Subject to the record being accurate, I
7 think she was suggesting that this was fairly
8 representative of the MCA tiers with the center,
9 Tier 1, Tier 2, Tier 3, Tier 4 and Tier 5, and she
10 drew us a bull's eye rather than trying to duplicate
11 the existing exchange boundaries.

12 A. I understand.

13 Q. And as I understood one of your -- you
14 indicated to one of the Commissioners that you did not
15 believe MCA service was intended to be priced below
16 cost?

17 A. Yes, I did.

18 Q. And I want to just say -- let's have a call
19 that goes from the Tier 3, which is a voluntary tier
20 in the MCA --

21 A. Optional tier?

22 Q. Optional tier.

23 A. Yes.

24 Q. -- that goes to the center zone, which would
25 be a Southwestern Bell exchange.

1 A. Okay.

2 Q. Are there any costs at all?

3 A. Sure.

4 Q. Where are they?

5 A. The cost of carrying the traffic, the

6 network cost of carrying the call, the traffic-

7 sensitive elements, switching.

8 Q. Well, do you get charged anything for that

9 in the MCA environment?

10 A. Do we get charged?

11 Q. Yes.

12 A. No. If that's my customer in the Tier 3

13 making the call to the center zone, we charge our

14 customer in Tier 3 a premium rate for the MCA service,

15 and that rate was established to cover the cost of

16 providing that, and I bill and keep the revenue. If

17 that Tier 3 customer is a secondary carrier's customer

18 that laces that call, then the secondary carrier bills

19 and keeps that end user revenue, if you will.

20 Q. And those two arrangements, it's the same

21 revenue for each -- whether it's a small company or

22 whether it's your customer in the Tier 3 exchange?

23 A. I think the rates are the same, yes.

24 Q. And the facilities that are owned between

25 those two points, the interexchange facilities would

1 be likely mostly Bell facilities?

2 A. In some case I'm sure it is, but that isn't
3 necessarily the issue.

4 Q. The point I'm trying to make is that is a
5 bill-and-keep service, irregardless -- regardless of
6 the extent to whose other -- which other carriers'
7 facilities are involved in completing the call?

8 A. That's right.

9 Q. There is no compensation paid by you for
10 using other carriers' facilities just like there is no
11 charge paid by a small company who's in Tier 3 for
12 that same call?

13 A. With the narrow exception, Mr. Johnson, if
14 there is the support payment mechanism that we talked
15 about earlier. But other than that, it's bill and
16 keep.

17 Q. Now, let's suppose that the identical call
18 from your exchange in Tier 3 to the center zone, but
19 the person making the call is not an MCA subscriber?

20 A. Okay.

21 Q. First of all, that call goes over the same
22 facilities, does it not?

23 A. In some cases it may be the same facilities.
24 In some cases, it may be different because of the
25 traffic volumes and the subscription rate in a lot of

1 cases that network facility between the Tier 3 and the
2 center zone is a direct interoffice trunk, and it
3 doesn't go through the same toll tandem routing that
4 the toll call does.

5 Q. And that call, if that's a toll call, there
6 will be access paid, though?

7 A. Well, if it's my customer --

8 Q. From your customer if the customer is in a
9 small companies' exchange.

10 A. The secondary carrier customer in Tier 3
11 that makes a toll call to the center zone, as a
12 regular toll call --

13 Q. Yes.

14 A. -- and I'm the primary carrier for that,
15 I'll get the revenue from the customer's call, and
16 I'll pay the secondary carrier access, yes, sir.

17 Q. So the call may travel the identical
18 facilities, but the differences in compensation have
19 to do with whether the customer subscribes to the MCA
20 or whether they don't?

21 A. It may travel the same or different
22 facilities.

23 Q. Or if it travels the exact same facilities,
24 the difference in compensation depends solely upon
25 which service the customers has purchased?

1 A. That's correct.

2 MR. JOHNSON: Thank you. That's all I have.

3 ALJ ROBERTS: Did you say that was all?

4 MR. JOHNSON: Yes, I did. I'm sorry.

5 ALJ ROBERTS: Thank you.

6 Mr. Bub?

7 MR. BUB: We have some limited redirect. I
8 don't think we got a chance to do redirect on attorney
9 questions, but I just have a couple.

10 REDIRECT EXAMINATION BY MR. BUB:

11 Q. Mr. Taylor, earlier Mr. Johnson had asked
12 you how many COS routes were added after COS was
13 established after Docket 92-306, and you gave an
14 estimated figure.

15 A. Yes.

16 Q. Have you had a chance to go back and get a
17 correct number from Mr. Johnson?

18 A. Yes, I have, and I was accurate by luck.
19 The number was 28 -- the number should have been 28.
20 Excuse me.

21 Q. And you also stated -- I'm not exactly sure
22 of the number, but you had asked -- you were asked,
23 you know, what's our -- Southwestern Bell's access
24 rate, and you quoted a figure. Can you check your
25 numbers and just repeat that for me, the average

1 access rate per minute?

2 A. Yes. And I believe the number that I gave
3 was .064 cents per minute, and I think what I should
4 have said was .060493.

5 Q. Thank you.

6 Do you remember your discussion of T/O
7 ratios, and you were asked if a secondary carrier were
8 to change from the T/O ratio to actuals --

9 A. Yes.

10 Q. -- even if one of them did that, would you
11 pay that access bill if it was sent? Do you remember
12 that line of questioning?

13 A. Yes, I do.

14 Q. If any minutes from inter-- from internet
15 access providers were included on that access bill,
16 would that be appropriate to pay?

17 A. No. When I -- when I made the statement I
18 said, or at least intended to say, that if that change
19 was made correctly and that we had an opportunity to
20 review and determine that the -- what was represented
21 to be the actual traffic volumes were, in fact, being
22 used and they were appropriate ones under the PTC
23 plan, that I'd pay the bill. And included in that was
24 traffic volumes that should not be included there.

25 There are some long distance messages that

1 access internet providers where the originating
2 customer pays for the call that should be included.
3 The internet COS traffic that we've been talking about
4 in this proceeding should not be included, and if I
5 knew it was in there, I wouldn't pay it.

6 Q. Mr. England also asked you some questions
7 about the T/O ratios, and just to clarify, those
8 are -- the companies with the T/O ratios are the
9 secondary carriers; is that correct?

10 A. That's correct. The primary toll carriers
11 settle between each other on an actual basis.

12 Q. Okay. And aren't all of those secondary
13 carriers with T/O ratios, aren't they all
14 base-rate-of-return companies?

15 A. To my knowledge, they all still are, yes.

16 Q. Okay. And if the changes from T/O to
17 actuals was done by the winner, would that create
18 additional revenues for them?

19 A. If it was done only by the winners, it would
20 create additional revenues for them, all other things
21 being equal. That's why I suggested another way of
22 doing it was for all companies to do it, adjust their
23 access rates to make it revenue neutral for them and
24 therefore expense-neutral for me at the go-down so
25 that there were no winners or losers.

1 MR. BUB: Okay. Thank you, Mr. Taylor.

2 We don't have any further questions, your
3 Honor.

4 ALJ ROBERTS: Thank you very much, sir.

5 You may step down.

6 (Witness excused.)

7 ALJ ROBERTS: As I indicated earlier, it's
8 too late to start another witness this evening. If
9 there is going to be questions from the Bench for
10 Mr. Harper, I can double check, but I don't think
11 we're going to be able to get through those, and I can
12 tell you for sure we'll have to come back tomorrow for
13 the Staff witness.

14 Does Mr. Harper need to be out of here if
15 it's possible?

16 MS. GARDNER: If would be nice.

17 ALJ ROBERTS: Okay. I will go check and see
18 if we can do that. If we can, we will. If we can't,
19 we simply can't.

20 We will go off the record, please.

21 (A discussion off the record.)

22 (Witness sworn.)

23 ALJ ROBERTS: On the record, please.

24 Back on the record this afternoon, and I
25 notice that one attorney has not yet returned to the

1 room. I think we can do the preliminary work without
2 him.

3 This is United's witness. You may proceed.

4 MARK HARPER testified as follows:

5 DIRECT EXAMINATION BY MS. GARDNER:

6 Q. Would you please state your name for the
7 record?

8 A. Mark D. Harper.

9 Q. And are you the same Mark D. Harper who has
10 previously filed what's been marked Harper direct,
11 Exhibit 29, Harper rebuttal, Exhibit 30, and Harper
12 surrebuttal, Exhibit 31?

13 A. Yes, I am.

14 Q. Do you have any corrections to Harper
15 direct, Exhibit 29?

16 A. No, I do not.

17 Q. Harper rebuttal, Exhibit No. 30?

18 A. No.

19 Q. Harper surrebuttal Exhibit 31?

20 A. Yes, I have one. On Page 1, Line 24, the
21 No. 1,597 should be changed to 1,675.

22 Q. Is that the only correction?

23 A. That's the only change.

24 Q. If I were to ask you the same questions that
25 are contained in Exhibit Nos. 29, 30 and 31, would

1 your answers be the same here today?

2 A. Yes, they would.

3 Q. And are they true and correct to the best of
4 your information and belief?

5 A. Yes, they are.

6 MS. GARDNER: At this point I would tender
7 the witness for cross-examination, and offer into
8 evidence Exhibits 29, 30 and 31.

9 ALJ ROBERTS: Because Mr. Angstead is not in
10 the room yet on behalf of CompTel, I'm going to wait
11 to address admitting the exhibits and go on to
12 questions.

13 I believe this witness goes first to Staff.

14 MS. MCGOWAN: Staff has no questions.

15 ALJ ROBERTS: Southwestern Bell?

16 MR. BUB: No questions, your Honor.

17 ALJ ROBERTS: AT&T?

18 MR. DeFORD: No questions.

19 ALJ ROBERTS: MCI?

20 MR. CURTIS: None, thank you.

21 ALJ ROBERTS: TCG?

22 I'm sorry. I didn't realize that TCG
23 attorney is out of the room as well.

24 CompTel is out of room.

25 GTE?

1 MS. LITTLE: No questions.
2 ALJ ROBERTS: Public Counsel?
3 MR. DANDINO: No question.
4 ALJ ROBERTS: Small Telephone Group?
5 MR. ENGLAND: No questions.
6 ALJ ROBERTS: Mid-Missouri Group?
7 MR. JOHNSON: No questions.
8 ALJ ROBERTS: We'll give those attorneys an
9 opportunity, perhaps, when they return.
10 MS. FORREST: No questions.
11 ALJ ROBERTS: Thank you.
12 Well, I'll proceed to the Bench then.
13 Commissioner Drainer?
14 QUESTIONS BY COMMISSIONER DRAINER:
15 Q. Good afternoon, Mr. Harper.
16 A. Good afternoon.
17 Q. Based on your correction that you have 1,675
18 COS customers, that's basically stating that you have
19 .7 percent, approximately, of your access lines have
20 COS. Correct?
21 A. Correct.
22 Q. And it's my understanding from looking at
23 your testimony that it's United/Sprint's position that
24 it's time to eliminate COS in its current form and go
25 to a one-way COS? Were you supporting Staff Witness

1 Miss Smith's position?

2 A. Yes, we had basically a Plan A/Plan B

3 approach.

4 Q. Okay. What's Plan A?

5 A. Our number one recommendation is to move the

6 service to a one-way service.

7 Q. Would that be local or would that be toll?

8 A. Ultimately, the service would be a local

9 service. Yes, that's our recommendation.

10 Q. That it be a local service that then --

11 A. Would be --

12 Q. I'm sorry. Just let me -- so it would be

13 that each local exchange company in Missouri would

14 have the option to provide such a service to their

15 customers, and it would be their responsibility to

16 provide it as a local service?

17 A. Correct, provided by the serving LEC.

18 Q. Is Plan B the EAS option?

19 A. Yes, it is.

20 Q. Well, isn't EAS basically making -- okay.

21 That's local. Correct?

22 A. Correct.

23 Q. And that would be allocating the cost of COS

24 across all the customers between the exchanges that

25 had the service?

1 A. Yes, it would.

2 Q. And so if it were going to be converting any
3 COS routes for United, would you be going back and
4 asking to do the cost study and then having the
5 balloting for EAS routes so that the customers -- your
6 customers would have a choice of whether or not they
7 were going to have to pay for that service?

8 A. Yes, that was our recommendation.

9 Q. So if -- even if the take rate for, like,
10 the COS were 12 percent, you would be going back now
11 and asking all of your customers if they really wanted
12 to carry that cost across the board?

13 A. Now.

14 Q. And it might not pass?

15 A. It might not pass. But recognizing that at
16 least the initial attempt was some type of community
17 of interest service, we thought one option would be to
18 present it to the customers as a mandatory service,
19 and if it truly is a community of interest service,
20 then they may vote it in, but at least at that point
21 they have voted on a service that they're willing to
22 pay for.

23 Q. Would we be using the old criteria for EAS?

24 A. What I would recommend is you've got routes
25 that exist today that have been approved in our

1 criteria that may be clearly too low, but at least
2 those people have. You would go through those
3 existing routes and go through this balloting process.
4 If there was to be -- and I don't recommend a new
5 process, but it was there was, clearly the criteria
6 would probably need to be raised.

7 Q. All right. Now, can I go back to your
8 Option 1?

9 A. Yes.

10 Q. If you went with one-way COS that was not
11 mandatory but that the companies could choose to have,
12 would United be offering that service at some discount
13 off the current \$16 rate for residential and rural
14 areas, or would it be a more cost-based rate?

15 A. I would want that rate to be cost-based.

16 Q. Have you pushed the pencil on what you think
17 the ballpark would be on that rate?

18 A. No, I'm sorry to say, I haven't.

19 Q. You don't want to hazard a guess?

20 A. No, I don't.

21 Q. Okay. Could you tell me if United's, d/b/a
22 Sprint, is -- I never quite know which one to call you
23 these days, but when you did the puts and takes for
24 the two-way COS as a primary toll carrier, did United
25 come out losing revenues or was it a revenue-neutral

1 position at the get-go or did you gain revenues?

2 A. When we put together the losses and the
3 changes in revenues and expenses for MCA, COS and OCA,
4 United experienced a \$3 million annual loss associated
5 with the implementation of those three services.

6 United filed a tariff with the Commission to
7 recover \$1.8 million of that through an increase in
8 local rates. The tariff was approved at the same time
9 the final rates went into effect in our rate case in
10 '93. The remaining 1.2 is made up for now through a
11 payment from Southwestern Bell.

12 Q. Southwestern Bell pays you 1.2 million to
13 make you whole?

14 A. It will expire within a year. It was part
15 of the original agreement that the three signatory
16 parties made in bringing the MCA proposal to the
17 Commission.

18 Q. Where do they get their 1.2 million to pay
19 you?

20 A. Access charge savings.

21 Q. Okay. So it's savings, but it's still
22 coming from their customer base, then, or their
23 revenue basket. Correct?

24 A. I would assume so.

25 Q. The 1.8 million loss you put on local access

1 charges?

2 A. Put it on local access line rates. It was
3 made a permanent increase to our rates in the --

4 Q. Residential and business?

5 A. Residential and business both.

6 Q. So you can have a statewide EAS package
7 right now without the bow?

8 A. There are people paying for COS, MCA and
9 OCA -- OCA service.

10 Q. Did you look at the services separately at
11 United?

12 A. We did not separately calculate OCA from
13 COS. As I remember, that was a very difficult process
14 to quantify separately. We did it together.

15 Q. Do you think that the MCA rates are above
16 cost?

17 A. Because MCA is a bill-and-keep service now,
18 yes.

19 Q. What about OCA?

20 A. Yes.

21 Q. What about COS?

22 A. No.

23 Q. So maybe a significant portion of the
24 3 million loss was because of COS?

25 A. I know what those numbers are between OCA,

1 COS and MCA, or at least were. OCA and COS together
2 was \$1.2 million loss to United. MCA was an
3 \$1.8 million loss to United. The total of those two
4 is three.

5 Q. Oh, so it was a loss even though it was at
6 cost?

7 A. You have to remember that the loss was
8 moving from toll with receiving access charges to a
9 new system which was local bill-and-keep, so the new
10 cost is certainly above that.

11 Q. If this commission were to go with your
12 Plan A, what type of a time line does United need to
13 do that and educate its customers to make the
14 cut-over?

15 A. We begun to talk about that after hearing
16 Southwestern Bell's witness today. I believe that six
17 months would be a reasonable time line. I would like
18 to, like they recommend, cut all exchanges at the same
19 time so we don't have a series of exchanges moving to
20 a new rate.

21 Q. But you would like to do it at one time?

22 A. Yes.

23 Q. If you were to do something like that, would
24 you also have to look at whether or not you now had a
25 positive revenue impact because you no longer have

1 two-way COS?

2 A. Certainly.

3 Q. And what would you do about any gains that
4 you got from the new package?

5 A. I'd recommend -- recommend reducing toll or
6 access or both.

7 Q. So even though the increases were put on
8 your local rate payers, you would ask that the gains
9 that you get not be a reduction to your local but to
10 your toll or access?

11 A. I think that placing those -- those losses
12 on the local rate recognize that the reason that we
13 were in the case was toll rates were too high. I
14 wouldn't want to go back and reduce local rates while
15 leaving toll rates high.

16 Q. I see. Do you have any opinion on whether
17 this commission in the new environment can mandatorily
18 order the incumbent LECs to offer two-way COS in its
19 current form?

20 A. No.

21 Q. No?

22 A. No.

23 Q. No, we can't, or, no, you have no opinion?

24 A. No, I don't have an opinion on that subject.

25 Q. I thought, "Finally, an answer to that one."

1 No.

2 All right. Let me ask something else. With
3 the OCA service, which is a discounted toll, does
4 every petitioning exchange to the target exchanges
5 that now have the two-way COS also have OCA as an
6 option?

7 A. Every out-state exchange, which is every
8 exchange outside of the MCA areas, has OCA available
9 as an option, so thinking through that, there should
10 not be any COS routes within the metro, so the answer
11 should be yes.

12 Q. Well, other than it's measured versus flat
13 rate, although it has an element of flat rate because
14 it's got blocks of time, right, two hours and then
15 five hours --

16 A. Correct.

17 Q. -- so there's some measurement there. And
18 help me with this, but isn't it already a form of
19 one-way COS as a discounted toll?

20 A. It is a form of discounted toll for people
21 that have interest in calling a radius of 23 miles.

22 Q. Well -- but if I can call with OCA now two
23 hours a month for \$11 --

24 A. Uh-huh.

25 Q. -- and if it's just to meet a community of

1 interest so I can call the school or the hospital or
2 make those short toll calls, aren't I halfway there to
3 a one-way COS service?

4 A. Yeah, I would -- in my opinion, yes. It
5 provides the one-way functionality.

6 Q. Who -- who gets those dollars for the OC?

7 A. The OCA revenue?

8 Q. Uh-huh.

9 A. It's tariffed by the primary toll carriers,
10 so we receive the revenue from our customers or the
11 secondary carrier exchange customers that purchase the
12 plan.

13 Q. So if they purchase the plan, you get the
14 \$11 or the -- whatever the block of time is -- for
15 five hours, and then it's 50 cents or something after
16 that for a certain block --

17 A. Uh-huh.

18 Q. -- then what do the secondary carriers get?
19 Again, if we have -- going back to our Pilot
20 Grove/Boonville, if in Pilot Grove I, as a customer,
21 got OCA and I would pay the revenues that go to
22 Southwestern Bell, what does the Pilot Grove exchange
23 get?

24 A. They receive access charge revenue.

25 Q. And we're back to that T/O ratio, so they

1 would get the originating and terminating --

2 A. Right.

3 Q. -- access, so -- okay. I have, unless it's
4 changed, that the two hours for OCA is \$9.60 for
5 residential; after five hours it's \$21.85, so
6 basically it's kind of a flat-rate service with an
7 element of measurement on it, correct, but it's not a
8 two-way service?

9 A. No, it's not.

10 Q. Okay. Can somebody in the target exchange
11 buy OCA back to the petitioning exchange?

12 A. Certainly anybody in any exchange can buy
13 the OCA.

14 Q. That's just tariffed. Right?

15 A. Yeah. It's available to any customers that
16 wants to buy it.

17 Let me caveat that. It's not available
18 within the MCA.

19 Q. And it is just the 23-mile radius, so --

20 A. Right.

21 Q. Has somebody measured each of those
22 exchanges so they know?

23 A. Oh, yes. We went through that process of
24 measuring every point within 23 miles.

25 Q. Then, finally, with respect to the

1 regulatory environment we're in with the federal Act
2 of 1996 and House Bill 507 here in this state --
3 Mr. Harper, how long have you been in the
4 telecommunications industry?

5 A. At this point, it's about 15 years.

6 Q. Have you seen changes?

7 A. Oh, yes.

8 Q. Do you think that there will be any changes
9 on local service in short on toll that we don't have
10 today?

11 A. I believe there will be traumatic changes
12 that even you and I can't really imagine. There will
13 be innovations. There will be new companies providing
14 things and packages that, you know, we may not even be
15 able to sit here today and think about, but if you go
16 back ten years, we wouldn't be imagining some of the
17 things that are available to us today.

18 Q. Do you think that in a competitive
19 environment -- I asked Mr. Taylor this, so I will ask
20 you. Your company -- do you believe your customers
21 overall are subsidizing customers in other secondary
22 carriers' exchanges to have COS?

23 A. Yes.

24 Q. Well, in that case, do you think new
25 competitors coming in are at a fair advantage to

1 compete and put discount plans together when your
2 customers are going to already be providing a subsidy
3 for discounted toll service?

4 A. No. No. I talked about it in my testimony.
5 I do believe that when there is subsidies to services,
6 when new competitors come into the market, it does
7 distort the marketplace. It says that you've got to
8 come and compete against a product that is below the
9 price with which you'd have to pay to offer the same
10 product, and, no, that doesn't encourage competition.

11 Q. Will your company actively, when it's doing
12 the interconnection agreement, be trying to provide
13 services to companies at below cost?

14 A. No.

15 Q. Can you see you doing contracts where you'll
16 say, "Oh, this is a service we're going to give you"?

17 A. Certainly not.

18 COMMISSIONER DRAINER: I have no other
19 questions.

20 Thank you very much.

21 ALJ ROBERTS: Before we go on to anything
22 else, we passed two parties on cross.

23 Mr. Angstead for CompTel?

24 MR. ANGSTEAD: No questions.

25 ALJ ROBERTS: All right. And Ms. Forrest

1 for TCG?

2 MS. FORREST: No, thank you.

3 ALJ ROBERTS: Okay. That's what I thought.

4 And also I held the question open pending
5 having all of the parties in the room. Are there any
6 objections to the admission of Exhibits 29, 30 and 31?

7 (No response.)

8 ALJ ROBERTS: Hearing none, those three
9 exhibits will be admitted.

10 (EXHIBIT NOS. 29, 30 AND 31 WERE RECEIVED
11 INTO EVIDENCE.)

12 ALJ ROBERTS: I don't believe there are any
13 other questions from the Bench. We'll go through
14 questions based upon those questions from the Bench
15 that have occurred so far.

16 First to the Staff?

17 MS. MCGOWAN: No questions.

18 ALJ ROBERTS: Southwestern Bell?

19 MR. BUB: No questions, your Honor.

20 ALJ ROBERTS: AT&T?

21 MR. DeFORD: None.

22 ALJ ROBERTS: MCI?

23 MR. CURTIS: None.

24 ALJ ROBERTS: TCG?

25 MS. FORREST: None, thank you.

1 ALJ ROBERTS: CompTel?
2 MR. ANGSTEAD: No, thank you.
3 ALJ ROBERTS: GTE?
4 MS. LITTLE: No questions.
5 ALJ ROBERTS: Public Counsel?
6 MR. DANDINO: No questions.
7 ALJ ROBERTS: Small Telephone Group?
8 MR. ENGLAND: No questions.
9 ALJ ROBERTS: Mid-Missouri?
10 MR. JOHNSON: Yes.
11 RECROSS-EXAMINATION BY MR. JOHNSON:
12 Q. This \$1.2 million payment, was that a yearly
13 payment for five years from Southwestern Bell to
14 United?
15 A. Correct.
16 Q. Of equal amounts each year?
17 A. It's \$100,000 a month.
18 Q. Okay. Was there a similar payment made to
19 GTE?
20 A. They did not have losses.
21 Q. Okay. You indicate that subsidies distort
22 the market -- the existence of subsidies distort the
23 market and its design to be a competitive market?
24 A. Yes, I did.
25 Q. How does the requirement of -- and the

1 public policy goal of universal service, how does that
2 fit with competition?

3 A. I don't think I understand your question.

4 Q. Okay. Should any company in a competitive
5 environment be forced to serve a customer that's not
6 profitable to serve?

7 A. I believe that until a fully competitive
8 environment evolves, there will always be obligations
9 for someone to be a carrier of last resort.

10 Q. Is that consistent with competition to
11 require --

12 A. Is that consistent with competition?

13 Q. Yes, sir, to require a carrier to cover --
14 to provide service to a customer who doesn't provide
15 enough revenues to cover that customer's costs?

16 A. I believe my answer was when the market is
17 fully competitive. I'm talking about a transitional
18 period until the market is fully competitive and
19 people have free choice to move.

20 Q. Will the carrier have free choice to serve
21 only the customers in its exchange that it wants to?

22 A. There may come that time.

23 MR. JOHNSON: That's all I have.

24 ALJ ROBERTS: Redirect?

25 MS. GARDNER: No.

1 I appreciate the Commission staying a little
2 later to finish Mr. Harper, and I ask the he be
3 excused when the Commission is done with him.

4 ALJ ROBERTS: Thank you very much.

5 You may step down.

6 (Witness excused.)

7 ALJ ROBERTS: Off the record, please.

8 WHEREUPON, the nonproprietary portion of
9 the hearing was adjourned until 8:30 a.m., Thursday,
10 June 26, 1997.

11 (REPORTER'S NOTE: At this time, an
12 in-camera session was held, which is contained in
13 Volume No. VIII, Pages 751 to 757, of the transcript.)

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

June 25, 1997
Jefferson City, Missouri
Volume VIII

In the Matter of an)
Investigation into the Provision) Case No. TW-97-333
of Community Optional Calling)
Service in Missouri.)

BEFORE:

DALE A. ROBERTS, Presiding,
CHIEF ADMINISTRATIVE LAW JUDGE.
M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

REPORTED BY:

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18 Commission.

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7 Ellington Telephone Company.
Farber Telephone Company.
8 Fidelity Telephone Company.
Goodman Telephone Company, Inc.
9 Granby Telephone Company.
Grand River Mutual Telephone Corporation.
10 Green Hills Telephone Corporation.
Holway Telephone Company.
11 KLM Telephone Company.
Kingdom Telephone Company.
12 Lathrop Telephone Company.
Le-Ru Telephone Company.
13 Mark Twain Rural Telephone Company.
McDonald County Telephone Company.
14 Miller Telephone Company.
New Florence Telephone Company.
15 New London Telephone Company.
Orchard Farm Telephone Company.
16 Oregon Farmers Mutual Telephone Company.
Ozark Telephone Company.
17 Rock Port Telephone Company.
Seneca Telephone Company.
18 Steelville Telephone Exchange, Inc.
Stoutland Telephone Company.

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1 I N - C A M E R A P R O C E E D I N G S

2 ALJ ROBERTS: Back on the record, please.

3 We are back in session in camera at the
4 request of Southwestern Bell to either correct or
5 supplement something that was taken in camera earlier.
6 And I don't know if this -- let me ask the court
7 reporter even though we're on the record, is this
8 something that can be put in the same separate volume
9 of in camera, or does it have to be separate?

10 THE COURT REPORTER: I'll have to check on
11 that.

12 ALJ ROBERTS: Thank you.

13 Mr. Lane?

14 MR. LANE: Thank you, your Honor.

15 Mr. England had asked some questions of
16 Mr. Taylor that were based on a series of data
17 requests that Small Telephone Company Group had
18 submitted to Southwestern Bell, and as we went through
19 that, it became apparent to us that we were not making
20 an apples-to-apples comparison because of our failure
21 to do so in a data request that we gave to him.

22 Specifically, we had given a figure of
23 revenues from the secondary carriers in the state to
24 Southwestern Bell of \$22,267,232, and we had given a
25 figure for Southwestern Bell intraLATA toll revenue of

1 60,586,996.

2 To that latter figure, the Southwestern Bell
3 figure, to make them comparable in an apples-to-apples
4 comparison we would need to add 46,824,600 in revenues
5 that come from optional calling plans, OCA and COS
6 services, and that would have the effect of changing
7 the computation of the average revenue per access line
8 in Southwestern Bell's territory that Mr. Taylor did
9 of moving that from \$23 to a \$40 figure.

10 And I think Mr. England stipulated that we
11 would do this by stipulation of counsel.

12 MR. ENGLAND: That's correct.

13 ALJ ROBERTS: All right. Is there any
14 request that the witness be recalled based on this new
15 information, or corrected information, whatever it may
16 be?

17 MR. JOHNSON: What was the figure you had,
18 Paul? Forty-six --

19 ALJ ROBERTS: And change.

20 MR. ENGLAND: What's a few hundred thousand
21 among friends?

22 MR. LANE: 46,824,600.

23 MR. JOHNSON: Thank you.

24 ALJ ROBERTS: Hearing no request, then, that
25 will suffice to correct the record. It doesn't appear

1 that we'll need to recall the witness.

2 Is there anything else that needs to be done
3 in camera?

4 (No response.)

5 ALJ ROBERTS: Hearing none, then, that will
6 conclude the second in-camera portion of this hearing.

7 We can go off the record, please.

8 WHEREUPON, the in-camera portion was
9 concluded.

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		Marked	Received
3	Exhibit No. 9		465
4	Direct Testimony of Barbara Ann Meisenheimer		
5	Exhibit No. 10		465
6	Rebuttal Testimony of Barbara Ann Meisenheimer		
7	Exhibit No. 10-HC		465
8	Rebuttal Testimony of Barbara Ann Meisenheimer, HC portion		
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27	Exhibit No. 29		747
28	Direct Testimony of Mark Harper		

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E X H I B I T S I N D E X

Marked Received

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