

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

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

CASE NO. TW-97-333

FILED

JUN 9 1997

MISSOURI
PUBLIC SERVICE COMMISSION

AFFIDAVIT OF MARY L. KAHNERT

STATE OF MISSOURI)

) ss

COUNTY OF ST. CHARLES)

Mary L. Kahnert of lawful age, being duly sworn, deposes and states:

1. My name is Mary L. Kahnert. I am State Manager--Industry Affairs for GTE Telephone Operations.
2. Attached hereto and made part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Mary L. Kahnert
Mary L. Kahnert

Subscribed and sworn to before me this
5th day of June, 1997.

Staci A. Huth
Notary Public

My Commission Expires: 11-3-97

STACI A. HUTH
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires Nov. 3, 1997

GTE MIDWEST INCORPORATED
SURREBUTTAL TESTIMONY OF MARY L. KAHNERT
CASE NO. TW-97-333

Q. Please state your name and business address.

A. My name is Mary L. Kahnert. My business address is 1000 GTE Drive, Wentzville, Missouri 63385.

Q. Are you the same Mary L. Kahnert who filed direct and rebuttal testimony in this proceeding?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. I will respond to the rebuttal testimony of the parties, including the overall position of the Small Telephone Company Group (STCG), the proposed access compensation mechanism, and the possible designation of COS as an essential local telecommunications service.

Q. In your direct testimony, you responded to the straw COS proposal by supporting one-way reciprocal COS rather than an 800 number based service for return COS calling. Is this still your position?

A. If choosing only between those two alternatives, as requested in the Order Establishing Docket, that is still my position. . Witnesses for Staff, Sprint, SWBT and AT&T all support the conversion of two-way COS to a one-way only service. Staff further recommends (Smith rebuttal, p. 9, ln. 15--25) that the Commission consider eliminating COS in its entirety. Sprint recommends (Harper rebuttal, p. 4, ln. 1--8) that two-way COS be replaced by one-way COS prior to implementation of intraLATA dialing parity and then eliminated. GTE agrees with

1 this approach, with the modification that one-way COS may be offered after dialing
2 parity is implemented at the option of the serving LEC. GTE supports this
3 recommendation over either alternative in the straw proposal.

4 **Q. STCG witness Bob Schoonmaker states, with regard to his overall**
5 **recommendation on COS (Schoonmaker rebuttal, p. 10, ln 4--5), that**
6 **customers would be most satisfied if COS was not altered at all. Is this**
7 **realistic?**

8 **A.** No. Mr. Schoonmaker's response ignores the reality of the marketplace and the
9 purpose of this docket. When intraLATA dialing parity is implemented, as it will
10 be in numerous exchanges in the near future, customers will not be satisfied to
11 learn that certain return COS calling is no longer toll free. Customers will be
12 better served by a solution that works with competition rather than any attempt to
13 prevent competition.

14 **Q. Do you agree with Mr. Schoonmaker that the 800/888 proposal should be**
15 **implemented?**

16 **A.** No, for all the reasons stated in my direct testimony. In addition, I believe the
17 800/888 solution would be subject to the same misuse as existing two-way return
18 calling, as discussed in detail by SWBT (Taylor rebuttal, p. 5, ln. 8 through p. 10,
19 ln. 17) and Staff (Smith rebuttal, p. 6, ln. 3 through p. 9, ln 6). GTE has just begun
20 to investigate similar possible misuse of existing COS, as discussed by GTE
21 witness Dave Evans. Given the potential for misuse of any flat rate return calling
22 plan, GTE urges the Commission not to mandate any such two-way flat rate
23 service.

24 **Q. Do you agree that any change to COS should be implemented as a toll**
25 **service by the PTCs, as requested by Mr. Schoonmaker?**

1 **A.** Only as an interim step, until the Commission can make a determination in Case
2 No. TO-97-220 about the future of the PTC Plan. GTE believes responsibility for
3 this service should be transitioned to the serving LEC or eliminated no later than
4 when intraLATA dialing parity is implemented.

5 **Q.** **Do you agree that the Commission should hold public hearings?**

6 **A.** No. Given the market-driven options available to customers today and in the near
7 future, and the potential for misuse of two-way COS, I believe customers should
8 be allowed to vote with their pocketbook for the services and providers of their
9 choice. Attempting to relive prior EAS or COS hearings will serve no useful
10 purpose.

11 I note that while professing concern of the companies represented by Mr.
12 Schoonmaker and Mr. Jones about the importance of two-way COS to their
13 customers, they fall short of offering any solution that includes providing the
14 service themselves, either as a local or toll service. That they both suggested
15 several possible technical solutions only for the PTCs to continue the service, I
16 believe speaks volumes about the existing compensation arrangement and
17 compensation rate levels.

18 **Q.** **Then why does GTE agree with the straw proposal to retain the current**
19 **compensation mechanism?**

20 **A.** There are several reasons. Mr. Taylor is correct (rebuttal p. 14, ln. 1--9) that,
21 since GTE has only five secondary exchanges for which it is the PTC, GTE's
22 impact from SC traffic is relatively small. At the same time, GTE is hopeful that the
23 Commission will eliminate the requirement for GTE and the other PTCs to provide
24 service in another LEC's exchange when it considers modification or elimination
25 of the PTC plan in Case No. TO-97-220. Also, GTE's negotiations with

1 competitive LECs include the termination of all optional interexchange calling at
2 full switched access rates. It would be discriminatory to agree to a lesser rate or
3 different rate application with incumbent LECs. Finally, to carve out a certain
4 portion of interexchange calling for a non-standard application of switched access
5 rates requires special handling and sets up a settlement arrangement that is high-
6 maintenance and subject to error.

7 **Q. Do you agree with OPC (Meisenheimer rebuttal p. 9, In 20--21) that COS**
8 **should be identified as an "essential local telecommunications service"?**

9 **A.** No. COS is clearly a discretionary service, which is inconsistent by definition with
10 an essential service. GTE's overall customer take rate for COS is just less than
11 12% in exchanges where it is available. Mr. Schoonmaker testified (direct p. 11,
12 In 2 through p. 12, In. 5) that the overall take rate statewide is just over 12% in
13 exchanges where it is available. To consider a service with less than 18,000
14 subscribers statewide as essential, and therefore eligible for support from the
15 Missouri universal service fund, seems contrary to the underlying definition and
16 purpose of universal service. Although the Commission has authority to define
17 essential local telecommunications services, COS does not seem to be anywhere
18 close to an "essential" (i.e., indispensable) service.

19 **Q. Please summarize GTE's position on the issues in this docket.**

20 **A.** GTE supports the position taken by Staff and Sprint, that two-way COS be
21 replaced by one-way COS prior to implementation of intraLATA dialing parity and
22 then changed to an optional service offering. When intraLATA dialing parity is
23 implemented, the option and responsibility to provide COS should be transitioned
24 to the serving LEC, if different from the PTC. GTE supports the retention of the
25 current compensation mechanism.

1 Q. Does this conclude your surrebuttal testimony?

2 A. Yes.