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Missouri Public
Service Commission

Exhibit:

Issue: Certificate of Service Authority to
Provide Interexchange and Local
Exchange Telecommunications
Service in Missouri

Witness: William J. Warinner

Type of Exhibit: Direct Testimony

Sponsoring Party: Fiber Four Corporation

d/b/a Holway Long Distance

d/b/a Iamo Long Distance

d/b/a KLM Long Distance

d/b/a Rock Port Long Distance

MISSOURI PUBLIC SERVICE COMMISSION

**CASES NO. TA-2000-23, TA-2000-24, TA-2000-25, TA-2000-27
CONSOLIDATED**

**DIRECT TESTIMONY
OF
WILLIAM J. WARINNER**

ON BEHALF OF FIBER FOUR CORPORATION

**Jefferson City, Missouri
January 20, 2000**

1 **Q. Will you please state your name and business address?**

2 A. My name is William J. Warinner. My business address is 10901 West 84th
3 Terrace, Suite 101, Lenexa, Kansas, 66214-1631.

4

5 **Q. By whom are you employed and what is your position?**

6 A. I am the managing principal in the firm of Warinner, Gesinger & Associates,
7 LLC, Certified Public Accountants.

8

9 **Q. Please describe your educational and professional background.**

10 A. I am a 1975 graduate of Rockhurst College in Kansas City, Missouri whereby
11 I received a Bachelor of Science degree in Business Administration with a major
12 in Accounting.

13

14 In 1975, I was employed by the certified public accounting firm of Troupe
15 Kehoe Whiteaker & Kent (TKWK) to assist in the preparation of income tax
16 returns and certified financial audits. In 1976, I transferred to the Firm's
17 regulated utility department where I was responsible for preparing rate case
18 support and division of revenue cost studies for telephone company clients of
19 the Firm. In 1978, I became manager of telecommunications regulatory services
20 at TKWK.

21

22 In 1983, I joined the consulting firm of Drees Dunn & Company as manager of
23 regulatory services where my responsibilities included preparation of certified
24 financial audits of independent telephone companies, preparation of toll cost

1 studies, preparation of access charge tariff filings, business planning and
2 economic modeling.

3
4 In 1988, I co-founded the certified public accounting firm of Frederick &
5 Warinner (F&W). F&W was formed specifically to address the financial needs
6 of rural independent telephone companies. At F&W, I developed the *Revenue*
7 *Management Systems*, a Part 36/69 cost allocation software system designed for
8 use with personal computers. On January 1, 1995, I organized Frederick &
9 Warinner, L.L.C. of which I am currently the management principal. In April
10 of 1999, the firm became Warinner, Gesinger & Associates, LLC.

11
12 I am a Certified Public Accountant and member of the American Institute of
13 Certified Public Accountants. I currently hold a license to practice in the States
14 of Colorado, Kansas, Louisiana, Maryland, Massachusetts, Michigan,
15 Minnesota, Mississippi, Missouri, New York, Oklahoma and Washington, D.C.

16
17 My resume, presented as Schedule WJW-1, contains descriptions of the major
18 engagements I have managed and provides the names of clients that I have
19 worked with.

20
21 **Q. Have you previously filed testimony before this Commission?**

22 A. Yes. I filed direct testimony in Case No. TO-97-217, et al., in the matter of an
23 investigation concerning the continuation or modification of the Primary Toll
24 Carrier (PTC) Plan when IntraLATA presubscription is implemented in

1 Missouri. I filed direct, rebuttal and surrebuttal testimony in Case No. TO-99-
2 254 et al. in the matter of an investigation concerning the Primary Toll Carrier
3 (PTC) Plan and intraLATA dialing parity (ILDPA). In addition, I have
4 represented independent company clients of our Firm in earnings reviews
5 conducted by the Commission's Staff and have participated in various industry
6 technical committee meetings.

7
8 **Q. What is the purpose of your direct testimony in this proceeding?**

9 A. The purpose of my testimony is to support the applications for permanent
10 certificates of service authority and associated tariff filings by Fiber Four
11 Corporation d/b/a Holway Long Distance, d/b/a Iamo Long Distance, d/b/a
12 KLM Long Distance, and d/b/a Rock Port Long Distance in four separate and
13 distinct service areas.

14
15 **Q. On whose behalf do you present this testimony?**

16 A. Fiber Four Corporation d/b/a Holway Long Distance, d/b/a Iamo Long Distance,
17 d/b/a KLM Long Distance and d/b/a Rock Port Long Distance, hereinafter
18 sometimes collectively referred to as the "Fiber Four d/b/a Companies."

19
20 **Q. Please describe Fiber Four Corporation.**

21 A. Fiber Four Corporation (Fiber Four) is a Missouri corporation with its principal
22 office and place of business located at 107 Opp, Rock Port, Missouri 64482.
23 Initially, Fiber Four was a wholly owned subsidiary of Rock Port Telephone
24 Company (Rock Port) created for the purpose of providing distance learning and

1 telemedicine services to schools and medical facilities located in the northwest
2 portion of the state. Fiber Four obtained a certificate of interexchange and local
3 exchange (non-switched) telecommunications service from the Commission in
4 Case No. TA-96-376. Subsequent to its incorporation and receipt of initial
5 certificate, Fiber Four sought to expand its service area and improve its service
6 by adding additional owners who are also affiliates of other local exchange
7 companies (LECs). In Case No. TM-97-308, the Commission approved the
8 Joint Application of First Fiber Corporation (First Fiber), RBJ Corporation
9 (RBJ) and Rock Port Communications Corporation (RPCC) to acquire 33 1/3
10 % of the Stock of Fiber Four. First Fiber is a wholly owned subsidiary of Iamo
11 Telephone Company (Iamo); RBJ is the parent holding company of Holway
12 Telephone Company (Holway) and KLM Telephone Company (KLM); and
13 RPCC is a wholly owned subsidiary of Rock Port Telephone Company (Rock
14 Port). Thus, Fiber Four is now an affiliate of four (4) incumbent LECs, i.e.,
15 Holway, Iamo, KLM and Rock Port.

16
17 **Q. By its applications filed in these consolidated cases, what does Fiber Four**
18 **now seek to do?**

19 A. Fiber Four has filed four (4) separate applications with the Commission seeking
20 four (4) certificates of service authority to provide interexchange and local
21 exchange (non-switched) telecommunications services. Specifically, Fiber Four
22 seeks certificates under four (4) fictitious names as follows: Fiber Four
23 Corporation d/b/a Holway Long Distance (Holway LD), Case No. TA-2000-24;
24 Fiber Four Corporation d/b/a Iamo Long Distance (Iamo LD), Case No. TA-

1 2000-25; Fiber Four Corporation d/b/a KLM Long Distance (KLM LD), Case
2 No. TA-2000-23; and Fiber Four Corporation d/b/a Rock Port Long Distance
3 (Rock Port LD), Case No. TA-2000-27.
4

5 **Q. Has Fiber Four made the necessary filings with the Missouri Secretary of**
6 **State's Office to register these fictitious names?**

7 A. Yes, it has, and certified copies of its fictitious name registrations have been
8 filed with the Commission and are incorporated herein by reference.
9

10 **Q. Please describe the intraLATA toll services which Fiber Four seeks to**
11 **provide pursuant to the instant applications.**

12 A. Fiber Four seeks to offer intrastate Message Toll Services (MTS) under four
13 separate fictitious names and in four separate and distinct areas in order to
14 comply with Missouri Public Service Commission's (Commission) Orders
15 issued in Cases No. TO-99-254 (PTC case), TO-99-508 (Holway ILDP case),
16 TO-99-509 (Iamo ILDP case), TO-99-511 (KLM ILDP case) and TO-99-520
17 (Rock Port ILDP case).
18

19 **Q. Please explain how the Fiber Four d/b/a companies' filings comply with the**
20 **Commission's orders.**

21 A. The Fiber Four d/b/a Companies comply with the Commission's Orders
22 terminating the PTC Plan and implementing intraLATA Dialing Parity by
23 seeking to do business under four separate fictitious names, under four separate

1 certificates of service authority, under four separate long distance tariffs, and
2 within four separate and distinct service areas.

3
4 Holway's intraLATA Dialing Parity Plan was filed on April 22, 1999 and
5 assigned Case No. TO-99-508. Holway stated that its long distance company
6 is Fiber Four Corporation; that ILDP would be implemented on August 1, 1999
7 and available in Holway's exchange of Maitland and Skidmore¹. The
8 Commission approved Holway's intraLATA Dialing Parity Plan in its Report
9 and Order issued June 19, 1999. The Commission granted Holway LD a
10 temporary certificate of authority to provide interexchange telecommunications
11 services on July 29, 1999 (Order in TA-2000-24).

12
13 Iamo's intraLATA Dialing Parity Plan was filed on April 22, 1999 and assigned
14 Case No. TO-99-509. Iamo stated that its long distance company is Fiber Four
15 Corporation; that ILDP would be implemented on August 22, 1999 and
16 available in Iamo's exchanges of Burlington Junction, Clearmont, Elmo and
17 Westboro.² The Commission approved Iamo's intraLATA Dialing Parity Plan
18 in its Report and Order issued June 10, 1999. The Commission granted Iamo
19 LD a temporary certificate of authority to provide interstate interexchange
20 telecommunications service on August 26, 1999 (Order in TA-2000-25).

¹Refer to Pages 6 and 8 of the Holway's IntraLATA Dialing Parity Plan.

²Refer to Pages 6 and 8 of Iamo's IntraLATA Dialing Parity Plan.

1 KLM's intraLATA Dialing Parity Plan was filed on April 22, 1999 and assigned
2 Case NO. TO-99-511. KLM stated that its long distance company is Fiber Four
3 Corporation; that ILDP would be implemented on September 16, 1999 and
4 available in KLM's exchanges of Deerfield, Metz, Rich Hill and Richards.³ The
5 Commission approved KLM's intraLATA Dialing Parity Plan in its Report and
6 Order issued June 10, 1999. The Commission granted KLM LD a temporary
7 certificate of authority to provide interstate interexchange telecommunications
8 service on August 26, 1999 (Order in TA-2000-23)

9
10 Rock Port's intraLATA Dialing Parity Plan was filed on April 22, 1999 and
11 assigned Case No. TO-99-520. Rock Port stated that its long distance company
12 is Fiber Four Corporation d/b/a Rock Port Long Distance; that ILDP would be
13 implemented on July 27, 1999 and available in Rock Port's exchanges of Rock
14 Port, Watson and South Hamburg. The Commission approved Rock Port's
15 intraLATA Dialing Parity in its Report and Order issued June 10, 1999. The
16 Commission granted Rock Port LD a temporary certificate of authority to
17 provide interstate interexchange telecommunications service on July 29, 1999
18 (Order in TA-2000-27)

19
20 **Q. In your opinion, Mr. Warinner, does Fiber Four have the necessary**
21 **technical and financial ability to provide the telecommunications services**
22 **for which it now seeks certificates of service authority?**

³Refer to Pages 6 and 9 of KLM's IntraLATA Dialing Parity Plan.

1 A. Yes. For the reasons set forth in each of the individual verified applications
2 filed in these consolidated cases (and incorporated herein by reference), I
3 believe Fiber Four has the necessary technical and financial ability to provide
4 the interexchange and local (non-switched) telecommunications services it
5 proposes to provide in each of the four areas where it proposes to provide these
6 services. In addition, the fact that the Commission has previously granted a
7 certificate to Fiber Four also indicates its ability to provide the services and
8 abide by the Commission's rules and regulations.

9
10 **Q. In your opinion, Mr. Warinner, will a grant of the requested certificates be**
11 **in the public interest?**

12 A. Yes. A grant of the requested certificates on a permanent basis will allow
13 customers who are currently being served by Holway LD, Iamo LD, KLM LD
14 and Rock Port LD to continue to receive the services they are receiving today.
15 Denial of the requested certificates will not only require a substantial number
16 of customers to switch services against their wishes but it will also deny
17 customers an additional choice of a long distance provider. This would be
18 especially detrimental to the customers in the exchanges served by Holway,
19 Iamo, KLM and Rock Port, since they have already experienced the loss of their
20 Primary Toll Carrier and, AT&T has, to date, refused to provide intraLATA
21 service on a 1+ basis.

22
23 **Q. Does Fiber Four have approved intrastate tariffs?**

1 A. Yes. Fiber Four has an approved intrastate "private line" type tariff which was
2 implemented when it first obtained its certificate in Case No. TA-96-376. It has
3 no "message toll" type tariff, as its interexchange offerings are limited to point
4 to point or point to multi-point, private line services connecting a customer's or
5 user's locations to one another. In addition, and as noted above, the
6 Commission approved tariffs for each of the Fiber Four d/b/a Companies when
7 the Commission granted temporary authority which allowed implementation of
8 the individual intraLATA Dialing Parity Plans. These tariffs offer both private
9 line and message toll services to customers.

10
11 **Q. Mr. Warinner, what do you understand to be the issue in these cases?**

12 A. I understand the issue to be the fact that Fiber Four proposes to do business
13 pursuant to four different sets of tariffs which may, according to some, be
14 contrary to the Missouri statutes (and Commission policy) prohibiting
15 geographic toll rate deaveraging.

16
17 **Q. Please identify the rate differences in the four different sets of toll tariffs of
18 the Fiber Four d/b/a Companies.**

19 A. The rates for Holway LD's and Iamo LD's customers who subscribe to
20 intraLATA services only, reflect the Sprint Missouri, Inc. rates that were in
21 effect at the time Sprint served as the PTC in those exchanges up until the
22 Companies implemented ILDP. These rates apply to those calls placed by
23 dialing 1+ the intraLATA number from the Holway exchanges of Maitland,
24 Skidmore and the Iamo exchanges of Burlington Junction, Clearmont, Elmo and

1 Westboro. Therefore, for intraLATA calls, Holway LD's and Iamo LD's
2 customers who subscribed to the intraLATA only option would be charged the
3 same rates after implementation of intraLATA dialing parity as charged by their
4 PTC before implementation. The rates for KMLD's customers who subscribe
5 to intraLATA services only, reflect the Southwestern Bell Telephone Company
6 rates that were in effect at the time KLM implemented ILDP in the KLM
7 exchanges of Deerfield, Metz, Rich Hill and Richards. The rate for Holway LD,
8 Iamo LD and KLM LD is \$0.15 per minute of use when a customer subscribes
9 to intrastate service. Rock Port LD, electing to keep its rate structure simple,
10 offers an intrastate rate of \$0.15 per minute of use and does not tariff an
11 intraLATA only, offering (which would have mirrored Sprint Missouri, Inc.'s
12 intraLATA rates).

13
14 **Q. Please explain why the Fiber Four d/b/a companies have different rates.**

15 **A.** Prior to implementation of ILDP (and elimination of the PTC Plan), the PTC for
16 Holway, Iamo and Rock Port was Sprint Missouri, Inc. and the PTC for KLM
17 was SWBT. These four LECs, through Fiber Four, sought to become toll
18 providers in order to serve the needs of their respective customers. They wanted
19 to ensure that their customers could continue to place 1+ intraLATA toll calls
20 in the same manner and at the same rates as they had before implementation of
21 ILDP. In addition, the four LECs wanted to implement dialing parity with a
22 minimum of customer confusion and rate changes. Holway LD's, IAMO LD's
23 and KLM LD's intraLATA only toll rates were not developed by them. They
24 had previously been approved by the Commission for the respective PTCs and

1 were applicable to the specific exchanges that subtended the PTCs. Holway
2 LD's, Iamo LD's and KLM LD's intraLATA only rates simply reflect
3 previously approved intraLATA toll rates for Sprint Missouri, Inc. and SWBT.
4

5 **Q. Do the Fiber Four d/b/a companies offer message toll services to all their**
6 **customers?**

7 A. Yes. Each of the Fiber Four d/b/a Companies offer toll services to all of their
8 respective customers in the respective service area of their affiliate local
9 exchange companies. For example, Holway LD offers MTS only to customers
10 in the exchanges of Maitland and Skidmore; Iamo LD offers MTS only to
11 customers in the exchanges of Westboro, Elmo, Clearmont and Burlington
12 Junction; KLMLD offers MTS only to customers in the exchanges of Deerfield,
13 Rich Hill, Metz and Richards; and Rock Port LD only offers MTS to customers
14 in the exchanges of Rock Port, Watson and South Hamburg.
15

16 **Q. Do you believe the four MTS tariffs of the Fiber Four d/b/a Companies**
17 **constitute geographic toll rate deaveraging?**

18 A. No, I do not. Fiber Four seeks to offer MTS in four (4) separate and distinct
19 areas of the state pursuant to four (4) separate certificates and four (4) separate
20 tariffs. None of its four (4) individual serving areas overlap or "overlay"
21 another. More importantly, every customer within each serving area is able to
22 subscribe to the same services as any other customer in the same serving area.
23 For example, all of the MTS offered by Holway LD is available to all of the
24 customers located in the exchanges of Maitland and Skidmore. Similarly, all of

1 the exchanges of Westboro, Elmo, Clearmont, and Burlington Junction are able
2 to subscribe to all of the toll services offered by Iamo LD. In short, there is no
3 discrimination among customers in a particular serving area based on the
4 customers geographic location within the serving area. This is no different from
5 the four (4) PTCs who offer different toll rates to their respective serving areas.
6

7 **Q. Do you believe that the Fiber Four d/b/a Companies' tariff filings are in the**
8 **public interest?**

9 A. Yes. The Fiber Four d/b/a Companies provide toll services to their respective
10 serving areas at rates that were either already approved for those customers, or
11 at a competitive rate of \$0.15 per minute (which was similar to AT&T's one rate
12 plan, at the time of ILDP). The Fiber Four d/b/a Companies have sought to
13 continue the provision of intraLATA toll services, for their respective
14 customers, with 1+ dialing. The Fiber Four d/b/a Companies, by mirroring
15 existing intraLATA toll rates and toll plans, ensured that their customers would
16 pay only reasonable charges for Message Telecommunications Services. The
17 Commission's approval of the Fiber Four d/b/a Companies' Certificates of
18 Authority and related tariffs, on a permanent basis is, therefore, in the public
19 interest.
20

21 **Q. Does this conclude your testimony?**

22 A. Yes, it does.
23

**WARINNER DIRECT
SCHEDULE (WJW-1)**

William J. Warinner, CPA

Principal

Mr. Warinner, a principal with the firm of Warinner, Gesinger & Associates L.L.C., has over twenty years of experience in all aspects of financial reporting and modeling for regulated telecommunications service providers. In engagements directed by Mr. Warinner on behalf of telecommunications service providers, he performed one or more of the following activities: certified financial audits, business valuations, development of cost allocation and earnings reporting systems including cost allocation manuals (CAM's), development of affiliated interest cost allocation and reporting systems and multi company cost allocation manuals, designed and implemented affiliate interest contracts for billing of inter company services between affiliates, jurisdictional cost allocation studies, development of toll access charge tariffs including tariff structure, rate development, earnings reporting and rate of return monitoring, revenue requirement development and rate design in conjunction with rate proceedings before state regulators and the Federal Communications Commission, development of management reporting systems using cost of service analysis models, development of management efficiency standards, and price analysis with earnings forecasting.

As a leading expert in the area of telecommunications, Mr. Warinner has presented on issues involving jurisdictional cost separations, competition, wireless communications, business valuations, and management reporting systems and business planning before organizations including the National Exchange Carriers Association (NECA), the Organization for the Preservation and Advancement of Small Telephone Companies (OPASTCO), State Independent Telephone Association of Kansas (SITA) and the Alaska Public Utilities Commission.

Mr. Warinner's most recent testimony was delivered before the Illinois Commerce Commission (concerning Illinois Bell Telephone's affiliate relations).

Recent Projects

- ◆ Project director for valuation of \$300 million municipal utility.
- ◆ Project director for affiliate interest review of Illinois Bell Telephone Company.
- ◆ Lead consultant in the affiliate interest review of Pennsylvania Bell Telephone Company.
- ◆ Project director for tariff services provided to Anchorage Telephone Utility.
- ◆ Performed cost separation services for Fairbanks Municipal Utilities System.
- ◆ Project director for tariff services provided to statewide equal access provider.

**WARINNER DIRECT
SCHEDULE (WJW-1)**

- ◆ Developed multi-company cost allocation system for the reporting of affiliate transactions of several local exchange carriers.
- ◆ Project director for the audit of Percent Interstate Use (PIU) factors on behalf of two regional Bell operating companies.
- ◆ Project director for the audit of Common Line Usage Credits of NYNEX.
- ◆ Project director for the preparation of business office studies of Century Telephone.
- ◆ Performed valuation of a Minnesota Local Exchange Carrier.
- ◆ Designed *Revenue Management Systems (RMS)*, to facilitate the processing of FCC Parts 36 and 69 cost allocations and projections on a microcomputer.
- ◆ Designed and implemented a software model for the development and reporting of access rates using the FCC's "Price Cap" methodology.
- ◆ Mr. Warinner directed or actively participated in engagements for the following companies:

Iowa Network Services, Inc.
Arvig Communications Systems
 East Otter Tail Telephone Company
 Twin Valley-Ulen Telephone Company
 Tekstar Cablevision, Inc.
Anchorage Telephone Utility
Kansas Independent Networks, Inc.
Fairbanks Municipal Utilities System
Century Telephone Enterprises, Inc.
Citizens Utilities Company of Arizona
Citizens Utilities Company of California
SJI, Inc.
 Lafourche Telephone Company
 MobileTel, Inc.
 CSI, Inc.
 SOLA Communications, Inc.
Matanuska Telephone Association, Inc.
Towns Telecommunications, Inc.
 Walnut Hill Telephone Company
 Haxtun Telephone Company
 Tatum Telephone Company
 Electra Telephone Company
 MoKan Dial, Inc.

**WARINNER DIRECT
SCHEDULE (WJW-1)**

Golden Wheat Inc.

Wheat State Telephone Company

Wheat State Telecable, Inc.

Green Hills Telephone Corporation

Lynch Communications, Inc.

JBN Telephone Company

Haviland Telephone Company

Western New Mexico Telephone Company

RBJ, Inc.

Holway Telephone Company

KLM Telephone Company

CLR Video, L.L.C.

Missouri Independent Telephone Group

MJD Communications, Inc.

Mid-South Telecommunications, Inc.

Ontonagon Telephone Company

Midway Telephone Company

S&A Telephone Company

Kingsgate Telephone Company

Northeast Florida Telephone Company

GT Communications, Inc.

Gulf Telephone Company

Vista United Telephone Company

Project Mutual Telephone Company

IAMO Telephone Company

Rock Port Telephone Company

Rainbow Telephone Cooperative Association, Inc.

Rural Telephone Service Company

Fidelity Telephone Company

Bourbeuse Telephone Company

Michigan Exchange Carriers Association

NYNEX

U.S. West

Sprint

AT&T

Illinois Commerce Commission

Alaska Public Utility Commission

Pennsylvania Public Utility Commission