

Exhibit No. _____

Issue: Policy

Witness: Mary L. Kahnert

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: GTE Midwest Incorporated

Case No.: TW-97-333

EXHIBIT NO. 18

Date 6/23/97 Case No. TW-97-333

Reporter KRM

GTE MIDWEST INCORPORATED
REBUTTAL 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. By whom are you employed and in what capacity?

A. I am employed by GTE as the State Manager--Industry Affairs.

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

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I will respond to the proposals and positions taken by certain parties in their direct testimony. Specifically, I will respond to the overall position taken by Missouri Public Service Commission (MPSC) Staff witness Gay Smith, the proposal by Sprint witness Mark Harper to convert COS to mandatory EAS, and the proposal of Mid-Missouri Group witness David Jones to provide return COS calling via remote call forwarding (RCF). I will also respond to the positions of the various parties concerning the issue of requiring all CLECs to provide COS service.

Q. Gay Smith states that "Having considered the changing environment and looking at the whole picture which addresses intraLATA presubscription, local competition, dialing parity, access reform, PTC plan changes, and the establishment of a state universal service fund, I believe that it's time to begin making changes to fit the changing environment." Do you agree?

1 **A.** Absolutely! GTE is very interested in serving our customers' calling needs in the
2 competitive marketplace. It would be unreasonable to expect an incumbent local
3 exchange carrier (ILEC), such as GTE, to perpetuate a customized calling plan if
4 the plan is not sustainable in a competitive environment, either because of price
5 or pricing structure (i.e. flat rate), or other. Per the Telecommunications Act of
6 1996, GTE must offer its services to its competitors on a resale basis, which only
7 exacerbates any requirement to offer a service that GTE would otherwise not
8 choose to offer. Customized plans that are non-standard and require special
9 handling of any sort are "high maintenance" and not in the best interest of the
10 majority of GTE customers. I also agree with Ms. Smith's comment that the
11 Commission should minimize the extent of mandated services, and that one-way
12 COS should be subsumed in a competitive environment which would result in the
13 most appropriate and permanent solution.

14 **Q.** Do you agree with Ms. Smith's recommendation that the Commission not
15 accept any future COS petitions, and that all pending cases be dismissed if
16 calling study results have not been submitted and implementation orders
17 issued by the time the Commission issues its order in this case?

18 **A.** Yes.

19 **Q.** Do you support the suggestion of Sprint witness Mark Harper to convert
20 COS to mandatory EAS, in order to resolve the complications associated
21 with the two-way nature of COS in an intraLATA toll dialing parity
22 environment?

23 **A.** Not as a complete solution. GTE generally favors optional interexchange calling
24 plans as opposed to mandatory plans, so that customers can choose the plan that
25 best fits their calling needs and budget. Mandatory EAS would only solve the

1 need for toll-free calling if approved and implemented in both the petitioning and
2 target exchanges. Given the low subscription rates in most COS exchanges, it is
3 GTE's opinion that most of the existing COS routes would not be approved by
4 customers as mandatory two-way EAS routes. That leaves the majority of existing
5 COS subscribers without a resolution. If two-way EAS, with cost-based rate
6 additives, can be approved by a majority of customers in both exchanges, GTE
7 would not oppose such a conversion. It simply does not go far enough towards
8 resolving the problem. As Mr. Harper recognized, a second option would be to
9 convert the remaining COS routes to one-way until intraLATA toll dialing parity is
10 implemented in the petitioning exchange.

11 **Q. What is your position on the idea presented by Mid-Missouri witness David**
12 **Jones to provision return COS calling via RCF?**

13 **A.** GTE also considered the possible use of RCF to provide return COS calling,
14 because we recognize that the ability to receive calls on a toll-free basis is highly
15 desirable to many existing COS subscribers. We considered the problems
16 encountered in 1990 when RCF was used to provide two-way COS as well as
17 problems that may arise in the current environment.

18 GTE identified several questions concerning these potential problems and
19 sought answers to those questions. At this time we have not fully resolved these
20 issues and questions, and expect that certain issues do not have a satisfactory
21 resolution. Therefore, GTE cannot endorse the use of RCF to continue two-way
22 COS after intraLATA dialing parity is implemented.

23 **Q. Please explain the questions that arise with the use of RCF, and any answers**
24 **that GTE may have determined.**

25 **A.** Although our list is not exhaustive, we sought answers to the following questions:

1 1. **Question:** RCF was originally used to provision two-way COS, but was
2 discontinued in favor of the Billing System Alternative (BSA). What
3 problems surrounding RCF caused this change, and have any been
4 eliminated, or will they simply resurface if the industry proceeds down this
5 path?

6 **Answer:** The Report and Order in Case No. TO-90-232, issued October 31,
7 1990, identified several problems associated with the provision of two-way
8 COS via RCF at that time. These problems include customer confusion and
9 dissatisfaction resulting from the required use of a second telephone
10 number; larger than expected demand for two-way service making RCF more
11 costly than anticipated and requiring significant equipment additions and in
12 some cases the deployment of additional NXX codes; concern over directory
13 issues, unintended lost toll and access revenues, billing problems with third
14 number and credit card calls and lost yellow page advertising revenue.

15 One of the above problems that would certainly exist today is the
16 problem of unintended lost toll, which occurred on COS routes that shared
17 a common target exchange. COS subscribers in any such petitioning
18 exchange could call not only the target exchange, but any COS subscriber
19 in any other petitioning exchange that shared the same target exchange.
20 For example, GTE currently has ten COS routes with a target exchange of
21 St. Joseph. All ten routes have a high COS take rate. If RCF is used to
22 provide two-way COS, all COS subscribers would be able to call all other
23 COS subscribers in all ten petitioning exchanges at no additional charge,
24 which is unacceptable. Any technical remedy that uses a unique NXX per
25 COS route, either in the target or petitioning exchange, would contribute to

- 1 the NXX exhaust problem, which also seems unacceptable.
- 2 2. **Question:** Is RCF available in all GTE target exchanges?
- 3 **Answer:** No. GTE has six exchanges that would require additional software
- 4 to provide RCF.
- 5 3. **Question:** If not, what is the cost to equip the exchanges to provide RCF?
- 6 **Answer:** Not yet determined.
- 7 4. **Question:** Is there any limitation on the number of RCF users that can be
- 8 served from a given switch?
- 9 **Answer:** The DMS10 switch has a limitation of 256 for all RCF users. GTE
- 10 has eight target exchanges served by DMS10 switches.
- 11 5. **Question:** How would the toll charges that normally apply to interexchange
- 12 RCF calling get stripped from billing?
- 13 **Answer:** Not yet determined.
- 14 6. **Question:** Is there a potential problem of abuse by someone seeking to
- 15 combine COS service with RCF in the petitioning exchange in order to
- 16 bypass the toll network on a flat rate basis? If so, is tariff language to
- 17 prevent such abuse enforceable? Are there other potentially fraudulent
- 18 uses, and can they be policed?
- 19 **Answer:** Not yet determined.
- 20 7. **Question:** If the target exchange LEC or PTC is not the same as the
- 21 petitioning exchange LEC or PTC, who will provide RCF from the target
- 22 exchange to the subscriber in the petitioning exchange, and how will the
- 23 intercompany settlements be handled?
- 24 **Answer:** Not yet determined.
- 25 8. **Question:** Depending upon who provides the service to the customer in the

1 petitioning exchange, can RCF for use with COS be sufficiently distinguished
2 from the currently tariffed RCF offering in the local tariff to avoid price
3 discrimination?

4 **Answer:** Not yet determined.

5 **Q. Most parties agree that CLECs should not be required to provide COS.**
6 **However, The Office of the Public Counsel (OPC) witness Barbara**
7 **Meisenheimer states that all local exchange companies should be required**
8 **to offer COS service. Please comment.**

9 **A.** In my direct testimony I stated that regulatory parity should apply, such that all
10 carriers should be required to provide the service, or none should be required.
11 Fairness in a competitive market demands nothing less. Clearly the Commission
12 has the authority to refrain from ordering any carrier to provide the service. It is
13 not clear to me, under the new statutes of Senate Bill 507, whether the
14 Commission has the authority to require any carrier to provide a service that is not
15 a basic local telecommunications service or a basic interexchange
16 telecommunications service. If not, it seems to me that it would be in the best
17 interest of the affected LECs and their subscribers to try and agree on an orderly
18 transition away from two-way COS and towards a voluntary service offering, such
19 as one-way COS at cost based rates, that the LEC agrees to provide.

20 **Q. Does this conclude your rebuttal testimony?**

21 **A.** Yes.
22
23

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

MAY 23 1997

AFFIDAVIT OF MARY L. KAHNERT

STATE OF MISSOURI)
COUNTY OF ST. CHARLES) ss

MISSOURI
PUBLIC SERVICE COMMISSION

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 rebuttal 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
29th day of April, 1997.

Staci A. Huth
Notary Public

My Commission Expires: 11-3-97

