

Exhibit No.:
Issues:
Witness: Mark Harper
Type of Exhibit: Direct Testimony
Sponsoring Party: United Telephone
Company of MO
d/b/a Sprint
Case No.: TW-97-333

UNITED TELEPHONE COMPANY OF MISSOURI d/b/a SPRINT
CASE NO. TW-97-333

REBUTTAL TESTIMONY
OF
MARK HARPER

FILED
MAY 23 1997
MISSOURI
PUBLIC SERVICE COMMISSION

May 23, 1997

EXHIBIT NO. 30
Date 6/23/97 Case No. TW-97-333
Reporter Kem

**REBUTTAL TESTIMONY
OF
MARK D. HARPER**

Case No. TW-97-333

1
2 Q. ARE YOU THE SAME MARK D. HARPER WHO FILED DIRECT TESTIMONY IN
3 THIS CASE ON BEHALF OF UNITED TELEPHONE COMPANY OF MISSOURI
4 d/b/a SPRINT?

5
6 A. Yes.

7 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

8 A. My rebuttal testimony will focus on the need to determine the future of COS in
9 light of near term impacts of dialing parity as well as the introduction of
10 competition for local services. The disposition of COS must be forward looking
11 to avoid possible revisions to COS service again in the near future, the
12 restriction of consumer choice based on mandated services, or the handicapping
13 of particular companies in a competitive environment.

14 Q. OF THE TWELVE PARTIES FILING DIRECT TESTIMONY IN THIS CASE HOW
15 MANY HAVE SUPPORTED ONE OF THE COMMISSION'S STRAW
16 PROPOSALS AS THEIR RECOMMENDATION FOR THE REVISION OF COS?

17
18 A. Small Telephone Company Group witness Bob Schoonmaker, Mid-Missouri
19 Group witness David Jones and Public Counsel witness Barbara Meisenheimer
20 recommend COS with the 800/888 straw proposal while GTE witness Mary
21 Kahnert recommends the one-way reciprocal proposal. All other parties
22 recommend that COS be revised to a one-way service for some period of time or
23 be revised to mandatory two-way EAS subject to customer vote.

1 Q. WHY SHOULD THE COMMISSION ADOPT ONE-WAY COS AS
2 RECOMMENDED BY MANY OF THE PARTIES RATHER THAN ONE OF ITS
3 STRAW PROPOSALS TO RETAIN A TWO-WAY-TYPE OF COS?
4

5 A. The relative merits and deficiencies of the two Commission straw-proposals as
6 contrasted with each other are extensively covered in various parties' testimony.
7 Staff witness Gay Smith and SWBT witness Debbie Bourneuf identify a number
8 of these problems with the continuation of two-way COS in their direct testimony
9 in addition to those identified in my testimony. The problems identified by Ms.
10 Bourneuf include: will new providers be required to provide the service; a two-
11 way service forces other parties to conform their service offerings and practices
12 to a particular plan; two-way services replace customer choices with artificial
13 controls in price or service configuration; as service providers proliferate it will
14 be difficult to distinguish responsible parties and applicable plans. (Bourneuf
15 Direct, p. 3-4) I also agree with Ms. Smith's suggestion that the Commission
16 should minimize the extent of mandated services and that in "looking at the
17 whole picture which addresses intraLATA presubscription, local competition,
18 dialing parity, access reform, PTC plan changes, and the establishment of a
19 state universal service fund, I believe that it's time to begin making changes to fit
20 the changing environment." (Smith Direct, p. 14-15) Clearly, what much of the
21 testimony discloses are significant problems associated with the implementation
22 of either straw proposal.

23 But equally important, I believe the Commission should step back from
24 efforts to fashion what will be troublesome proposals to retain the service and

1 focus first on the fundamental question of whether any mandated toll service,
2 particularly of the nature of two-way COS, are necessary or appropriate in a
3 competitive environment. The presence of a mandated toll service in a
4 competitive environment creates a number of problems. First, if the mandated
5 service such as COS is only required of certain toll providers then it artificially
6 influences consumer choice of a long distance provider based on the customer's
7 route specific needs. Second, the provider of COS is disadvantaged in relation
8 to other toll providers that are not required to provide COS. COS is a highly
9 subsidized service. Mr. Taylor demonstrates (Taylor Direct, p.4) that for every
10 dollar of COS revenue received by SWBT it pays out a little over \$4.00 in access
11 charges. Mr. Schoonmaker's testimony in Case No. TO-97-220 (Schoonmaker
12 Direct, p. 15) demonstrates that \$1.2 million in COS flat rate revenues represent
13 \$7.3 million in toll calls for the routes he studied. For routes involving only
14 United exchanges, United receives an average of \$.025 per minute in COS
15 revenue while imputing over \$.19 per minute. This type of shortfall restricts the
16 providers' ability to respond to competition through price reductions in other toll
17 products. Finally, implementation of COS on a revenue neutral basis through
18 increases in local rates still places the mandated provider at a disadvantage.
19 Other local service providers will not have the shortfall from the COS service to
20 recover and will have a non-cost based price advantage.

1 Q. PLEASE CONTRAST YOUR RECOMMENDATION FOR ONE-WAY COS WITH
2 THAT OF THE SWBT WITNESSES.

3
4 A. My recommendation, which appears to be identical to that of Ms. Smith, would
5 have two-way COS replaced by one-way COS from petitioning to target
6 exchanges prior to implementation of intraLATA dialing parity and then
7 eliminated upon implementation of intraLATA dialing parity. One-way COS
8 would be provided by the PTCs as a toll service while available.

9 SWBT also recommends that COS be revised to a one-way service but
10 that it be provided by the petitioning LEC as a local service. SWBT does not
11 propose that COS be eliminated upon the implementation of intraLATA dialing
12 parity in the petitioning exchange.

13 Q. DO YOU SUPPORT SWBT'S RECOMMENDED APPROACH THAT THE ONE-
14 WAY COS BECOME A LOCAL SERVICE PROVIDED BY THE PETITIONING
15 LEC?

16
17 A. No. While both solutions permit dialing parity to proceed in COS target
18 exchanges thus allowing those customers to benefit from a choice of intraLATA
19 providers, forcing the petitioning LEC to provision the service may unnecessarily
20 delay intraLATA dialing parity by placing a major hurdle in the way of resolving
21 the COS issue. That hurdle is that no small LEC represented in this proceeding
22 is proposing to become the carrier for COS. To overcome the presumed
23 opposition to such a proposal, Sprint believes it is reasonable to expect the
24 PTCs to temporarily provide one-way COS during the period prior to the
25 implementation of intraLATA dialing parity by all LECs. Once intraLATA dialing
26 parity is implemented, no LEC would be forced to provide COS service or

1 continue as a PTC for another LEC's customers which is one of the issues being
2 discussed in Case No. TO-97-220.

3 Q. IS IT NECESSARY TO ELIMINATE ONE-WAY COS UPON IMPLEMENTATION
4 OF INTRALATA DIALING PARITY?

5
6 A. No, but it should not be mandated. If a petitioning LEC wished to continue
7 providing, or begin providing if it is a secondary carrier, one-way COS to its
8 customers it could do so. Any necessary price changes could be requested
9 through a tariff filing with the Commission.

10 Q. STCG WITNESS SCHOONMAKER RECOMMENDS THAT THE COMMISSION
11 ADOPT THE PROPOSED 800 NUMBER BASED OPTION FOR COS RETURN
12 CALLING. PLEASE COMMENT.

13
14 A. Mr. Schoonmaker appears to recommend that the service be provisioned by the
15 PTCs and there be no pricing changes. While all companies are concerned
16 about the impacts of the revision of COS on their customers, it should be noted
17 that the small companies such as those that Mr. Schoonmaker represents are in
18 a unique position. By virtue of the position as secondary carriers and their
19 recommendation, they are insulated from either the financial or competitive
20 impacts associated with COS in its current or revised form. Since the PTC
21 retains the end user revenue and pays the secondary carrier access, any
22 shortfall (which Mr. Schoonmaker's direct testimony in Case No. TO-97-220
23 clearly supports as significant) falls on the PTC and the PTC's customers.

24 Sprint, too, would like to minimize the "impact on thousands of COS
25 customers," but maintaining a highly subsidized service like COS only harms the
26 remainder of Sprint's customers by forcing higher prices and creating additional

1 non-cost based pricing distortions. When the revised expanded calling services,
2 including COS, were implemented pursuant to TO-92-306, it was Sprint's
3 customers' rates which increased to achieve initial revenue neutrality. The
4 purpose of access reductions by secondary carriers were only to attempt to
5 make access charges the same before and after implementation of the new
6 services. However, the access reductions did not serve to achieve revenue
7 neutrality since, even if the calculations were done perfectly, it would only insure
8 that the PTC paid no more access for these specific services than before. It did
9 not affect the revenue loss of the PTC associated with the mandated prices.
10 Unlike the non COS subscribers of Sprint, non COS customers of the secondary
11 carriers do not share in the cost of implementation and the subscribing COS
12 customers only pay a small share.

13 Q. MR. JONES OF THE MID-MISSOURI GROUPS RECOMMENDS THAT COS
14 CONTINUE TO BE A TWO-WAY SERVICE PROVIDED BY THE PTCs. HE
15 ALSO STATES THAT COMPETITIVE LECs SHOULD NOT BE REQUIRED TO
16 OFFER COS. IN YOUR OPINION, ARE THESE STATEMENTS CONSISTENT?
17

18 A. No. Mr. Jones states "Generally I believe that competition and competitors
19 should be free of any service mandates." That is exactly the point Sprint is trying
20 to make. No company should be forced to provide COS after the introduction of
21 competition. Sprint has competitors today for its intraLATA toll service and will
22 be implementing intraLATA dialing parity shortly which will serve to increase that
23 competition. Also, Sprint has recently filed a Master Resale Agreement between
24 itself and Dial US with the Commission for its approval which will allow local
25 competition in Sprints areas. Sprint faces competition now and it is growing. It

1 is unfair to force one competitor to provide this service when it is not forced on
2 the other competitors.

3 Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY?

4 A. Sprint supports the revision of two-way COS to a one-way service as soon as
5 possible. The one-way service will be provided by the PTCs until equal access
6 is implemented in a COS petitioning exchange. This will allow intraLATA dialing
7 parity to proceed in COS target exchanges and also will prevent customers in
8 petitioning COS from making an intraLATA carrier choice based on a service
9 which may changed or eliminated. If the Commission determines that COS
10 should be retained as a two-way service, Sprint recommends the it be treated as
11 mandatory EAS and submitted to end users in the involved community for
12 approval. As mandatory EAS, it would be subject to lower minutes of use
13 charges from terminating carriers and its availability would not be influenced by
14 the end user's choice of long distance provider.

15 Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

16 A. Yes.

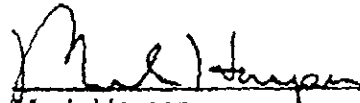
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

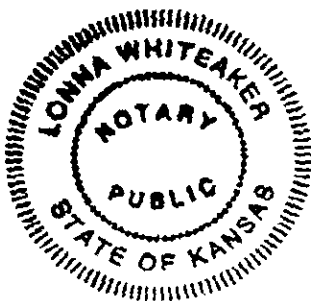
AFFIDAVIT OF MARK HARPER

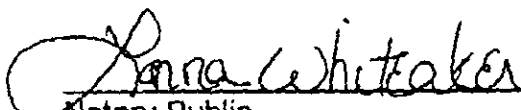
STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

Mark Harper, of lawful age, on his oath states: That he has participated in the preparation of the attached Rebuttal Testimony in question and answer form, consisting of 8 pages plus schedules, to be presented in the above case; that the answers in the attached Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


Mark Harper

Subscribed and sworn to before me this 23rd day of May, 1997.




Notary Public

My Appointment Expires: May 19, 2001