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BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

CASE NO. 2002-00456

In the Matter of: INQUIRY INTO THE USE OF
CONTRACT SERVICE ARRANGEMENTS
BY TELECOMMUNICATIONS CARRIERS
IN KENTUCKY

PREFILED DIRECT TESTIMONY OF

EDWARD H. HANCOCK

APRIL 30, 2003

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Edward H. Hancock. My business address is 220 Steele Street in Frankfort, Kentucky 40601.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Frankfort Plant Board as Assistant Superintendent for Telecommunications Services.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT HISTORY IN THE TELECOMMUNICATIONS INDUSTRY?

A. I received a Bachelor's Degree in Sociology from the University of Missouri and a Master's Degree in Business Administration from Lindenwood College. I have over twenty-five years experience in the telecommunications industry. During that period I have worked for an incumbent local exchange telephone company (Southwestern Bell), a long distance carrier (AT&T), an independent telecommunications consulting company (Quality Communications, Inc.) and a competitive local exchange company (the Frankfort Plant Board). In addition to my current duties, my experience includes responsibility for customer service, service cost analysis and rate development, product management, state regulatory and legislative issues, and contract negotiation.

Q. What is the purpose of your testimony?

A. In its Order initiating this docket, the Commission indicated its intent to explore the policy implications associated with a) pricing in response to competitive offers and b) filing of special tariffs applicable to one customer. The purpose of my testimony is to present the position of the Frankfort Plant Board, a Kentucky facilities-based competitive local exchange company (CLEC), with regard to those issues.

- Q. Please state your company's position with regard to regulation of special contracts.
- A. The Frankfort Plant Board believes that continued regulation of special contracts is necessary until competition is established in Kentucky. At the present time, consumers have no competitive alternative to the incumbent local exchange companies (ILECs) for local service in most areas of the state. Even in larger metropolitan areas of the state, only limited choice is available. In the telecommunications market, the ILEC already serves the vast majority of customers and has the inherent advantage of an extensive in-place network. In addition, the ILEC enjoys the unique dual role of both a competitor and monopoly provider of essential services to its competition. With its market power and large base of residential and small business customers to subsidize a competitive pricing effort, some ILECs could effectively utilize CSAs to sign nearly all large business users to long term contracts in those areas where competition is emerging or is expected to develop.
- Q. What parameters should the Commission consider when governing a carrier's ability to set prices based on competitive offers?
- A. If contract service arrangements are to be allowed, FPB recommends that the parameters include the following.
1. CSAs should only be offered in response to actual competitive situations, and not be offered in anticipation of a competitive situation or to preclude competitive situations from developing.
 2. The competitive situation should be defined by an actual written competitive offer or customer initiated request for proposal (RFP) to which the carrier is responding before pricing below tariff rates is allowed.
 3. For ILECs, pricing of any service offered in response to a competitive offer or RFP should not be lower than the rate for an equivalent service offered under an unbundled network element platform, resale of services discount, or access tariff approved by the Commission.

4. For ILECs and their affiliates, pricing for long distance service offered in response to a competitive offer or RFP should not be lower than the average cost of ILEC switched access for originating and terminating a call within the state of Kentucky.
5. Any CSAs that provide Kentucky intrastate services at below tariff rates should be filed under a proprietary arrangement with the Commission. The same CSAs, with customer name and address removed, should be available to the public.

Q. Please state your company's position with regard to special tariffs applicable to one customer.

A. A special tariff applicable to only one customer defeats a primary purpose of having a tariff, which is to ensure non-discriminatory pricing of services, and should not be allowed. Special pricing for one customer should be handled as a contract service arrangement, subject to the conditions previously stated.

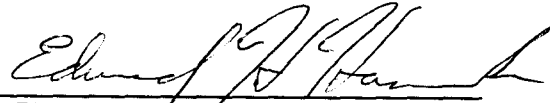
Q. Are there any other related issues that should be addressed by the Commission?

A. Yes. The Commission should also address the use of "promotional tariffs" by the ILEC. While such tariffs may represent a reasonable marketing tool to introduce new services or promote existing services, the Commission should ensure they are not used in an anti-competitive manner. ILEC promotional tariffs a) should be available to all consumers in its service area, b) be of limited duration and not subject to continuous renewal, and c) should be available to competitors who utilize ILEC services under a resale or lease arrangement according to the same rates, terms, and conditions.

Q. Does this conclude your testimony?

A. Yes, it does

IN TESTIMONY WHEREOF, I have affixed my signature to the above document
on this the 28 day of April, 2003.



EDWARD H. HANCOCK
Assistant Superintendent
Telecommunications Services
The Electric and Water Plant of
The City of Frankfort

COMMONWEALTH OF KENTUCKY
COUNTY OF FRANKLIN

The foregoing instrument was subscribed, sworn to and acknowledged before
me on this the 28th day of April, 2003 by Edward H. Hancock. Assistant
Superintendent Telecommunications Services for the Electric and water Plant
Board of the City of Frankfort.



NOTARY PUBLIC STATE LARGE

My Commission Expires 11-4-04

CERTIFICATE OF SERVICE

Hon. Robert A. Bowman, Attorney for the Electric and Water Plant Board of the
City of Frankfort, hereby certifies that a true and accurate copy of the foregoing
document was served by United States mail, postage prepaid, on the Parties
contained on the Service List of this case.



Hon. Robert A. Bowman
Hobson and Bowman
222 West Main Street
Frankfort, KY 40601
(502) 227-7400
Fax: (502) 223-7666