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Missouri Public Service Commission

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102

RE: *In the Matter of the Investigation into Signaling Protocols, Call Records, Trunking Arrangements, and Traffic Measurement*, Case No. TO-99-593

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of the Reply Brief of GTE Midwest Incorporated d/b/a Verizon Midwest. A copy of the foregoing Reply Brief has been hand-delivered or mailed this date to each party on the attached Service List.

Thank you for your attention to this matter.

Sincerely,

James M. Fischer

James M. Fischer

/jr
Enclosure

cc: Service List

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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In the Matter of the Investigation into Signaling Protocols, Call Records, Trunk Arrangements and Traffic Measurement	)))	Case No. TO-99-593

REPLY BRIEF OF GTE MIDWEST INCORPORATED D/B/A VERIZON MIDWEST

COMES NOW GTE Midwest Incorporated d/b/a Verizon Midwest ("Verizon") and submits the following Reply Brief. Although Verizon anticipated and responded to most of the arguments raised by other parties in its Initial Brief, a few additional comments need to be made in response to the Initial Briefs of the Small Telephone Company Group ("STCG") and the Missouri Independent Telephone Company Group ("MITG")(collectively referred to as the "small ILECs" or "former SCs").

I. What business relationship should be utilized for payment for intrastate intraLATA traffic terminating over the common trunks between the former PTCs and the former SCs?

As discussed in Verizon's Initial Brief, this case was established pursuant to the Report and Order that the Missouri Public Service Commission ("Commission") issued on June 10, 1999, in Case No. TO-99-254. The Commission created this case "to investigate the issues of signaling protocols, call records, trunking arrangements, and traffic measurement." (*See* Report and Order, Case No. TO-99-254, p. 11, and Order Directing Notice, Case No. TO-99-593, June 15, 1999) Essentially, it is a proceeding designed to investigate certain technical issues related to the

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recording and measurement of intrastate, intraLATA traffic. It was not designed, nor did the Commission's notice describe it, as a proceeding to consider complex issues related to the overall business relationships among the various segments of the telecommunications industry.

Notwithstanding the technical nature of this proceeding, the small ILECs' Initial Briefs have focused largely upon non-technical issues related to changing the business relationship and/or contracts between the carriers in the telecommunications industry. (MITG Br. at 1-34; STCG Br. at 1-3, 13-21) These issues are primarily management issues that should be left for the industry managers to resolve. For the reasons previously discussed in Verizon's Initial Brief and reiterated herein, the Commission should not adopt the position of the small ILECs on this issue.

A. Staff's Position on the Business Relationship Issue Is Correct

As the Staff has correctly pointed out in its Initial Brief, "[i]t is obvious that the Commission did not specifically direct the parties to look into the *business relationships* between telecommunications companies. And it is equally clear that business relationships are not within the ambit of the issues that the parties were to investigate in this case, for business relationships, by their very nature, are entirely separate and distinct from the technical subjects that the Commission established this case to investigate." (Staff Br. at 1-2) The Staff has also suggested that it would be <u>improper</u> for the Commission to venture down the slippery slope suggested by the small ILECs on this issue:

> **Since the Commission did not identify "business relationships" as a subject of the investigation in this case, and "business relationships" were not identified as an issue in the notice that was given to potential interveners, and since the issue was not tried with the consent of the parties, <u>the Staff believes it would be improper for the Commission to order a change in the business relationships between telecommunications companies in this case</u>.**

(Staff Br. at 3)(emphasis added)

Verizon agrees with Staff that it would be improper for the Commission to order a change in the business relationships between the telecommunications companies in this proceeding. In addition, as Verizon noted in its Initial Brief, the Commission does not have the statutory authority to change the business relationships and related contracts between the various carriers in the telecommunications industry that would be necessary to adopt the small ILECs' position. (Verizon Br. at 3-6) As a result, the Commission should not attempt to mandate any changes in the business relationships and/or contracts between the various carriers in the telecommunications industry in this proceeding.

B. The IXC Business Model Advocated By The Small ILECs Should Not Be Used For IntraLATA Traffic Since The Tandem Companies, Unlike IXCs, Are Required By Law To Interconnect With and Transport All Traffic To Subtending Exchanges. As A Result, The IXCs Can Determine Whether To Carry Specific Traffic (or Content) On Their Trunks, But Local Exchange Carriers Can Not Lawfully Refuse To Transport Traffic On Their Common Trunks.

According to the small ILECs, the Commission should mandate a change in the current business relationship between the former PTCs, former SCs, and other carriers by adopting the "business relationship" model used for interexchange traffic. (STCG Br. at 13-15; 18-21; MITG Br. at 5-11; 19-29) STCG's Brief (pp. 13-14) explains the small ILEC's proposed business relationship as follows:

> The STCG proposes that the small companies should be allowed to use the same business model that was developed in the competitive IXC carrier environment. Specifically, the carrier who orders the facility (i.e. trunks) for terminating traffic to a tandem switch should be responsible for the terminating cost of the traffic that terminates over the facility, subtract certain types of non-billable traffic, and bill the remainder to the terminating carrier.

Verizon, Sprint, and Southwestern Bell, on the other hand, believe that such a wholesale change in the existing business relationship is not required or otherwise appropriate. (Verizon Br. at 1-14; Sprint Br. at 4-9; SWBT Br. at 26-39) Furthermore, these parties disagree with the small ILECs' contention that a tandem switch owner should pay or otherwise by responsible for both "identified" and "unidentified" traffic that transits their respective common trunk group or tandems. (*Id.)* Simply put, the former PTCs should not be obligated to pay for calls originated by other carriers' customers merely because their traffic happens to come over their common trunk or tandem. This is particularly true since incumbent local exchange carriers are obligated by law to transit or transport the traffic from other carriers and terminate that traffic to the small ILEC exchanges behind their tandems.

The small ILECs' proposal is based largely upon a false analogy to the interexchange companies' relationships with other carriers. As explained in Verizon's Initial Brief (pp. 7-8), the Commission should not adopt the small ILECs' proposal since the relationship between the former PTCs and the SCs is fundamentally different from the relationship that exists between interexchange carriers and their customers. Local exchange companies are obligated "to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers." Section 47 U.S.C. 251(a)(1). *See also* Section 47 U.S.C. 251(c)(2); and Sections 392.240(3) and 392.200(6), RSMo. 2000. These statutory provisions obligate local exchange companies to interconnect with other carriers (*i.e.* small ILECs, competitive local exchange carriers ("CLECs"), and wireless carriers) and transit the calls (thereby providing telephone exchange service and exchange access) for termination to the small ILECs. Under these statutes, IXCs, CLECs and wireless carriers may interconnect with an ILEC, such as Verizon or other former PTCs, to deliver traffic to other LECs, including the small ILECs.

Unlike local exchange companies, interexchange carriers do not have the same obligation to carry traffic on their trunks for other telecommunications companies (including other IXCs, CLECs and wireless carriers). IXCs have a choice regarding whether they will handle traffic for specific carriers. In effect, IXCs can control the traffic that is placed on their facilities. The former PTCs, on the other hand, cannot exert the same control over the traffic that transits its common trunks and tandems. When an interexchange company delivers traffic (which may include traffic from other IXCs, CLECs or wireless carriers) to the ILECs tandem, the ILEC is obligated by law to transport that traffic to subtending end offices. These distinctions between the obligations of interexchange and local exchange carriers are compelling reasons to reject the small ILECs' analogy to the interexchange business model. Since the legal obligation to transport the traffic to subtending exchanges is fundamentally different from an IXC voluntarily choosing to carry traffic of other carriers, it makes no sense to impose upon the ILECs the same "business relationship" that exists for IXCs.

The statutory obligations on ILECs are also consistent with the fact that it is more efficient to have numerous end offices that subtend a tandem that is directly connected to numerous IXCs, CLECs and wireless carrier facilities, than to have each individual IXC, CLEC and wireless carrier connect directly to all of the end offices in the state. The Commission itself recently recognized the efficiencies of this arrangement as it related to wireless carriers:

> In fact, given the number of small LECs, indirect interconnection between CMRS carriers and small LECs, through a large LEC's tandem switch, is the only economically feasible means of interconnection available.

Report & Order, Case No. TT-2001-139, p. 15. The fact that the former PTCs' common trunks and tandems exist is a substantial benefit to all members of the industry, particularly the rural small ILECs. However, as MITG witness Larson admitted during cross-examination, the small ILEC's proposed change in the business relationship may create incentives for the former PTCs to limit the traffic that they send to the rural small ILEC exchanges. (Tr. 360-61) The proposed business relationship will encourage the former PTCs to carry only traffic that is originated by the former PTCs' own customers, whenever possible. This change would therefore not promote the efficient use of the telecommunications network in Missouri.

STCG argues that the small ILECs' proposal is "not that different" since its proposal would only make the former PTCs financially responsible for three types of traffic: (1) CLEC traffic; (2) other Incumbent Local Exchange Carrier (ILEC) traffic; and (3) unidentified traffic (i.e. traffic for which an originating record is not created.)(STCG Br. at 18-19) However, from Verizon's perspective, this "difference" is dramatic and substantial since it would place Verizon and the other former PTCs in the role of a "collection agent" and/or "guarantor" for the small ILECs for a substantial portion of the traffic that transits the common trunks and tandems serving the subtending exchanges. Under the existing access tariffs and related contracts, Verizon has no authority to bill upstream carriers for the access charges of the small ILECs. (Tr. 204) As a result, Verizon would be left without any method of being reimbursed for the access charges of the small ILECs, yet Verizon would be financially responsible to those small ILECs for the payment of access charges associated with that traffic. This would be a dramatic change that would be unfair to the former PTCs.

C. **The Small ILECs' Proposal Is Unnecessary Since The Telecommunications Industry Has Adopted New National Standards Through Its Ordering And Billing Forum (OBF) For Certain Recording And Settlement Procedures Which Will Facilitate The Resolution Of The Issues Raised By The Small ILECs In This Proceeding.**

STCG attempts to downplay the importance of the adoption by the Ordering and Billing Forum (OBF) of the new national standards for certain recording and settlement procedures. (i.e. OBF Issue 2056) STCG even questions whether OBF Issue 2056 is designed to address the termination of intraLATA toll and billing measurement of that traffic. (STCG Br. at 25-26) STCG apparently does not have a complete understanding of the importance of OBF Issue 2056. This is understandable since STCG's primary witness, Mr. Schoonmaker, has not been involved in the development of OBF procedures, and had virtually no familiarity with the OBF documentation on OBF Issue 2056, with the exception of some minutes of OBF meetings. (Tr. 111; 526-28)

Verizon witness Kathryn Allison, who has attended OBF meetings and provided support for Verizon's representative in this national forum (Tr. 622-23), discussed at length the recent adoption of new national industry standards by the Ordering and Billing Forum for the telecommunications industry which are expected to improve the current record exchange and bill validation process among the various types of carriers (*e.g.* ILECs, CLECs, IXCs, and wireless carriers). Ms. Allison outlined the OBF's new standards (*i.e.* OBF Issue 2056) which have been formally adopted and explained that these changes would also impact the intrastate, intraLATA measurement and recording process. (Tr. 655-56) She testified that the OBF Issue 2056 standards will overlay the existing records exchange process. Both originating and terminating records will be made and used to verify that the proper billing for traffic is occurring among the various carriers. In addition, the new standards mandate that any of the carriers that handle a call will be permitted to request records from other carriers involved in that call to help identify the traffic and ensure that the call is being properly billed. (Tr. 656-57)

As explained by Ms. Allison, the adoption of OBF Issue 2056 will also help all companies involved in the traffic to ferret out any problems that may result in the measurement and billing process. (Tr. 657) The new standards gives all of the companies along the call route the ability to go to any other carrier involved in the call and request records to help identify the traffic and the appropriate company to be billed for the traffic. OBF Issue 2056 has been included in the MECAB documents and will constitute national standards and guidelines for billing. (*Id.*) It will give both the terminating company and the tandem owner the ability to make terminating records that will be used for bill validation purposes. As a result, although the billing will continue to be based upon originating records, as it is today, there will be additional terminating records to compare to the originating records. (Tr. 657-58)

STCG's criticism of the OBF Issue 2056 appears to be primarily based upon its non-involvement in the national forum rather than a clear understanding of the benefits that are expected to accrue to the entire industry as a result of these national efforts. As explained in Verizon's Initial Brief, the adoption of OBF Issue 2056 by the industry will largely resolve the intraLATA, local and inter-tandem switching compensation issues in this docket by filling in any gaps in the existing record exchange procedures. It is therefore unnecessary for the Commission to adopt a Missouri-specific plan or order a change in the business relationship between the former PTCs and the small ILECs in this proceeding.

For all of the foregoing reasons, Verizon would respectfully request that the Commission decline the small ILECs' invitation to venture into this management issue, or in the alternative, reject the small ILECs' request that the Commission mandate a change in the business relationships between the various telecommunications carriers in Missouri.

II. Signaling Protocols. Is it necessary for the Commission to decide in this case what signaling protocols should be utilized for intrastate intraLATA traffic terminating over the common trunks between the former PTCs and the former SCs?

There is no disagreement among the parties on this issue that needs to be resolved by the Commission at this time. (*See* Staff Br. at 5; STCG Br. at 7; MITG Position Statement at 1; SWBT Br. at 10; Sprint Position Statement at 1;and Verizon Br. at 15).

However, STCG did gratuitously suggest that: "Although the STCG is not asking the Commission to take any specific action related to the FGC issue at this time, it would, nevertheless, be appropriate for the Commission to formally recognize, as a policy matter, that in the long run *all* interexchange traffic should be delivered using the FGD signaling protocol." (STCG Br. at 8) The Commission should decline this invitation. While the record reflects significant problems and concerns related to mandating the use of the FGD signaling protocol for LEC-to-LEC traffic (Ex No. 14, pp. 15-16), it is also clear that no party explored this issue in any depth at the hearing since all parties had indicated in their respective position statements that it was not necessary to address this issue at this time. Under these circumstances, it would be inappropriate for the Commission to address this matter in this proceeding, especially since the Commission has already recently held that it was not necessary to mandate the use of FGD signaling protocols for intrastate intraLATA traffic terminating over the common trunks between former PTCs and former SCs. *See* Report & Order, Case No. TO-99-254, pp. 6-7.

III. Traffic Measurement. How and where should intrastate intraLATA traffic terminating over the common trunks between the former PTCs and the former SCs be measured for purposes of terminating compensation?

In its Brief, STCG requests that "LECs terminating interexchange traffic should have the right to make their own measurement of the use of their facilities." (STCG Br. at 8)

Verizon has no objection to the small ILECs or other carriers recording and measuring terminating traffic at the terminating LEC's end office or tandem. As Staff has pointed out, measurement of traffic at multiple points may provide additional data that may be useful if billing disputes subsequently arise. (Staff Br. at 5) In addition, the small ILECs' desire to record and measure their own terminating traffic at the terminating LEC's end office or tandem is consistent with the new national standards adopted by the OBF Issue 2056. Nonetheless, it is neither appropriate nor necessary to change <u>the current method of billing for terminating access</u>. LEC originated toll calls should be measured for billing purposes at the originating end of the call. This is the standard industry method and the only method uniformly available to identify the carrier that originated the call. (Ex No. 4, pp. 18-19; Ex No. 11, pp. 13-15; Ex. No. 12, p. 13) Any discrepancies that are found between the originating measurement and the terminating measurement should be resolved using the national procedures developed by the OBF.

IV. Call Records. What call records should be utilized for intrastate intraLATA traffic terminating over the common trunks between the former PTCs and the former SCs?

In its Brief, STCG argues in favor of using terminating records for billing purposes, and totally glosses over the significant shortcomings of such terminating records. As pointed out by Sprint, the record reflects that there are significant concerns regarding the accuracy of the small ILECs' terminating records. (Sprint Br. at 7-8) At present, there is not an industry standard for terminating switch recording <u>on a common trunk group</u>, for purposes of the billing of intrastate, intraLATA traffic. The industry standard for recording is an originating 006 call record which is converted into a 92 billing record (or Category 11 billing record in Missouri) for billing purposes. Consequently, Verizon recommends the use of originating call records for billing purposes for intrastate, intraLATA traffic generally. In addition, as explained in its Initial Brief, the Commission has already addressed this issue in Case No. TO-99-254, and it is unnecessary to revisit this matter at this time.

V. Trunking Arrangements. What changes, if any, should be made to the existing common trunking arrangements between the former PTCs and the former SCs?

STCG has argued that the Commission should order the separate trunking of traffic which is handled on a "bill and keep" basis. (STCG Br. at 12) MITG has also suggested that the industry could "review the continued use of separate trunking, the implementation of new separate trunks, the development of MCA usage factors, or a combination of all, to separate non-compensable MCA traffic from compensable traffic on common trunks." (MITG Br. at 34)

As Verizon explained in its Initial Brief, no changes need be made in the existing common trunking arrangements between the former PTCs and the former SCs. The Commission should not order that the former PTCs segregate MCA or other types of traffic over separate trunk groups at this time since this segregation would be wasteful and inefficient. (Ex No. 14, pp. 19-21; Ex. No. 16, pp. 3-4). However, Verizon is not opposed to discussing these technical subjects in the context of the discussions of the MCA Industry Task Force that has been created by the Commission in Case No. TO-99-483.

VI. Call Blocking. What procedure or arrangement, if any, should be utilized to prevent noncompensated intrastate intraLATA traffic from continuing to terminate over the common trunks between the former PTCs and the former SCs?

All parties seem to agree that it would be a very serious matter if the Commission endorsed the blocking of traffic for any carrier. The Office of the Public Counsel, as a representative of the consuming public, does not mince words on this issue: "The Office of the Public Counsel believes that call blocking in aid of collection of intercompany compensation is completely inappropriate. . . . [W]e believe that no good can come to the consumer by pursuing this remedy. . . . By blocking calls, it poses a threat to the health, safety and general welfare of the citizens." (Tr. 87-88) The Commission should carefully consider these concerns before it endorses a system that requires the former PTCs to block traffic merely upon the request of a carrier that is having a dispute over non-payment for services with another carrier in the state.

CONCLUSION

Having responded to the various arguments of opposing parties, Verizon respectfully renews its request that the Commission issue its Report and Order consistent with the recommendations and conclusions contained in Verizon's Initial Brief. Specifically, the Commission should conclude:

1. That the "business relationship" between the former PTCs, SCs, and other carriers not parties to this proceeding, is beyond the jurisdiction of the Commission;
2. If, however, the Commission decides it has jurisdiction to address this business relationship issue, then the Commission should decline to adopt the proposal of the small ILECs, or otherwise order that the former PTCs serve as "collection agents" or "guarantors" for the payment of terminating access charges by third-party carriers to

the small ILECs;

3. That there is no disagreement among the parties on the Feature Group C versus Feature Group D signaling protocol issue that needs to be resolved at this time;
4. That for traffic that originates with an ILEC and transits an ILEC tandem, the originating ILEC should produce the appropriate 92 record or Category 11 billing record to be provided to all parties on the call route. For traffic that originates with a CLEC or a wireless provider that transits the ILEC tandem, the terminating ILEC, in the absence of an originating billing record from the CLEC or wireless provider, may request a billing record from the transiting ILEC tandem owner. The adoption of OBF Issue 2056 by the Missouri telecommunications industry would accomplish this process;
5. That no changes need to be made in the existing common trunking arrangements between the former PTCs and the former SCs;
6. That the call blocking issue is beyond the scope of issues to be reviewed in this case, and it is not a practical solution to the problem of third-party carriers placing traffic on the network for which no compensation is paid to the small ILECs.

Respectfully submitted,

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SERVICE LIST
March 13, 2001
Case No. TO-99-593

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, First Class mail, postage prepaid, this 13th day of March, 2001, to:

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