

Exhibit No.: _____
Issue: Tariff Explanation & Support
Witness: Tami J. Spocogee
Type of Exhibit: Direct Testimony
Sponsoring Party: McLeodUSA
Case No.: TT-2006-0474
Date: August 25, 2006

**BEFORE
THE MISSOURI PUBLIC SERVICE COMMISSION**

In the Matter of McLeodUSA)	
Telecommunications Services, Inc. Tariff)	Case No. TT-2006-0474
Filing to Increase its Missouri Intrastate)	Tariff No. JC-2006-0788
Access Rates)	Tariff No. JC-2006-0789
)	

**DIRECT TESTIMONY
OF
TAMI J. SPOCOGEE**

On behalf of

McLeodUSA Telecommunications Services, Inc.

August 25, 2006

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Tami J. Spocogee. My business address is 15 East 5th Street, Tulsa, Oklahoma 74103.

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

A. I am employed by McLeodUSA Incorporated as a Director – Network Cost and Access Billing. McLeodUSA Incorporated is the parent company of McLeodUSA Telecommunications Services, Inc. (“McLeodUSA”).

Q. PLEASE DESCRIBE YOUR RELEVANT WORK EXPERIENCE.

A. I have been involved in the telecommunications industry since 1980, when I began working for Southwestern Bell Telephone Company (“SWBT”). I held a variety of positions with SWBT starting in the commercial business office. In 1985 I joined the Inter-exchange Carrier Service Organization where my primary responsibilities concentrated on Access and Interconnect billing. My specific titles and responsibilities were Service Representative in the Service Center and Manager - SWBT Headquarters handling billing and dispute processes. I also was a member of a BellCore (now Telcordia) task force established to improve integrity between the billing, ordering and network systems for SWBT. The last position I held at SWBT was Manager in the Service Center handling billing issues for most inter-exchange carriers and competitive local exchange carriers (“CLECs”). In August 1994 I joined WilTel, subsequently acquired by WorldCom and then MCI, as a Manager in the Network Cost Organization. I

subsequently moved to Senior Manager over the Network Cost organization, handling payments, audits and disputes of network and CLEC services. During this time, I was also a participant, and for two years a Co-Leader, of the Billing Committee in the Order and Billing Forum. I joined McLeodUSA Incorporated in September 2000 as a Senior Manager over the network cost organization. My organization is responsible for payments, audits and disputes of network services purchased from other telecommunications service providers. In December of 2004, I also started managing the group responsible for access services and Carrier Access Billing System access services billings and the related billing disputes. Presently, I am the Director of Network Cost and Access Billing.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY MATTERS?

A. Yes, I have testified before state utility commissions in Illinois, Iowa, Utah, Arizona and Washington.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will describe the tariff filing submitted by McLeodUSA on April 17, 2006 which was subsequently suspended and made the topic of this proceeding. I will describe why the tariff was filed, why McLeodUSA believes that the tariff, as filed, promotes the public interest and McLeodUSA's recommendations as to the proper resolution of this proceeding.

II. DESCRIPTION OF THE TARIFF

Q. PLEASE DESCRIBE THE TARIFF FILED BY MCLEODUSA.

49 A. On April 17, 2006 McLeodUSA filed P.S.C. MO No. 6 entitled *Missouri Intrastate*
50 *Access Services Tariff* (assigned tariff tracking No. JC-2006-0788). P.S.C. MO No. 6
51 was submitted to replace McLeodUSA's existing intrastate access services tariff which
52 was proposed to be withdrawn upon P.S.C. MO NO. 6 taking effect (by letter which was
53 assigned tariff tracking No. JC-2006-0789). P.S.C. MO No. 6 describes McLeodUSA's
54 Intrastate Access Services. Access services are generally purchased by other
55 telecommunications carriers in order to use the network facilities of McLeodUSA in
56 order to reach McLeodUSA customers within the geographic footprint of McLeodUSA's
57 network. At the highest level, P.S.C. MO No. 6 allows carriers to purchase either
58 dedicated facilities connecting their networks to the McLeodUSA network (for which
59 they pay a flat monthly fee depending upon the amount of capacity they order) or to
60 purchase capacity on a "per minute of use" basis wherein they rely upon McLeodUSA's
61 transport network.

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63 **Q. HOW IS THE TARIFF ORGANIZED?**

64 A. The tariff is broken into six sections as follows:

65 SECTION 1: DEFINITIONS

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67 SECTION 2: REGULATIONS

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69 SECTION 3: SERVICE AND RATE DESCRIPTIONS

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71 SECTION 4: END USER ACCESS SERVICE

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73 SECTION 5: CARRIER ACCESS SERVICES

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75 SECTION 6: RATES

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77 Section 1 provides a general overview of the terms used in the tariff. Section 2 includes
78 general terms and conditions describing the particulars of doing business with

McLeodUSA, including obligations of McLeodUSA and obligations of the Access Services customer. Section 3 describes the various services that are available to the Access Services customer and details the various charges that will be assessed relative to each service. Section 5 provides a brief overview of the end user services offered by McLeodUSA via its Access Services Tariff. This section deals exclusively with the end user common line (“EUCL”) charge that end users traditionally pay in recognition that some portion of their local loop is used to access non-local services. McLeodUSA does not currently assess a EUCL to its Missouri customers.¹ Section 5 details the core set of rates that will be assessed to telecommunications carriers using McLeodUSA’s various access services. Section 6 details rates applicable for a number of miscellaneous services (e.g., special billing requests, etc.).

Q. WHY DID MCLEODUSA FILE P.S.C. MO NO. 6?

A. McLeodUSA had two primary reasons for filing P.S.C. MO. No. 6 in its current form. First, McLeodUSA has grown in size over the past 8 years primarily by acquiring other competitive local exchange companies (“CLECs”). For example, McLeodUSA first acquired Consolidated Communications Incorporated, which had Missouri operations at the time of its acquisition in 1997. McLeodUSA later acquired DialUS based in Springfield, Missouri. As such, McLeodUSA in the context of an acquiring entity adopted various tariffs, rate sheets or other documents describing the services it offers and the rates it charges. The result was a collection of disparate rates, terms and conditions which apply to the same general product set. P.S.C. MO No. 6 and its counterparts filed in 18 other states was meant to standardize McLeodUSA’s terms and

¹ For more information in this regard, see McLeodUSA’s response to Staff Data Request Nos. 33 and 34.

conditions and employ a methodological basis for McLeodUSA's various access rates (i.e., to base those rates on McLeodUSA's actual cost of service) Second, McLeodUSA over the past several years has negotiated almost non-stop with telecommunications carriers refusing to pay McLeodUSA's Access Services invoices based upon one complaint or another regarding the applicable rates. The general argument made by these carriers is that McLeodUSA's rates are "too high," even though these carriers appear to have no consistent benchmark against which they measure the rates in reaching this conclusion. Even in circumstances wherein McLeodUSA charges rates equal to or lower than the incumbent local exchange carrier serving the same territory, it has had to take action necessary to force payment from Access Services customers complaining that the rates are too high. This continual negotiation and often, the subsequent need for legal action, is time consuming and expensive. To minimize these types of disputes in the future, McLeodUSA decided in 2nd Quarter 2005 to establish a standard set of Access Services rates based upon its own costs of producing those services. It is McLeodUSA's hopes that using its own costs as the proper "benchmark" in evaluating the reasonableness of its rates will both: (a) bring some amount of logic to the disputes that arise with its Access Services customers by establishing the proper benchmark for evaluations of reasonableness, as opposed to random benchmarks based upon the rates of other carriers (e.g., ILECs) that may, or may not, be comparable to McLeodUSA's services and (b) provide rationality to its rates from a business standpoint, i.e., McLeodUSA must be able to recover the costs it incurs in carrying traffic for its Access Services customers if there is to be any sustainability to its Access Services product set.

Q. ARE THE RATES PROPOSED BY MCLEODUSA IN P.S.C. MO NO. 6 “COST-BASED” IN RELATION TO AN EVALUATION OF MCLEODUSA’S COSTS OF PRODUCTION?

A. Yes, they are. Mid-year 2005 McLeodUSA recruited QSI Consulting to develop on its behalf, a TSLRIC-compliant cost study which would estimate the costs McLeodUSA actually incurs in providing its various Access Services. My Staff and I were personally involved - along with other McLeodUSA staff in engineering, finance and others – in assisting QSI in the development of what ultimately became the NUCA (Network Usage Cost Analysis) model. Hundreds of hours of my time and the time of other McLeodUSA staff members (in addition to time spent by QSI) went into painstakingly gathering the relevant data, discussing the network architecture and generally mapping various costs to the Access Services described in P.S.C. MO No. 6. The results are cost-based rates for the rate elements comprising more than 95% of McLeodUSA’s Access Services revenues (i.e., its “usage sensitive” services purchased by the vast majority of McLeodUSA’s Access Services customers). Those rate elements and resultant cost-based rates are identified below:

Tariff Section	Element	Proposed Rate / NUCA Cost
Section 6.5(A)	Tandem Switched Termination	\$0.00169
Section 6.5(B)	Tandem Switched Facility – per mile	\$0.00076
Section 6.7(A)	Switching – Origination or Termination	\$0.02033
Section 6.7(B)	Tandem Functionality	\$0.01081
Section 6.9(A)	Local Termination Service – End Office Termination	\$0.02017
Section 6.9(B)	Local Termination Service – Tandem Termination	\$0.02262

Q. IN YOUR PREVIOUS RESPONSE YOU INDICATE THAT MCLEODUSA MADE SIMILAR TARIFF FILINGS IN 18 STATES OTHER THAN MISSOURI. PLEASE ELABORATE.

A. McLeodUSA provides facilities-based competitive telecommunications services in numerous states across the Midwest and Northwest portions of the country. In order to standardize its product offering, McLeodUSA prepared tariffs similar to P.S.C. MO No. 6 for 18 states in addition to Missouri. To date, Missouri is the only state to have suspended McLeodUSA's tariff for purposes of an evidentiary hearing. In fact, in the vast majority of these states, McLeodUSA's tariff has been accepted and the new tariff, including the rates, is in effect. The following chart, provided in response to Staff Data Request 0009, provides an overview of the status for each of these tariffs:

Jurisdiction	Status	Notes
Arizona	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Colorado	Pending	McLeodUSA is currently in discussions with Staff regarding various terms, conditions and rates.
Idaho	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Illinois	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Indiana	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Iowa	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Kansas	Effective	At the request of the Commission Staff, changes were made to provisions for deposits and late payment penalties in accordance with Kansas specific requirements. With those revisions, tariffs were accepted and are currently in effect.
Michigan	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Minnesota	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Missouri	Suspended	Being reviewed in Docket No. TT-2006-0474
Nebraska	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
New Mexico	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
North Dakota	Effective	Rates, terms and conditions were accepted, as filed, and are

		currently in effect
Ohio	Pending	Discussions with Staff regarding certain terms and conditions are ongoing.
South Dakota	Pending	McLeodUSA responding to various data requests from Commission Staff
Texas	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Utah	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Washington	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect
Wisconsin	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect

155 **Q. ARE SOME OF THE ACCESS SERVICES RATES INCLUDED IN P.S.C. MO.**

156 **NO. 6 HIGHER THAN CORRESPONDING RATES INCLUDED IN AT&T**

157 **MISSOURI'S TARIFFS?**

158 **A.** Yes they are. AT&T Missouri in its *Motion to Suspend and Investigate Tariff* (“*Motion*
159 *to Suspend*”)² highlights the fact that the Missouri Commission has previously “capped”
160 CLEC access rates, absent authorization by the Commission, at a level no higher than
161 access rates charged by “the large incumbent LECs within those service areas in which
162 McLeodUSA seeks to operate.” Since McLeodUSA operates in Missouri exclusively in
163 territories also served by AT&T Missouri, it is safe to conclude that AT&T Missouri’s
164 primary complaint arises from the fact that McLeodUSA’s proposed access rates in
165 P.S.C. MO No. 6 are higher than its own.
166

167 **Q. AT&T MISSOURI’S MOTION TO SUSPEND QUOTES FROM THE**
168 **COMMISSION’S ORDER GRANTING MCLEODUSA A CERTIFICATE OF**
169 **SERVICE AUTHORITY, INDICATING THAT MCLEODUSA AGREED, AS A**
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² AT&T Missouri’s *Motion to Suspend and Investigate Tariff*, Tariff No. JC-2006-0789, filed June 15, 2005.

**CONDITION OF RECEIVING SAID AUTHORITY, TO CAP ITS RATES IN
SUCH A FASHION. IS THAT TRUE?**

A. Yes, in 1998 McLeodUSA was required by the Commission, as a condition of receiving a *Certificate of Service Authority* and as a condition of having its Access Services classified as a competitive service, to agree to cap its access rates at levels no higher than those assessed by large ILECs operating in the territories it serves. However, I am informed that in Case No. TR-2001-65, the Commission likewise reached the following conclusion: “The Commission will adopt the suggestion that a CLEC may petition the Commission for access rates above the cap upon a showing that the same are cost-justified.”³ This appears to be a direct recognition that the “cap” alluded to in McLeodUSA’s original agreement in return for its *Certificate of Service Authority* was not meant to be permanent, or to apply in all circumstances. Indeed, the Commission specifically identifies one such circumstance wherein the cap can, and in McLeodUSA’s opinion should, be removed – i.e., when the cap prohibits a carrier from recovering the costs it incurs to provide the service. That is the case with McLeodUSA’s existing Access Service rates. Likewise, McLeodUSA has developed and provided with the testimony of Mr. Balke, a cost study that identifies what McLeodUSA’s costs of providing these services really are. McLeodUSA’s proposed rates in P.S.C. MO No. 6 are equal to those costs and should be considered by this Commission as “cost-based” rates.

Q. WHAT IS YOUR RECOMMENDATION REGARDING P.S.C. MO NO. 6?

³ *In the Matter of an Investigation of the Actual Costs Incurred in Providing Exchange Access Service and the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri*, Case No. TR-2001-65, *Report and Order*, Issued August 26, 2003, page 21.

193 A. I recommend that the Commission approve the adoption of P.S.C. MO No. 6, including
194 all rates, terms and conditions found therein. To the extent rates in P.S.C. MO No. 6
195 exceed the “cap” described above, the Commission should adopt them nonetheless as
196 “cost-based” rates supported by McLeodUSA’s cost study filed with the testimony of Mr.
197 Balke.

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199 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

200 A. Yes, it does.
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of McLeodUSA
Telecommunications Services, Inc.'s
Tariff Filing to Increase its Missouri
Intrastate Access Rates

)
) Case No. TT-2006-0474
) Tariff No. JC-2006-0788
) Tariff No. JC-2006-0789

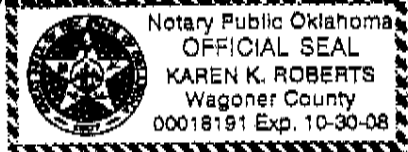
AFFIDAVIT OF TAMI J. SPOCOGEE

Tami J. Spocogee, of lawful age, being duly sworn upon her oath, deposes and states the following:

1. My name is Tami J. Spocogee. I am employed by McLeodUSA Incorporated as Director - Network Cost and Access Billing. McLeodUSA Incorporated is the parent company of McLeodUSA Telecommunications Services, Inc.
2. Filed herewith and made a part hereof for all purposes is my Direct Testimony on behalf of McLeodUSA Telecommunications Services, Inc., in this case.
3. I hereby affirm that my testimony filed herewith, including all answers to the questions therein, is true and correct to the best of my knowledge, information and belief.


Tami J. Spocogee

Subscribed and sworn to before me this 25th day of August 2006.




Notary Public

My Commission expires: _____

10/30/08