BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Petition for	)	
Arbitration of Unresolved Issues	)	Case No. TO-2006-0147
in a Section 251(b)(5) Agreement	)	Consolidated with TO-2006-0151
with T-Mobile USA, Inc.	)	

PETITIONERS' RESPONSE TO FINAL ARBITRATION REPORT

On March 3, 2006, the Arbitrator issued his Final Arbitration Report in the above-referenced matter requiring, among other things, that Petitioners "perform a second re-run of their cost studies based on the requirements [and] inputs of this Final Report." Attached hereto are summary results for two (2) cost studies showing individual costs for Petitioners: (1) using "uncorrected" dedicated transport costs; and (2) using "corrected" dedicated transport costs.[1] The reason for these two scenarios is more fully addressed in Issue No. 12 below. The underlying documentation supporting these revised cost studies is being provided to Respondents and the Arbitration Panel under separate cover. The attached revised cost studies reflect the inputs and assumptions described in Issues 3 through 13 of the Final Arbitration Report and those inputs and assumptions are more specifically described as follows:

[1] Petitioners are providing these revised cost studies at the direction of the Arbitrator's Final Report. Petitioners do not necessarily concur with or accept the inputs and assumptions contained in the Preliminary Arbitration Report or the Final Report, and Petitioners do not concur with the resulting costs.

Issue No. 3. What are Petitioners' forward-looking costs to purchase and install new switches?

By virtue of the Final Arbitration Report Finding on Issue No. 4, the revised cost studies reflect a per line switch cost of only $18.33 per line. No changes have been made with regard to this issue from the studies filed in response to the Preliminary Arbitration Report.

Issue No. 4. What is the appropriate value for the usage-sensitive portion of Petitioners' forward-looking and office switching costs?

The Final Arbitration Report adopted the T-Mobile/Cingular position on this issue. Accordingly, Petitioners' cost studies have been re-run with Respondents' traffic sensitive switch value input of $18.33 per line. No changes have been made with regard to this issue from the studies filed in response to the Preliminary Arbitration Report.

Issue No. 5. What is the appropriate floor space attributable to switching?

The Final Arbitration Report adopted T-Mobile/Cingular's position. Respondents' position allowed for two hundred (200) square feet for a stand alone/host switch and one hundred (100) square feet for a remote switch. Because the HAI model cannot distinguish the switch room size based on whether the switch is a host or remote office, Petitioners have revised the cost study using one hundred (100) square feet for both host and remote offices. Accordingly, the re-run cost studies understate Petitioners' switch costs attributable to floor space. No changes have been made with regard to this issue from the studies filed in response to the Preliminary Arbitration Report.

Issue No. 6. What is the appropriate minute of use (MOU) forward looking and office switching costs for all Petitioners?

Petitioners' forward looking switch costs, given the inputs and assumptions contained in the Final Arbitration Report, are shown on the attached revised cost studies on the line identified as "end office switching." No changes have been made to these costs from the studies filed in response to the Preliminary Arbitration Report.

Issue No. 7. What are Petitioners' appropriate, forward-looking interoffice cable lenghts?

The Final Arbitration Report adopted the T-Mobile/Cingular position and directed that the parties adopt the current meet point arrangements for interoffice cable lengths. Several changes have been made in the revised cost studies that are submitted herewith to comply with the Arbitrator's Final Report.

First, consistent with the direction to use the actual meet point mileages, revised mileages reflecting the actual mileage to the connecting company meet point for host and stand-alone offices were obtained from the data request responses and were input into the appropriate distance file in the model. The mileages that were changed in the distance file are designated in the underlying documentation (provided to the Arbitration Panel and Respondents under separate cover) as "Mileages Changed for Final Arbitration Order" contained in the file "*Mileages to Meet Points.xls*".

Second, mileages between host and remote offices are calculated in the HAI model using the V and H coordinates of the individual offices and are designed to connect these offices in the most efficient manner. The mileages calculated in the HAI

model for these ring configurations are shown in the underlying documentation as "Host-Remote Ring Mileages" contained in the file "*Host Remote Ring Mileages.xls*".

Third, the Final Arbitration Report requires that the calculations for digital cross connect systems ports should be changed to divide by 24 rather than 2. Petitioners not only changed the formula specifically mentioned by Respondents in their comments, but also identified two additional formulas that had the same issue and that should be changed as well. These formula changes were made in the switching module file. A detailed description of the formula changes are included in the underlying documentation on the "Formula Revisions in the Switching Module" document contained in the file "*Description of Formula Changes.doc*".

Issue No. 8. What are the appropriate cable sizes?

The Final Arbitration Report adopted Petitioners' position. Accordingly, Petitioners' revised cost studies utilize the HAI input value of 24 fiber cable. No changes have been made with regard to this issue from the studies filed in response to the Preliminary Arbitration Report.

Issue No. 9. What is the appropriate amount of sharing of Petitioners' interoffice cabling in order to reflect sharing with services other than transport and termination?

The Final Arbitration Report requires the Petitioners "to determine exactly what portion of interoffice fiber cable is assigned to transport." The Final Arbitration Report further stated, "Until this determination is made and the cost studies re-run accordingly, 50% shall be used."

Petitioners are not able to reflect sharing percentages on individual cable segments in the HAI model; therefore, Petitioners reduced the cost of interoffice fiber cable by 50% as required by the Final Arbitration Order. This was done by changing the formula such that the total interoffice fiber cost per line is multiplied by 0.5. A detailed description of the formula change is included in the underlying documentation in Item #2 on the "Formula Revisions in the Switching Module" document contained in the file "*Description of Formula Changes.doc*".

Issue No. 10. What is the appropriate sizing of Petitioners' forward looking, interoffice transmission equipment?

The Final Arbitration Report directs that an OC-12 system be used. Accordingly, Petitioners have reviewed the HAI model formulas and inputs to assure that OC-12 transmission equipment would be used as directed in the Final Arbitration Report. The formula changes made in response to Issue #7 and the "divide by 24" issue correct the calculation of when OC-48 equipment is needed and, based on the revised formulas, the transmission equipment now reflects the use of OC-12, or in some cases OC-3 transmission equipment. In order to fully comply with the Final Arbitration Report, the Petitioners also modified the input value of the "OC-3/DS-1 terminal multiplexer, installed, 84 DS-1s" from $26,000 to $40,000 so that if the model chose OC-3 equipment, the proper investment for OC-12 would be included.

Issue No. 11. What are the appropriate forward looking common transport costs for each Petitioner?

Revised transport costs, given the inputs and assumptions contained in the Final Arbitration Report, are shown for each Petitioner on the revised cost studies on the line identified as “common transport.”

Issue No. 12. Should any of the costs identified in HAI as dedicated transport be included in Petitioners’ transport and termination rates?

The Final Arbitration Report concludes that only common transport should be included in this cost calculation “with no additional adjustments to this calculation or to any other calculation in which common transport is a component or is derived from such a calculation.” Petitioners did not include in the revised cost studies submitted in response to the Preliminary Arbitration Order any costs identified in the HAI model as dedicated transport, as evidenced by the schedules provided with that filing.

Respondents’ “Response to Cost Studies” filed on March 1, 2006 alleges that Petitioners have erroneously increased the number of common trunks while the number of minutes remained unchanged. They further allege that this change was inconsistent with the Preliminary Arbitration Report. These allegations are incorrect and reflect a lack of understanding of network architecture with host-remote configurations. In the Petitioners’ original cost studies, all traffic was transported on a single trunk group, and only on one trunk group, directly from the end office to the tandem switch. As Respondents pointed out in their testimony, this led to interoffice mileage calculations that were not reflective of shorter mileages that would be obtained using host-remote

configurations. The Petitioners were ordered to redo their cost studies to reflect actual host-remote configurations, which they did in response to the Preliminary Arbitration Report. For all traffic from remote switches, the traffic now has to travel on two trunks from the remote switch to the tandem. First, the traffic travels on a trunk group from the remote switch to the host switch. These trunks quantities are identical to the number of trunks connected directly to the tandem office in the original studies. However, once the remote traffic reaches the host office and is switched at that switch, it now has to travel over a second trunk from the host office to the tandem. Since the trunk facility from the host to the tandem now has to carry not only the traffic from the host switch, but also all the traffic from the remote switches as well, the size of this trunk group correctly has to increase, resulting in a larger number of common trunks than in the original study, although the number of minutes of traffic remain the same.

Respondents in addressing this issue have also argued that dedicated trunks and common trunks are separate and distinct facilities. Petitioners agree. As described in Mr. Schoonmaker's testimony, the HAI model incorrectly includes in the number of dedicated trunks all of the common access trunks as well, thus counting the common trunks as both common and dedicated trunks. Since dedicated trunks are separate and distinct from common trunks, the quantity of dedicated trunks should be reduced so as not to include those trunks that are really common trunks. The Petitioners' revised cost studies filed in response to the Preliminary Arbitration Report corrected this error in the model formula, thus decreasing the number of dedicated trunks to the correct quantity.

The Arbitrator has accepted certain changes to the model identified by the Respondents and has ordered that they be implemented. The Petitioners believe that

the error they have identified in the HAI model which counts common trunks as both common and dedicated trunks should similarly be corrected. However, in reviewing the Arbitrator's Final Order, it appears that this correction proposed by the Petitioners has not been accepted. The Petitioners are, therefore, providing calculations of the Petitioners' costs using the incorrect dedicated trunks counts which include common trunks. This set of results is identified as the "uncorrected direct trunks" scenario. A detailed description of the formula change that was made to address this issue is contained in the underlying documentation as Item #3 on the "Formula Revisions in the Switching Module" document contained in the file "*Description of Formula Changes.doc*".

The Petitioners continue to believe that the dedicated trunk count formula in the HAI model should be corrected to properly reflect that common trunks are not dedicated trunks. Petitioners' costs using the correct dedicated trunk counts, which exclude common trunks, are reflected in the "correct direct trunks" scenario. A detailed description of the formula change that was made to address this issue is also contained in the underlying documentation as Item #3 on the "Formula Revisions in the Switching Module" document contained in the file "*Description of Formula Changes.doc*".

Issue No. 13. What is the appropriate value of Petitioners' forward looking signaling costs?

The Final Arbitration Report adopted Petitioners' position, but further directed that the distance for the signaling links should be consistent with the distances established in Issue No. 7. Accordingly, Petitioners have used the HAI model

calculation for signaling link costs adjusted to reflect the mileage utilized for purposes of Issue No. 7.

Respectfully submitted,

/s/ W.R. England, III

W.R. England, III Mo #23975
Brian T. McCartney Mo #47788
BRYDON, SWEARENGEN & ENGLAND, P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
(573) 635-7166 Phone
(573) 635-0427 Fax
trip@brydonlaw.com
bmccartney@brydonlaw.com

Attorneys for Petitioners

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, electronic mail or hand delivery, on this 10th day of March, 2006 to the following:

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102

/s/ W.R. England, III