

Southwestern Bell Telephone
One Bell Center
Room 3510
St. Louis, MO 63101
Phone: 314.235.4094
Fax: 314.247.0014
E-Mail: mimi.macdonald@sbc.com

Mimi B. MacDonald
Senior Counsel

Southwestern Bell



December 3, 2001

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, Missouri 65101

FILED

DEC 3 2001

Missouri Public
Service Commission

Re: Case No. TO-2000-374

Dear Judge Roberts:

Enclosed for filing with the Commission in the above-referenced case is an original and eight copies of Southwestern Bell Telephone Company's Response to Staff's Motion to Establish Cost Allocation Method And To Set Deadline For Industry To File A Proposed Cost Recovery Plan.

Please stamp "Filed" on the extra copy and return it to Southwestern Bell Telephone Company.

Thank you for bringing this matter to the attention of the Commission.

Very truly yours,

Mimi B. MacDonald /m

Mimi B. MacDonald

Enclosure

cc: Attorneys of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

DEC 3 2001

In the Matter of the Petition of the North)
American Numbering Plan Administrator,)
on Behalf of the Missouri Telecommunications) Case No. TO-2000-374
Industry, for Approval of NPA Relief Plan for)
the 314 and 816 Area Codes.)

Missouri Public
Service Commission

**SOUTHWESTERN BELL TELEPHONE COMPANY'S RESPONSE
TO STAFF'S MOTION TO ESTABLISH COST ALLOCATION METHOD AND TO
SET DEADLINE FOR INDUSTRY TO FILE A PROPOSED COST RECOVERY PLAN**

Comes now Southwestern Bell Telephone Company ("SWBT") and, for its Response to Staff's Motion to Establish Cost Allocation Method and to Set Deadline for Industry to File a Proposed Cost Recovery Plan, states as follows:

1. On November 21, 2001, the Staff of the Missouri Public Service Commission ("Staff") filed its Motion to Establish Cost Allocation Method and to Set Deadline for Industry to File a Proposed Cost Recovery Plan ("Staff's Motion").

2. In Staff's Motion, Staff indicates that NeuStar, the pooling administrator, has informed the Staff that it will need to know the allocation method, i.e., how to bill carriers for its costs, before the first pooling trial starts on January 22, 2002. (See Staff's Motion, paragraph 2).

3. Further, in its Motion, Staff proposed that the cost allocation methodology for Missouri pooling trials should be based upon pro rata allocation to all telecommunications carriers providing service within the state in proportion to each carrier's interstate, intrastate, and international telecommunications revenues; irrespective of whether carriers are participating in the pooling trial. (See Staff's Motion, paragraph 3).

4. Finally, Staff proposes a deadline of March 22, 2002, which is thirty (30) days after the mandated start date for thousands-block number pooling in the 816 NPA, as the

deadline for the industry proposal for any plan to recover the net costs to the industry of the pooling trials. (See Staff's Motion, paragraph 4).

5. In the Report and Order and Further Notice of Proposed Rulemaking, In the Matter of Numbering Resource Optimization, CC Docket No. 99-2000, March 31, 2000 ("NRO Order"), the Federal Communications Commission ("FCC"): (a) established a competitively neutral federal cost recovery frame-work for thousands-block number pooling; (b) adopted three categories of thousands-block number pooling costs; and (c) determined how those costs should be allocated in each category. Id. at paragraph 194. The FCC concluded that the allocation and recovery of costs associated with the federal rollout of thousands-block number pooling should be according to a carrier's interstate, intrastate, and international telecommunications end-user revenues. Id. at paragraph 207. The FCC noted that allocation of thousands-block number pooling costs according to a carrier's interstate, intrastate, and international telecommunication end-user revenues is consistent with the established precedent for cost recovery for North American Numbering Plan ("NANP"), using the North American Numbering Plan Administrator ("NANPA") formula, as well as the FCC's cost recovery mechanism for number portability. Id.

6. The costs associated with a State number pooling trial are distinct from the costs associated with national number pooling. The FCC has repeatedly stated: "states conducting their own pooling trials must develop their own cost recovery mechanisms for the joint and carrier-specific costs of implementing and administering pooling within their states." (See Order, In the Matter of Numbering Resource Optimization, CC Docket No. 99-200, July 20, 2000, ("Order"), paragraph 21).

7. SWBT supports Staff's proposal for cost allocation regarding shared industry costs. Specifically, SWBT supports Staff's position that: "the cost allocation methodology for

the Missouri pooling trials should be based upon pro rata allocation of cost to all telecommunications carriers providing service within the state in proportion to each carrier's interstate, intrastate, and international revenues; irrespective of whether carriers may or may not be participating in the pooling trial." (See Staff's Motion, paragraph 3). This is consistent with the authority the FCC granted to the state commissions and the directive the FCC provided to the state commissions. (See Order, In the Matter of Numbering Resource Optimization, CC Docket Nos. 99-200 and 96-98, July 20, 2000). Specifically, in the FCC's Order, the FCC states:

The state commissions must also determine how carrier-specific and joint costs directly related to pooling administration should be recovered. In the *Numbering Resource Optimization Order*, the FCC concluded that thousands-block number pooling is a numbering administration function, and that section 251(e)(2) authorizes the FCC to provide the distribution and recovery mechanisms for the interstate and intrastate costs of number pooling. In exercising the authority delegated to them, the state commissions must also abide by the same statute, and, therefore, ensure that costs of number pooling are recovered in a competitively neutral manner. We note that the *Numbering Resource Optimization Order* found that section 251(e)(2) requires all carriers to bear the shared costs of number portability on a competitively neutral basis, and thus, established a cost recovery mechanism that does not exclude any class of carrier. We encourage the state commissions to consider the *Numbering Resource Optimization Order* and *Telephone Number Portability Order* for guidance regarding the criteria which a cost recovery mechanism must comply in order to be considered competitively neutral:

First, "a 'competitively neutral' cost recovery mechanism should not give one service provider an appreciable, incremental cost advantage over another service provider, when competing for a specific subscriber." Second, the cost recovery mechanism "should not have a disparate effect on the ability of competing service providers to earn normal returns on their investments."

Consistent with the FCC's treatment of cost recovery in the *Telephone Number Portability* proceeding and *Numbering Resource Optimization Order*, we believe that even those carriers that cannot participate in thousands-block number pooling at this time will benefit from the more efficient use of numbering resources that pooling will facilitate. We encourage the state commissions to consider the "road map" provided by the FCC in the *Numbering Resource Optimization Order* regarding cost recovery for thousands-block number pooling.

Id. at paragraph 22. (Footnotes omitted).

8. For cost recovery purposes, SWBT will work with the industry to propose, pursuant to the Commission's Order Directing State Number Pooling Trials in the above-referenced matter, a cost recovery proposal. While Staff recommends that the industry proposal be submitted by March 22, 2002, SWBT believes that the industry should be able to submit a proposal much earlier than March 22, 2002, and believes that the Commission should act expeditiously to approve the cost recovery proposal prior to the implementation of the state number pooling trial in the 314 NPA on January 22, 2002.

Wherefore, SWBT prays the Commission consider its Response to Staff's Motion to Establish Cost Allocation Method and to Set Deadline for Industry to File a Proposed Cost Recovery Plan, adopt Staff's proposal for the cost allocation i.e. the methodology for the Missouri pooling trials should be based upon pro rata allocation of cost to all telecommunications carriers providing service within the state in proportion to each carrier's interstate, intrastate, and international revenues; irrespective of whether carriers are participating in the pooling trial, together with any further and additional relief the Commission deems just and proper.

Respectfully submitted,

BY Mimi B. MacDonald /tm

PAUL G. LANE, #27011

LEO J. BUB, #34326

ANTHONY K. CONROY, #35199

MIMI B. MACDONALD, #37606

Attorneys for Southwestern Bell Telephone
Company

One Bell Center, Room 3510

St. Louis, Missouri 63101

(314)235-4094 (Telephone)

(314)247-0014 (Facsimile)

CERTIFICATE OF SERVICE

Copies of this document were served on the following parties by first-class, postage prepaid, U.S. Mail or via hand-delivery on December 3, 2001.

Mimi B. MacDonald /tm
Mimi B. MacDonald

WILLIAM K. HAAS
MISSOURI PUBLIC SERVICE
COMMISSION
301 W. HIGH STREET, SUITE 530
JEFFERSON CITY, MO 65101

PAUL S. DEFORD
LATHROP & GAGE
2345 GRAND BLVD, SUITE 2500
KANSAS CITY, MO 64108

MICHAEL F. DANDINO
OFFICE OF THE PUBLIC COUNSEL
301 W. HIGH STREET, SUITE 250
JEFFERSON CITY, MO 65101

WILLIAM R. ENGLAND, III
BRYDON, SWEARENGEN & ENGLAND
PO BOX 456
JEFFERSON CITY, MO 65102

PETER MIRAKIAN, III
WENDY DEBOER
SPENCER FAIN BRITT & BROWNE LLP
1000 WALNUT STREET, SUITE 1400
KANSAS CITY, MO 64106

JAMES F. MAUZE
THOMAS E. PULLIAM
OTTSEN, MAUZE, LEGGAT & BELZ,
112 SOUTH HANLEY
ST. LOUIS, MO 63105

MARK W. COMLEY
NEWMAN, COMLEY & RUTH P.C.
601 MONROE, SUITE 301
P.O. BOX 537
JEFFERSON CITY, MO 65102

EDWARD J. CADIEUX
CAROL KEITH
GABRIEL COMMUNICATIONS, INC.
16090 SWINGLEY RIDGE RD., STE 500
CHESTERFIELD, MO 63006

MARTIN C. ROTHFELDER
THE ROTHFELDER LAW OFFICES
625 CENTRAL AVENUE
WESTFIELD, NJ 07090

LEE S. ADAMS
CHERYL A. TRITT
KIMBERLY D. WHEELER
MORRISON & FOERSTER, L.L.P.
2000 PENNSYLVANIA AVENUE, NW
SUITE 5500
WASHINGTON, D.C. 20006

CRAIG S. JOHNSON
ANDERECK, EVANS, MILNE, PEACE
& JOHNSON, L.L.C.
P.O. BOX 1438
JEFFERSON CITY, MO 65102

JAMES M. FISCHER
LARRY W. DORITY
FISCHER & DORITY
101 MADISON STREET, SUITE 400
JEFFERSON CITY, MO 65101

LISA CREIGHTON HENDRICKS
SPRINT MISSOURI, INC.
5454 W. 110TH STREET
10TH FLOOR
OVERLAND PARK, KS 66211

CARL J. LUMLEY
LELAND B. CURTIS
CURTIS OETTING HEINZ
GARRETT & SOULE, P.C.
130 S. BEMISTON, SUITE 200
ST. LOUIS, MO 63105

KEVIN ZARLING
AT&T COMMUNICATIONS OF THE
SOUTHWEST, INC
919 CONGRESS, SUITE 900
AUSTIN, TX 78701

JAMES ROHFLING
BRASIL & ROHFLING PC
6390 LINDELL BOULEVARD
ST. LOUIS, MO 63108