

Exhibit No:

Issue: V. Pricing

Witness: Flappan and Gaddy

Type of Exhibit : Direct Testimony

Sponsoring Party: AT&T Communications of
the Southwest, Inc.

Case No: TO-98-115

PETITION FOR
SECOND ARBITRATION

DIRECT TESTIMONY

OF

ROBERT FLAPPAN AND
PHILLIP GADDY

Jefferson City, Missouri
November 7, 1997

File Date: November 7, 1997

V. PRICING
CONTRACTUAL DISPUTED ISSUES
AT&T-SWBT INTERCONNECTION AGREEMENT - MISSOURI

ISSUE V-1a:

Does the Commission's October 2, 1997 Order, preclude SWBT from assessing an EAS Port Additive Charge when AT&T requests a telephone number with a NXX which has an expanded area calling scope and if not, what is the appropriate charge, if any?

AT&T LANGUAGE:

AT&T proposes no language on this subject and requests the Commission to reject SWBT's proposal.

AT&T POSITION:

This is the first of several issues in which SWBT seeks to reopen pricing issues that were resolved in the recently-completed price proceedings and the initial AT&T/SWBT arbitration. SWBT continues to demand that AT&T pay numerous additional rates and charges for unbundled network elements for which this Commission established prices in its July 31, 1997 Final Arbitration Order. SWBT persists in this demand, despite the fact that this Commission's October 2, 1997 Order required the parties to include in their current Interconnection Agreement language that prohibits SWBT from assessing any additional charges for those elements, the functionalities of the elements, or the activation of the elements or their functionalities. Before turning to the specific proposed EAS port additive charge that is the subject of Issue 1a, AT&T will explain why SWBT's proposed additional UNE charges as a whole must be rejected, as

1 contrary to prior Commission Orders and contrary to the signed AT&T/SWBT Interconnection
2 Agreement recently approved by the Commission. This introductory discussion will apply
3 throughout this memorandum of disputed pricing issues.

4
5 **SWBT May Not Propose Additional Rates for Unbundled Elements Addressed in the July**
6 **31, 1997 Pricing Order**

7
8 In its July 31, 1997 Final Arbitration Order, the Commission established permanent prices for
9 unbundled network elements. 7/31/97 Order at 4. The Commission specifically found as
10 follows: "Prices for the unbundled network elements include the full functionality of each
11 element. No additional charges for any such element, the functionalities of the element, or the
12 activation of the element or its functionalities shall be permitted." *Id.*

13
14 With that finding, the process of establishing the prices that will apply to AT&T's purchases of
15 unbundled elements under its Interconnection Agreement with SWBT came to a conclusion.
16 AT&T is entitled to purchase the full functionality of the UNEs recognized by this Commission
17 at the rates and charges set in this Commission's July 31 Order.

18
19 SWBT takes the position that, notwithstanding the July 31 Order, there are additional "rate
20 elements" associated with AT&T's prospective use of UNEs. SWBT asserts the right to impose
21 additional charges for these "rate elements" and maintains that pricing for these rate elements

1 was not "arbitrated" in the previous AT&T arbitration or the follow-up permanent cost setting.

2 Both parties presented their arguments to the Commission on this issue in the Joint Motion for

3 Expedited Resolution of Issues filed September 16. *See* Joint Motion at 37-44 (Issue No. 14).

4 As AT&T pointed out, SWBT's position on these additional prices was directly contrary to the

5 July 31 Order and to the Act's cost-based pricing requirements. *See* Joint Motion at 39.

6
7 **The Commission's October 2, 1997 Arbitration Order directed the parties to adopt**

8 **AT&T's position on this issue.** Accordingly, the presently approved AT&T/SWBT

9 Interconnection Agreement pending before the Commission includes the following language:

10
11 Prices for the unbundled network elements, as shown on Appendix
12 Pricing UNE-Schedule of Prices, include the full functionality of
13 each element. No additional charges for any such element, the
14 functionalities of the element, or the activation of the element or its
15 functionalities will be permitted. (Source: Mo. PSC Final
16 Arbitration Order, issued 7/31/97, at p. 4).
17

18 Attachment 6, Appendix Pricing UNE at section 1.3. Contrary to this plain language, SWBT

19 continues to claim the right to assess additional rates and charges associated with the very

20 elements that were ordered unbundled in the initial arbitration.

21
22 The prior arbitration proceedings, culminating in the July 31, 1997 pricing order and the

23 October 2, 1997 ruling in AT&T's favor on Issue 14, leave no room for SWBT to continue to

24 unilaterally assert the right to collect additional UNE rates and charges. On the contrary, that

1 process provided SWBT with full and fair notice and opportunity to present any and all proposed
2 rates and charges associated with the elements that the Commission had recognized. Further, the
3 Commission ruled in its December 11, 1996 order that there "shall be no restrictions or
4 limitations on LSP use of UNEs" (Order p. 13). The prices set in the proceedings reflect full
5 functionality of the UNEs ordered.

6
7 Both of the Parties were instructed to provide a list of items to be priced to Commission Staff.
8 AT&T provided its list to Staff the week of April 7. If SWBT failed to provide the same list of
9 proposed prices to the Commission Staff that it demanded from AT&T during negotiations, it is
10 not clear as to why it would choose to hold back potential issues. If SWBT thought, for example,
11 that a feature activation charge should be associated with AT&T's use of unbundled local
12 switching, it should have presented the proposed charge in the price proceeding. Either it did,
13 and its proposed charge was rejected (see July 31, 1997 Order at 4), or it failed to present a
14 proposed charge, inexplicably or for tactical advantage (delaying the establishment of final
15 prices). In either event, SWBT should not be permitted to request additional rates or charges
16 now for the elements which have been previously priced. Nonetheless, it appears that this is
17 precisely what SWBT seeks to do (see, e.g., Issue 8c below – proposed nonrecurring charge for
18 unbundled switch port – vertical features).

19
20 The pricing procedure offered all parties the opportunity to present their views, and supporting
21 data, on the rate structure that should apply to the unbundled elements and on the rate quantities

1 themselves. SWBT must not be permitted to circumvent the pricing rulings of this Commission
2 with a host of new "rate elements" that seek to win back ground lost in the prior proceeding.

3
4 For these reasons, all of SWBT's proposed additional UNE rate elements should be rejected.

5 Each of the additional SWBT proposed rates and charges addressed below relates to an
6 unbundled element that was recognized in the December 1996 Order and for which rates were
7 established in the July 1997 Order. Each of SWBT's proposed additional rates and charges was
8 omitted from the permanent rates and charges set by the Commission in Attachment B to its July
9 31 Order. Each must be rejected in order to halt what otherwise threatens to be a never-ending
10 parade of proposed UNE rates and charges that will prevent any LSP from developing and
11 executing a plan to deliver competitive telecommunications services to Missouri consumers
12 using SWBT's unbundled network elements. AT&T has invested over one-and-a-half years in
13 negotiations and proceedings before this Commission, in order to establish its right of access to,
14 and cost-based prices for, the full array of SWBT's unbundled network elements. This
15 Commission's December 1996 and July 1997 Orders establish that access and those prices.
16 AT&T requests the Commission promptly to put an end to SWBT's effort to circumvent those
17 rulings and to assess new, additional, UNE rates and charges that will only add cost, confusion,
18 and delay to new entrants' use of SWBT's unbundled elements.

1 **SWBT's Proposed EAS PORT Additive Should Be Rejected**

2 SWBT proposes an additive of \$12.50 to be included in the monthly recurring charge for the
3 switch port when the switch port will be used to provide optional EAS-like services, such as an
4 MCA (Metropolitan Calling Area) plan. SWBT's proposed EAS Port Additive is an attempt to
5 add charges for an unbundled element – local switching – which was the subject of the prior
6 arbitration and for which the Commission already has established permanent, cost-based rates.

7
8 Because of the nature of the prior cost proceeding, AT&T cannot know whether SWBT proposed
9 this charge and attempted to support it in consultation with the Commission staff during that
10 proceeding. What AT&T and SWBT both knew, however, is that AT&T had sought the full
11 functionality of the local switch in the prior arbitration and that the rates and charges associated
12 with that full functionality were to be determined in that prior cost proceeding. Certainly SWBT
13 had the opportunity to advocate its proposed EAS Port Additive Charge in the cost proceeding,
14 and it has no basis for seeking to add another local switching charge at this time.

15
16 It is not clear from SWBT's proposed language whether it intends to break this \$12.50 charge in
17 half, with \$6.25 being charged for the originating end and \$6.25 for the terminating end.
18 Because that is what it attempted in Texas, that is likely what SWBT intends in this case.
19 Examination of three scenarios illustrate how this proposed additive for both originating and
20 terminating MCA calls would in practice operate:

- 1 • AT&T UNE MCA customer originates the call and SWBT customer terminates the call: In
2 this case, SWBT is only entitled to appropriate UNE local switching usage, local switch port,
3 and local transport and termination charges. Any attempt on the part of SWBT to impose
4 additional EAS port charges for originating these calls is an inappropriate attempt on the part
5 of SWBT to take AT&T's rightfully earned revenue.
- 6 • AT&T UNE (non-MCA) customer originates the call and SWBT MCA customer terminates
7 the call: In this case again, SWBT is only entitled to appropriate UNE local switching usage,
8 local switch port, and local transport and termination charges. It is AT&T in this case, who
9 will lose intraLATA toll revenue.
- 10 • SWBT customer originates the call and AT&T UNE MCA customer terminates the call:
11 AT&T would pay the appropriate UNE local switching port and usage charges to SWBT. In
12 this case, it is SWBT who will lose intraLATA toll revenue for the call.

13

14 When SWBT offers MCA service to a customer, it is compensated for loss of potential
15 intraLATA toll revenue by a monthly surcharge to the end-user. When AT&T wins a customer
16 that requests MCA service, SWBT seeks to recover that revenue through the EAS port additive, a
17 rate element that is not based on cost. In the first case above, there is clearly no good reason for
18 SWBT to receive the benefit of an additional charge. SWBT is losing no intraLATA toll
19 revenue. In the second case above, SWBT again loses no intraLATA toll revenue and thus
20 should not be compensated; rather, it is AT&T who loses the revenue. In the third case, SWBT
21 does lose potential intraLATA toll revenue. (In all cases, AT&T would pay SWBT appropriate
22 switching and/or termination charges.) In the first case, SWBT is not entitled to intraLATA toll

1 revenue, and therefore "loses" none. Because both parties stand to lose potential revenue in the
2 second and third scenarios, this issue affects both parties equally; therefore no additional EAS
3 port additive should apply. In addition, SWBT's proposed EAS port additive is not cost-based;
4 the switch port cost to SWBT is the same whether or not it provides extended area service.
5 Furthermore, when SWBT loses a customer to AT&T, the customer is not "off limits" to SWBT
6 at that point. SWBT can immediately begin work to recapture the customer, and thus reestablish
7 its previous revenue stream. The marketplace, not a governmental mandated revenue
8 replacement mechanism, should determine SWBT's revenue stream. Finally, the imposition of a
9 surcharge in areas served by optional EAS (MCA) would hinder the development of competition
10 in such areas, because it would cost potential entrants more to serve customers in those areas.

11
12 For the reasons stated above, and due to the fact that SWBT did not propose this rate when the
13 Commission staff asked for all of SWBT's prices during the price proceedings, the Commission
14 should rule in favor of AT&T's position and against the imposition of the EAS Port Additive.

15
16 **ISSUE V-1b:**

17 Does the Commission's October 2, 1997 Order, preclude SWBT from assessing multiplexing
18 charges, in addition to the dedicated transport charges approved by the Commission and if not,
19 what is the appropriate rate, if any?

20
21 **AT&T LANGUAGE:**

22 **Attachment 6**

23 **8.X There is no charge for mutliplexing in addition to the rates charged for dedicated**
24 **transport.**

1 AT&T POSITION:

2 Yes. SWBT's proposed multiplexing charges are an attempt to add charges for an unbundled
3 element – dedicated transport – which was the subject of the prior arbitration and for which the
4 Commission already has established permanent, cost-based rates.

5
6 Multiplexing is a necessary component of interoffice transmission functionality. When an LSP
7 orders higher-speed dedicated transport to be connected to lower-speed transport or to unbundled
8 loops, multiplexing must be supplied in order for the transmission facility to function. AT&T
9 understands that the dedicated transport rates set in the Commission's July 31, 1997 Order
10 include multiplexing functionality. The Commission Advisory Staff Costing and Pricing
11 Report, on which the Commission relied in setting its permanent UNE prices, *see* July 31, 1997
12 Final Arbitration Order at 3-4, based its dedicated transport rate recommendation (which the
13 Commission adopted) on a forward-looking fiber based network. The report specifically noted
14 that the investments on which the recurring dedicated transport rates were based included "1996
15 cable broadgauge costs and *multiplexing equipment investments provided by SWBT's*
16 *procurement department.*" July 31, 1997 Final Arbitration Order, Attachment C, at 69.
17 Multiplexing costs were included in the costs from which the Commission's dedicated transport
18 rates and charges were derived. SWBT cannot and should not be permitted to add to them now.

19
20 This Commission's December 11, 1996 Arbitration Order confirmed that CLECs are to receive
21 the full functionality of UNEs, specifically, "SWBT should not be allowed to impose
22 unnecessary restrictions or limitations on an LSP's use of UNEs." (Order p. 13). SWBT's

1 arguments that AT&T requested multiplexing after the record had closed are groundless. AT&T
2 has, for the past one and one-half years of negotiating with SWBT, requested full functionality of
3 UNEs. Multiplexing is required to access the full functionality of dedicated transport, as it is
4 required to connect dedicated transport operating at different speeds together. In the April
5 negotiating sessions that were specific to Missouri, SWBT proposed multiplexing prices to
6 AT&T. The Commission staff requested AT&T and SWBT to provide *all* of their proposed
7 prices as part of the price proceedings held earlier this year. Either SWBT proposed its
8 multiplexing price to the Commission (as it did to AT&T) and the Commission rejected the
9 price, or it did not. If it did not propose its multiplexing price when requested to do so by the
10 Commission, it is not clear why not. At any rate, AT&T proposed its list of requested
11 functionality to the staff, and this list specifically included multiplexing functionality. If SWBT
12 did not present a price, AT&T did make it clear to the staff that it believed that multiplexing was
13 included as part of dedicated transport during the price proceedings. Further, when AT&T
14 specifically asked the Commission to confirm the intent of the wording "Prices for the
15 unbundled network elements, as shown on Appendix Pricing UNE - Schedule of Prices, include
16 the full functionality of each element. No additional charges for any such element, the
17 functionalities of the element, or the activation of the element or its functionalities will be
18 granted. (Source Mo. PSC Final Arbitration Order, issued 7/31/97. at p. 4)." The Commission
19 awarded this issue, number 14, to AT&T in its October 2, 1997 award. It is time for SWBT to
20 accept this ruling, and move on.

1 If for any reason the Commission determines that SWBT's multiplexing charges are not
2 foreclosed by the Commission's prior orders and are necessary to allow SWBT to recover costs
3 not already covered by other UNE rates and charges, then AT&T requests the Commission (1)
4 to require SWBT to provide a TELRIC cost study to support its proposed charges and (2) to
5 establish appropriate, TELRIC-based pricing for this item.

6
7 **ISSUE V-1c:**

8 Does the Commission's October 2, 1997 Order, preclude SWBT from assessing Digital Cross
9 Connect System (DCS) charges, when AT&T controls the DCS, and if not, what are the
10 appropriate rates, if any?

11
12 **AT&T LANGUAGE**

13 **Attachment 6**

14 **8.X There is no additional charge for DCS functionality.**

15
16 **AT&T POSITION:**

17 Yes. SWBT's proposed DCS charges are an attempt to impose additional charges for an
18 unbundled element -- dedicated transport -- which was the subject of the prior arbitration and for
19 which the Commission already has established permanent, cost-based rates.

20
21 The FCC held that, "as a condition of offering unbundled interoffice facilities, we require
22 incumbent LECs to provide requesting carriers with access to digital cross-connect system (DCS)
23 functionality." FCC First Report and Order at ¶ 444. *See also* FCC Rule 51.319(d)(2)(iv).

1 SWBT makes the illogical assumption that this citation from the order, which states that CLECs
2 are to receive DCS service "in the same manner that they offer such capabilities to IXC's that
3 purchase transport services" also means that SWBT may charge its existing tariffed prices. The
4 Commission Advisory Staff cost analysis directly considered DCS costs in arriving at the
5 dedicated transport rates and charges approved by the Commission: "DCS cost include charges
6 for establishment, database modification, arrangement, customer performed reconfiguration, plus
7 DS-1 and DS-3 channel ports." July 31, 1997 Order, Attachment C, at 69.

8
9 SWBT may not assess additional DCS charges, beyond the permanent transport charges set by
10 the Commission in its July 31, 1997 Order.

11
12 If for any reason the Commission determines that SWBT's proposed DCS charges are not
13 foreclosed by the Commission's prior orders and are necessary to allow SWBT to recover costs
14 not already covered by other UNE rates and charges, then AT&T requests the Commission (1)
15 to require SWBT to provide a TELRIC cost study to support its proposed charges and (2) to
16 establish appropriate, TELRIC-based pricing for this item.

17
18 **ISSUE V-1d:**

19 Does the Commission's October 2, 1997 Order, preclude SWBT from assessing charges for the
20 LIDB Services Management System and the Fraud Monitoring System and a Service Order
21 Charge (when AT&T has a new switch or orders a new type of access to LIDB for query
22 origination) when these are used for AT&T, in addition to LIDB and CNAM query/query
23 transport charges approved by the Commission, and if not, what is the appropriate rate, if any?
24

1 **AT&T LANGUAGE:**

2 **Attachment 6**

3 9.X Definition: The Line Information Data Base (LIDB) is a transaction-oriented database that
4 functions as a centralized repository for data storage and retrieval. LIDB is accessible through
5 Common Channel Signaling (CCS) networks. It contains records associated with customer Line
6 Numbers and Special Billing Numbers. LIDB accepts queries from other Network Elements and
7 provides return result, return error and return reject responses as appropriate. LIDB queries
8 include functions such as screening billed numbers that provides the ability to accept Collect or
9 Third Number Billing calls and validation of Telephone Line Number based non-proprietary
10 calling cards. The interface for the LIDB functionality is SWBT's regional STP. LIDB also
11 interfaces with a service management system as defined below. Queries for LIDB based services
12 will be priced as shown on Appendix Pricing UNE – Schedule of Prices labeled “Validation
13 Query.” **AT&T also will pay the non-recurring LIDB charge shown on the Appendix**
14 **Pricing UNE – Schedule of Prices, on a per-AT&T switch basis, to establish LIDB and**
15 **CNAM query capability from an AT&T switch. There will be no additional charges for**
16 **Query Transport or Service Order Charge or for use of LVAS.**

17
18 9.X **CNAM Service Query will be priced as shown on Appendix Pricing – UNE – Schedule**
19 **of Prices labeled “CNAM Service Query”. There is no separate charge for CNAM Query**
20 **Transport or CNAM Service Order Charge.**

1 AT&T POSITION:

2 Yes. SWBT's proposed additional charges are an inappropriate attempt to increase the cost for an
3 unbundled element -- signaling and call-related databases and, specifically, LIDB and CNAM --
4 which was the subject of the prior arbitration and for which the Commission already has
5 established permanent, cost-based rates.

6
7 The Commission's December 1996 Arbitration Order established AT&T's right to unbundled
8 access to SWBT's signaling system and its call-related databases. The Commission's July 31,
9 1997 Final Arbitration Order established permanent rates and charges for signaling and call
10 related databases. The Commission specifically approved per-query rates for both Line
11 Information Database (LIDB) queries and for Calling Name Delivery (CNAM) queries. It
12 established a non-recurring charge for AT&T's use of LIDB.

13
14 SWBT nevertheless has asserted that it may assess separate, additional charges for use of
15 SWBT's Line Validation Administration System ("LVAS"), a services management system
16 which an LSP may use to enter and update information in SWBT's LIDB for its customers, and
17 for its fraud monitoring system. It also has asserted that it may collect a separate service order
18 charge whenever AT&T seeks to access SWBT's LIDB from a new AT&T switch or orders a
19 new type of access to LIDB for query origination. It also proposes charges for SLEUTH, a fraud
20 monitoring system. No such charges may be added. In negotiations, SWBT previously had
21 agreed with AT&T that it would not charge separately for use of LVAS. Now, because the
22 Commission adopted a lower LIDB query rate than SWBT had advocated, SWBT threatens to

1 renege and assess LVAS charges. SWBT's about-face comes too late. SWBT had the
2 opportunity to advocate for LIDB charges that covered its full related costs, including
3 administrative system costs and fraud monitoring costs. AT&T believes that SWBT took full
4 advantage of that opportunity and presented its full range of costs to the Commission staff during
5 the price proceedings, on the basis of which the Commission adopted the LIDB prices shown on
6 the July 31, 1997 pricing schedule. No LVAS, fraud monitoring, or service order charges may
7 be added now.

8
9 There is nothing incomplete about the LIDB, CNAM, and signaling rates and charges established
10 by the Commission's July 31, 1997 Order. SWBT's proposed additional charges should be
11 rejected.

12
13 SWBT includes language in its arguments addressing the splitting of the LIDB query rate into
14 two components: query and transport. AT&T believed it had reached agreement with SWBT on
15 this issue and has proposed a stipulation to SWBT. AT&T does not object to splitting out the
16 awarded LIDB and CNAM rates into two components, as long as the total of the two components
17 does not exceed the amount set in prior Commission orders. Specifically, the proposed
18 stipulation reads as follows:

19
20 "LIDB rates in the Appendix UNE - Schedule of Prices will be as follows:

- 21 • LIDB Query .000349
- 22 • CNAM Query .000204

1 • Query Transport .000100”

2
3 Again, AT&T is not willing to pay transport as an additional item to be added to the previously
4 established amount, but is willing to split the amount into two components in order to meet
5 SWBT's request. When AT&T receives confirmation from SWBT that it agrees to this
6 stipulation, AT&T will modify its proposed language regarding query transport that appears
7 above.

8
9 If for any reason the Commission determines that any of SWBT's proposed LIDB Services
10 Management System, Fraud Monitoring System, or Service Order charges are not foreclosed by
11 the Commission's prior orders and are necessary to allow SWBT to recover costs not already
12 covered by other UNE rates and charges, then AT&T requests the Commission (1) to require
13 SWBT to provide a TELRIC cost study to support its proposed charges and (2) to establish
14 appropriate, TELRIC-based pricing for this item.

15
16 Based on an agreement reached during the week of October 20, 1997, for which the parties are
17 working on a stipulation, AT&T expects to revise the language above to eliminate the dispute
18 regarding Query Transport charges. The other disputed language remains unresolved.

19
20 **ISSUE V-1e:**

21 Does the Commission's October 2, 1997 Order, preclude SWBT from assessing non-recurring
22 charges, in addition to the CLEC Simple Conversion Charge approved by the Commission, when
23 AT&T converts a SWBT customer to AT&T service, using all the network elements required to
24 provide the service and if not, what are the appropriate rates, if any?

1
2 AT&T LANGUAGE:

3 Attachment 6: Appendix Pricing UNE

4 3.X AT&T will not pay non-recurring charges when AT&T orders Elements that are
5 currently interconnected and functional ("Contiguous Network Interconnection of
6 Network Elements," as referenced in sections 6.X and 6.X of Attachment 7. Such orders
7 may also be referred to as Simple Conversion Orders. These orders include all situations
8 in which AT&T converts a SWBT customer using all network elements required to
9 provision service to the customer and applies whether AT&T uses SWBT's operator
10 services and directory assistance or supplies operator services and directory assistance to
11 the customer from an AT&T operator service/directory assistance platform to which
12 customized routing has been established from the customer's local switch.

13
14 AT&T POSITION:

15 Yes. The Commission's October 2, 1997 Order could not have been more clear in this regard:
16 "In the case of a resale conversion or a conversion using all of the unbundled elements necessary
17 for the provision of telephone service, no other non-recurring charge shall apply in addition to, or
18 in lieu of, the Service Order charge." October 2, 1997 Arbitration Order at 5. This statement
19 "clarified" what had already been a straightforward statement on the schedule of permanent UNE
20 prices included in the Commission's July 31, 1997 Order, providing that, for a "CLEC
21 Conversion," "No Additional Charge other than Service Order" will apply. July 31, 1997 Final
22 Arbitration Order, Attachment B at 5. The Service Order charge is \$5.00. This ruling in turn had

1 followed the Advisory Staff recommendation: "Staff recommends that there be no additional
2 NRC for a CLEC Simple Conversion. The Staff proposed Service Order Charge of \$5.00 would
3 still apply." Attachment C at 122.

4
5 Based on the October 2, 1997 Order, the Parties agreed to incorporate into the recently approved
6 Interconnection Agreement the language quoted at the outset of the preceding paragraph. See
7 October 10, 1997 Interconnection Agreement, Attachment 6, Appendix Pricing UNE section 3.2
8 Nevertheless, when AT&T offered to withdraw this issue from the joint list of disputed issues
9 developed during the week of October 20, SWBT refused. Apparently SWBT persists in the
10 belief that it has the discretion to impose some additional non-recurring charge(s) for these
11 conversion orders, notwithstanding the express prohibition contained in the Commission's
12 October 2, 1997 Order and incorporated into the Interconnection Agreement. Any such belief is
13 unjustified.

14
15 SWBT's attempt to relitigate this issue is not supported by the Eighth Circuit's decisions in *Iowa*
16 *Utilities Board*. As shown elsewhere, SWBT has opposed granting LSPs the same type of access
17 to its network facilities that is available to SWBT technicians to connect network components.
18 SWBT has to date failed to define any specific terms for providing nondiscriminatory access to
19 its central offices for AT&T technicians to perform the combining of elements, and all
20 indications are that no such access will be forthcoming for a substantial time, if ever. As
21 discussed in § IV, UNE Parity, Issues 1 and 3, SWBT should not be permitted to disconnect

1 network elements that are already interconnected at the time of an AT&T UNE order. But even
2 if SWBT is permitted to break apart network facilities ordered as UNEs by LSPs, for no purpose
3 other than to require someone to go through the step of putting them back together, that fact
4 would not support any additional nonrecurring charge to the LSP. Any "cost" incurred by
5 SWBT to disconnect elements ordered by an LSP, if such disconnection were permitted, would
6 not be a cost caused by the LSP; rather, it would be a cost created (unnecessarily) by the
7 incumbent for no purpose other than to deter competition. It would defy sound public policy and
8 common sense to allow SWBT to base additional nonrecurring charges on any such
9 disconnection/reconnection activity, and nothing in the Eighth Circuit decision requires the
10 Commission to provide for such charges.

11
12 Accordingly, the Commission's October 2, 1997 ruling that prohibits any additional non-
13 recurring charges for CLEC Simple Conversion Orders remains sound, and the Commission
14 should affirm that SWBT may not assess such charges.

15
16 If for any reason the Commission determines that SWBT's proposed additional non-recurring
17 charges for such orders are not foreclosed by the Commission's prior orders and are necessary to
18 allow SWBT to recover costs not already covered by other UNE rates and charges, then AT&T
19 requests the Commission (1) to require SWBT to provide a TELRIC cost study to support its
20 proposed charges and (2) to establish appropriate, TELRIC-based pricing for this item.

1 **ISSUE V-1f:**

2 Does the Commission's October 2, 1997 Order, preclude SWBT from assessing service order
3 charges, in addition to the \$5.00 service order charge established by the Commission, in
4 connection with AT&T orders for unbundled network elements and if not, what are the
5 appropriate rates, if any?
6

7 **AT&T LANGUAGE:**

8 **Appendix Pricing-UNE**

9 3.X. SWBT offers the following order types. A \$5.00 service order charge, and no other
10 service order charges, applies to Simple Conversion and New Service orders. No charge
11 applies to any of the order types.
12

13 Simple Conversion: this provision will apply when AT&T orders all network elements
14 required to provision service to a customer who is being converted to AT&T UNE-based
15 service and includes orders for elements that are currently interconnected and functional,
16 as described in section 6.X and 6.X of Attachment 7.
17

18 New Service: This will apply when an end user customer initiates service with AT&T and
19 AT&T elects to serve the customer using unbundled Network Elements. This order type does
20 not apply when an existing SWBT or other LSP customer or resale customer converts to an
21 AT&T UNE customer.
22

23 Change: This will apply when an AT&T customer's existing service is being physically or
24 logically altered in some way (e.g., addition of features, loops, ports).

1

2 Record: This will apply when there is no physical or logical work required and all that is
3 necessary is the update of SWBT's internal records.

4

5 Disconnect: This will apply when an existing service is being completely disconnected.

6

7 Suspend: This will apply when a functionality is to be suspended until further notice

8

9 Restore: This will apply when a previously suspended functionality is to be restored

10

11 Expedited: This will apply when the requested due date is less than the standard interval.

12

13 8.X (AT&T requests that SWBT's proposal be stricken in its entirety.)

14

15 **AT&T POSITION:**

16 Yes. The Commission established an interim UNE service order charge of \$5.00 in its list of
17 permanent UNE prices found in the July 31, 1997 Final Arbitration Order, Attachment B, at 5.

18 No other service order processing charge should apply to any AT&T UNE order.

19

20 This issue does not concern the non-recurring charges discussed under Issue 1e above. Rather,
21 the dispute apparently is whether the Commission, in setting an interim \$5.00 charge for initial
22 customer service orders, intended that there would be no service order charge associated with

1 other types of service orders (e.g., resale or UNE change orders submitted in order to modify a
2 CLEC customer's service) or intended to leave that issue unresolved. As of this writing, it
3 appears that SWBT will continue to assert the right to assess service order charges in connection
4 with UNE order types other than initial service orders. AT&T submits that there is no ground for
5 any such contention. SWBT incorrectly states that AT&T did not "request" suspend, restore, and
6 expedite service order types. The Commission ruled in its December 11, 1996 order "SWBT
7 must provide real-time interfaces that allow LSPs to perform preordering, ordering, provisioning,
8 maintenance and repair, and billing for resale services and unbundled network elements. These
9 interfaces must be provided on a nondiscriminatory basis, and must be capable of performing the
10 relevant functions in the same time intervals that SWBT performs similar functions for itself."
11 (Order at p. 31.) The "new" order types and charges that SWBT now proposes are an integral
12 part of the way it conducts business today, were undeniably before the Commission in the prior
13 proceeding and decided in that proceeding. The contract should be clear that no additional
14 service order charges apply until SWBT performs TELRIC studies which are approved by the
15 Commission in order to establish permanent cost-based rates for the various service order types.

16
17 Certainly the recommendation of the Advisory Staff on this issue was that the interim \$5.00
18 charge should apply only to initial service orders and that no service order charge should apply to
19 other order types. The Staff recommended that the service order charge apply "to initial service
20 orders for each customer only and *should not apply to modifications to existing CLEC*
21 *customers configuration.*" July 31, 1997 Order, Attachment C, at 122 (emphasis added). Staff
22 noted that this rate was likely to exceed the cost of electronic ordering "and should cover the

costs of additional ordering.” *Id.* The Staff also noted that SWBT had included an amount in Wholesale Marketing and Service Expense in common costs applied to all network elements. It concluded that “these two revenue sources should allow SWBT to recover the costs associated with additional orders.” *Id.*

AT&T understands that the Commission may wish to review these charges when electronic ordering cost data becomes available in the future, and in all likelihood reduce these charges. *See id.* Until then, the \$5.00 service order charge, applied to initial customer service orders, represents the universe of permissible UNE service order charges.

If for any reason the Commission determines that SWBT’s proposed additional service order charges are not foreclosed by the Commission’s prior orders and are necessary to allow SWBT to recover costs not already covered by other UNE rates and charges, then AT&T requests the Commission (1) to require SWBT to provide a TELRIC cost study to support its proposed charges and (2) to establish appropriate, TELRIC-based pricing for this item.

ISSUE V-1g:

Does the Commission’s October 2, 1997 Order, preclude SWBT from assessing rates or charges for call blocking and screening, in addition to the local switching rates and charges approved by the Commission and if not, what are the appropriate rates, if any?

1 AT&T LANGUAGE:

2 Attachment 6

3 5.X: SWBT will provide call blocking and screening (e.g., 900 blocking, toll restriction) in
4 connection with a purchase of unbundled Local Switching upon request from AT&T. No
5 additional charge applies to call blocking and screening, beyond the local switching charges
6 set out on Appendix Pricing UNE – Schedule of Prices.

7
8 AT&T POSITION:

9 Yes. SWBT's proposed call blocking and screening charges are an attempt to add charges for an
10 unbundled element – local switching – which was the subject of the prior arbitration and for
11 which the Commission already has established permanent, cost-based rates. SWBT has stated in
12 recent sessions that there will be no additional charge for blocking and screening when AT&T
13 orders AIN-based customized routing. However, as negotiations regarding AIN-based
14 customized routing are still in progress, and for those situations where AT&T either chooses not
15 to customize route its OS and DA calls, or where AT&T is required to use line class code
16 customized routing, this discussion of blocking and screening pricing remains pertinent.

17
18 One functionality of SWBT's local switches is the ability to provide blocking and screening that
19 will prevent certain types of calls from being originated over, or terminated to, a switch port
20 associated with a particular customer. This is an important local switching functionality,
21 demanded by today's consumer and today's lawmakers.

1 The December 1996 Order established AT&T's right of access to unbundled local switching in
2 Missouri. The July 31, 1997 Order established rates and charges for local switching. By the
3 terms of that Order, those rates and charges include the "full functionality" of the local switching
4 element.

5
6 SWBT nevertheless has taken the position in post-July 31 Order negotiations that it may assess
7 separate charges to establish call blocking and screening capabilities for AT&T customers who
8 are served over unbundled local switching. These proposed separate charges do not relate to
9 providing AT&T some exotic or unique species of branding and screening; SWBT proposes to
10 assess these additional charges merely to provide via unbundled switching the very same
11 blocking and screening capabilities that these local switching ports currently deliver to SWBT
12 customers. Whether SWBT provides this capability to AT&T via line class codes or AIN
13 signaling, the result should be the same. This functionality of the local switch should be
14 available to AT&T on the basis of the permanent local switching rates and charges that this
15 Commission already has established.

16
17 If for any reason the Commission determines that SWBT's proposed call blocking and screening
18 charges are not foreclosed by the Commission's prior orders and are necessary to allow SWBT to
19 recover costs not already covered by other UNE rates and charges, then AT&T requests the
20 Commission (1) to require SWBT to provide a TELRIC cost study to support its proposed
21 charges and (2) to establish appropriate, TELRIC-based pricing for this item.

1 **ISSUE V-1h:**

2 May SWBT assess rating charges, in addition to the operator services and directory assistance
3 charges established by the Commission, when SWBT provides rate quotation service to AT&T,
4 either in a UNE or resale environment and if so, what are the appropriate rates, if any?
5

6 **AT&T LANGUAGE:**

7 **Attachment 6**

8 **7.X When an AT&T caller requests a quotation of rates, AT&T will pay the applicable**
9 **rates and charges provided for in the lowest existing SWBT intercompany agreement for**
10 **operator services and directory assistance. No incremental rate quotation charge should be**
11 **paid in addition to the per-call or per-minute rate that AT&T pays for operator services**
12 **and directory assistance calls.**
13

14 Add to Attachment 2, Appendix OS-Resale and Appendix DA-Resale:
15

16 **When an AT&T caller requests a quotation of rates, AT&T will pay the wholesale**
17 **discounted charge applicable to operator services and directory assistance calls to**
18 **compensate SWBT for the Operator Transfer Service.**
19

20 **AT&T POSITION:**

21 AT&T has agreed to pay SWBT's proposed rates for call rating on an interim basis, subject to
22 true-up following the establishment of permanent prices in this proceeding. The parties have
23 agreed on the following language in the recently approved agreement filed with this Commission
24 on October 10, 1997 (italics for emphasis added):

1
2 Attachment 6

3 7.2.3.2.4 An initial non-recurring charge will apply for loading AT&T's Operator Services
4 Rate information as well as a charge for each subsequent change to AT&T's Operator
5 Services Reference information. When AT&T uses Call Rating, the applicable prices
6 contained on Appendix Pricing - UNE - Schedule of Prices and labeled
7 "Rate/Reference Information (DA/OS)" will apply *subject to true up subsequent to*
8 *determination of final rates in the arbitration filed by AT&T on September 10, 1997.*
9

10 Now is the time for the Commission to determine what rates, if any, apply.
11

12 Insofar as the UNE environment is concerned, SWBT's proposed rating charges are an attempt to
13 add charges for an unbundled element -- operator services and directory assistance -- which was
14 the subject of the prior arbitration and for which the Commission already has established what it
15 intended as permanent, cost-based rates. In the resale environment, the reduced discount
16 applicable to operator services and directory assistance will properly compensate SWBT for
17 rating.
18

19 There is no need for SWBT to provide rate quotation service to AT&T, and no desire for SWBT
20 to do so, except by virtue of SWBT's delay in implementing the customized routing that would
21 enable AT&T to provide this service to its own resale and UNE-based customers from its own
22 operator services and directory assistance platforms. Until such routing is implemented, a simple

1 zero-minus transfer would have enabled SWBT to transfer such inquiries to AT&T operators and
2 avoid the need for SWBT to provide competitively sensitive pricing information to its primary
3 competitor weeks before implementing price changes. SWBT's affiliate, Pacific Telesis, is
4 providing zero-minus transfers today for AT&T local service customer rate inquiries in
5 California, at no charge to AT&T. While AT&T has agreed that SWBT may use its own
6 operators to provide rate quotes rather than use a zero-minus transfer, it has done so only to
7 accommodate SWBT's preference. Any costs incurred by SWBT to provide rate quotes are a
8 result of its own preference, not AT&T's request.

9
10 More fundamentally, this is one more proposed additional charge for an element – operator
11 services and directory assistance – for which permanent UNE prices have been set. Rate
12 reference is a functionality of unbundled operator service and directory assistance, as provided in
13 the signed agreement of the parties, not a separate rate element with an additional cost. The
14 recently approved contract submitted to this Commission on October 10, 1997, like the
15 AT&T/SWBT contract in effect in Texas and the contracts proposed between the companies in
16 Oklahoma, Arkansas, and Kansas, includes this definition: the "OS/DA Network Element
17 provides two types of functions: Operator Service Functions and Directory Service functions,
18 each of which is described in detail below." Attachment 6, section 7.1. The sections that follow
19 identify and define rate reference as an aspect of both directory assistance and operator service,
20 and they include operator transfer service as a part of operator service. *Id.* at sections 7.2.3,
21 7.3.3.2.

1 This Commission has established permanent OS/DA rates, by reference to the lowest
2 intercompany compensation arrangement SWBT currently has in place that was entered into after
3 the August 28, 1996 effective date of Missouri's Senate Bill 507. July 31, 1997 Order,
4 Attachment B, at 4, and October 2, 1997 Order, page 8. AT&T does not believe it was the intent
5 of the Commission that it should pay an extra charge for rate quotation in addition to the per-call
6 or per-minute rate for OS/DA in those existing agreements. SWBT, on the other hand believes
7 this to mean that AT&T must also pay its proposed charges for call rating in addition to the
8 OS/DA rates. AT&T has agreed to pay these rates on an interim basis, subject to true-up in an
9 effort to ensure that it would be able to enter the market. This does not mean that AT&T accepts
10 these prices as permanent prices for the interconnection agreement. There is no basis for SWBT
11 to propose additional rate reference charges in addition to the OS/DA rates ordered by the
12 Commission.

13
14 If for any reason the Commission determines that SWBT's proposed rating charges are not
15 foreclosed by the Commission's prior orders and are necessary to allow SWBT to recover costs
16 not already covered by other UNE rates and charges, then AT&T requests the Commission (1)
17 to require SWBT to provide a TELRIC cost study to support its proposed charges and (2) to
18 establish appropriate, TELRIC-based pricing for this item.

19
20 **ISSUE V-1i:**
21 Do the permanent rates and charges established by the Commission include appropriate
22 compensation for access to operations support systems for preordering, ordering, provisioning,
23 maintenance, repair and billing of UNEs and resale services? If not, what are the appropriate
24 rates and charges, if any?

1
2 **AT&T LANGUAGE:**

3 **Attachment 6**

4 10.X SWBT will provide AT&T access to its Operations Support Systems Functions through
5 the electronic interfaces provided for in Attachment 7 (Pre-Ordering, Ordering and Provisioning
6 – UNE), Attachment 8 (Maintenance – UNE), Attachment 9 (Connectivity Billing and
7 Recording – UNE), and Attachment 10 (Customer Usage Data – UNE) on the terms and
8 conditions set forth in those Attachments. **There is no additional charge for access to, or use**
9 **of, SWBT operations support systems functions, beyond the charges applicable to the**
10 **elements ordered by AT&T (e.g., loop charges) and the service order charge provided for**
11 **in section 3.X of Appendix Pricing UNE.**

12
13 **Attachment 1: Appendix Services/Pricing**

14 **15.X There is no additional charge for access to, or use of, SWBT operations support**
15 **systems functions in connection with resold services, beyond the wholesale charges**
16 **applicable to the services ordered by AT&T and the Local Service Customer Change**
17 **Charge.**

18
19 **AT&T POSITION:**

20 Yes. Insofar as the UNE environment is concerned, SWBT's proposed operations support
21 systems charges are an attempt to add charges for an unbundled element – operations support
22 systems functions – which was the subject of the prior arbitration and for which the Commission

1 already has established permanent, cost-based rates in the form of a service order charge. In the
2 resale environment, the service order charge established by the Commission also will properly
3 compensate SWBT for use of the operations support systems necessary to process resale orders.
4 Aside from these specific service order charges approved by the Commission, costs associated
5 with OSS functionality are recovered in the permanent rates for the other unbundled network
6 element rates established by the Commission and in the wholesale price that AT&T will pay for
7 resold services.

8
9 The Commission's Advisory Staff, in recommending the \$5.00 service order charge that the
10 Commission approved, expressed concern that this rate was "likely to be in excess of the cost of
11 electronic ordering." July 31, 1997 Final Arbitration Order, Attachment C, at 122. It also noted
12 that SWBT had included wholesale marketing and service expense in the common costs that are
13 applied to all network elements. *Id.*

14
15 Because rates and charges for operations support systems functions have already been arbitrated,
16 and because there is no justification for any additional charges, the contract should confirm that
17 no additional charges will apply.

18
19 If for any reason the Commission determines that SWBT's proposed OSS charges are not
20 foreclosed by the Commission's prior orders and are necessary to allow SWBT to recover costs
21 not already covered by other UNE rates and charges, then AT&T requests the Commission (1)

1 to require SWBT to provide a TELRIC cost study to support its proposed charges and (2) to
2 establish appropriate, TELRIC-based pricing for this item.

3
4 **ISSUE V-1j:**

5 Since the Commission's July 31, 1997 Order expressly addressed a rate for DS3 Dedicated
6 Transport Cross-Connects, may SWBT assess dedicated transport cross-connect charges, other
7 than the DS3 transport cross-connect charge established by the Commission and if so, what rates
8 and charges should apply, if any?

9
10 **AT&T LANGUAGE:**

11 **Attachment 6**

12 **11.X When AT&T orders DS3 Dedicated Transport, it will pay the rates and charges**
13 **shown for Transport Cross Connect on Appendix Pricing UNE – Schedule of Prices. One**
14 **cross connect charge will apply per DS3 facility ordered. No other cross connect charges**
15 **apply to AT&T's use of Dedicated Transport.**

16
17 **AT&T POSITION:**

18 No. The Commission's July 1997 Order set a specific transport cross-connect charge, for a DS3
19 Transport Cross Connect. July 31, 1997 Order, Attachment B. The issue of dedicated transport
20 cross-connects has been decided. SWBT may not now propose to add other cross-connect
21 charges.

22
23 AT&T does request clarification of the application of the transport cross-connect charge. The
24 parties had earlier agreed during negotiations that there would be no charge for any dedicated

1 transport cross-connects at a DS3 level and below. See AT&T proposed Interconnection
2 Agreement filed April 25, 1997, Attachment 6, Appendix Pricing UNE – Schedule of Prices
3 (showing applicable cross-connect charges of \$0.00 as agreed). AT&T understands that the
4 Commission nevertheless decided to break out a separate cross-connect charge that would apply
5 when AT&T uses DS3 dedicated transport. AT&T requests the Commission to confirm that its
6 understanding of the application of the order is correct.
7

8 **ISSUE 2: CARRIER CHANGE CHARGE**

9 Does the Commission's October 2, 1997 Order, preclude SWBT from assessing a non-recurring
10 or service order charges, other than the \$5.00 Local Service Customer Change Charge
11 established by the Commission, to modify a customer's service (i.e., add or subtract vertical
12 features) at the time of conversion to resale service and if so, what should the rates and charges
13 be, if any?
14

15 **AT&T LANGUAGE:**

16 **Attachment 1**

17 3.X If an AT&T end user customer adds features or services when the end user customer
18 changes their resold local service from SWBT or another LSP to AT&T, SWBT will charge
19 AT&T the Primary Local Exchange Carrier Selection Charge and any applicable wholesale non-
20 recurring charges for the features or services added. **The Local Service Customer Change**
21 **Charge will apply in lieu of service connection charges.**
22

1 **AT&T POSITION:**

2 Yes. The Commission's October 2, 1997 order is explicit that the \$5.00 service order charge
3 applies to orders to convert a customer to resale service and that no other non-recurring charges
4 are to apply to such orders. *See* October 2, 1997 Arbitration Order at IV-A, page 5. This ruling
5 placed beyond reasonable debate any question about whether SWBT may assess or propose
6 additional resale order NRCs or service order charges. Yet when AT&T proposed to withdraw
7 this issue from the second arbitration based on the plain language of the October 2 Order, SWBT
8 insisted on retaining the issue. SWBT offered no explanation of how any additional resale NRC
9 or service order charge possibly could be squared with the October 2 Order, but simply
10 maintained that it disagreed with AT&T's position and insisted that the issue remain on the
11 disputed issues list. This issue, exclusively concerning resale, is unaffected by any interpretation
12 of the recent Eighth Circuit decisions. SWBT's position on this issue is nothing other than a
13 refusal to acknowledge and conform to the plain meaning of the October 2 Arbitration Order.

14
15 AT&T's language limiting the charges that apply to convert a customer to resale services should
16 be adopted. When a customer chooses AT&T for local service, neither AT&T nor the end-user
17 customer should be charged with additional rates for choosing AT&T, outside of the approved
18 Local Service Customer Change Charge.

19
20 It is AT&T's understanding of the Commission's July 31, 1997 Order that the \$5.00 service order
21 charge is interim for both UNE and resale, until SWBT has TELRIC studies approved for
22 electronic orders. For resale, this interim \$5.00 charge is applied only at the time the customer

1 converts to AT&T resale service, and not when a customer adds or deletes features subsequent to
2 the initial conversion of the customer to AT&T. In other words, when AT&T submits an
3 electronic order to SWBT, AT&T agrees to pay the \$5.00 service order charge, and no other
4 service order related charges would apply. The TELRIC-based rate, when approved by the
5 Commission, might be applied to every type of electronic order, but this is not the case for the
6 interim \$5.00 rate, which is "likely to be in excess of the cost of electronic ordering." July 31
7 Final Arbitration Order, Attachment C, at 122. AT&T requests that the commission clarify its
8 position on this case.

9
10 **ISSUE 3a:**

11 What should be the rates for White Pages-Resale and White Pages - Other?
12 What should be the rates for Directory Listings?

13
14 **AT&T LANGUAGE:**

15 **Appendix White Pages-Resale**

16 4.X Any one book covering a geographic area per page per year: \$3,191.73

17
18 4.X The price contained in Section 4.X above are interim in nature and are subject to true-up
19 from the effective date of this agreement to the State Commission's determination of
20 permanent prices.

1 Appendix White Pages - Other

2 4.X The prices contained in Section 4.X above are interim in nature and are subject to true-up
3 from the effective date of this agreement to the State Commission's determination of
4 permanent prices

5
6 **Appendix Directory Listings Information**

7 8.x The Parties will supply their customer listing information to each other at no charge.

8
9 AT&T POSITION:

10 **White Pages-Resale and White Pages - Other**

11 Any charges for these items should be subject to TELRIC cost studies and determined by the
12 Commission. In an effort to insure that AT&T would be able to enter the market, AT&T has
13 agreed with SWBT on interim prices. This does not mean that AT&T accepts these prices as
14 permanent prices for the entire term of the interconnection agreement. SWBT failed to include
15 any of these prices in the initial price proceeding.

16
17 In Texas¹, where AT&T had access to the SWBT studies, AT&T made corrections to the White
18 Pages study which eliminated the inflation factor and common cost allocator as ordered by the
19 Texas Award.² Otherwise, AT&T used the investments and book counts that were used by
20 SWBT. These two corrections reduced the SWBT per book costs by almost 16 percent. AT&T

¹ AT&T is willing to provide its testimony and supporting documentation from Texas, to the Missouri Advisory Staff, if this is requested.

² Arbitration Award, ¶ 80 at 38.

1 also developed a cost per information page on a zone basis. To do so, AT&T took SWBT's cost
2 per printed page by zone, and multiplied that by the average number of books within each zone.
3 That produced an average cost by zone for each information page printed per year.

4
5 In Texas, SWBT determined its rate per information page by multiplying the SWBT rate per
6 page for a zone by the maximum number of copies in that zone. That calculation obviously
7 overstates costs, because there are multiple locations in the zones, and not all locations in a
8 particular zone will produce the maximum number of copies. By using SWBT's own
9 methodology, multiplying the per page rate by the average number of copies in zone 1 instead of
10 the maximum, AT&T developed a price that was only 22 percent of the rate proposed by SWBT.

11
12 Also, SWBT would have all prices remain interim until a final decision is rendered following
13 court appeals. This would amount to giving SWBT a contractual stay of all permanent prices for
14 as long as possible if it appeals the Commission's decision. SWBT may pursue whatever appeals
15 SWBT may want to pursue in the state of Missouri, and it may request stays at that time;
16 however, SWBT should not receive an automatic stay on these prices, to which it is not
17 otherwise entitled under appellate processes.

18 19 Directory Listings

20 The Commission determined in the initial Arbitration that "all parties should supply their
21 customer information to each other at no charge" (Issue 13, page 22-23). SWBT insists that
22 Attachment 18: Directory Assistance Listings will not be offered in the Agreement if the listings

1 are exchanged at no charge. SWBT should be ordered to comply with the terms of the initial
2 order and provide for the mutual exchange of directory assistance listings.

3
4 The FCC's 1st Report and Order paragraph 538 states:

5
6 As discussed above, incumbent LECs must provide access to databases
7 as unbundled network elements.³ We find that the databases used in
8 the provision of both operator call completion services and directory
9 assistance must be unbundled by incumbent LECs upon a request for
10 access by a competing provider.
11

12 It is fallacious for SWBT to assert that directory assistance listings are "not a requirement under
13 the Telecom Act and therefore, need not be based on TELRIC".

14
15 **ISSUE 3b:**

16 What should be the E911 rates charge by SWBT to AT&T?

17
18 **AT&T LANGUAGE:**

19 **Attachment 15**

20 A. The following compensation amounts will be due SWBT for the provision of services under
21 the above-mentioned Attachment for AT&T exchanges and the feature configurations shown in
22 Addendum I. These prices are interim in nature **and are subject to true-up** from the effective
23 date of this agreement **to the State Commission's determination of permanent prices.**

24

³ See *supra*, Section V.J.

1 B.The following trunk charges will be paid to SWBT for each E911 control office to which
2 AT&T connects. These prices are interim in nature and are subject to true-up from the
3 effective date of this agreement to the State Commission's determination of permanent
4 prices

5
6 **AT&T POSITION:**

7 E911 is a service that is of massive public interest and importance. It is a service that must be
8 provided as accurately and efficiently as possible. It is also crucial that, in opening up the local
9 exchange market to entry, SWBT not be allowed to use E911 as a means to create unnecessary
10 barriers to entry. Therefore, the proposed charges of SWBT for E911 need to be scrutinized with
11 extreme care.

12
13 SWBT argues that E911 is not subject to Section 252(d) pricing standards. This argument is
14 fallacious. Footnote 914 of the FCC's First Report and Order states, "We also note that E911
15 and operator services are further unbundled from local switching." Since the FCC order
16 unbundles E911 it follows that it must be cost based and non-discriminatory.

17
18 Any charges for this item should be subject to TELRIC cost studies and determined by the
19 Commission. In an effort to insure that AT&T would be able to enter the market, AT&T has
20 agreed with SWBT on interim prices. This does not mean that AT&T accepts those prices as
21 permanent prices for the entire term of the interconnection agreement. SWBT failed to include
22 any of these prices in the initial price proceedings.

1
2 Also, SWBT would have all prices remain interim until a final decision is rendered following
3 court appeals. This would amount to giving SWBT a contractual stay of all permanent prices for
4 as long as possible if it appeals the Commission's decision. SWBT may pursue whatever appeals
5 SWBT may want to pursue in the state of Missouri, and it may request stays at that time;
6 however, SWBT should not receive an automatic stay on these prices, to which it is not
7 otherwise entitled under appellate processes.

8
9 **ISSUE 4: NXX MIGRATION**

10 Is NXX Migration a form of interim number portability and if not what is the appropriate rate, if
11 any?
12

13 **AT&T LANGUAGE:**

14 Attachment 14: INP

15 **8.X NXX Migration (LERG Reassignment)**

16
17 **8.X Where a Party has activated more than half of an NXX and the remaining numbers in**
18 **that NXX are either unassigned or reserved for future use, at the request of that Party it**
19 **may elect to employ NXX Migration. NXX Migration will be provided by utilizing**
20 **reassignment of the NXX to the requesting Party through the Local Exchange Routing**
21 **Guide (LERG).**

1 **AT&T POSITION:**

2 In the original Arbitration Order, page 22, the Commission found that the parties should keep
3 track of their INP costs until the issues are clearer. There has been no further clarification on this
4 issue.

5
6 AT&T demonstrated in the initial arbitration that the best method of achieving interim number
7 portability for very large customers was through the use of NXX migration. NXX Migration, or
8 Local Exchange Routing Guide (LERG) Reassignment, is a method of INP whereby an entire
9 NXX (block of 10,000 numbers) is moved from one central office to another. SWBT has argued
10 that NXX migration is a numbering issue, and not a number portability issue, in order to avoid
11 the implications of the Commission's ruling. It should not be allowed to succeed in its effort to
12 further impede the development of local competition for these customers.

13
14 New NXX codes are opened every day and new switches are added to ILEC, CLEC and IXC
15 networks frequently. Each industry participant must update the information in its switch in order
16 to route calls to the appropriate network location. Thus all industry participants will incur costs
17 each time an NXX code is added or migrated. the Commission should adopt a policy of requiring
18 each industry participant to absorb its own development costs.

19
20 AT&T considers NXX migration to be a critical method to provide INP. SWBT attempts to
21 define its way out of the Commission's "each pays own" INP compensation method by calling
22 NXX migration a numbering issue. When AT&T requests that an existing NXX be migrated so

1 that a customer does not have to change their telephone number, that is a number portability
2 issue. As such, the Commission should adopt AT&T's proposed language which specifically
3 clarifies that NXX migration is a form of number portability and is subject to the "each pays
4 own" compensation mechanism.

5
6 Migrating an NXX can actually result in a great cost savings for SWBT. The alternative would
7 be for SWBT to provide an alternative number portability solution for the majority of customers
8 in the NXX. Since all number portability providers will be absorbing their own costs, SWBT
9 would be incurring all these costs. Once the NXX has been migrated to AT&T, it is AT&T that
10 will absorb the costs of porting back the minority of customers to SWBT.

11
12 Furthermore, migrating the NXX will delay the exhaust of telephone numbers. If the majority of
13 customers in an NXX must have two telephone numbers, this puts a great strain on the limited
14 number resources that are available. It would be far better to only have to use two numbers for
15 the minority of customers in the NXX. Clearly NXX migration is a superior form of interim
16 number portability.

17
18 SWBT will agree to AT&T's language as written in Sections 8.X and 8.X if the sections were
19 contained in Attachment 21: Numbering. SWBT proposes this relocation based on its desire to
20 charge for NXX migration should it not be considered an INP solution. In the original
21 arbitration, AT&T proposed that NXX Migration (LERG Reassignment) should be used as an
22 INP solution. SWBT agreed. SWBT proposes to charge \$10,000 per NXX without any cost

1 justification. NXX migration should be provided as part of Interim Number Portability and
2 therefore no charge should apply.

3
4 **ISSUE 5**

5 **SWBT Statement of Issue:**

6 Should the temporary ULS rate structure be eliminated prior to SWBT's and the industry's
7 ability to measure and bill the long term structure?

8
9 **AT&T Statement of Issue:**

10 Should SWBT's temporary ULS rate structure, under which AT&T will pay for unbundled
11 switching and common transport based on a surrogate formula rather than actual usage due to
12 SWBT's inability to measure terminating usage, be subject to a certain end date and reasonable
13 audit provisions?

14
15 **Proposed Stipulation.**

16 SWBT will provide an AIN solution for customized routing of OS/DA calls by December 31,
17 1997. By April 1, 1998, when SWBT's billing systems are updated to accommodate this
18 solution, SWBT will cease to use the Temporary Interim Structure except in the following cases:

- 19
20 • DMS-10 switches
21 • End user service with voice activated dial served out of a 5ESS switch
22 • Coin services where SWBT's network rather than the telephone provides the
23 signalling
24 • Hotel/motel services
25 • Certain CENTREX-like services with features that are incompatible with AIN.

26 Therefore, AT&T's proposed language will be shown as agreed and changed to read as follows:
27

28 5.X As of the Effective Date of this Agreement, SWBT is unable to measure terminating usage
29 associated with unbundled Local Switching and in certain circumstances originating usage
30 associated with unbundled Local Switching. Once SWBT has the ability to measure such usage,

1 the standard rate structure for ULS described above will become effective. During the time
2 period prior to the implementation of the Standard Rate Structure the following temporary ULS
3 Rate structure will apply. By April 1, 1998 SWBT will cease to use the temporary ULS Rate

4 Structure except in the following cases:

- 5 • DMS-10 switches
- 6 • End user service with voice activated dial served out of a 5ESS switch
- 7 • Coin services where SWBT's network rather than the telephone provides the
- 8 signalling
- 9 • Hotel/motel services
- 10 • Certain CENTREX-like services with features that are incompatible with AIN.

11
12 AT&T has not yet received a response from SWBT regarding its acceptance or rejection of this
13 stipulation. If SWBT does not agree to AT&T's language, AT&T proposes the following
14 position and language on this issue:

15
16 AT&T LANGUAGE:

17 Appendix Pricing-UNE

18 5.X As of the Effective Date of this Agreement, SWBT is unable to measure terminating
19 usage associated with unbundled Local Switching and in certain circumstances originating
20 usage associated with unbundled Local Switching. Once SWBT has the ability to measure
21 such usage, the standard rate structure for ULS described above will become effective.
22 During the time period prior to the implementation of the Standard Rate Structure the
23 following temporary ULS Rate structure will apply. By December 31, 1997, or by another
24 date as the Parties may otherwise agree, SWBT will cease to use the temporary ULS Rate
25 Structure.

1
2 5.X SWBT will provide access to information necessary to verify the accuracy of the bills
3 that AT&T receives.
4

5 5.X The Parties have developed a set of schematics and descriptions which reflect
6 anticipated call flows and related usage sensitive rate elements (the dollar amounts for
7 recurring and nonrecurring charges for the elements are not included on the schematics).
8 These schematics are designed to illustrate the application of usage sensitive charges.
9 These schematics as currently developed are contained in a document entitled "Call Flow
10 Document" dated 10/97. On a going forward basis the Parties may develop new call flow
11 schematics, modify existing call flow schematics, and delete obsolete call flows schematics
12 as needed. The following definitions underlie the schematics.
13

14 AT&T POSITION:

15 According to SWBT, its systems development has not yet progressed to the point that it is able to
16 measure terminating usage associated with unbundled local switching and, in some
17 circumstances, originating usage. See Appendix Pricing UNE, Section 5.X. SWBT has
18 expressed confidence that it will have completed the systems development to achieve those
19 capabilities prior to the end of 1997. Meanwhile, however, SWBT states that it is unable to
20 implement the interim rate structure that the parties have otherwise agreed to (with certain
21 exceptions) for applying usage sensitive UNE charges when AT&T has purchased unbundled

1 local switching (this structure is the "Standard Interim Rate Structure for ULS" provided for in
2 Section 5.X of Appendix Pricing UNE).

3
4 SWBT has proposed a "Temporary ULS Rate Structure" for use until it develops the capability to
5 measure the terminating and originating usage referred to above. Under the proposed temporary
6 structure, AT&T will pay a surrogate charge for all completed calls originated from an
7 unbundled switch port purchased by AT&T and terminating at a different switch. This formula
8 consists of the following: two times the local switching rate, plus one times the common
9 transport rate, plus .3 times the tandem switching rate, for each minute of use. See Attachment 6,
10 Section 5.X.

11
12 This surrogate formula is undesirable as anything more than a short-term patch. To the extent it
13 prevents AT&T from billing terminating access charges that it is entitled to under the Act, it will
14 improperly restrict AT&T's use of the UNE elements it purchases.

15
16 These problems notwithstanding, AT&T has agreed to utilize the Temporary ULS Rate Structure
17 in Missouri as a short-term compromise. However, AT&T should receive some corresponding
18 assurance that this structure will indeed be short-term. AT&T has proposed contract language
19 that would require SWBT to cease use of this rate structure by December 31, 1997, unless the
20 parties agree to another date. A year-end deadline is consistent with SWBT's stated expectations
21 of when it will change over from the temporary structure to the interim standard structure. That
22 mutual expectation should be given force in the contract.

1

2 Because of its concerns about the accuracy and application of the formula, AT&T also has
3 included language that will provide it access to any information needed to verify related billing.
4 AT&T has also included language that refers to a joint working document between the
5 companies that addresses these issues. Because the temporary ULS rate structure is a unique
6 structure that will only last a short time, it is reasonable to provide for this limited audit
7 capability, apart from the annual audit provisions in the General Terms and Conditions. AT&T
8 proposed a stipulation on this issue to SWBT on October 22, 1997 during the joint meeting of the
9 parties and the Commission staff. The stipulation reads as follows:

10

11 **ISSUE 6:**

12 **SWBT Statement of Issue:**

13 **See Item 5, above.**

14

15 **AT&T Statement of Issue:**

16 Should a blended transport rate apply to AT&T's usage of common transport and tandem
17 switching, based on average tandem usage within the SWBT network, rather than requiring the
18 parties to track and verify usage of tandem switching for AT&T local customer traffic?

19

20 AT&T proposed a stipulation to SWBT on October 22, 1997 when both Parties met with the
21 Commission staff. The stipulation reads as follows:

22

23 **Proposed Stipulation.**

24 AT&T and SWBT reached agreement on the mechanism to develop the rates for a Blended
25 Transport Rate. It is based on a combination of Common Transport and Tandem Switching.

26

1 The specific formula agreed upon by the parties is as follows, for all calls using Common
2 Transport:

3 0.3 Tandem Switching MOU
4 + 1.0 Common Transport - Termination MOU
5 + 1.0 Common Transport - Facility MOU
6 using 7 miles of common Transport (until resolution of intraLATA toll issue)
7

8 SWBT has not yet indicated to AT&T that it accepts this proposed stipulation. Should SWBT
9 refuse to agree to the stipulation, AT&T proposes the following language and position on this
10 issue:
11

12 AT&T LANGUAGE:

13 Appendix Pricing-UNE

14 5.X The Parties agree that, for calls originated over unbundled local switching and routed
15 over common transport, SWBT will not be required to record and will not bill actual
16 tandem switching usage. Rather, AT&T will pay the rate shown on Appendix Pricing UNE
17 - Schedule of Prices labeled "Blended Transport," for each minute of use of unbundled
18 common transport, whether or not the call actually traverses the tandem switch.
19

20 AT&T POSITION:

21 Yes. AT&T's proposed Blended Transport rate will provide full cost-based compensation to
22 SWBT while saving both parties the effort and expense of tracking actual tandem usage for all
23 AT&T local customer traffic.
24

1 As discussed in Issue 5, above, in connection with SWBT's proposed temporary ULS rate
2 structure, it is important that SWBT measure AT&T's actual usage of originating and
3 terminating unbundled switching, and the AT&T be billed accordingly. Otherwise, AT&T
4 access to unbundled switching is improperly limited.

5
6 However, AT&T has proposed a Blended Transport rate that should save SWBT the effort and
7 expense of measuring actual tandem usage for AT&T local customer traffic, and it will save
8 AT&T the effort and expense of verifying SWBT's billing in this regard. SWBT has agreed that,
9 when AT&T uses unbundled common transport, its traffic will be routed over SWBT's common
10 network according to the same criteria that SWBT traffic is routed. Thus, tandem usage for
11 AT&T local customer traffic should mirror SWBT tandem usage for comparable traffic. AT&T
12 has proposed a formula that should accurately reflect the average combination of common
13 transport and tandem switching usage that will apply to its local customer traffic. This formula
14 (as well as the underlying common transport and tandem switching rates) will be presented for
15 review and determination in the pending price proceedings. AT&T's proposed contract language
16 referencing the Blended Transport rate, contained in Section 5.X of Appendix Pricing UNE,
17 should be adopted along with AT&T's proposed pricing.

18
19 **ISSUE 7:**

20 What additional elements need to be priced?

- 21 A) Issue withdrawn by AT&T
- 22 B) 4-wire PRI loop to multiplexer cross-connect.
- 23 C) dedicated transport entrance facility when this element is actually utilized.
- 24 D) SS7 links-cross connects
- 25 E) call branding for directory assistance and operator services

1
2 AT&T LANGUAGE:

3 Prices to be included in the Attachment 6: Schedule of Prices.
4

5 AT&T POSITION:

6 AT&T has maintained throughout this proceeding that it believes that the pricing ordered by the
7 Commission in its July 31 ruling, and confirmed and clarified in the October 2 Order, is
8 complete for the elements ordered. For a handful of elements, the order recognized the element
9 but did not set a price, or it is not clear whether an element was omitted due to an oversight.

10 AT&T addresses these items below.

11 A. Issue withdrawn by AT&T.

12 B. Loop cross-connect: 4-wire PRI to multiplexer. The July 31 ruling did not include a rate for
13 the 4-wire PRI loop to multiplexer cross connect. SWBT now takes the position that this
14 item was "not arbitrated," although loop-to-multiplexer cross-connects were priced for each
15 of the other loop types in the July 31 Order. AT&T cannot ascertain whether the
16 Commission's omission of this cross-connect was deliberate, reflecting a judgment that the
17 relevant costs are being recovered in other rates or charges. If not, AT&T seeks a TELRIC
18 cost-based rate for this element, following submittal of a TELRIC cost study by SWBT.
19

20 C. Dedicated transport entrance facility (when actually utilized). The Commission has clarified
21 that AT&T will be required to pay an entrance facility charge in connection with unbundled
22 dedicated transport only when AT&T actually utilizes such a facility (i.e., no entrance facility

1 charge will apply when AT&T "appears" only as a node on a SONET ring). July 31, 1997
2 Order at Attachment B, p. 3 (footnote); October 2, 1997 Order at p.9. With that clarification,
3 AT&T did not propose to add an issue to this arbitration regarding entrance facility charges.
4 However, SWBT proposes that the Commission proceed to set the charge that would apply
5 when an entrance facility is "actually utilized," in the sense referred to by the Commission's
6 prior orders. AT&T does not oppose setting such a charge, provided that SWBT is required
7 to provide a TELRIC cost study to support its proposed charge and that a TELRIC-based
8 charge is established, consistent with the Act.

9
10 D. SS7 Links Cross-connects. In its October 2, 1997 Order, the Commission expressly stated
11 that it was not ruling on the appropriate pricing for this item. AT&T does not anticipate
12 ordering this item, which would only come into play if AT&T elected to provide local
13 service using its own switches but also using SWBT's unbundled signaling network.
14 Accordingly, AT&T did not request that pricing for this item be added to the set of issues to
15 be arbitrated here. SWBT does propose to establish prices for this item in this proceeding.
16 AT&T does not oppose setting such a charge, provided that SWBT is required to provide a
17 TELRIC cost study to support its proposed charge and that a TELRIC-based charge is
18 established, consistent with the Act.

19
20 E. Call branding for directory assistance and operator services. In its October 2, 1997 Order, the
21 Commission expressly stated that it was not ruling on the appropriate pricing for this item.
22 AT&T had not proposed branding rates in the initial arbitration, because AT&T intended to

1 provide its own operator services and directory assistance via customized routing from
2 SWBT end offices. However, the delayed availability of SWBT customized routing has
3 required AT&T to accept the use of SWBT OS/DA services for a limited period of time in
4 order to permit AT&T to enter the Missouri market. Accordingly, in the signed
5 Interconnection Agreement recently approved by the Commission, AT&T has agreed to
6 SWBT's proposed branding rates on an interim basis only. AT&T now requests that SWBT
7 be required to provide a TELRIC cost study to support its proposed branding rates and
8 charges and that TELRIC based rates and/or charges be established, consistent with the Act.
9

10 In Texas, SWBT did not produce a cost study that explicitly identified a recurring cost per
11 branded call. Thus, in order to develop an estimate of a recurring cost per branded call,
12 AT&T summed the per call elements of the branding components included within SWBT's
13 Operator Services Costing Model (OSCM). The AT&T corrections to the OSCM in Texas,
14 reduced the sum of the SWBT OSCM call branding components by 91.5 percent.
15

16 **ISSUE 8:**

17 Does the Commission's October 2, 1997 Order address the pricing for the following items and if
18 not what should the prices be?
19

- 20 a. Loop Cross Connect without testing to DCS
- 21 b. Loop Cross Connect with testing to DCS
- 22 c. Subloop Cross Connect
- 23 d. Nonrecurring Charge for Unbundled Switch Port-Vertical Features
- 24 e. Access to directory assistance database
- 25 f. Dark fiber cross connect
- 26 g. Dark fiber record research
27

1 **AT&T LANGUAGE:**

2 AT&T does not propose language on these issues, but opposes the recognition of additional rates
3 or charges for these items.
4

5 **AT&T POSITION:**

6 SWBT proposed to add several more "rate elements" to the list of disputed pricing issues during
7 the development of the joint issues list the week of October 20, 1997. In AT&T's view, these
8 proposed items suffer from the same flaws as the items discussed under Issues 1a-1i: they
9 represent additional proposed charges associated with elements for which cost-based pricing
10 already has been established, after a full and fair opportunity for the parties to bring all the
11 relevant data and analysis before the Commission. They should be rejected. To the extent that
12 the Commission determines that separate, additional pricing for these items is not foreclosed by
13 the prior proceedings, AT&T requests that SWBT be required to produce a TELRIC cost study to
14 support its proposed rates and/or charges and that appropriate TELRIC-based rates and charges
15 be established.
16

- 17 a. Loop cross connect without testing to DCS. This issue is related to Issue 1c above.
18 Pricing for dedicated transport, which should include DCS, and for loop cross connects,
19 was disputed and established in the prior proceedings. SWBT should not now be
20 permitted to add a charge for a cross connect between a loop and DCS. There is no reason
21 why this charge could not or should not have been proposed in the prior proceedings.
22 Attempting to price an item like a cross connect in isolation, without reexamining the

1 costs that were considered as the basis for the dedicated transport and other charges
2 approved in the prior proceeding, will allow for the possibility of double recovery. The
3 Parties had originally agreed that the price for this cross connect should be \$0.00. SWBT
4 has backed out of this agreement, based on the fear that it will not be allowed to charge
5 its proposed rates for DCS, which are not TELRIC based; they are very near to the
6 existing tariff rates. Therefore, SWBT now reverses the agreement it had with AT&T
7 and proposes an additional charge for this cross connect.

8
9 b. Loop cross connect with testing to DCS. This proposed rate element should be rejected
10 for the same reasons as the loop cross connect without testing to DCS, discussed
11 immediately above.

12
13 c. Subloop cross-connect. The Commission's July 31, 1997 Order established prices for the
14 subloop elements that the Commission had recognized over SWBT's strenuous objection.
15 Having unsuccessfully opposed subloop unbundling and having received an unfavorable
16 ruling on subloop pricing, SWBT then offered up a new proposed "rate element," the
17 subloop cross connect. This eleventh hour suggestion cannot be justified. SWBT cannot
18 deny that subloop unbundling and subloop pricing were subjects of the prior arbitration.
19 Comprehensive, cost-based UNE pricing will never be attainable if the incumbent local
20 exchange carrier can arbitrate the pricing for an element and then, when dissatisfied with
21 the outcome, identify some component of the element or some ancillary item that must be

1 priced before the new entrant actually can make any use of the element. It is too late for
2 SWBT to propose additional components of subloop pricing.

3
4 d. Nonrecurring charge for unbundled switch port – vertical features. this item may be
5 SWBT's single most egregious attempt at relitigation and evasion of prior Commission
6 orders. From the outset of the first arbitration, AT&T has sought unbundled access to the
7 full functionality of SWBT's local switches, including vertical features. After the record
8 had closed in that arbitration, AT&T learned that SWBT would take the position that,
9 although AT&T had arbitrated access to the vertical feature functionality of the
10 unbundled switch and had included in the arbitration the issue of local switching prices
11 (to be established in the cost proceedings), AT&T had failed to arbitrate "feature
12 activation charges"—SWBT's proposed name for a charge to actually turn on a vertical
13 feature for a customer. AT&T contested that position to the Staff in the price proceeding
14 that followed and urged the importance of a comprehensive schedule of UNE rates that
15 would enable a new entrant to build and execute a business plan for serving Missouri
16 customers.

17
18 The Commission's July 31, 1997 Order rejected the concept of feature activation charges
19 in straightforward terms: "Prices for the unbundled network elements include the full
20 functionality of each element. *No additional charges for* any such element, the
21 functionalities of the element, or *the activation of the element or its functionalities shall*
22 *be permitted.*" July 31, 1997 Arbitration Order at 4 (emphasis added). Nonetheless,

1 SWBT refused to incorporate this language into an interconnection agreement until the
2 Commission ordered it to do so in the October 2, 1997 Order, adopting AT&T's position
3 on Issue 14. *See* Issue 1a above.
4

5 Astoundingly, SWBT insisted on placing this item (nonrecurring charge for unbundled
6 switch port – vertical features) on the joint list of disputed issues, and SWBT included
7 feature activation charges on the price list it attached to its response to AT&T's
8 arbitration petition in the current proceedings. Even if SWBT's position in the current
9 proceedings is limited to an effort to resurrect feature activation charges in connection
10 with orders to modify an AT&T customer's existing service (i.e., a customer AT&T is
11 serving over unbundled elements elects to add or delete a feature), SWBT's position
12 remains flatly contradictory to the Commission's July 31, 1997 and October 2, 1997
13 Orders. Activating a feature for an existing customer constitutes the "activation" of one
14 of the "functionalities" of the local switching element. The July 31, 1997 Order could
15 hardly have prohibited "additional charges for" the activation of such functionalities in
16 plainer terms. Yet SWBT takes the position that feature activation charges, at least on
17 modification orders, remains an open issue, leaving AT&T only the choice to capitulate
18 or arbitrate. Faced with such a narrow construction of this Commission's rulings, it is
19 hardly surprising that A&T finds itself presenting for arbitration the numerous detailed
20 issues contained in the disputed issues memoranda.
21

1 SWBT's proposed feature activation charges, however, circumscribed, should be rejected
2 again. SWBT's effort to circumvent rulings from the first arbitration must not be
3 tolerated.

4
5 e. Access to directory assistance database. AT&T believes that this item is misclassified
6 under this issue and should be included under Issue 7 above. AT&T does not oppose the
7 establishment of appropriate, TELRIC-based rates and charges for AT&T directory
8 assistance operator access to the SWBT directory assistance database.

9
10 f. Dark fiber cross connect. This proposed "rate element" should be rejected for reasons
11 akin to the subloop cross connect. As with that item, SWBT came forward with its dark
12 fiber cross connect after it had unsuccessfully opposed recognition of dark fiber as an
13 element and after it was facing dark fiber prices it viewed as unfavorable. AT&T
14 certainly arbitrated the pricing of dark fiber in the prior proceeding. It was incumbent on
15 SWBT identify the associated costs and its proposed pricing structure for dark fiber in
16 that proceeding. SWBT should not be permitted to demand payment of additional
17 charges, not recognized in the July 31 or October 2 Orders, as a condition of obtaining the
18 unbundled access to dark fiber that was ordered and priced in the prior proceeding.

19
20 g. Dark fiber research charge. This charge should be rejected for the same reason as the
21 dark fiber cross connect. It was and is apparent that an LSP must have reasonable access
22 to information about the location of SWBT's dark fiber in order to make sensible use of

1 the access to dark fiber that the Commission has allowed. Any associated cost and
2 proposed charges should have been presented and considered in the prior price
3 proceedings.
4

5 **ISSUE 9a:**

6 If SWBT is the hosting company for AT&T what rates apply?

- 7 a. What is the applicable rate, if any, for billing, collecting, and remitting (BCR)?
8 b. What is the appropriate rate, if any, for recording, assembling and editing, rating,
9 message processing, provision of message detail, and source information for record?
10 c. What is the applicable rate, if any, for incollect message credit, incollect message
11 transmission and message detail record?
12

13 **AT&T LANGUAGE:**

14 AT&T does not propose language on these issues, and AT&T has not had the opportunity to
15 review SWBT's proposed language on any of these issues, which were proposed to be added to
16 the arbitration during development of the joint issues list in the week of October 20, 1997.
17 AT&T reserves the right to supplement its position and offer or oppose contract language once it
18 has reviewed SWBT's position on these issues.
19

20 **AT&T POSITION:**

21 AT&T does not anticipate using SWBT as a Centralized Message Distribution System (CMDS)
22 hosting company under this Interconnection Agreement. Accordingly, it has not requested
23 arbitration or determination of these issues. AT&T understands that any request for SWBT to act
24 as a hosting company for AT&T would require revision to the Interconnection Agreement.
25 Section 2.12 of Attachment 24: Recording in the pending Interconnection Agreement already

1 acknowledges that SWBT is not functioning as AT&T's CMDS host and that revisions to
2 Attachment 24 of the Interconnection Agreement would be required if AT&T and SWBT
3 subsequently agree that SWBT will function as AT&T's CMDS host. Accordingly, while AT&T
4 does not oppose the establishment of appropriate, cost-based rates for these items, AT&T
5 believes that the inclusion of these issues in the present arbitration is unnecessary.

6
7 SWBT has proposed specific rates in Attachment 24: Recording that may apply when AT&T is a
8 facility based provider and requests the specified recording service. However, this is not when
9 SWBT is acting as AT&T's CMDS host. SWBT has proposed rates to AT&T for recording,
10 assembling and editing, rating, message processing, and the provision of message detail should
11 AT&T request the service in accordance with Attachment 24 of the Agreement. Should the
12 Commission determine that rates apply for these services, AT&T supports that the appropriate
13 rates would be TELRIC as determined by the Commission.

14
15 **ISSUE 10:**

16 Should the ICB pricing for customized routing of OS/DA calls be set in this proceeding, if so,
17 what are the prices?
18

19 **AT&T LANGUAGE:**

20 AT&T does not propose specific contract language, but requests that TELRIC-based customized
21 routing charges be established and included in Appendix Pricing UNE B Schedule of Prices.

1 **AT&T POSITION:**

2 In its October 2, 1997 Order, the Commission adopted SWBT's position on Issue 10 of the Joint
3 Motion For Expedited Resolution of Issues, which concerned customized routing charges.
4 October 2, 1997 Order at 9. In conformity with that ruling, the parties have incorporated the
5 following language into the pending Interconnection Agreement: "The establishment of
6 customized routing in a SWBT end office will be subject to the rates and conditions specified on
7 an individual case basis as reflected in Appendix Pricing UNE - Schedule of Prices labeled as
8 "Customized Routing." October 10, 1997 proposed AT&T/SWBT Interconnection Agreement,
9 Attachment 6, section 5.2.3.2.

10
11 The Commission also stated in the October 2, 1997 Order that, with respect to its ruling on this
12 customized routing issue, "the Commission makes no determination as to SWBT's actual costs or
13 to those prices set out in the Appendix Pricing UNE - Schedule of Prices." October 2, 1997
14 Order at 9.

15
16 Accordingly, AT&T now requests the Commission to make a determination in this arbitration of
17 SWBT's forward-looking costs, and appropriate TELRIC-based prices, to provide customized
18 routing as requested by AT&T. In satisfaction of the ICB requirement of the pending contract,
19 AT&T has provided customized routing orders to SWBT for the state of Missouri. AT&T has
20 requested customized routing to AT&T's OS/DA platform from every SWBT end office in the
21 state. AT&T understands that SWBT will supply most of this customized routing via its AIN
22 methodology; for the relatively few end offices that are not AIN capable, SWBT plans to offer

1 customized routing via line class codes. AT&T understands that SWBT is developing price
2 quotations in response to AT&T's customized routing orders, which should be available in the
3 very near future.

4
5 In discussions of SWBT's insistence on "ICB" pricing for customized routing, SWBT has not
6 taken the view that a different pricing formula will apply from one end office to the next. Rather,
7 SWBT has described customized routing pricing as "ICB" in the sense that SWBT has felt it
8 necessary to understand the full scope and application of an LSP's customized routing request
9 before developing pricing that would apply to that LSP in an individual state. Once the LSP has
10 provided that "footprint order" for customized routing, AT&T understands that SWBT will
11 develop one formula or set of unit prices that it will offer to the LSP to apply in AIN-capable end
12 offices, and a separate formula or set of unit prices that it will offer to the LSP to apply in those
13 end offices where customized routing will be provided by line class code. Thus, in Texas,
14 SWBT has proposed one set of charges that may be applied in any AIN-capable end office in the
15 state.

16
17 As a result, customized routing pricing should present only one or two disputes - what is the
18 appropriate set of charges/formula to apply to price customized routing for AT&T from SWBT's
19 AIN-capable end offices in Missouri, and what is the appropriate set of charges/formula for end
20 offices that are not AIN capable? Subsumed within each of those questions is the issue of how to
21 treat any costs incurred by SWBT in the development of its customized routing solution(s).
22 AT&T certainly will attempt to resolve in good faith any disagreements that it has with SWBT's

1 customized routing price quotations, which should be available very shortly. Because of the
2 importance of avoiding further delay in the availability of customized routing, without which
3 AT&T cannot supply its own operator services and directory assistance to Missouri local
4 customers served by resale or unbundled elements, and because of the potential that in Missouri,
5 as elsewhere, customized routing pricing will prove to be an issue on which agreement cannot be
6 reached without regulatory intervention, AT&T requests that the establishment of TELRIC-based
7 customized routing prices be included in the current proceeding, rather than deferred to a
8 separate, later dispute.

Sponsoring Witnesses for all of § V issues: Robert Flappan and Phillip Gaddy

Exhibit No:

Issue: VI. Network Efficiency

Witness: Turner

Type of Exhibit : Direct Testimony

Sponsoring Party: AT&T Communications of
the Southwest, Inc.

Case No: TO-98-115

PETITION FOR
SECOND ARBITRATION

DIRECT TESTIMONY
OF
STEVEN TURNER

Jefferson City, Missouri
November 7, 1997

File Date: November 7, 1997

**VI. NETWORK EFFICIENCY
CONTRACTUAL DISPUTED ISSUES
AT&T-SWBT INTERCONNECTION AGREEMENT - MISSOURI**

ISSUE 1:

Issue removed.

ISSUE 2: FLEXIBILITY IN ESTABLISHING TRUNK GROUPS

Should AT&T be allowed to combine all forms of traffic on a single trunk group over its interconnection facility with SWBT.

AT&T LANGUAGE:

Attachment 11

1.X SWBT will allow AT&T to use the same physical facilities (e.g., dedicated transport access facilities, dedicated transport UNE facilities) to provision trunk groups that carry Local, intraLATA and interLATA traffic. By December 31, 1997, SWBT and AT&T may establish a single two way trunk group to provisioned to carry intraLATA (including local) and interLATA traffic. AT&T may have administrative control (e.g., determination of trunk size) of this combined two way trunk group. Prior to December 31, 1997 as referenced above, when traffic is not segregated according to a traffic type (or prior to the Parties' ability to segregate traffic according to traffic type) the Parties will provide a percentage of jurisdictional use factors or an actual measurement of jurisdictional traffic.

2.X InterLATA Toll, Local Traffic and IntraLATA Interexchange (Toll) Traffic:

1 2.X AT&T Originating (AT&T to SWBT): Subject to Section 1.X above, InterLATA toll
2 traffic and IntraLATA toll traffic may be combined with local traffic on the same trunk group
3 when AT&T routes traffic to either a SWBT access tandem which serves as a combined local
4 and toll tandem or directly to a SWBT end office. When mutually agreed upon traffic data
5 exchange methods are implemented as specified in Section 5.X of this Appendix, direct trunk
6 group(s) to SWBT end offices will be provisioned as two-way and used as two-way. When
7 there are separate SWBT access and local tandems in an exchange, a separate local trunk group
8 will be provided to the local tandem and a separate intraLATA toll trunk group will be provided
9 to the access tandem. When there are multiple SWBT combined local and toll tandems in an
10 Exchange Area, separate trunk groups will be established to each tandem. Such trunk groups
11 may carry [[both]] local, intraLATA toll, and interLATA toll traffic. Trunk groups to the
12 access or local tandem(s) will be provisioned as two-way and used as one-way until such time as
13 it becomes technically feasible to use two-way trunks in SWBT tandems. Trunks will utilize
14 Signaling System 7 (SS7) protocol signaling when such capabilities exist within the SWBT
15 network. Multifrequency (MF) signaling will be utilized in cases where SWBT switching
16 platforms do not support SS7.

17
18 2.X AT&T Terminating (SWBT to AT&T): Where SWBT has a combined local and access
19 tandem, SWBT will combine the local InterLATA and the IntraLATA toll traffic over a single
20 trunk group to AT&T. The trunk groups will be provisioned as two-way and used as one-way
21 until such time as it becomes technically feasible to use two-way trunks. When SWBT has
22 separate access and local tandems in an exchange area, a separate trunk group will be established
23 from each tandem to AT&T. As noted in Section 2.X, direct trunk group(s) between AT&T and

SWBT end offices will be provisioned as two-way and used as two-way. Trunks will utilize SS7 protocol signaling unless the SWBT switching platform only supports MF signaling.

2.X Access Toll Connecting Traffic: Access Toll Connecting Traffic will be transported between the SWBT access tandem and AT&T over a "meet point" trunk group separate from local, intraLATA toll, and interLATA toll trunk group. This trunk group will be established for the transmission and routing of Exchange Access traffic between AT&T's end users and interexchange carriers via a SWBT access tandem. When SWBT has more than one access tandem within an exchange, AT&T may utilize a single "meet point" access toll connecting trunk group to one SWBT access tandem within the exchange. This trunk group will be set up as two-way and will utilize SS7 protocol signaling. Traffic destined to and from multiple interexchange carriers (IXCs) can be combined on this trunk group. This arrangement is subject to the timeframes referenced in Section 1.X.

AT&T POSITION:

The FCC order made it clear that UNEs may be used for exchange access services. The FCC has recognized that section 251 (c) (3) of the Act permits requesting telecommunications carriers to purchase UNEs for the purpose of offering exchange access services, or for the purpose of providing exchange access services to themselves in order to provide interexchange services to consumers. FCC Order, ¶ 356.

SWBT seeks to limit AT&T's use of UNES by requiring that traffic continues to be segmented as it has traditionally been: local and intraLATA on one trunk group, with interLATA traffic

1 (previously segregated as "access traffic") on a separate trunk group. It is important for AT&T
2 to be able to utilize full functionality of trunking arrangements when interconnecting its network
3 to SWBT. In the process of implementing interconnection between AT&T and SWBT's
4 networks, SWBT has resisted AT&T's attempts to optimize its network by allowing all types of
5 traffic on a trunk group.

6
7 Currently, SWBT is unable to measure different types of traffic on a given trunk group. It had
8 originally expected to be able to perform those measurements by the end of the year. Due to a
9 development problem, SWBT is now not certain that it will be able to do so by then. Prior to the
10 end of the year (or prior to its systems' ability to segregate traffic), SWBT seeks to use this lack
11 of capability as a roadblock to efficient networks. Alternatively, it requests AT&T to build
12 separate trunk groups for interLATA traffic, rather than utilizing a PLU (Percent Local Usage
13 factor). However, even when it has billing capability to match the potential full utilization of
14 mixed traffic on trunks, SWBT restricts the introduction of interLATA toll into the mix except in
15 the limited case of "Access Toll Connecting Traffic." Access Toll Connecting Traffic is traffic
16 that crosses SWBT's network to connect to an IXC. This function, while important, is but a
17 portion of the total interLATA traffic. Due to SWBT's system development problems, the PLU
18 remains important as an industry standard method of segregating traffic. SWBT's claims that
19 these PLU measurements are biased are groundless. The traffic study to establish the PLU
20 should be conducted by both SWBT and AT&T and will therefore ensure a fair measure.

21
22 Combining all types of traffic onto a single trunk group not only helps interconnectors (including
23 SWBT) establish efficient networks, it can also mitigate SWBT's concerns regarding capacity in

1 its tandems. AT&T teams seeking to implement interconnection in Texas were told that
2 SWBT's tandems are nearing exhaust. Similar concerns have been raised in Oklahoma by other
3 interconnectors working with SWBT. Combining different types of traffic onto a single trunk
4 group will allow SWBT to more efficiently use the termination capacity in its existing tandems.

5
6 AT&T seeks to implement an efficient, flexible network in the following ways:

- 7
- 8 • AT&T seeks to utilize its existing network interconnections, where spare facilities are
9 available, to provide trunking for all types of calls: local, intraLATA, and interLATA.
10
 - 11 • AT&T seeks to combine InterLATA, IntraLATA, and Local traffic on a single trunk
12 group. SWBT had indicated in negotiations that it will be able to recognize and account
13 for different trunking types by the end of 1997. AT&T has requested that this
14 arrangement be captured in contract terms.
15
 - 16 • AT&T seeks, prior to the end of 1997 (or, prior to SWBT's ability to recognize and
17 account for this traffic), to be able to combine InterLATA, IntraLATA, and local traffic
18 on a single trunk group by using a "PLU", or percentage of local use factor, similar to
19 the "PIU/LUP" ("percent interstate usage/local usage percentage) factor used today in
20 SWBT's relationship to AT&T as an access provider.

21
22 SWBT's current position would require AT&T to:

1
2 1. Buy new facilities, rather than utilize spare capacity on existing facilities.

3
4 2. When setting up new trunking arrangements, buy separate and, at least during startup,
5 underutilized trunk groups for InterLATA traffic that could be used for InterLATA and local
6 traffic. SWBT has already agreed to mix IntraLATA and local traffic, and the reason for their
7 reluctance here to add InterLATA traffic to the mix is not clear. Although SWBT may apply
8 these inefficient network designs to its own network it should not be allowed to require AT&T to
9 use these inefficient designs in its network.

10
11 SWBT's assertions that AT&T seeks to avoid access by utilizing efficient trunking are
12 groundless. AT&T has asserted in many public forums (most recently, in Bob Falcone's
13 testimony in Texas) that it does not seek to avoid the ongoing requirements to pay access when it
14 functions as an IXC only. By use of the PLU until exact measurements are available, AT&T will
15 pay access where appropriate.

16
17 SWBT further asserts that the Eighth Circuit Court decisions support their position, but offer no
18 citation. AT&T can find no such support in the Eighth Circuit Court rulings.

19
20 The implementation teams continue to work these issues. However, as of the date of the filing of
21 this language, SWBT's position would force AT&T to create redundant and inefficient networks.
22 The Missouri Commission should rule in AT&T's favor in order to expedite the process of
23 bringing local competition to the State of Missouri. In order to become a facilities based

1 provider, AT&T must utilize its resources to combine traffic in ways consistent with the Act and
2 applicable laws. One efficient and effective possibility is to carry local and interLATA traffic on
3 one trunk group when providing service to our customers.

4
5 AT&T's proposed language should be included in order to avoid the inefficient trunking
6 arrangements proposed by SWBT. SWBT's proposed trunking would only serve to increase
7 costs to AT&T and to AT&T's end user customers.

8
Sponsoring Witness for all of § VI: Steve Turner

Exhibit No:
Issue: VII. Compensation
Witness: Turner
Type of Exhibit : Direct Testimony
Sponsoring Party: AT&T Communications of
the Southwest, Inc.
Case No: TO-98-115

PETITION FOR
SECOND ARBITRATION

DIRECT TESTIMONY
OF
STEVEN TURNER

Jefferson City, Missouri
November 7, 1997

File Date: November 7, 1997

VII. COMPENSATION
CONTRACTUAL DISPUTED ISSUES
AT&T-SWBT INTERCONNECTION AGREEMENT -MISSOURI

1 ISSUE 1: MUTUAL COMPENSATION

2 When in a UNE environment, must AT&T pay the mutual compensation charge or the UNE rate
3 for common transport?
4

5 **AT&T LANGUAGE:**

6 **Attachment 12**

7 **2.X The originating Party will determine at what point it will hand off the call to the**
8 **terminating Party.**

10 **AT&T POSITION:**

11 AT&T should only be required to pay the UNE rate for common transport.
12

13 AT&T should be able to function as a local carrier does in determining applicable compensation.

14 In a facilities environment, the Parties have agreed at what point the networks will interconnect
15 for the hand-off of traffic (e.g. interconnecting at a tandem or at the end office). In a UNE

16 environment, AT&T wants the ability to use common transport to terminate calls to all other

17 LSPs, including SWBT, in the same manner that a facilities-based carrier would terminate calls.

18 There is no logical basis for treating transport differently based upon whether AT&T is using

19 UNE or its own facilities. If AT&T uses common transport, purchased as a UNE, AT&T would

20 not pay mutual compensation for that traffic just as a facilities-based LSP would not pay mutual

21 compensation for such traffic. However, SWBT wants to charge mutual compensation in lieu of

22 charging common transport.

1
2 **ISSUE 2: ACCESS TRAFFIC**

- 3 (i) Whether both interstate and intrastate traffic should be compensated at the applicable
4 access rates;
5 (ii) Whether Optional Calling Area traffic should be included in this category.
6

7 **AT&T LANGUAGE**

8 **Attachment 12**

9 6.X For interstate and intrastate interLATA traffic and intraLATA traffic (post dual PIC),
10 compensation for termination of intercompany traffic will be at access rates as set forth in each
11 Party's own applicable interstate or intrastate access tariffs. When such traffic is contained in
12 Optional Calling Areas, compensation will be applied pursuant to Section 5.X above.
13

14 **AT&T POSITION:**

15 (i) Yes, AT&T believes that applicable tariff rates should apply to both interstate and intrastate
16 traffic.
17

18 (ii) No, Optional Calling Area traffic should not be subject to the access tariff rates but should be
19 subject to the mutual compensation rates established in Section 5.1.
20

21 The current language specifically addresses interstate interLATA intercompany traffic. Intrastate
22 interLATA traffic is not currently specifically referred to in this Compensation Attachment but
23 should be included in this section. Also, intraLATA, specifically post dual PIC, should also be
24 included. AT&T's language is attempting to clarify the traffic that will be subject to the access
25 tariff rates. Section 5.1 of Attachment 12, Compensation, addresses Optional Calling Area

1 Traffic. As mentioned in issue 1 above, the mutual compensation rates for Optional Calling Area
2 compensation have been subject to the PSC's determination in previous arbitration and the terms
3 are provided for in section 5.1. Specifically, this Commission ruled in the prior arbitration with
4 respect to optional calling area compensation that "charges between SWBT and the competitive
5 companies should be local termination, not switched access." (See December 11, 1996
6 Arbitration Award at § 29, p. 41.) Therefore, AT&T's proposed language clarifies that access
7 rates will not apply when traffic is contained in such Optional Calling Areas. This issue was
8 clearly arbitrated and the language in this section is to clarify for what traffic the tariffed access
9 rates will be applicable.

11 **ISSUE 3: COMPENSATION**

12 Whether the provisions of this Attachment apply in administering compensation in both an
13 Unbundled Network Environment (UNE) environment, as well as in a Facilities-based
14 environment.
15

16 **AT&T LANGUAGE:**

17 **Attachment 12**

18 1.X For purposes of compensation under this Agreement, the telecommunications traffic traded
19 between AT&T and SWBT will be classified as either Local Traffic, Transit Traffic, IntraLATA
20 Interexchange Traffic, InterLATA Interexchange Traffic, FGA Traffic, or Cellular Traffic. The
21 compensation arrangement for terminating calls from a Cellular provider (as defined in Appendix
22 Cellular) to AT&T or SWBT end users is set forth in Appendix Cellular, attached hereto and
23 incorporated by reference. The compensation arrangement for the joint provision of Feature
24 Group A (FGA) Services is covered in Appendix FGA, attached hereto and incorporated by
25 reference. The Parties agree that, notwithstanding the classification of traffic under this
26 Agreement, either Party is free to define its own "local" calling area(s) for purposes of its

1 provision of telecommunications services to its end users. The provisions of this Attachment
2 apply to calls originated over the originating carrier's facilities or over unbundled Network
3 Elements. The provisions of this Attachment do not apply to traffic originated over services
4 provided under local Resale services.

5
6 AT&T POSITION:

7 AT&T's bolded and underlined language indicates that this attachment, which governs reciprocal
8 compensation arrangements between the parties, applies both when AT&T owns its own
9 facilities and when it purchases unbundled Network Elements.

10
11 There is no basis for distinguishing between facilities-based traffic and unbundled network
12 element traffic when determining whether the traffic is local, transit, intraLATA, interLATA,
13 FGA or cellular traffic. SWBT's attempt to do so here may limit AT&T's access to the full
14 functionality of unbundled network elements. Clearly, the provisions of the entire Agreement
15 must all work together to form a comprehensive contract for the Parties to work from, and this
16 language does not eliminate applicable provisions as ordered by the Commission or incorporated
17 into this Agreement.

18
19 Accordingly, AT&T's proposed language should be included.

1 **ISSUE 4: COMPENSATION**

2 What mutual compensation provisions should apply when AT&T's end office performs similar
3 functions to SWBT's tandem?
4

5 **AT&T LANGUAGE:**

6 **Attachment 12**

7 **3.X Transport and termination rates will vary according to whether the traffic is routed**
8 **through a tandem switch or directly to the end office switch. The transport and**
9 **termination rates assessed on the originating carrier should reflect the functions performed**
10 **by the terminating carrier in transporting and terminating the calls. To the extent new**
11 **technologies such as fiber ring or wireless network enable AT&T's end office switch to**
12 **perform functions similar to those performed by SWBT's tandem switch and thereby to**
13 **serve a geographic area comparable to that served by SWBT's tandem switch the transport**
14 **and termination rates for all calls terminated to AT&T's switch will be the rates for**
15 **tandem switching, tandem transport, and end office switching. However, if AT&T's switch**
16 **is able to serve the same geographic areas as SWBT's tandem switch only by virtue of being**
17 **connected to SWBT's tandem switch, AT&T will not charge SWBT the tandem**
18 **interconnection rates because AT&T's end office switch is not performing any functions**
19 **equivalent to those performed by SWBT's tandem switch.**
20

21 **AT&T POSITION:**

22 The bolded and underlined language should be included to indicate that as AT&T's capability
23 expands to function as the tandem, the applicable charges would apply to SWBT.

1 AT&T and other Local Service Providers, when they build local networks, will take advantage of
2 new technology which lessens the need for tandem switches. For instance, a new entrant will use
3 SONET fiber optic rings and/or wireless networks to serve the comparable territory that SWBT
4 may serve through many different switches, including tandems. It is in this environment that
5 AT&T raises the concern that it should not be penalized for implementing a local network with
6 the latest technology that prevents it from collecting the tandem compensation rate element even
7 though it is providing an equivalent tandem function for SWBT.

8
9 This same issue was raised in Texas and the Texas Public Utility Commission recognized that
10 "[t]o the extent new technologies such as fiber ring or wireless network enable an LSP's end
11 office switch to perform functions similar to those performed by SWBT's tandem switch and
12 thereby to serve a geographic area comparable to that served by SWBT's tandem switch the
13 transport and termination rates for calls terminated to the LSP's switch shall be SWBT's tandem
14 interconnection rates adopted in this proceeding." *Application of AT&T Communications of the*
15 *Southwest, Inc. for Compulsory Arbitration to Establish an Interconnection Agreement Between*
16 *AT&T and Southwestern Bell Telephone Company; et al.*, Docket Nos. 16226, et al., Arbitration
17 Award, (November 7, 1996) at ¶ 61. AT&T believes that providing the equivalent capabilities in
18 Missouri should be similarly compensated. As such, AT&T recommends that its language
19 should be ordered by this Commission.

20
21 **ISSUE 5: WIRELESS TARIFFS**
22 Issue resolved.

Sponsoring Witness for all of § VII issues: Steven Turner

Exhibit No:

Issue: VIII. Performance Criteria

Witness: Minter

Type of Exhibit : Direct Testimony

Sponsoring Party: AT&T Communications of
the Southwest, Inc.

Case No: TO-98-115

PETITION FOR
SECOND ARBITRATION

DIRECT TESTIMONY

OF

SEAN MINTER

Jefferson City, Missouri
November 7, 1997

File Date: November 7, 1997

**VIII. PERFORMANCE CRITERIA
CONTRACTUAL DISPUTED ISSUES
AT&T-SWBT INTERCONNECTION AGREEMENT - MISSOURI**

ISSUE 1: PERFORMANCE CRITERIA

What performance measurement should be subjected to the liquidated damages provision of Attachment 17 and what damages should apply?

AT&T LANGUAGE:

Attachment 17

1.1.4 Specified Performance Breach means the failure by SWBT to meet the Performance Criteria for any Specified Activity listed in section 1.1.4.4 by any of the degrees of variance described below.

1.1.4.1 Where monthly performance by SWBT for AT&T on a Performance Measurement is within one standard deviation of the Performance Criteria specified, no Specified Performance Breach occurs with respect to that measurement.

1.1.4.2 SWBT performance for AT&T that is greater than one standard deviation and less than three standard deviations below the Performance Criteria will constitute a Specified Performance Breach if the same measure remains in this range for two consecutive months (liquidated damages of \$25,000 apply to each measurement which remains in the above stated range for two months)

1.1.4.3 SWBT performance for AT&T on any Performance Measurement in a single month that is greater than three standard deviations below

the Performance Criteria will constitute a Specified Performance Breach and will result in liquidated damages of \$75,000 payable for each such month.

1.1.4.4 Liquidated damages for a Specified Performance Breach, as defined above, will only apply to the following Specified Activities:

Pre-Ordering

1.1.4.4.1 Average response time for OSS Pre-Order Interfaces

II. Ordering and Provisioning

A. Completions

POTS & UNE POTS Loop and Port Combinations

1.1.4.4.2 Average installation interval

1.1.4.4.3 Percent SWBT Caused Missed Due Dates

1.1.4.4.4 Delay Days for Missed Due Dates

1.1.4.4.5 Percent No Access

Specials and UNE Specials Loop and Port Combination

1.1.4.4.6 Average installation interval

1.1.4.4.7 Percent SWBT Caused Missed Due Dates

UNEs (Excludes UNE Loop and Port Combination)

1.1.4.4.8 Average installation interval

1.1.4.4.9 Percent SWBT Caused Missed Due Dates

B. Order Accuracy

1.1.4.4.10 Percent POTS Installation Reports Within 10 Days

1.1.4.4.11 Percent Specials Installation Reports Within 30 Days

1.1.4.4.12 Percent UNE Installation Reports Within 30 Days

C. Order Status

1.1.4.4.13 Percent Firm Order Completions received within “x” hours

**1.1.4.4.14 Percent Mechanized Rejects Returned within 1 hour of the start of the
EDI/LASR batch process**

**1.1.4.4.15 Percent Mechanized Completion Notices return withn one hour of
successful execution of the SORD (BU340) batch cycle**

D. Held Orders

1.1.4.4.16 Percent Company Missed Due Dates Due to Lack of Facilities

1.1.4.4.17 Delay Days for Missed Due Dtes Due to Lack of Facilities

E. Flow Through

1.1.4.4.18 Percent Flow Through

III. Maintenance/Repair

A. Time to Restore

POTS & UNE POTS Loop and Port Combinations

1.1.4.4.19 Receipt to Clear Duration

1.1.4.4.20 Percent Out of Service < 24 Hours

Specials and UNE Specials Lop and Port Combination

1.1.4.4.21 Mean Time to Restore

UNEs (Excludes UNE Loop and Port Combination)

1.1.4.4.22 Mean Time to Restore

1.1.4.4.23 Percent Out of Service < 24 Hours

B. Repeat Troubles

1.1.4.4.24 Percent POTS & UNE POTS with Loop and Port Combinations Repeat Reports

1.1.4.4.25 Percent Specials and UNE Specials with Loop and Port Combination Repeat Reports

1.1.4.4.26 Percent UNEs (Excludes UNE Loop and Port Combinations) Repeat Reports

C. Report Rate

1.1.4.4.27 POTS & UNE POTS with Loop and Port Combinations Trouble Report Rate

1.1.4.4.28 Specials and UNE Specials with Loop and Port Combination Failure Frequency

1.1.4.4.29 UNEs (Excludes UNE Loop and Port Combinations) Trouble Report Rate

D. Appointments Missed

1.1.4.4.30 POTS & UNE POTS with Loop and Port Combinations Percent Missed Repair Commitments

1.1.4.4.31 UNEs (Excludes UNE Loop and Port Combinations) Percent Missed Repair Commitments

E. No Access

1.1.4.4.32 POTS & UNE POTS with Loop and Port Combinations Percent No

Access

IV. General

A. Billing

1.1.4.4.33 Percent of Billing Records Transmitted Correctly

6.3 If SWBT does not provide a measurement at the time required, and fails to cure this omission by the 15th day of the succeeding month, the measurement will be considered to be out of parity by more than **three** standard deviations under the liquidated damages provisions set forth above, unless SWBT can demonstrate that the omission was the result of any of the factors listed in section 5.1 above.

7.0 Remedial Plans

7.1 Within 15 business days after any of the following events occur, SWBT will prepare and provide to AT&T a remedial plan that specifies and schedules the steps SWBT will take to determine and remedy the particular performance deficiency:

7.1.1 SWBT reports performance for AT&T on any Performance Measurement in a single month that is greater than three standard deviations below the Performance Criteria; or

7.1.2 SWBT reports performance for AT&T on any Performance Measurement in **two** successive months that is greater than **two** standard deviations below the Performance Criteria.

7.2 Failure to implement a remedial plan and bring SWBT performance for AT&T back within one standard deviation of the Performance Criteria for the affected measurement, within one month after the time for issuance of the remedial plan, will require payment of liquidated damages in the amount of \$25,000. This amount will double each successive month of continued performance outside one standard deviation of the Performance Criteria. Failure to provide a timely remedial plan to AT&T will require payment of liquidated damages in the amount of \$25,000. The liquidated damages provided for in this section are separate from those defined in sections 1.1.4.2 and 1.1.4.3.

AT&T POSITION:

AT&T maintains that it is imperative for specific customer affecting activities to be identified so that SWBT's liability for liquidated damages is clear if SWBT fails to meet its obligations as defined in Attachment 17.

The Agreement should include provisions identifying "Customer-Affecting" Specified Activities and establishing when SWBT's liability for a Specified Performance Breach will commence.

AT&T and SWBT have had extensive mediated negotiations on this subject in Texas. AT&T has agreed to not elect the variance measures of pre-ordering, ordering,

maintenance and all billing measures as subject to liquidated damages, however the time intervals SWBT provides to AT&T as compared to itself for pre-ordering, ordering, and maintenance are subject to liquidated damages. AT&T believes that a similar workshop may be beneficial in Missouri and is willing to agree to a binding mediation on this issue. AT&T is willing to agree on all performance measurement and liquidated damages issues in Missouri as agreed to in Texas.

AT&T views performance metrics as a critical bond to ensure a service guarantee, not only concerning service between AT&T and SWBT, but also so that AT&T can commit to provide quality service to our future Missouri Local customers. The AT&T proposal was developed with expert statisticians and is a realistic standard that takes into account the statistical variation in samples of various items. The test proposed uses a normal distribution of the data and the percentages are derived from using a one-tailed Z test. AT&T proposes use of the liquidated damages provisions that the Texas Public Utility Commission Staff recommended from the mediated meetings that have been held in Texas on performance measurements and liquidated damages. AT&T does not propose its original contract provisions, but is instead willing to compromise in Missouri to follow the outline developed in Texas. The liquidated damages proposed by SWBT are statistically inaccurate since a measurement has to be out of the mean by 2 standard deviations for three consecutive months. The statistical probability that this occurred due to a random event is 0.0016%. The AT&T proposal for determining breach uses a more fair estimate of the standard deviation being off by one standard deviation for two

consecutive months. The AT&T proposal also has a increasing scale of damages depending on the size or magnitude of the breach. If AT&T's mean is between 1 and 3 standard deviations of SWBT's mean, the damages are lower than if AT&T's mean is more than three standard deviations from SWBT's mean. The AT&T proposal is both fair and comprehensive and is what was recommended by Staff in Texas.

This language in Attachment 17 delineates the specific activities, or functions, performed by SWBT that have a direct correlation to AT&T's ability to provide reliable telecommunication service. In the specific areas of pre-ordering, ordering and provisioning, maintenance, usage, billing, and network systems, AT&T must establish performance criteria to measure the quality and reliability of specified activities which are customer-affecting. The requested language is needed to assure that such criteria are developed and applied to SWBT's performance.

Failure to adequately provide and measure Specified Activities would result in inferior service provided to end-user customers, and jeopardize many AT&T customer relationships.

This language must be included to ensure all processes are measured in order to guarantee that AT&T receives service meeting the parity standards established in the Agreement. The language also establishes that AT&T will receive all the necessary data to provide world-class customer satisfaction. Under the Agreement, both AT&T and SWBT must

provide high quality service on their respective portions of a call in order for the end-user customer to have quality service. Because of this, metrics and penalties must be established in order to "guarantee" a quality commitment on both Parties' behalf. If SWBT fails to meet the performance criteria, it should be subject to the liquidated damages provisions of the Agreement.

AT&T submitted a Matrix as part of Attachment 17 that carefully outlines the key Customer Affecting Specified Activities that are critical to monitoring reliability and quality service standards. A review of this matrix demonstrates how failure on SWBT's behalf to live up to these standards will greatly impact AT&T's ability to meet expectations of a competitive Missouri marketplace. Southwestern Bell has proposed a very different Matrix that *does not* capture all of the critical customer-affecting specified activities necessary to execute reliable local service.

AT&T believes that a performance breach occurs when AT&T's mean or percent is more than one standard deviation less than SWBT's mean or percent. The Texas Public Utility Commission Staff's preliminary recommendation on performance measurements, issued October 31, 1997, agreed with AT&T and implemented the liquidated damages. The Texas PUC Staff also recommended using AT&T's list of measurements that would apply to the liquidated damages. AT&T's list of measurements are the measurements that are directly customer or competition affecting. This list of measurements does not include general measurements on system availability and billing measures.

The more specific language proposed by AT&T should be adopted, so that Missouri consumers can be assured of at least a minimal level of quality service regardless of which company they select as their LSP.

ISSUE 2: PERFORMANCE DATA

What performance measurements should be provided to AT&T for UNEs?

AT&T LANGUAGE:

Attachment 6

2.X The performance data to be measured will be according to the Supplier Performance Metrics in accordance with the Local Competitive User Group (LCUG) recommendations, and any such future LCUG revisions, which includes but is not limited to network elements, pre-ordering and provisioning, maintenance, billing, operator services/ directory assistance, as incorporated herein to this Agreement. These performance measurements will be measured and reported to AT&T on a monthly basis by SWBT for both AT&T customers and SWBT customers. The Parties will review the measures three months after AT&T's first purchase of a SWBT network element to determine if (1) the information meets the needs of the Parties and (2) the information can be gathered in an accurate and timely manner. SWBT will not be held accountable for performance comparisons

based on the data until after the three month review or longer as the Parties may agree.

8.X The performance data to be measured for pre-ordering, ordering, and provisioning services will be according to the Supplier Performance Metrics in accordance with the Local Competitive User Group (LCUG) recommendations, and any such future LCUG revisions. These performance measurements will be measured and reported to AT&T on a monthly basis by SWBT for both AT&T customers and SWBT customers. If the quality of service provided to AT&T customers based on these measurements is less than that provided to SWBT customers for three consecutive months, or if the average quality of service for a six month period is less than that provided to SWBT customers for three consecutive months, or if the average quality of service for a six month period is less than that provided to SWBT customers for equivalent services. AT&T may request a service improvement meeting with SWBT.

AT&T POSITION:

During negotiations, AT&T has proposed detailed performance criteria applicable to specific elements, based on Bellcore documents and other industry standards. SWBT had categorically refused to commit that its network elements would meet any such criteria, offering instead only to provide "parity" and to meet regulatory requirements. By way of

compromise, the parties agreed that the elements would conform to Technical Publications to be issued by SWBT, with opportunity for input from AT&T, and that the parties would jointly define performance data to be measured and reported in order to give some "teeth" to the parity requirement.

AT&T proposes to incorporate specific performance measurements being developed by the Local Competition User's Group (LCUG), an industry group that includes competitive local exchange carriers and prospective local service providers. The supplier quality measurements developed by LCUG include measurements of network performance parity (e.g., subscriber loop loss, signal to noise ratio, dial tone delay, post dial delay), unavailability of network elements (e.g., ratio of minutes loop unavailable to total minutes), and performance of individual network elements (e.g., post dial delay for calls routed to CLEC OS/DA platforms). Use of the LCUG criteria will provide AT&T with reasonable means to determine that SWBT is providing elements that are at least equal in quality and performance as that which SWBT provides to itself. Using the LCUG criteria also will address SWBT's concern that it not be required to measure different performance criteria for different LSPs; these criteria should provide performance data that will be responsive to the needs of LSPs generally.

AT&T is willing to agree to all performance measures that will be provided based on the binding mediated session on performance measurements in Texas. SWBT has proposed

in its set of measurements the measurements that were agreed to in Texas except SWBT has excluded any measurements for loop and port combinations. In Texas SWBT agreed to provide UNE loop and port measurements comparative to their equivalent service (e.g. POTS, ISDN, etc.). The parties also agreed in Texas to continue to negotiate the measurements at the end of SWBTs list such as Network Element Performance and Database Accuracy. SWBT also agreed to a provision that if the parties could not come to an agreement on these particular measures over the next couple of months, they could bring this to resolution through the dispute resolution process. SWBT also has changed the intervals for UNE provisioning and the reporting of the intervals in this matrix to other than what was ordered in Texas. AT&T is willing to keep SWBT's proposed UNE provisioning measurements as long as the intervals being measured are as specified in the LCUG or as agreed to in Texas. AT&T can agree to SWBT's measurements if the UNE combination measurements are added and the provision calling for use of dispute resolution is added to the measurements that require additional negotiations.

ISSUE 3: PERFORMANCE MEASUREMENTS: PROVISIONING INTERVALS

What provisioning intervals and what measurements for ordering, provisioning, and maintenance should be provided to AT&T for UNEs?

AT&T LANGUAGE:

Attachment 7: O&P - UNE

9.X SWBT will provide AT&T with the provisioning intervals as currently outlined in the LCUG Service Quality Measurements document, or as may be revised from time to time.

Attachment 8: Maintenance-UNE

2.X SWBT will provide maintenance for all unbundled Network Elements and Combinations ordered under this Agreement at levels equal to the maintenance provided by SWBT in serving its end user customers for an equivalent service, and will meet the requirements set forth in this Attachment. Such maintenance requirements will include, without limitation, those applicable to testing and network management. For maintenance of UNE and UNE combinations, for example, loop and switch port, the service must be supported by all the functionalities provided to SWBT's local exchange service customers. This will include but is not limited to, MLT testing, dispatch scheduling, and real time repair commitments. The maintenance to support these services will be provided in an efficient manner which meets or exceeds the performance metrics SWBT achieves when providing the equivalent end user services to an end user.

AT&T POSITION:

Regular measurement of the ILEC's performance against a reasonable set of objective benchmarks will serve all parties' interests, including the Commission's, in assuring that nondiscriminatory access to UNEs is achieved and maintained. It will be important to

measure and report the performance of SWBT's network elements and OSS systems, in a way that allows the reviewer to compare the performance provided to LSPs for their use in delivering customer services with the performance SWBT provides to itself for delivering similar services to its retail customers. This performance data is important to a new entrant such as AT&T, so that it can rely on the UNEs it has purchased to meet the high, competitive level of service quality that it plans to offer to its customers. The data will be important to SWBT to be able to demonstrate that it is satisfying its obligations, under the Act and its interconnection agreements, to provide nondiscriminatory access to its unbundled network elements. The data will be important to this Commission -- objective, readily available performance data will serve to minimize and more easily resolve disputes about discriminatory performance, and the data will provide a moving picture showing whether unbundled elements are available in Missouri in a way that provides efficient telecommunications service providers with a meaningful and ongoing opportunity to compete.

Throughout this testimony we have described many deficiencies in AT&T's access to SWBT's UNEs, compared to SWBT's own access. These deficiencies persist despite the words of the Act and the current Interconnection Agreement, and despite several months of implementation efforts and continuing negotiations. A general requirement of nondiscriminatory performance, while essential, is not self-executing and not easily assessed in the abstract. The Justice Department has recognized the difficulty of relying

on discrimination claims to open the local telephone service marketplace, in the absence of objective performance measurement:

Regulatory and judicial proceedings over claims of discrimination and failure to provide access can be drawn out for years by BOCs unwilling to cooperate with competitive entry into their local markets. The difficulty of effectively regulating against discrimination in this context is well documented in practice and in economic literature. In contrast, regulation has better prospects of providing effective constraints on competitive misconduct and backsliding by the incumbent LEC where stable arrangements with competitors are already in place and performance measurements have been established based on competitive experience.

The establishment of such performance measures will ensure the continued availability of functional and operable wholesale support processes and signal to competitors and regulators that the market has been irreversibly opened to competition. With clear performance standards in place, both competitors and regulators will be better able to detect and remedy any shortcomings in the BOC's delivery of wholesale support services to its competitors.¹

¹ Justice Department Evaluation of SBC Oklahoma Section 271 application at 46-47. The Justice Department included as Exhibit D to its evaluation the Affidavit of Michael J. Friduss. Mr. Friduss, who worked almost 30 years as a manager and officer of Ameritech, Michigan Bell and Illinois Bell, reviewed SWBT's performance measurement commitments under several interconnection agreements (including the AT&T/SWBT Texas agreement), statements of generally available terms and conditions, and arbitration orders. Mr. Friduss concluded that "some performance measures needed to determine parity in SWBT's provision of wholesale products [including UNEs] are not identified in any document or proceeding." Friduss Aff. at 35 (listing 16 examples of missing performance measures). A copy of Mr. Friduss's Affidavit is included as Exhibit RF/ST-7.

In order to provide the parties and the Commission with a reasonable means of assuring that AT&T obtains nondiscriminatory access to SWBT's UNEs, the contract should incorporate specific UNE and OSS performance criteria, in addition to the general contract requirement of parity in UNE performance quality and the limited performance data provided for as a result of the prior Arbitration Award.

In order to provide meaningful measurement of the key criterion -- whether AT&T and other LSPs obtain access to UNEs that places them and SWBT on equal footing in using the network elements to compete for the customer -- performance measurements must take account of the services (e.g., POTS, ISDN, Centrex) being provided over the elements. The Justice Department has supported such "product parity" measurements and has indicated that these measurements are being made available to LSPs elsewhere:

Product parity also requires that performance measures be identified, measured and reported for product or product families a CLEC offers to end users. Examples include POTS, Subrate data, HICAP data, Centrex, and ISDN. If a CLEC offers DS1 service to its end users as part of a UNE loop resale arrangement, SWBT would need to provide results for service provided to those customers and for its own DS1 customers.

The contract should provide a reasonable set of performance measures for each of the functions that SWBT will provide to AT&T in unbundling its network to meet the requirements of the Act and this Commission's Arbitration Award. The contract should include performance measures for UNE pre-ordering, ordering, provisioning, maintenance, network/element performance, and billing.

The Local Competition Users Group (LCUG) has developed a set of reasonable performance metrics to be expected when ordering Unbundled Network Elements. These performance metrics are in most cases the same as those SWBT provides itself for equivalent services. For measures that do not have a retail equivalent for SWBT, there should be a provisioning interval defined and SWBT should measure its performance against that interval. The defined interval should allow AT&T a reasonable opportunity to compete. For UNEs and combinations that have a retail analog for SWBT (e.g. loop and port used to provide POTS), SWBT should be required to provide AT&T a parity measurement. As described above, this will allow the commission to determine if SWBT is providing satisfactory service to CLECs, it will allow CLECs to be comfortable with the service obtained from SWBT, and it will allow SWBT to avoid complaints of inferior service because SWBT will have proof of the quality.

Again, AT&T is willing to agree to the same performance measurements that it has discussed with SWBT pursuant to the recent Texas mediation process.

Sponsoring Witness for all of § VIII issues: Sean Minter