BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

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TRANSCRIPT OF PROCEEDINGS

HEARING

January 24, 2001

Jefferson City, Missouri

Volume 3

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

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BEFORE:

LEWIS R. MILLS, JR. Presiding,
DEPUTY CHIEF REGULATORY LAW JUDGE.
SHEILA LUMPE, Chair
ROBERT G. SCHEMENAUER,
KELVIN SIMMONS,
CONNIE MURRAY,
M. DIANNE DRAINER, Vice-Chair
COMMISSIONERS.

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REPORTED BY:
TRACY L. THORPE, CSR
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Craw-Kan Telephone Cooperative, Inc.
Ellington Telephone Company.
Farber Telephone Company.
Fidelity Telephone Company.
Goodman Telephone Company, Inc.
Granby Telephone Company.
Green Hills Telephone Corp.
Holway Telephone Company.
IAMO Telephone Company.
Kingdom Telephone Company.
KLM Telephone Company.
Lathrop Telephone Company.
Le-Ru Telephone Company.
Mark Twain Rural Telephone Company.
McDonald County Telephone Company.
Miller Telephone Company.
New Florence Telephone Company.
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(EXHIBIT NOS. 1 THROUGH 22 WERE MARKED FOR IDENTIFICATION.)

JUDGE MILLS: We're on the record this morning for an evidentiary hearing in Case No. TO-99-593 styled in the matter of the investigation into signaling protocols, call records, trunk arrangements, and traffic measurement.

We'll begin by taking entries of appearance and opening statements in the order that the parties have set out in the filed document that lists the proposed issues in the case. The first party is the Small Telephone Company Group, Mr. England.

MR. ENGLAND: Yes. Thank you, your Honor. Let the record reflect the appearance of W.R. England and Brian T. McCartney appearing on behalf of the Small Telephone Company Group whose members are more specifically identified in our written entry. Our mailing address is Brydon, Swearengen and England, P.C., Post Office Box 456, Jefferson City, Missouri 65102.

JUDGE MILLS: Thank you.

Missouri Independent Telephone Group.

MR. JOHNSON: Thank you, your Honor. Craig Johnson; Andereck, Evans, Milne, Peace and Johnson, 700 East Capitol, Post Office Box 1438, Jefferson City, Missouri 65102, appearing today on behalf of the Missouri Independent Telephone Company Group, seven companies listed in our entry of appearance.

JUDGE MILLS: Thank you.

Southwestern Bell.

MR. BUB: Thank you. Leo Bub and Paul Lane for Southwestern Bell Telephone Company. Our address is One Bell Center, St. Louis, Missouri 63101.

JUDGE MILLS: Sprint.

MR. MINNIS: Yes. Good morning, Steve Minnis appearing on behalf of Sprint. My address is 5454 West 110th Street, Overland Park, Kansas 66211.

JUDGE MILLS: Thank you.

Verizon.

MR. FISCHER: James M. Fischer of the law firm Fischer and Dority, P.C., 101 Madison Street, Suite 400, Jefferson City, Missouri, appearing today on behalf of GTE Midwest, Incorporated doing business as Verizon Midwest, and also Fidelity Telephone Company.

And, your Honor, I'd also like to introduce to the Commission in-house counsel from Dallas who works with Verizon. And this is Stacy Rodriguez and she will be sitting here with me at counsel table today.

JUDGE MILLS: Thank you very much.

For Staff.

MR. KRUEGER: Thank you. Keith R. Krueger and Nathan Williams for the Staff of the Missouri Public Service

Commission. Our address is P.O. Box 360, Jefferson City, Missouri 65102.

JUDGE MILLS: And for Public Counsel.

MR. DANDINO: Michael Dandino, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, representing the Office of Public Counsel and the public.

JUDGE MILLS: Thank you.

Let's proceed with opening statements in that same order, beginning with you, Mr. England.

MR. ENGLAND: Thank you, your Honor. May it please the Commission.

My name is Trip England, and I represent the Small Telephone Company Group in this proceeding. And, as you've come to understand, I can't get through an opening statement without referring to some sort of visual aid. I've prepared one. I've also prepared smaller copies for handing out and I guess marking as an exhibit at a later time so the parties as well as the Commission can follow along. So if I can have a minute, I'll distribute those.

JUDGE MILLS: Please go ahead.

MR. ENGLAND: Thank you. I've got some good news and I've got some bad news. The good news is, to the best of my knowledge, none of our switches are powered by natural gas, so we are not here seeking an emergency rate increase.

I've got some further good news. The issue of Feature Group C versus Feature Group D is not an issue, at least for purposes of this case. We believe long term, as we state in our position statement, that Feature Group D is the appropriate network to be utilized, but for purposes of this case you don't need to reach that conclusion or make that decision in this particular case.

Now, the bad news. We haven't been able to agree on all the issues in the case. And more specifically, we can't agree on one fundamental issue, and that is the business relationship that is to be established between what I call the former primary toll carriers or tandem owners and the former secondary carriers or Small Companies that I represent.

What the Small Company Group has proposed as the new business relationship and seek that the Commission adopt as part of this proceeding is a Feature Group D like business arrangement or relationship. In that relationship an interexchange carrier comes to the access tandem of the company and orders trunk groups for the termination of traffic to that access tandem.

The tandem company measures the traffic coming over that Feature Group D trunk and based upon that measurement of all of that traffic, bills the interexchange carrier who has ordered that trunk to the access tandem. It does not matter where that traffic came from.

And, in fact, in the Feature Group D environment, interexchange carriers are reselling their services to other carriers such as other interexchange carriers, wireless providers and competitive local exchange companies or CLECs. Regardless of who originates the traffic, the interexchange carrier is responsible for the termination of that traffic when it hits the access tandem of the incumbent local exchange company.

Our proposal is very similar. We propose to treat the tandem owner, in this case the former PTC, who has ordered and established trunks to our end-office and to our own access tandems like an interexchange carrier. We propose to measure the traffic as it enters our network at the terminating end of that trunk. We propose to bill the tandem owner, the owner of that trunk group, based on those measurements. Those measurements, by the way, are the same records that are recorded for purposes of IXC Feature Group D traffic.

Now, we have recognized that we cannot bill the tandem owner for all of the traffic that they terminate to us over the common trunk to our offices. There are some exceptions. One is what we'll call non-jurisdictional traffic, traffic over which you have no jurisdiction and the ground rules have been set by someone else. One example is interstate intraLATA traffic. Another example is Feature Group A traffic. Another exception is traffic for which you've told us we're going to do something different. For example, MCA traffic. There are a few examples or a few companies involved in the MCAs in the state and you have told us in another case that MCA traffic is not to be paid for, but is to be exchanged on a bill and keep basis.

You have also told us in a separate case involving Southwestern Bell's Wireless interconnection tariff that we are to seek compensation from the wireless carriers, not Southwestern Bell for traffic that transits Southwestern Bell's network, but nevertheless is delivered to us.

Let me try to graphically then explain what our proposal is. And what I've done with the chart is to give you two scenarios. We have approximately two-thirds of the Small Companies that are end-office companies and approximately one-third that have their own access tandem.

Those that have their own access tandem are able to require or demand that interexchange carriers who want to terminate traffic to them must do so at their access tandem. So on the right-hand side of the chart, what I've shown is a small car-- or excuse me -- a secondary carrier access tandem and an IXC delivering traffic directly to it.

All other traffic from the tandem company, the former PTC, comes over the common trunk group. And that traffic can include wireless traffic, it can include competitive local exchange carrier traffic, and it can include other incumbent local exchange carrier traffic.

On the left-hand side of the chart is an end-office company. An end-office company does not have the right to require an interexchange carrier to directly connect with it for termination of the IXC traffic. The IXC has the option to connect with the tandem company, in this case the former PTC.

So over the common trunk group to the Small Company end-office, you'll not only get other ILEC traffic, CLEC traffic, wireless traffic, but you will also get interexchange traffic.

Our proposal, for purposes of the secondary carrier end-office companies, is to measure all that traffic coming over the common trunk group, to subtract from that interstate intraLATA, as I mentioned before. And we will have to bill the originating carrier based on records that we get, hopefully, from the originating carrier. To date, we have not received any. And we will bill them for that traffic.

Feature Group A traffic is reported to us by Southwestern Bell today and we will bill Feature Group A traffic as we have done in the past and has been established in the past. Wireless traffic, today we receive CTUSRs, Cellular Transiting Usage Summary Records, I believe, from Southwestern Bell. And to the extent we get those records, to the extent the wireless carrier will accept them for billing purposes, we will bill based on those records.

We also get IXC records from the tandem company for purposes of meet-point billing. We will bill our portion of the access to the IXC based on those records. And then, finally, if the carrier -- or excuse me -- the Small Company is one that's involved in MCA, we will find a way to measure that MCA traffic. Our proposal is to do that one of several ways.

We could create separate trunk groups or we could calculate a factor, or if it's possible to actually measure that traffic, we could do that. But we would drop out the MCA traffic. We would not bill for that, because as you've said in your MCA case or decision, that is to be billed and kept.

We then propose to bill the tandem owner for the remainder of that traffic to the extent we don't get records for all that enumerated traffic that I've just mentioned. The same scenario works with the access tandem company with the exception of IXC traffic. We should not be receiving any IXC traffic from the PTC tandem. It should be directly connected to our access tandem. So with the exception of IXC, we would still drop out interstate intraLATA, Feature Group A, wireless service provider traffic and MCA traffic.

Our proposal is very similar, as I said, to the Feature Group D business arrangement that we have today. Not only is it -- not only is it similar to that proposal, but it makes sense for some of the reasons I'm going to tell you about.

But first I want to contrast our proposal with that of the former primary toll carriers. The former primary toll carriers do not want to be billed from terminating records. They want to continue to forward originating records for their own traffic as well as have us bill other carriers for traffic they originate, put on the Feature Group C network, deliver to us by the former primary toll carriers.

In that case, the former primary toll carriers would have us bill the IXC directly, would have us bill the wireless service provider directly based on originating records, would have us bill CLECs directly for traffic they originate and send over the Feature Group C network. They would have us bill other ILECs even though they're not directly connected with us for traffic that they originate.

And they would only pay -- I say "they." The

PTCs would only pay for traffic that their customers originate for which they create originating records and pass to us for billing.

In theory, the PTCs will tell you that the sum of the parts equal the whole. The PTC plan is premised on the following assumptions: That all originating carriers are creating accurate originating records, that all originating carriers are forwarding those records to all of the carriers on the call path, and that all of those originating carriers are paying for the traffic that they are recording and for the records that they are forwarding.

That's not the case. The sum of the parts do not equal the whole.

Now, what happens if the sum of the parts do not equal the whole and we have what I believe has been referred to in the testimony and in the network test report as unidentified traffic? What happens, if, for example, our terminating records say 100,000 minutes came over that common trunk group for a particular billing period, but we have received originating records for only 80,000 of those minutes?

The PTC's proposal is that it's up to us, the Small Companies, the end-offices, the access tandems at the end of the line to go back through the system and find out who's not creating records, who's not passing records, who's not paying for their traffic.

That does not make sense. We don't have the direct connection with all of these providers. We don't have the agreements that the PTCs have with all of these providers.

Now, the PTCs have said they'll help us in identifying who these originators are, but let's face it. A 500-access-line company like Farber Telephone Company who is missing a few minutes, which to them may seem significant, is not going to be very significant in the grand scheme of things for Southwestern Bell or any of the other PTCs.

And if Charlie Crow, the manager of Farber Telephone Company, shows up on Southwestern Bell Telephone Company's doorstep to ask their help in tracking down 1,000, 5,000 minutes that he can't find, with all due respect, I don't think he's going to get the kind of attention that he thinks he deserves and we think he deserves, because it's a matter of economics and it's a matter of relative size.

Now, PTCs will tell you kind of two different things. One, this unidentified traffic is no big deal, that there really isn't that much unidentified traffic. Okay. My response is, then why don't you become responsible for it? If it's no big deal to you, then you ought to be willing to pay us for it.

They won't do that and that ought to tell you something. That ought to tell you that this unidentified traffic is a big deal or can become a big deal, particularly under their originating carrier responsibility plan.

We testified in the PTC Case TO-99-254, I believe, that several of the companies were performing measurements of traffic terminated to them and comparing them with originating records and finding discrepancies. The PTCs poo-pooed that testimony. You did not find it substantial or sufficient to make a change in any of the arrangements at that time. We now have a rather comprehensive and fairly time-consuming network test that shows there is a problem. Again, the sum of the parts do not equal the whole.

We performed last summer, with 10 Small Companies and the PTCs, a two-day test in an attempt to match terminating recordings with originating records. Because of the volume of traffic that flows over the network over that two-day period of time, we then focused on a one-hour period that we could agree to to do the match.

Ten companies were -- Small Companies, excuse me, were involved in that test. Some were access tandems, some were end-office companies. The majority of them subtended Southwestern Bell, but a few subtended Sprint and GTE, now Verizon.

The preliminary results of those tests

indicate on average -- and excuse me, now I'm just talking about nine companies because Mid-Missouri Telephone Company did their own analysis and Mr. Jones will testify as to the results for his company.

But the remaining nine companies were handled by Mr. Bob Schoonmaker, who performed the matching of the records. The preliminary results for those nine companies that Mr. Schoonmaker did work for showed that on average, for the two-day period of time, only 75 percent of the total calls measured at the terminating end were accounted for by originating records.

When they looked at the one hour, that percentage improved, but not dramatically. It improved to 80 percent. That means 20 percent of the calls measured at the terminating end were not accounted for by originating records.

The parties, after extensive review, which took apparently -- or close to six months, and it's now final, in the final analysis, there still is a discrepancy. It's narrowed, but there still is a discrepancy. The results as shown in Mr. Schoonmaker's surrebuttal testimony shows for the two-day period of time that the originating calls make up approximately 83 percent of the total calls measured at the terminating end, and for the one-hour period, it is 87 percent of a match between originating records and terminating records.

In other words, in the final analysis, 13 to 17 percent of the total terminating traffic to these 9 companies on average is unidentified, remains unidentified.

What does this test tell us? Well, first of all, and if you'll pardon my smugness, it's always nice to say we told you so. There is a problem between originating records and terminating measurement.

Despite intensive and laborious efforts on the parts of everyone, PTCs included -- I'm not minimizing -- attempting to minimize their effort and desire to make this work -- we still can't reconcile to an acceptable level.

And, finally, while errors occurred in both the originating and the terminating sides of this test, the problems on the originating side were far bigger, far more significant.

The biggest error, as you all are aware or have become aware, was the failure to record Local Plus traffic in certain switches -- Southwestern Bell switches, I believe, that were manufactured by Ericsson. I have no doubt that this was a mistake. I am not suggesting in any way that there was anything intentional. I fully believe it was the result of human error.

But you know what? Nevertheless, it never should have happened. I'm going to tell you why it never should have happened. Because Southwestern Bell was told as early as October of '95 by Sprint that they were concerned with Southwestern Bell's ability to record non-standard dialed interexchange calls.

In 1995, we didn't have Local Plus, but we had COS. Southwestern Bell provisioned that on a 7- and 10-digit dial basis, not on a 1-plus dialed basis. And there was concern expressed at that time that the switches could capture that traffic, because without the 1-plus, they aren't typically set up to capture that traffic. So Bell was put on notice in '95 that there was concern with respect to the measurement, the capturing of non-standard dialed toll type traffic.

We, the Small Telephone Company Group, whined quite a bit about it in the original Local Plus case. I cross-examined Southwestern Bell Witness Bill Bailey over their ability to assure us that they can capture and record non-standard dialed toll traffic. We were given the assurance that they could.

At the beginning of 2000, when Mid-Missouri Telephone Company turned up its measuring equipment, PTC plan had been eliminated, it found huge discrepancies between terminating traffic and originating records of more than 50 percent and brought that to Southwestern Bell's attention. And it remained undetected until the network test in July and August of this year.

As I said, I have no doubt it was an error, but it never should have happened. If these mistakes can't be prevented, like the recording of Local Plus when it was put up on the radar screen as noticeably as it was, how can we, how can you have any confidence in this originating record scheme?

Besides the fact -- I mentioned this early, that the originating record system is cumbersome, ripe for errors at many places in the system, it just doesn't amount to good business sense. There's also the opportunity for mischief or at the very least, it sends the wrong signals, the wrong incentives to people.

And if I can, I'm going to give you a grocery store analogy. I'm going to stay away from cookies. I'm going to talk about all forms of food. Imagine yourself as owners of a grocery store and you have two clients or two customers -- groups of customers, Feature Group D customers and Feature Group C customers.

The Feature Group D customers fill their basket and checkout at the register. Everything they put in their basket is recorded or measured, if you will, at the register and they pay for it, regardless of whether they consume the groceries or they're buying them for somebody else.

Your Feature Group C customer, however, bypasses the register. The basket full of groceries does not get scanned as you leave the store. Instead, the Feature Group C customer takes the groceries home, perhaps puts some in its own house, gives other groceries to other people for whom it was shopping and then calls and says, Here are the groceries that I consumed or here are the groceries that I bought. And then it's up to the other folks for whom that Feature Group C customer bought groceries to do the same thing, call the grocery store and tell them what they got so that they can be billed.

Now, I'm not aware of too many businesses that sell product or commodity based upon what their customers tell them they used or what their customers tell them they consumed. As I said, that just doesn't make really good business sense. Particularly when everybody else in the store is willing to checkout at the register and pay for the goods they have in their basket.

One final item, the PTCs claim, I think as a legal matter, that the business relationship issue that we have raised in this case is not a proper issue before you. They say that the issue is a done deal, a fait accompli. In fact, I think Bell says it's a collateral attack for us to raise this, a collateral attack on determinations you have previously made.

In that regard, they cite the Southwestern Bell Dial U.S. interconnection agreement. My recollection, the very first interconnection agreement between an incumbent and competitive LEC in this state. They cite that for precedent that the originating carrier is the carrier responsible for paying the terminating carrier for the termination of the traffic.

I don't think that the first interconnection agreement case sets industry precedent, but I'll leave that up to you to decide.

Southwestern Bell also cites their Wireless interconnection tariff case, TT-97-524, as precedent for the notion that the originating carrier is the one responsible for paying all carriers on the call path for termination of that call.

That case was only limited to wireless companies and I don't believe you expressed an opinion with respect to other traffic providers. But, again, that's up for you to decide.

Finally, Southwestern Bell tells you that in the PTC elimination case, termination case, TO-99-254, you rejected the notion that they would be responsible for the residual or what I've called the unidentified traffic. Again, I don't think your decision went that far.

And when you really think about it, what

Southwestern Bell and the other PTCs are asking you to do is adopt the old originating responsibility plan that they rolled out in approximately 1987 before implementation of the PTC plan, ORP.

And I submit to you that when they took the covers off ORP in 1987 and they took them off again in the context of the elimination of the PTC plan, when you had to specifically address that proposal, you rejected it both times in '87 and in TO-99-524. So I think it is very misleading and, in fact, incorrect to say you have adopted an originating responsibility plan for purposes of the Missouri LEC-to-LEC arrangement.

One final note, if you adopt the business arrangement that we are proposing, it would obviate, for example, our need or necessity to get into cases such as the resale of Local Plus as you recently heard two weeks ago, because if we are only looking to the terminating carrier to be responsible for the payment of traffic they terminate to us, we really don't care how Southwestern Bell Telephone Company, for example in that case, resells its Local Plus service.

Because whether that's pure resale, UNE-based resale or facilities-based resale, Southwestern Bell Telephone Company, as the owner of the common trunk group, would be responsible for the payment of that traffic to the terminating end-office.

So our proposal, I think, also not only makes good business sense, but it gets us out of other peoples' business where we really don't need to be. Otherwise, we're forced to track down originating carriers wherever they may be throughout the state, finding out what they're doing, what kind of arrangements they have with these PTCs or former PTCs and making sure that we're getting the records and we're getting paid. It's just not a good idea. Thank you.

JUDGE MILLS: Thank you. Mr. England --

MR. ENGLAND: Yes.

JUDGE MILLS: -- if you would return, Vice-chair Drainer has questions for you.

COMMISSIONER DRAINER: Very quickly, No. 1, you asked us to pardon your smugness and of course I pardon it. You did tell us so.

Second, I just want to know, did you go to Kinko's at eleven o'clock last night for that one too?

MR. ENGLAND: I learned my lesson. I did it yesterday.

COMMISSIONER DRAINER: All right. Thank you.

JUDGE MILLS: Mr. Johnson?

MR. JOHNSON: Thank you and good morning. I've never been to Kinko's, don't plan on going.

In Mr. England's diagram, I think I'll start my opening statement by pointing out that there are several Small Companies in the state who have gone to the time, trouble and expense to become access tandems.

In the Missouri Independent Telephone Group that I represent, Mid-Missouri Telephone Company, I believe, became a tandem provider in the late '80s. Northeast Missouri Rural Telephone Company has its own tandem. Chariton Valley has its own tandem. And there are several companies in Mr. England's group that also have their own tandem.

Under their state and their interstate tariffs, when they become a tandem provider, they are entitled to require an interexchange carrier to come to them to connect to deliver traffic that terminates to the end-office as served behind that tandem. I mention that because I think it's something that's being overlooked or forgotten in the originating records transiting theory of the former primary toll carriers.

And it's no secret in this case that when it comes to terminating compensation, the Small Companies are proposing a business arrangement that resembles the business arrangement for terminating compensation that has been in use for tandem companies and it's what is used in the interLATA jurisdiction.

Now, the former primary toll carriers have stated numerous times in this case that an originating records system -- and I think it's clear, but I'll remind you that an originating records system really means that you attempt to take the originating records created where the call originates and turn that into accurate compensation records for the LEC that terminates the call.

But their contention is that the originating records system is, quote, an industry standard. That just isn't true. The industry standard for a competitive toll market where every carrier, every interexchange carrier can provision 1-plus calls and every customer can select whatever competitor they want to be their toll carrier is the terminating compensation arrangement that Mr. England described, and it's the one that's been in use in the interLATA environment for IXCs since divestiture, since 1983.

Also, that model or that business arrangement is also the arrangement that those IXCs use -- and I'm talking about the traditional IXCs, AT&T, MCI, Sprint -- that's the business model they use even today in the intraLATA jurisdiction.

Even before the PTC plan was over and they were entitled to originate intraLATA calls using a 1-plus with dialing parity, they connected and paid based on the business relationship that's been in use in the interLATA environment as well, the Feature Group D relationship.

Why did we go to that business arrangement in the interLATA market? I think when you look at the perspective of an interexchange carrier, you can kind of understand it.

When an interexchange carrier decides where it's going to compete, which typically is the urban areas, that's where they first want to compete because that's where the customer volumes and the traffic volumes are and the opportunity to make money, they usually go to the metropolitan areas.

And when they go there to originate traffic, they have to order access from the LEC. And on the originating side for purposes of originating compensation, all of the arrangements necessary for the accurate billing of originating traffic is taken care of when they order a trunk from the LEC where they're going to compete.

Now, take a look at the terminating side. The terminating side can be completely different. Let's choose a Small IXC, I don't have one particularly in mind, Fly by Night Long Distance Company. And they want to go compete for business customers in downtown St. Louis and that's the only place they really want to compete.

They order their originating access and they get some business customers down there. They've established the business relationship necessary to originate the traffic and pay Southwestern Bell for all that originating traffic. But those customers can call anybody in the LATA, in the state, in the United States and even in the world.

So does that IXC also have to order terminating facilities of its own to take that traffic wherever those calls may terminate? No. Some carriers, some IXCs do have significant facilities. AT&T, MCI has a lot of facilities. They'll put that on their own facilities if they can, but if they have calls that are going to distant places where they're not competing and don't have facilities, they're going to contract with other carriers that do.

So if there's a call from St. Louis that's going to go to one of our favorite Small Companies, New Florence, and let's say AT&T has facilities there, Fly by Night will go to AT&T and say, Will you terminate the traffic that my customers send to New Florence? And AT&T will, by agreement, terminate that traffic for them.

But New Florence is paid by AT&T for Fly by Night's traffic. That's the business relationship. It's efficient. It's what's been in use for the intraLATA and interLATA jurisdictions forever -- not forever, since divestiture. It's an administratively simpler terminating compensation system to administer.

The terminating LEC, if it's a tandem company, it makes its own recordings and bills the interexchange carriers who order trunks to them. For an end-office company that stands behind a former PTC's tandem, the PTC is responsible for giving that company records to bill all of the traffic that comes to the PTC's tandem by the IXC.

And if an originating record system were the, quote, industry standard, why wouldn't it have been in use in the interLATA environment since divestiture?

And I think if you looked at Peace Valley or if you looked at New Florence or Alma and if you said that company had to rely on originating records from companies that it didn't directly connect with all over the United States and had to go attempt to chase them down, there could literally be thousands of carriers whose traffic terminates to them. It's unreasonable to require the terminating LEC to engage in that sort of endeavor.

That is why the terminating LEC looks to the tandem provider. If it's an end-office company and it owns its own tandem, it simply looks to the IXCs that ordered access to pay the terminating compensation.

So I would respectfully suggest to you that this originating records system that the former primary toll carriers are suggesting be used is not the industry standard. It's an aberration. It was only in use in Missouri during the PTC plan. It was not and has never been in use while there was 1-plus intraLATA toll competition or dialing parity.

During the PTC plan, the originating records system was in use between the PTCs, but when it came to Small Company compensation, it was different. During the PTC plan, Southwestern Bell had a common trunk to Mid-Missouri Telephone Company. Bell's traffic terminated via that trunk. Verizon's traffic terminated via that trunk. Sprint's traffic terminated via that trunk.

Southwestern Bell paid for all of that traffic. And Southwestern Bell went back upstream and settled or collected with Verizon and Sprint. Exactly the same relationship that I've talked about in the interLATA environment.

The PTC plan is over. The PTCs asked that it be ended. You ended it. Now, under our access tariff, the PTC is defined as an interexchange carrier. There is no, quote, LEC-to-LEC relationship anymore. If some carrier comes to us to either originate or terminate interexchange or access traffic, the relationship is an interexchange carrier-LEC relationship, not, quote, LEC-to-LEC.

The language in our access tariff that said the tariff was subject to the terms and conditions of the primary carrier toll plan, that language is not effective anymore. The language that is effective now says -- beside saying the former PTCs are interexchange carriers, it says the terminating LEC, that's us, makes the recordings for terminating traffic. So the originating record proposal is a violation of or contradictory to our approved access tariffs.

And the Commission recognized that with the end of the PTC plan, the old jointly provisioned LEC-to-LEC toll system is over. In the complaint that Southwestern Bell brought against Mid-Missouri, Chariton Valley and the Seneca, Ozark, Goodman Companies, the Maximizer 800 complaint, this Commission has ruled that now that the PTC plan is over, Southwestern Bell is an IXC just like any other IXC and they have to comply with our access tariffs.

The former PTCs in their originating records proposal don't want that to happen. They really don't want all aspects of the PTC plan to be over. They want to end this process with the result that they have been able to shed themselves of the burdens of the PTC plan.

They're not going to originate and make their plans available in the Small Company areas. But they still want to terminate traffic over this common trunk group, yet they don't want to be responsible for all the traffic like they were under the PTC plan. And, most importantly, they don't want to have to comply with our access tariff.

What would be some of the consequences that could occur if the PTC's originating records system is accepted? First of all, and this is a public policy standpoint, not necessarily a carrier-to-carrier relations and compensation standpoint. But if you accept this plan whereby it's an originating responsibility plan coupled with an originating records system and that we were forced to accept transit traffic and chase down originating carriers for records that may or may not be created, it's going to discourage competition in the rural markets.

If competitors can get all of their traffic -- if the competitors compete with Bell in the metropolitan areas and they get their interconnection agreements to do that and because Bell's interconnection agreements addresses traffic destined for us, which in my opinion, it shouldn't and I've made that spiel to you several times in prior cases, but if the competitors do that, they're going to be less likely to come to the rural areas and directly interconnect and get interconnection agreements with us.

And without competitors connecting with us in the rural market, there's not going to be an opportunity to develop those expanded local callings, the reciprocal compensation traffic that we discussed so much in the wireless case. Competition won't come when they have a disincentive to connecting directly with us.

If you accept their proposal, everybody, all carriers are going to be reliant upon the former primary toll carriers, as I've used the term, gate keepers. I don't think they like that, but they're going to be relying upon them to create records and create the relationships that are necessary for an originating records system to work.

They're going to be in charge of where the traffic goes and they're going to be putting more of it on their network on the common trunks. They're in charge of -- through their interconnection agreements, of who creates the records and what types and where they're supposed to be passed.

And basically they're in charge -- or they have the only capability that's existing to make sure that we have whatever revenue assurance that we can provide under their originating records system.

Also, another thing that I think is -- would be a consequence of their system is it's going to give them a competitive advantage over other IXCs. Sprint, Verizon and Southwestern Bell have extensive interexchange networks in Missouri. So does AT&T, MCI.

So a new carrier today can go either to AT&T and say, Will you terminate my traffic that I don't want to -- that goes to places that I don't have facilities for or they can go to Southwestern Bell.

If they go to AT&T, because of the interLATA relationship that I've described to you, AT&T has to charge them a rate for that that covers the cost of terminating those calls to the independent exchanges.

Let's look at what's going to happen if they go to Southwestern Bell. Southwestern Bell's going to say, Hey, the rate we charge you doesn't have to cover that because we're only transiting it to them. And they won't be in a position to know whose traffic it is, where it's coming from.

So under our plan, it's going to be your responsibility to send them records. Of course, if you don't, you don't have to pay. And the notion that those carriers would take unfair advantage of that relationship and send traffic through Southwestern Bell destined for us without creating records for it or without paying for it, it's not just a fear. It's reality. It's been reality for years now.

This originating records system does not work. We haven't been paid yet for the cellular traffic. We're still arguing about rates, we're still arguing about reciprocal compensation. We're still arguing about all of the things that should have been decided if we'd had our own direct interconnection agreement with those carriers from the get-to.

CLECs -- we're not getting records or compensation from CLECs. And the CLECs have been exchanging traffic with Southwestern Bell since the Dial U.S. agreement.

And I think you have the benefit of a lot more experience now than you had when you first approved the Dial interconnection agreement and when you approved Bell's change of its wireless tariff to go to only a transiting function.

In both of those cases, you presumed or took on faith, if you will, that these carriers would not violate the interconnection agreements and would not violate your orders and would not send us traffic without making arrangements to do that which arrangements would have included doing records and compensation, but they didn't.

And originating records system in the final essence isn't based upon sound business principles. And I'm not going to repeat everything that Mr. England told you. But the basic premise or the basic defect in the system is it puts the fox in charge of the hen house. I'm going to borrow that saying from Mr. Jones, who's a little closer to the hen houses than I am, but it makes sense.

Whenever there's a mistake for -- well, for an originating records system to be perfect, every carrier who sends traffic to that LEC has to do proper network translations in its own switch, No. 1. And when I talk about every carrier, I'm talking about literally scores or maybe even more than 100 in each -- or in some of the LATAs or in Missouri.

Besides making correct network translations, those translations determine how the call is going to be routed, but then there has to be a toll recording system. So overlaid upon the network computers, if you will, or data processing system, there's a toll recording data processing system.

The originating records system is a billing system that's overlaid upon that. And there has -- every carrier has to have correctly coded, if you will, its originating record system, not just for 1-plus calls, but for calls that are sent without a one being dialed in front of it.

And if anything happens where it doesn't work correctly, who benefits and who loses? The person that benefits or the carrier that benefits is the carrier that makes the mistake. That's the carrier who benefits, because due to their mistake, they don't have to pay. And not only can this happen, it does happen.

Mr. England talked to you about the test results of the network test. He also mentioned to you a little bit about Mid-Missouri Telephone Company's experience. I don't want to repeat or rehash the Mid-Missouri history too much, but I wanted to correct a couple of things that were said by Mr. England.

First of all, Mid-Missouri noticed this hole in its terminating compensation or its recordings within two or three months after the end of the PTC plan in late 1998. It turned on its recording system in 1998. And it initially told Southwestern Bell, We have a huge problem, we think you have a Local Plus problem.

Now, let's go to the Southwestern Bell side of Local Plus. And we got into this in the Local Plus resale hearing. But originally Southwestern Bell set up its Local Plus recording systems to create the call code six so that billing records would be passed.

Somewhere after that point in time, Southwestern Bell hasn't told us yet when it happened, why it happened or who did it, that was changed. After Mid-Missouri was complaining, they changed their system to no longer create the billing record.

And they had opportunities in early 1998 to find that. They were making internal memos to look for that, but they didn't. They didn't find this problem until the July records test in July of 2000, a year and a half later.

And that was after Mid-Missouri had threatened to disconnect Southwestern Bell's trunks. Southwestern Bell had brought a complaint case to you. And in that complaint case they represented to this Commission, they promised this Commission that in order for Mid-Missouri not to shut off those trunks and stop that leak, they represented and promised that it was not Southwestern Bell's traffic that was the problem. They said it was CLEC or IXC traffic. But it was Southwestern Bell. That was the problem.

So even Southwestern Bell, the biggest carrier in Missouri, with the most experience under an originating records system, can and does make mistakes. The evidence in this case will be that Sprint and Southwestern Bell both made these types of mistakes and they discussed them and compromised them in recent audits.

If it weren't for the network test, I wonder if Mid-Missouri would have stopped its leak and I wonder if Southwestern Bell would have discovered this problem. And that's Southwestern Bell. And I don't even need to speculate about what kind of problems that might be confronted with the CLECs or the wireless carriers who aren't sending us records.

One of the assumptions of an originating records system or the former PTC's proposal for the business relationship is that the Small Companies are, quote, required under the Act to accept transiting traffic.

In David Jones' testimony he's pointed out to you that in Kansas, when they were doing an interconnection agreement with TCG, a CLEC, they just took the opposite position. When TCG said, Bell, we want you to accept transit traffic from us, Southwestern Bell said, No, we don't have to accept transit traffic. If we accepted transit traffic from you, it would discourage or inhibit our ability to go get direct interconnections with the carriers we want direct interconnections with. Our preference is for direct interconnections. There's nothing in the Act that says anything at all about transiting and we don't have to accept it.

And the Kansas Commission said, Southwestern Bell, you are right. You don't have to. You can voluntarily agree to it, but you don't have to accept it.

But in the former primary toll carriers' position in this docket, what's sauce for Southwestern Bell in Kansas is not sauce for the Small Companies in Missouri. They're suggesting to you that we have to take it. And I respectfully suggest to you that we do not.

We're not required by law to accept transited traffic. If we have a preference for direct interconnections, we're entitled to look to those direct interconnections for compensation for terminating traffic.

We are not required by law to bill anyone other than the former primary toll carrier when it connects with our tandems.

When we have an end-office that's served by a former PTC's tandem, we are not required to use an originating records system. What we are required and entitled to do is look to that PTC to give us the billing records to bill the IXCs for all of the traffic that terminates to us through the former PTC's tandem.

That's what we're looking for in this case. That's the accepted industry standard. We would ask you to adopt it and make for one ubiquitous standard in -- or system in Missouri for terminating compensation and not to go to the originating records system with all of its demonstrated flaws. Thank you.

JUDGE MILLS: Thank you.

Southwestern Bell, Mr. Bub?

MR. BUB: Thank you, your Honor.

Good morning. I'm Leo Bub, and I'm here with Paul Lane on behalf of Southwestern Bell Telephone Company.

As most parties, including Staff, recognize, you directed the industry to investigate four things in this case. And they're set out in the heading of this case: Signaling protocols, call records, trunk arrangements, and traffic measurements. Your order establishing this case and limiting the scope of the investigation made this abundantly clear.

The Small Companies, however, seek to inject another issue into this case, one that we believe the Commission's previously rejected. And they say the Commission should change the business relationship between them and Fidelity, Sprint, Verizon and Southwestern Bell, the former primary toll carriers or PTCs.

What they mean here is that they want you to make the former PTCs financially responsible for all -- all of the traffic that flows to a Small Company through a former PTC's tandem and they want you to place financial responsibility even -- on us even if it's another carrier's traffic and even if that traffic is identified and even if they do have an appropriate record and can and are billing that today.

Note that they're now asking here for more than they did in the last PTC case, the 99-254 case. There they asked you to make the PTCs pay for any difference between what they recorded and records they received from other carriers, what they called the residual. And now they want you to pay for everything -- make us pay for everything.

What the Small Companies are asking for is no less than a radical restructuring of the industry. And not only does it run counter to prior Commission orders, it's counter to numerous interconnection agreements that Southwestern Bell has with CLECs and wireless carriers, all of which have been approved by the Commission. Verizon and Sprint have similar interconnection agreements that have also been approved by the Commission and call for the same thing.

And the primary claim that the Small Companies have for requiring such a radical change is the present system is broken. Now, we readily admit that we did have a problem with our Local Plus traffic from our Ericsson switches and that problem did impact the other carriers.

Well, that problem's been resolved. It was identified and resolved and we're -- if you look at the results from the network test, this problem accounted for most of the discrepancies from that initial match-up that Mr. Schoonmaker and Mr. Jones did.

Mr. England indicated to you that even after these records have been added back in, there's still a 13 to 17 percent differential that's unexplained. We don't agree with that. We think, you know, that 13 to 17 percent differential is the result of their matching before we were able to explain everything.

I think if you look at the network report that I understand either has or is going to be filed today, you'll see that the PTCs, once they got that differential and looked to see, you know, what that difference is, I think you'll see that a lot of it, probably most of it now has been explained.

Now, does that mean that everything's explained? No. Is there still more work to do to find, you know, the things that remain unidentified? Yes. And we're willing to research that to conclusion. And I'll talk a little bit about that in a minute.

With respect to the Local Plus traffic, I need to tell you that we've made full settlements with Mid-Missouri and several other carriers, and we have financial settlement offers out to all the other carriers that have been impacted and we soon hope to make reparations with all of them.

But this problem isn't indicative of an ongoing or any systemic problem that would cause you to completely revamp the entire -- how the entire industry operates with regard to compensation.

What the Small Companies propose runs counter to how you've interpreted and applied interconnection agreements under the Telecommunications Act. In a case in which you reviewed, the Dial U.S. agreement, a concern was expressed how MCA traffic would be handled and how small LECs would be compensated for calls that Dial U.S. customers made.

You ruled that when Dial U.S. became facility based, Dial U.S. was the responsible carrier and must make arrangements for compensating other carriers for terminating traffic. And every interconnection agreement that we entered into with CLECs and wireless carriers has followed this principle and so have those of Sprint and Verizon.

But what the Small Companies propose here is making Sprint, Southwestern Bell and Verizon pay for what these contracts require the CLECs and wireless carriers to pay for. As you're aware, the transport charges that we receive for carrying those calls across our networks falls far short of the high terminating access charges that the Small Companies would have us pay. And there's no method or mechanism right now that we can collect from the carriers who are the ones actually responsible for these calls.

What the Small Companies propose here is also contrary to your rulings in the last PTC case, rulings that were not appealed. There the Small Companies asked the PTCs to pay for any residual difference between what they recorded at their terminating end and the records that they received from other carriers.

And, as you know, you rejected that demand. You found it fundamentally inequitable. You explained that their residual billing scheme would improperly result in them being compensated for things they weren't entitled to be compensated from the PTCs on. And that included traffic and other -- that was originated by another carrier's traffic that you recognized merely transited the PTC's networks.

Before leaving this area, I'd like to address one further point that the Small Companies raise. They say what they're asking for is the same relationship they have with the IXCs. And at some point they've called it the competitive IXC model.

I need to point out that even though they seek to impose their so-called model on the PTCs, they themselves don't follow it in all cases. Despite what they say, that just isn't the way all IXC traffic is handled by them. Only a few of the small carriers in Missouri religiously follow this model in all cases.

If we look at the non-tandem company, those small LECs that do not have their own access tandem, I think there's at least 25 of the 37 companies that are non-tandem companies. They receive most, if not all, of their IXC traffic through a former PTC's tandem on the common trunk groups.

In this situation, the terminating LEC does not bill the former PTC over whose facilities the IXC call traveled. Rather the terminating companies and the former

PTCs, their access tariffs all call for that traffic to be meet-point billed.

That means that the former PTC and the terminating LEC both bill the originating carrier, the IXC, for use of the respective facilities. And that's based on a percentage of ownership of those facilities. It's the originating carrier that pays compensation, not the LEC in the middle. And this makes perfect sense.

What's happening may be clear if you look at another industry, the railroads. Often, one railroad has to send its railcars over another company's rails, sometimes several. Former PTCs are like the railroads in the middle.

Let's say, for example, a farmer outside of Jefferson City hires Union Pacific to ship a carload of corn from Jefferson City to Clarksville, Missouri. That's just north of St. Louis. The customer pays Union Pacific its rates to haul the corn to Clarksville.

From the customer's perspective, it's chosen Union Pacific, paid the rates and it doesn't care how Union Pacific gets the corn to Clarksville. Just wants the grain to get there.

But getting the grain to Clarksville is Union Pacific's responsibility. For what it charges the customer, it's responsible for its own cost in running the car with the corn over its own tracks. And if the track doesn't go all the way to Clarksville, it's also responsible for paying other railroads to roll its boxcar with the corn up to Clarksville.

It may have to send that car over the St. Louis Terminal Railroad tracks, be switched to the Burlington Northern that does go up to Clarksville. And if it does, Union Pacific, as the responsible carrier, pays both the Terminal Railroad and the Burlington Northern.

Just because the Terminal Railway's tracks make a connection between Union Pacific and the Burlington Northern doesn't mean that the Terminal Railroad is responsible for paying the Burlington Northern. That's Union Pacific's responsibility as the responsible carrier.

Remember, it was Union Pacific that was chosen by the farmer to haul the corn. The farmer paid Union Pacific and it was up to Union Pacific to deliver the corn all the way to Clarksville and bear the expenses for getting it there.

A similar thing happens in the telecommunications industry. Each telephone company's lines don't go everywhere. To make the connections that their customers want, telephone companies need to use other telephone companies' lines, and in many instances the lines of multiple carriers. And that's the situation we're in today.

Efficiency and public interests are clearly furthered by policies that favor this type of interconnection and the sharing of networks between carriers. And, in fact, the law requires it.

As you know, the Telecommunications Act requires carriers to allow both direct and indirect interconnection with other carriers. There's also state laws that require telecommunications companies to interconnect their facilities. And under these laws, tandem companies are like the Terminal Railroad which has to let the Union Pacific use its tracks to reach the rail network of the Burlington Northern.

While a tandem company is required to allow other carriers to use its network to reach the network of another carrier, the law imposes no requirement on the tandem company to pay for another carrier's traffic. If it did, no carrier would want to interconnect if it had to assume that responsibility.

A few weeks ago the Small Companies in the Mark Twain Cellular termination service case argued to you that they should not have to pay reciprocal compensation to wireless carriers on calls their land-line subscribers in their own exchanges made to wireless carriers.

The Small Companies pointed out that on such calls, the customers had to dial 1-plus. And that was a service that they were not voluntarily or willingly holding out to their customers. They pointed out that those customers had selected other carriers to handle those calls like AT&T or MCI. And that those other carriers who had the customer, it was their responsibility, as the responsible carrier, to pay the wireless carriers the reciprocal compensation on those calls.

Small Companies cited Bellflower to you. That's the case issued by the Supreme Court years ago that said a telephone company can't be made to provide a service that's not -- that it hasn't willingly held itself out to offer. And in that case you all agreed with them.

Here the tandem companies aren't holding themselves out to terminate calls at another LEC's exchange. All we've held ourselves out to do is what the law requires, permit our facilities to be used by one carrier to reach the network of another. That's all we offer under our access tariffs and all we offer under our interconnection agreements.

We're not being paid to actually terminate such calls. Instead, all we receive is a small transport charge. And that charge doesn't even come close to covering the terminating access charge that the Small Companies would have us pay. As you know, Southwestern Bell typically receives less than two cents and often less than a penny per minute for these calls. And that's designed to cover Southwestern Bell's own transport costs. It's not designed to recover 4 to 15 cents per minute rates that the Small Companies charge to terminate calls.

When the Small Companies try to compare the tandem companies with how Small Companies treat some IXC traffic, the two really aren't comparable. That's because the IXCs are holding themselves out to do something different than what the tandem LECs are doing.

The IXCs are holding themselves out and actually getting paid to terminate their end-users' calls. So when a reseller, say McLeod, resells AT&T's interexchange service, there's a contract between McLeod and AT&T under which AT&T has agreed to actually terminate that McLeod subscriber's call.

That's why AT&T pays all terminating access on those calls. It has willingly held itself out and agreed to be the responsible carrier and terminate that call.

I should point out that resellers don't have just AT&T to choose from. They can choose MCI or a whole host of other facility-based providers. That wholesale interexchange market is very competitive. These facility-based providers actively market the capacity on their facilities. It's a separate line of business for them and they aim to make a profit at it.

I need to also tell you that when Southwestern Bell or another incumbent LEC offers services on a resale basis, the same rules apply. When our toll services or our Local Plus is being resold, we pay terminating compensation. And you could -- in some cases it could be access and in some cases it could be local reciprocal compensation depending on what type of service of ours is being resold.

That said, I don't want to leave the impression that we're washing our hands of the concerns that are being raised by the Small Companies, because we're certainly not. They're concerned about getting paid for what they terminate. And I think that's a concern that everybody in this room understands and appreciates. It's an industry concern.

I can tell you that we're probably not getting paid for all calls either. As I said earlier, we're willing to work with them on a cooperative basis to focus on these gaps that they perceive in the records. We're willing and have worked with them to develop records that they can use to bill the responsible carrier and receive appropriate payment.

Some of you might be thinking that, well, you've heard this before, but yet nothing seems to have been done. Well, I need to tell you that such an impression wouldn't be correct and we really haven't been sitting on our hands.

You'll recall in your order in the last PTC case you said that prudent business practices dictate that Small Companies move toward acquiring more information about an authority to bill for calls terminated to them.

We don't disagree or have any problem with that. And if you look at what we've done since you issued that order, I think you'll see we've tried to implement it.

In that order you rejected the Small Companies' proposal to bill from their terminating recordings. You recognized that many of them could measure incoming traffic, but they didn't have the ability to identify the responsible carrier, the one that originated the call.

And even now I think it's universally acknowledged that that's still a problem with the Small Companies' terminating recordings. That's one of the main reasons that they haven't been used and why they're not appropriate on a going-forward basis.

But in that order you did order the PTCs to provide the Small Companies standard Category 11 records. You saw this as providing them with better information about calls that they terminate. And although there was -- although there was a significant cost to the former PTCs to make those records, we did not appeal your ruling. We just did what you told us to do.

As you saw in the pre-filed testimony, the former PTCs worked cooperatively with the small LECs and all their billing vendors to develop a record in a format that would work for them. A lot of people worked long and hard on both sides of the fence to get that done. But it was done and it was done within the April 4 time frame that the Commission set. Those records are now being used successfully by the Small Companies to bill terminating compensation.

But that's not all we've done. The former PTCs have also been meeting with the small LECs to develop records that the Small Companies can use to identify and bill interstate intraLATA calls. That would be like a call from Kansas City, Missouri -- excuse me -- the other way, Kansas City, Kansas into Kansas City, Missouri or a call from the western part of Illinois into the eastern part of Missouri.

This is one of the traffic types that today isn't identified and can't be billed. While that type of traffic is beyond the Commission's jurisdiction, we wanted to make you aware of it, that we are working to address that concern as well.

At Southwestern Bell we're going to have those records ready for the Small Companies by the end of the month. Again, this project took a lot of work. We had to get our switches in Kansas and our Ameritech switches in Illinois able to record that intraLATA traffic that's being sent into Missouri and get a system together and process those records for distribution to the Small Companies. And with those records, they should be able to bill that traffic that is now unidentified.

You've also seen testimony about the extensive records test that the former PTCs and the Small Companies have conducted. I don't think anybody would disagree when I say that that test was conducted in the spirit of full cooperation and good faith between all the parties. Again, a lot of effort on both sides of the fence from all carriers went into that test and that -- and the report on that test has just been filed.

We saw that test as being very beneficial. During the test we found things in parts of our network that weren't correctly set up. Our Local Plus traffic in our Ericsson switches is an example. That was a very embarrassing mistake for us and we don't like making mistakes and we've had to eat crow on it. And I can tell you I've personally eaten some.

But I need to tell you that that Local Plus problem doesn't go back as far as Mr. Johnson indicates. He said that there were gaps that Mid-Missouri noticed, you know, back when the PTC plan ended in '98.

If you remember, the plan was terminated in '99. And it wasn't until late '99 that Mid-Missouri even told us that there were some problems that they were seeing a gap in the records. When they told us that, we asked them to give us some data. And they did in February. And once we got that, we started working it and you can see what we did. It's all outlined in Joyce Dunlap's testimony.

I think you'll see, and Ms. Dunlap will tell you, that we were frustrated. You know, we were led to believe and we all thought it was interexchange traffic coming into our network, so that's where we were looking. We were looking at our tandem switches to see if traffic was inadvertently or somehow getting through.

And we checked each one, each trunk coming in that would go to Mid-Missouri just to make sure that there was no interexchange traffic improperly on those lines. We didn't know to look next door in Marshall.

It wasn't until we ran our data while we were putting together our own data to submit to Mr. Schoonmaker and Mr. Jones for the network test we bashed basically the records that we had created against the records that our new Hewlett Packard Business Intelligence System saw coming out of our network from our own customers and we saw that we were short.

And as soon as we determined that, we let the whole industry know and we contacted Mr. Jones and we made a rather substantial partial payment subject to true-up. It was just a ballpark payment, because we knew we'd harmed his company so we flowed that money to him. And he and Ms. Dunlap worked to reach a negotiated settlement for the rest and that was concluded. The money's paid and that's fully settled. That's an error that we felt bad about, we've apologized, but it's been fixed on a going-forward basis.

The one thing I can tell you with this new Business Intelligence System running the background in our network, that kind of mistake, even if it does happen again -- and, you know, humans run all these networks, ours, the Small Companies, they run all the switches, do all the switch translations.

I can't tell you standing here today that errors won't be made, but if they are, we believe our Hewlett Packard System will detect it so if those problems do occur, they won't persist like the Local Plus problem did.

Getting back to the network test, does that show that there's more that can be done to narrow the gap? Sure. I think those things are set out in the industry's report. And we're more than willing to pursue those things to conclusion.

We don't have any problem with periodic audits to ensure that the integrity of the system the industry uses is preserved and detects any errors that might occur. We don't have any problem with the carrier being held responsible for its own recording problem when they're found. That's exactly what we did with Local Plus.

And, finally, you've seen in our testimony our description of the new Hewlett Packard System that we're deploying in Missouri. This system not only will help us monitor our own traffic, but it will provide us the capability of monitoring traffic coming from other carriers into our network.

This was a very expensive system. And we purchased it because we have the same concerns the Small Companies do. We want to be able to identify that unidentified traffic. The system, when fully deployed, will help us fill that gap. And we're more than willing and will share the output of that system with the small LECs.

Currently we're working on getting that system to produce a report that's like the Cellular Transiting Usage Report, or the CTUSR, as it's known in the industry here. This report is intended to supplement the records that are currently provided.

Remember that we're already producing many types of records the Small Companies are using and successfully billing. We're producing the Category 11 records you ordered us to. They're using those, they're billing from them and they're getting paid through them.

In addition, we've been producing, probably for years now, the Cellular Transiting Usage Report, the CTUSR report. And as that whole cellular area comes more to a conclusion when rates are finally determined, they'll be able to use the records that we've been giving them to bill for that.

We also produce Access Usage Records that they use to bill for IXC traffic. And we give them records for Feature Group A traffic. This new CTUSR-like report from the Hewlett Packard System will, on a monthly basis, summarize or tell the terminating LECs by their own exchanges the number of minutes that a particular interconnected carrier sent through Southwestern Bell's network to them.

These companies have previously indicated to you that they can bill from the CTUSR report. And they should be able to bill from this newly generated report as well, because it's going to be just like the CTUSR report.

We believe that this is a course that you've previously set for the industry and one that we've tried to follow. The problem has been the small carriers haven't really been interested in pursuing the carrier that actually originated the call.

Instead, through all the cases that we've looked at and been involved in the last few years, their efforts have been focused on trying to figure out a way to make the tandem companies like Sprint, Southwestern Bell, Verizon, responsible for paying for other carriers' traffic.

If you make it clear to them that this really is an appropriate option, we think they may finally decide to dedicate themselves to working with us to determine ways to identify and appropriately bill the responsible party. And that's the approach that we would recommend to the Commission. Thank you.

JUDGE MILLS: Thank you.

Mr. Minnis?

MR. MINNIS: Thank you. If I may, I do have a handout that I'll refer to.

Good morning. My name is Steve Minnis, and I'm representing Sprint Missouri in this matter. First off, I would concur with the statements made by Mr. Bub and I won't cover most of that territory.

This case appears to me to be one of risks and incentives. And the key to a good decision is balancing those risks and incentives. The small LECs are here to argue that their terminating switch records are different, that is larger, than the originating tandem records relied upon for payment by the former PTCs, one of which is Sprint Missouri. The small LECs generally argue that if their records show a difference, the former PTCs should be required to pay for this difference.

What the small LECs have suggested is unique in the industry. Sprint has not found a similar arrangement in any of its 18 local states, and I've not heard of any state allowing the solution the small LECs are asking for.

In addition, there's evidence of an attempt at a national solution through the Ordering and Billing Forum. This solution would provide more conformity to this issue nationally instead of following the small LECs' pleas to be the lone wolf here in this country.

Even though this is not consistent with any other states, the small LECs want to place all the risks on the former PTCs. In essence, the small LECs are saying, Our records are accurate, yours are not, so pay the difference. And not only pay us the difference, but also pay us at the highest rate possible.

Of course, under this scenario, there's absolutely no risk to the small LECs. In fact, it is actually beneficial to the small LECs to have a difference in traffic because they will be able to charge the highest rate. Small LECs claim this proposal is needed in order to provide an incentive to the former PTCs to get their records accurate.

But how do we get to a situation where both parties have incentives to get the records correct? Sprint has a couple of suggestions. One is to follow the Southwestern Bell suggestion, and that is let us continue to work through this process.

If that is not amenable to the Commission, Sprint would recommend that the terminating party and originating party share the difference in that traffic on a 50/50 basis. This provides equal incentive to small LECs and the former PTCs to investigate and capture all the traffic. This is a solution that seems to make sense.

Another hidden problem with the small LECs' proposal is their requirement that the former PTCs be the small LECs' collection agent, banker, payer of traffic terminating to them without compensation. Even though the small LECs have chosen the relationship that currently exists by connecting to Sprint's tandem, the small LECs are happy only if they're able to have no risk whatsoever.

In essence, they want to receive full payment for all traffic sent to them; whereas, Sprint, who is merely acting as the aggregator of this traffic, must pay for them -- pay them for this traffic and then go and try to collect for this traffic even though the source may be unknown to Sprint as well. Again, the small LECs are reaping all the rewards without any risk, and requiring Sprint, who is not compensated for this collection effort, to take all the risk.

The Small LECs articulate an environment that they claim is unfair. The evidence demonstrates that this environment is equally unfair to Sprint. Sprint's tandem receives traffic from Bell's tandem that sometimes is unmarked, which must be passed through to the small LEC.

Under the small LECs' scenario, Sprint must bear the cost of receiving traffic from the Bell tandem which is unidentified. Sprint's risk is huge unless we are allowed to get the records worked out or unless this scenario is consistent up the line so that Sprint will also be protected. The risk of faulty records needs to be borne by all the parties so all the parties can have the incentive to get accurate records.

Of course, without accurate terminating records, the small LEC's house of cards begins to fall. A closer review of the evidence will demonstrate that the records relied upon by the small LECs may also raise some questions.

I have passed out an example of three customers in the Rockport exchange -- or I'm sorry -- for calls that terminated to the Rockport exchange. If I can ask you to turn to that, this is a summary of some of the records that were taken on July 17th, 2000 in our records ex-- records reconciliation report.

If you see in Customer No. 1 there, there is a matched call to a call made to a wireless provider, 660-787-82xx, and we've crossed out the last two X's for proprietary reasons. As you can see, this connect call happened at 1312 and 35 seconds or 1:12 p.m. and the conversation time was 2,141 minutes. This is a record that occurred in the Rockport switch.

There is a corresponding originating record from the Sprint tandem. As you can see, it's the same number. It is basically the same time and has basically the same conversation minute. This was calculated as a matching record under the records report.

Now, in that same report you can also see that there are some unmatched calls. These calls were made to the same cellular number. The connect time was in the same time frame as the above call. They are for different times there, as you can see. But there's no record that came from the Sprint tandem.

In Customer No. 2, as you can see, I won't go through piece by piece, but it has the same type of thing as well as Customer 3.

Now, Mr. Cowdrey and I are not going to

pretend to know what happened here, but it appears to us that during a call made to one phone number, there are also calls recorded by the Rockport switch made to the same phone number for different periods of time.

Now, the importance of this example is that at this point it is unrealistic to rely -- it may be unrealistic to rely on terminating records. I'm not sure what happened here and I'm not sure the small LECs know what happened here, but it does give us pause to question what's going on here.

I would caution this Commission not to make an assumption based on the small LEC's claims of accuracy when Sprint's review may -- there may be some significant anomalies.

This case demands that risks and incentives be spread over all the parties in order to get a clear and more accurate accounting of this traffic. I've asked this Commission to balance these risks and incentives and to tread lightly on the accuracy of any of these records that are presented here today until all the parties can determine what's going on here. Thank you.

JUDGE MILLS: Thank you.

Mr. Fischer?

MR. FISCHER: Good morning. May it please the Commission.

My name's Jim Fischer, and in this proceeding I represent Verizon Midwest. I also represent Fidelity Telephone, who has not filed any testimony in the case and won't be taking an active role this morning.

After listening to all the opening statements and reading the record, I thought maybe I should expand on some of the additional good news of this case, because I think there is a lot of good news in the case. One part of the good news is that we have significantly reduced that long laundry list of technical issues that we presented to you at one point in time in this process. We have significantly narrowed the very many issues that separated the former PTCs and the SCs.

And one of the very good pieces of good news that Trip England mentioned is you don't have to decide Feature Group C and Feature Group D, and I'm thankful for that.

But there are some other very good areas of agreement that I also want to highlight. First, we all agree that terminating carriers are entitled to appropriate compensation for terminating calls. Verizon and the other former PTCs in this proceeding are willing to pay appropriate terminating compensation for their customers' calls. This is not an issue.

However, Verizon does not believe it should be obligated to pay for calls originated by other carriers' customers, including customers of Southwestern Bell or Sprint or Spectra or CLECs or wireless carriers. Verizon should not be on the hook financially for Sprint's traffic, Southwestern Bell's traffic or other carriers' traffic just because that traffic happens to come across Verizon's tandem.

But there's good news on this issue too. The Commission has already considered both sides of the argument and announced a decision in TO-99-254. The Commission in that case has already ruled that the former PTCs should not be financially responsible for other carriers' traffic. As a result, the Commission doesn't need to revisit that issue or, at a minimum, can just re-affirm what it's already said.

Second, we all agree that carriers should be responsible for their own recording errors when they're found. And when such recording errors are found, they should be promptly rectified and appropriate adjustments to the compensation should be made. This also is not an issue.

Finally, we all agree that improvements to the system can be made, and Verizon believes are being made, to ensure that the current system makes certain that, as Mr. England said, the sum of the parts do equal the whole. Verizon's Witness Kathryn Allison discusses in her testimony one improvement that has been adopted and finally approved in November -- on November 8th of 2000 in the industry Ordering and Billing Forum.

This improvement, known as Issue 2056, is designed to enhance the record exchange process and close any existing gaps in the billing and compensation issues created by the introduction of CLEC traffic and wireless traffic that is being introduced into the LEC network.

Issue 2056 specified that each provider will be responsible for recording its own usage, both originating and terminating. This will enable the LECs to quantify their terminating usage as well as perform a bill validation function. Issue 2056 does not change the fact, however, that billing will be based upon originating records. And the term-- and that the terminating carrier will be paid by the originating carrier.

I would encourage you to ask questions of Kathryn Allison about this particular national solution. These billing and recording issues have been concerns throughout the country. It's not unique to Missouri. And this particular forum has been working to find solutions where issues have developed.

Southwestern Bell's Witness Joyce Dunlap and Sprint's Witness Bob Cowdrey also discuss in their testimony the introduction of the Hewlett Packard Access 7 System, which is another improvement that will help identify and resolve billing and recording problems as they develop, at least for these former PTCs.

On the traffic measurement issue, Verizon generally believes that the LEC-originated calls should be measured where the originating call is recorded for end-user billing, or traffic that originates with an ILEC and transits an ILEC tandem, the originating ILEC should produce the appropriate 92 record or Category 11 billing record to be provided to all parties on the call route.

Now, for traffic that originates with a CLEC or a wireless provider that transits the ILEC tandem, the terminating ILEC, in the absence of an originating record, may request a billing record from the transiting ILEC's tandem owner. So if they don't have a record that they need, they can ask the tandem owner to get one. And under the Issue 2056, that record should be provided.

Until such time that Issue 2056 is fully implemented, Verizon will continue to submit the Cellular Usage Summary Records for wireless originated traffic. Again, however, it must be emphasized, I think, that the terminating carrier will be paid by the originating carrier, not the tandem owner for any traffic that the customer originates.

Regarding the call records issue, which there hasn't been a lot of discussion about so far, but Verizon believes that this is another issue that the Commission has already decided and it doesn't need to be revisited again. In Case No. TO-99-254 the Commission decided that the PTCs should provide the former secondary carriers with a Category 11 record. This was done at the request of the secondary carriers.

Verizon and the other former PTCs changed their billing systems to provide that Category 11 record as was ordered by the Commission. Now some of the carriers that own tandems apparently want the PTCs -- the former PTCs to abandon their investment in that Category 11 records process and instead move to yet another type of exchange of records for purposes of billing. We don't believe that that's necessary or appropriate at this point in time.

Verizon is also unclear just what information we would receive if the Commission adopted the proposal of the small ILECs in this case. We're not sure what the information will be on their terminating record and we're concerned that we may not have sufficient information to make the whole system work.

We don't believe that there's any need to change the business relationship that is currently in place. Furthermore, Verizon disagrees with the small ILECs' contention that the tandem owner should pay for all identified and all unidentified traffic that transits that tandem trunk group. Verizon should not be financially responsible for the traffic that transits the -- that comes across the tandem that's originated by other carriers, particularly carriers whose traffic we know sent it over.

It's just not appropriate when Southwestern Bell or Sprint or Spectra or other carriers that -- we know they're sending the traffic, we shouldn't be on the hook financially for that traffic. But that's exactly what the proposal of the small ILECs would do to the business relationship.

If there is unidentified traffic, then Verizon believes that the industry should use the process that has been established by the Ordering and Billing Forum to determine who is responsible for that payment of the terminating traffic. We believe that system will work very well and it is working very well.

Finally, I'd like to also comment about the records test for just a minute. We believe that at the conclusion of this case, the evidence is going to show that Verizon has not had a significant problem with the records exchange. We believe, for example, that if we look at the Peace Valley subtending company that's behind Verizon, that there are probably only two or three calls that are left unmatched in our records test.

We think that we've significantly resolved those issues. We're continuing to look at those three calls, but we think we've done a very good job and we think when we ask about the Mid-Missouri Telephone Company, we're going to find that we've done even better in that regard. And, overall, there has just not been a problem in the records test with the Verizon record exchange. And if there is, we think the improvements that are being suggested nationally will help resolve issues in the future.

Thank you very much for the opportunity to participate and we look forward to your questions.

JUDGE MILLS: Thank you.

Mr. Krueger?

MR. KRUEGER: Thank you, your Honor. Good morning. May it please the Commission.

My name is Keith R. Krueger. I'm the attorney for the Staff of the Missouri Public Service Commission in this proceeding. My opening statement will be very brief.

The Commission created this case by an order that it entered on June 10th, 1999 in the most recent PTC case, Case No. TO-99-254. That was the case that terminated the PTC plan as of October 20, 1999. There are no longer any primary toll carriers. The proper reference now would be to the former PTCs.

In the order in that case, the Commission said, quote, that Case No. TO-99-593 has been established to investigate signaling protocols, call records, trunking arrangements and traffic measurements, unquote. That's the purpose of this case.

Obedient to that order, the parties first conducted workshops and later a record exchange test, which was conducted on July 16 to 17, 2000. The preparation for, conduct of and evaluation of this test required massive commitments of time and effort from all of the parties and is a good cooperative effort.

As a result of this test and the analysis of the results of the test, the parties have made significant progress in determining the magnitude of the traffic measurement errors and in identifying the cause of those errors, and they have eliminated some of the problems that previously existed.

The final report has been prepared. Twenty copies of it sit on the counsel table there. I intend to file that here at the first break or over the lunch hour and to make sure that copies are available to all of you.

The Staff believes that the parties have made great progress in investigating these network issues and the Staff supports the efforts of all parties to improve traffic measurements so that all parties may be adequately compensated for the services that they provide.

The Commission does not, however, regulate the business relationships between companies and did not direct the parties to address the business relationships in the context of this case. That was not a part of the order in Case No. TO-99-254.

One final issue that has arisen is whether call blocking is an acceptable method of preventing non-compensated intraLATA traffic from terminating at the end-offices of the former secondary carriers. Call blocking is a drastic action that causes harm to innocent customers of the disputing parties, and the Staff contends that no party should ever block calls without having first obtained from the Commission a specific order authorizing it to do so.

Thank you very much.

JUDGE MILLS: Thank you.

Mr. Dandino?

MR. DANDINO: Thank you, your Honor. Good morning. May it please the Commission.

You've heard a lot about technology and records and business relationships and tests, traffic and grocery stores and trains and even crows. I want to talk about something that no one's talked about yet, and that's people. I want to talk about the customers.

And I want you to focus on the No. 6 issue in this case, and it was the last one mentioned by Mr. Krueger, it's the blocking issue. And we believe -- the Office of Public Counsel believes that call blocking in aid of collection of intercompany compensation is completely inappropriate.

I am glad to see at least in this case that all the parties have agreement that blocking is a remedy of last resort, a very drastic remedy. But we believe that no good can come to the consumer by pursuing this remedy.

Mr. Krueger pointed out, the customers are the innocent party. In fact, if he is blocked, he'd be a victim in the battle between the companies. And I think we have enough of that already. The burden should not fall on the customer.

By blocking calls, it poses a threat to the health, safety and general welfare of the citizens. And this intentional interference, because that's really what this blocking is no matter what the reason is, it degrades the integrity of the system. And the reliability of the system is kind of the hallmark of the public network.

It really doesn't serve the public well if the completion of calls depends on intercompany compensation disputes which are unknown and really irrelevant to the consumers.

Mr. Minnis from Sprint was talking about a balancing, when you balance the Small Companies' and the former PTCs' interests. Well, I think that you also have a balancing here between the consumers and the interest of the companies. And when you're making that determination and putting those on each side of the scale, I think that the harm to the public far outweighs any benefits that can come to the companies.

So we urge the PSC to refuse to consider call blocking as a suitable alternative. What you need to do is to direct the companies to seek regress by other alternatives that do not adversely affect the consumers.

If, for some reason, the Commission decides the blocking would be appropriate under some circumstances, we would request that the Commission only allow blocking on the specific approval of this Commission after notice to the customers and to the public and to all the carriers and upon a showing by clear and convincing evidence that irreparable harm will occur if the blocking is not authorized and implemented.

I think that's a high bar to put out there for the companies, but in light of the harm that can come to consumers, I think it is appropriate. It is only with such safeguards for the public that call blocking in aid of collection for intercompany compensation would be tolerated. Notice I said tolerated, not acceptable.

Thank you.

JUDGE MILLS: Thank you.

That concludes the opening statements. Before we go on to our first witness, we're going to take a 10-minute recess. We're off the record.

(A RECESS WAS TAKEN.)

JUDGE MILLS: We've finished with our opening statements. We're about to proceed with our first witness, the Small Telephone Company Group Witness Schoonmaker.

(Witness sworn.)

JUDGE MILLS: Thank you, you may be seated.

Mr. England, you may proceed.

MR. ENGLAND: Thank you, your Honor.

ROBERT C. SCHOONMAKER testified as follows:

DIRECT EXAMINATION BY MR. ENGLAND:

Q. Would you please state your name and address for the record, please.

A. My name is Robert C. Schoonmaker. My business address is 2270 La Montana Way, Colorado Springs, Colorado 80918.

Q. By whom are you employed and in what capacity?

A. I'm a vice president of GVNW Consulting, Incorporated.

Q. Mr. Schoonmaker, turning your attention to certain pieces of prepared testimony and attached schedules, which I understand have been marked for purposes of identification first as 1, which is your direct testimony; and 1-HC, which I believe are highly confidential schedules RCS-5 and 6 attached thereto --

A. Okay.

Q. -- Exhibit 2, which I understand is your rebuttal testimony and schedules attached thereto; Exhibit 3, your surrebuttal testimony; and 3-HC, which are the highly confidential schedules RCS-9 and 10 attached thereto. Do you have those in front of you, sir?

A. I do.

Q. With respect to those exhibits, do you have any changes or corrections at this time?

A. I do have a few.

Q. Thank you. Would you, please --

A. Yes.

Q. -- take them one at a time?

A. In Exhibit No. 1, the direct testimony on page 6, lines 2 and 3, line 2 begins, Terminating LEC, and has a comma there. I would replace the comma with a period and strike the remainder of line 2 and line 3.

Q. And the next?

A. The next one is on page 20. On line 13 after the period, Wireless party, period, I would strike the remainder of that line, plus lines 14, 15 and 16.

Q. Any other changes to your direct testimony?
A. That's all on the direct testimony.
In the Exhibit 2, the rebuttal testimony, on page 5, line 19 towards the end of the line I would strike, Interstate intraLATA traffic. And that's all on the rebuttal.
Q. How about your surrebuttal?
A. The surrebuttal, Exhibit 3 on page 11, on line 3 in the second half of the line I would strike the word "not."
Q. Does that complete your changes and corrections?
A. Yes, it does.
Q. Were Exhibits 1, 1-HC, 2, 3 and 3-HC prepared by you or under your direct supervision?
A. Yes, they were.
Q. And is the information contained in the testimony and schedules attached thereto to those various exhibits true and correct, to the best of your knowledge, information and belief?
A. Yes.
Q. Thank you, your Honor -- or thank you, Mr. Schoonmaker.
MR. ENGLAND: Your Honor, at this time I would offer Exhibits 1, 1-HC, 2, 3 and 3-HC, and I would also ask

to have marked and offered a copy of the chart that I referred to in opening statement.

JUDGE MILLS: Let's take care of the testimony first. Are there any objections to the admission of 1, 1-HC, 2, 3 or 3-HC?

MR. BUB: Your Honor, we would not object to the admission of this testimony. We had a couple of outstanding Data Requests to the Small Telephone Company Group which are late coming to us. And by agreement between counsel, we've agreed that Mr. Schoonmaker -- after those DR answers are provided, that if we think we need to inquire into those DRs, that we'd be permitted to call him back later in this proceeding. You know, subject to that agreement being acceptable, we don't have any objections.

JUDGE MILLS: Okay.

MR. BUB: Does that make sense?

JUDGE MILLS: I'm not sure that I understand the relevance of recalling him to the admissibility of his testimony, but since you said you don't have any objection, I don't think I need to puzzle that out. So --

MR. ENGLAND: And, for the record, we have no objection to recalling Mr. Schoonmaker later in the proceeding.

JUDGE MILLS: Thank you. Exhibits 1, 1-HC, 2, 3 and 3-HC are admitted.

(EXHIBIT NOS. 1, 1-HC, 2, 3 AND 3-HC WERE RECEIVED INTO EVIDENCE.)

JUDGE MILLS: Let's go ahead and mark a copy of the document that you used during your opening statement. That will be Exhibit 23. Do you have three copies for the court reporter?

MR. ENGLAND: I think I've previously given them to her.

(EXHIBIT NO. 23 WAS MARKED FOR IDENTIFICATION.)

JUDGE MILLS: The diagram that Mr. England used during his opening statement has been marked as Exhibit 23 and has been offered. Are there any objections to the admission of this exhibit?

Hearing none, Exhibit 23 will be admitted.

(EXHIBIT NO. 23 WAS RECEIVED INTO EVIDENCE.)

MR. ENGLAND: Your Honor, that concludes my direct examination of Mr. Schoonmaker. I would make him available for cross-examination then at this time.

JUDGE MILLS: Thank you.

MR. ENGLAND: Thank you.

JUDGE MILLS: Cross-examination first with Mr. Johnson?

MR. JOHNSON: No questions.

JUDGE MILLS: Mr. Dandino?

MR. DANDINO: Yes, your Honor. Thank you.

CROSS-EXAMINATION BY MR. DANDINO:

Q. Good morning, Mr. Schoonmaker.

A. Good morning, Mr. Dandino.

Q. Just so we're sure that we're talking about the same thing, and for the record, when we're talking about call blocking in the context of this proceeding, are we talking about network translations to block non-paying carrier traffic? Would that be a good definition?

A. It probably should be expanded beyond that to include whatever -- a network translations is one method that it might be done. It might be done simply by turning off a trunk if there's a direct trunk group.

Q. Okay. So it's some technology of blocking these non-paying carriers?

A. That's correct.

Q. Okay. Now, the network test that was done in the context of this case, was there any testing of blocking capabilities done?

A. Not directly as part of the network test, no.

Q. And when we're talking about carriers that could be blocked, we're talking about other ILECs, CLECs, ILECs -- or IXCs and wireless carriers? Am I missing any?

A. Those are all carriers who potentially could have a payment problem that -- that there might be a blocking requirement for.

Q. Okay. Now, if call blocking occurs, what type of notice would the customers get, or what kind do you envision?

A. Well, to the telephone company, the customer is the specific carrier that's involved. And the typical provisions of tariffs in carrier contracts that I've seen generally require a 30-day prior notice to the carrier by certified mail or some other kind of confirmed delivery method that there's an intention that that take place.

Q. And what type of notice would be given to that carrier's customers or to the customers of the blocking CLEC or --

A. I guess that -- I mean, our tariffs don't have any requirements in regards to that in -- in our view of the -- the view of other ILECs, the customer for us is the particular interexchange carrier, wireless carrier, whoever. And so our notice is given to them. Whether they have provisions about end-user customer notification, I'm not specifically aware of them. We do not have any intention nor any particular ability to notify their end-user customers.

Q. Do you believe that if the Commission would authorize call blocking for this purpose, that it ought to provide some regulations or some requirement of notice to the end-user customers?

A. I -- I mean, it would be desirable that end-user customers are aware that it's going to happen before it happens. Generally, I mean, the kinds of situations where there is involved -- and it does happen sometimes with interexchange carriers today.

Generally, the carrier is notified. And I would guess, in general, they do not notify their end-user customers and there may be a couple of reasons for that. Number one, in an interexchange carrier environment, they may simply go to somebody else and purchase a different service so, in fact, although our service -- let me give an example.

Let's say we have a company with a tandem switch and Carrier ABC is six months delinquent in its bills and gets a proper notice and after 30 days they're going to be shut off. On the 28th day they might enter into an agreement with AT&T to resell their service, transfer their traffic to AT&T.

And from an end-user standpoint, there would be no blocking and nothing happen. We would shut their trunk off on the 30th day. There would be no more traffic on it because they would have used some other carrier, such as AT&T or MCI or Sprint, to terminate their traffic. So just because the facility directly is blocked does not necessarily mean that the end-user customer still can't terminate traffic.

Q. And if the non-paying carrier can bypass the blocking, the blocking doesn't necessarily assure the LEC that it's going to receive payment; is that correct?

A. On the past due amount, it wouldn't. On the future amount, if they now were selling AT&T's service, we likely would get our payment from AT&T and AT&T might have a future collection problem.

Q. But it's not your company's problem.

If a call is blocked -- and let's say I'm calling someone in a -- over a blocked trunk or blocked switch, would I get an intercept message or what would the caller -- the person calling, what would they receive?

A. I think normally there would be some type of intercept message. I don't know exactly what that intercept message would say. It may -- it probably just would say something like, This call can't be completed. I doubt there would be anything specific that it would say, It can't be completed for non-payment, but I don't know for certain.

Q. Do you know, is blocking authorized -- for this purpose authorized in other states?

A. Yes. I mean, it's typically in -- at least in the access environment, it's typically in access tariffs. It certainly is in the interstate access tariffs that I've seen and it's a typical provision in intrastate access tariffs.

The indirect blocking, such as the -- an end-office company requesting a tandem company to block is probably a more unique situation.

Q. Are there any -- can a company institute the blocking themselves or do they have to go through the State regulatory agency in those other states?

A. My experience with the tariff provisions where they are in tariffs, the company themselves can initiate the blocking, as can Southwestern Bell and any of the tandem companies who have direct trunk groups. And they can do that successfully themselves because they can block the traffic of that one carrier by blocking its trunk group and it doesn't disturb anyone else.

In the case where you've got an indirect connection and we have an end-office company that has traffic from 20 carriers coming down that same trunk group, if you -- if the end-office company would block the trunk group, it would not only block the offending party, but the other 19 parties whose traffic would come on that trunk as well.

And that's why we have asked for, in our proposal, that the tandem company be responsible to do that blocking, because they can successfully block the one offending carrier only.

MR. DANDINO: That's all I have. Thank you, sir.

THE WITNESS: Thank you.

JUDGE MILLS: Thank you.

Staff?

MR. KRUEGER: Thank you, your Honor.

CROSS-EXAMINATION BY MR. KRUEGER:

Q.   Good morning, Mr. Schoonmaker.

A.   Good morning, Mr. Krueger.

Q.   First of all, I'd like to tell you on the record, thank you very much for all the hard work you did in compiling the final report on the Missouri record exchange test. You're certainly one of the principal driving forces in that and we appreciate that.

A.   Thank you.

JUDGE MILLS: Mr. Krueger, if I could stop you for just a minute. Our current policy is that cross-examination is done from the podium.

MR. KRUEGER: I'm sorry.

JUDGE MILLS: That's quite all right. I don't know if there's been an official announcement of that, but that's the way we're proceeding these days.

MR. KRUEGER: I think this is my first hearing here, so --

BY MR. KRUEGER:

Q. Mr. Schoonmaker, with respect to the SWBT Hewlett Packard Access 7 System, can you tell me what additional information that system is intended to provide?

A. Not -- not very specifically. I mean, I have read the testimony of Ms. Dunlap and others, but my experience with it comes from that kind of information. I don't have any directly. I haven't studied it.

Q. Do you know where that system is deployed at the present time?

A. My impression from Mr. Scharfenberg's testimony, I believe it was, is that Southwestern Bell has it deployed over a five-state area. I don't know specifically where the physical equipment is located.

Q. And do you have any way of knowing how successful that system is in achieving results?

A. No, I don't.

MR. KRUEGER: That's all the questions I have.

JUDGE MILLS: Thank you.

Mr. Fischer?

CROSS-EXAMINATION BY MR. FISCHER:

Q. Good morning, Mr. Schoonmaker. I've just got a couple areas I'd like to visit with you about for a few minutes. And I'd like to begin on page 4 of your surrebuttal testimony.

I think there you take issue with Kathryn Allison's testimony that many of the unmatched records related to Verizon's traffic in the records test were unanswered calls that should not have been included as unmatched records at the top of page 4. Do you see that?

A. I do.

Q. Would you agree that incomplete or unanswered calls would normally not have been included in the records test?

A. Yes. A call with no conversation time was not intended to be included in the test.

Q. Okay. And would you also agree that for a completed call, the elapsed time of a conversation would normally be different than the elapsed time from carrier connect?

A. That would generally be my expectation.

Q. And that would be true because the elapsed time from the carrier connect would be longer since it would include a few seconds for set-up and a few seconds for the called party to answer the call?

A. Yes.

Q. Okay. On the other hand, for an unanswered call, the elapsed time of the conversation should be the same as the elapsed time from the carrier connect since there wouldn't be that set-up or that time to pick up the phone; is that right?

A. I don't -- I haven't studied closely enough, I guess. My presumption would have been that with an unanswered call, there would be no recorded time in the conversation time indicator, but I haven't looked at the switch specifications that closely to find out whether that's true or not.

Q. Okay. Is it your understanding that based on your participation in the drafting of the final report on the records test, that Verizon believes that 32 of the 35 unmatched calls between Verizon and Peace Valley were actually incomplete or unanswered calls that were included in the test by mistake?

A. Verizon provided such information for inclusion in that report late yesterday afternoon. I saw it for the first time about three o'clock yesterday afternoon.

Q. Okay. And that's your understanding of where Verizon is at on that issue? Well, let me withdraw that. I'll just tell you that's where Verizon's at.

I'd like to ask you a little bit about that information. It's my understanding that you provided some back-up data for those calls that were considered unmatched to Ruth Nelson of Verizon?

A. I got a request last Wednesday as to whether we could provide the switch records that were recorded by

Peace Valley during the one-hour test. I provided those calls to Verizon on -- via E-mail on Friday afternoon.

MR. FISCHER: Okay. Your Honor, I'd like to have an exhibit marked.

JUDGE MILLS: Okay. Please go ahead. We're up to No. 24.

(EXHIBIT NO. 24 WAS MARKED FOR IDENTIFICATION.)

BY MR. FISCHER:

Q. Mr. Schoonmaker, I'd like to show you the Exhibit No. 24, which has been marked now. Does this appear to be Appendix 13 of the Missouri Records Exchange Test basically? I blew up the data, I think we provided to you, and you put that in as Appendix 13 of the test report?

A. It appears to be similar to that, yes.

Q. Does this contain the information you provided to Ruth Nelson of Verizon related to the unmatched calls between Verizon and Peace Valley in a slightly revised format perhaps?

A. I haven't had a chance to review the record specifically to determine that for certain, but it -- I mean, I recognize the answer time is between the time period that I -- that I gave them. And looking at all the digits across, there were similar kinds of digits in the information that I provided to them. Again, I provided them a much longer list and what they extracted out of that list, I'm not certain. I believe it was a longer list.

Q. I think it's going to be contained in the records test, so let me just ask you a couple of questions regarding the information contained therein. I'd like to refer you to the column entitled Answer Indication, Field 9 toward the middle of the page. Is it correct that Field 9 would indicate whether or not a call was answered or not in your --

A. I honestly don't know. I haven't studied this record format and I'm not familiar with the codes that are in there other than what I read late yesterday afternoon in Verizon's comments in the network -- the test report.

Q. Well, if we look down that column, it appears they all are marked 1-C with the exception of three which are marked 0-C. Is that true?

A. That's correct.

Q. Do you know if the value of 1-C in this field indicates called party off hook is not detected?

A. I don't know that, no.

Q. Okay. Now, if we look down that column of Field 9, there are only three that are different than the 1-C, the 0-C; is that correct?

A. That's correct.

Q. Do you know what the 0-C would refer to?

A. No.
Q. Okay. Well, let's go over to the column entitled Elapsed Time Conversation, Field 19, which is, I believe, the sixth column over from the right. Do you see that column?
A. Yes. I see that column, yes.
Q. Okay. Do you see the elapsed time from carrier connect Field 19, which is, I think, the second column from the right?
A. Yes.
Q. Okay. If we compare those two columns for -- let's look at the first call at the very top. Wouldn't we find that the time contained in the Elapsed Time Conversation column and the Elapsed Time From Carrier Connect column are the same for that first call?
A. They are for the first call, yes.
Q. Does that indicate to you that the elapsed time of the conversation and the elapsed time from carrier connect are the same number of seconds?
A. Yes. That's -- that's the way I would read it.
Q. Okay. Would you agree that you would expect the numbers in both columns to be the same if it was an unanswered call?
A. No. I would expect -- I mean, again, I'm

not -- I haven't examined in detail each of these records and how they're populated. I would expect that Field 19 would show zero if the call had not been answered. That would be my expectation.

Q. Okay. And that's based upon what?

A. It's based on the general definition of conversation time, that if the call hasn't been answered, there's no conversation time.

Q. So it's your impression that there wouldn't be any time there rather than just having it be the same?

A. That would be my impression. But, again, I have not studied this particular record format and the detailed technical background behind it to know whether that's a valid assumption or not.

Q. Okay. If we look down those two columns, the Elapsed Time Conversation column and the Elapsed Time From Carrier Connect column, would you agree that there are three calls that have different numbers in those columns where the rest -- and I've highlighted those, I think, on your exhibit -- the rest have the same number in both columns for each of those 35 calls?

A. I agree that the highlight -- the three you've highlighted are different. I haven't examined all of the records all the way down. If you want me to take the time to do that, I can do that.

Q. Would you accept, subject to check, that those are all the same? You can take -- it doesn't take but a second, but I'd be happy to accept it subject to check.

A. Just give me a minute.

Q. Okay.

A. Yes. Those appear to be the only three that are different.

Q. Wouldn't that indicate to you that all but three of those calls were unanswered calls?

A. Again, based on my assumption, which may not be the way this record is technically formated, but based on my assumption, I would assume that they were all answered because there is conversation time in all of them.

Q. But there's no set-up time or time for the party to pick up the phone; is that correct?

A. The elapsed time -- the conversation time and the carrier connect time are identical.

Q. Yet on the other three where the numbers are different, the time is longer for the Elapsed Time From Carrier Connect than the Elapsed Time for Conversation; is that true?

A. That's true on those three calls.

Q. Mr. Schoonmaker, based on that data, wouldn't it be reasonable to conclude that 32 of the 35 calls that were included in the records test were, in fact, unmatched -- or that were included as unmatched were most likely unanswered calls?

A. I don't know. Without knowing the technical parameters of this record format, I'm not willing to draw that conclusion at this point in time.

Q. Based upon your participation in writing of the final report, is it your understanding that Verizon and Peace Valley are continuing to study those unmatched calls?

A. Yes.

Q. Is that true generally for the industry, as a whole, that we -- although we filed a final report, we're continuing to look at the data?

A. I don't know if it's generally all of it, but certainly we are willing to and certainly the other parties, the PTCs -- the former PTCs have expressed a willingness to. As I mentioned earlier and is reflected in the report, this information didn't come to light until yesterday.

I mean, on Friday, when I transmitted the records to Peace Valley -- or to Verizon, I had noticed that the conversation time and the carrier connect times were the same and wasn't sure what that meant and haven't had a chance to research it at this point in time and certainly would intend to do so.

Q. Let's assume for purposes of this question that indeed where those calls are the same, they are unanswered calls. Would you agree with me that if there are three unexplained calls out of the call study between Verizon and Peace Valley, that that would be a relatively low percentage of the total calls between those two companies?

A. Give me a minute. It would be in the neighborhood of 3 percent or so. That would be a relatively small number.

Q. Mr. Schoonmaker, I'd like to change subjects with you for a minute, if that would be all right, and talk to you about the Ordering and Billing Forum. Prior to the time that Kathyrn Allison filed her rebuttal testimony in this proceeding, were you aware of this Issue 2056 that was being discussed at the Ordering and Billing Forum?

A. I was not.

Q. Had you ever attended any of those forum meetings, by chance?

A. No, I haven't.

Q. Is your understanding of the Ordering and Billing Forum -- or excuse me. Is it your understanding that that is part of a national forum conducted by the industry's Carrier Liaison Committee?

A. I believe that's correct.

Q. Is it also your understanding that the Ordering and Billing Forum is designed to be a forum between the providers and the customers in the telecommunications industry to discuss ordering and billing issues?

A. Yes.

Q. Is your knowledge of Issue 2056 based principally upon your understanding of the minutes of the Ordering and Billing Forum that are contained in your Schedule RCS-12?

A. Yes.

Q. On page 12 of your surrebuttal testimony, you indicate that the only diagram dealing with terminating traffic in those minutes deals with terminating IXC traffic; is that correct?

A. Yes, sir. Yes, I said that.

Q. By that reference, are you indicating that the OBF Issue 2056 does not affect the termination of intraLATA toll traffic or that's just all you can tell from those minutes?

A. Well, the combination of that, plus the comment that I refer to later on in that same answer on page 12, on the bottom of page 8 and the top of page 9 in part B of those minutes where it said -- it's stated that Category 92 records are not addressed in this forum, but as a state/company driven process that would not be changed by the issue.

And by general view of the description of the material that I had in the minutes, it appeared to me that it was dealing with -- I mean, currently there is -- in the meet-point billing process the tandem company records in an 11-01 format. They send that to the end-office company. The end-office company then compiles those records into a daily summary record, which is called an 11-50 record and sends that record back to the tandem company so that the tandem company and the end-office company, when they send their CABS bills to the carrier, bill the same number of minutes each month.

And based on all that, it appears to me that what they're doing is eliminating the creation of that 11-50 record process.

Q.   Let me ask you this question --

A.   Okay.

Q.   -- do you personally know if the OBF Issue 2056 will affect the termination of intraLATA toll traffic and the billing and measurement of that traffic?

A.   From everything I could read in the minutes, it does not appear to, but I personally have not attended the discussions. And there may be further technical material and much more detail than the minutes contain that if I had, it might have convinced me differently.

Q.   Okay. Thank you.

MR. FISCHER: Your Honor, that's all I have.

I'd move for the admission of Exhibit 24, which is the reproduction of Appendix 13, I think, of the records test.

JUDGE MILLS: Exhibit 24 has been offered. Are there any objections to the admission of Exhibit 24?

Hearing none, it will be admitted.

(EXHIBIT NO. 24 WAS RECEIVED INTO EVIDENCE.)

MR. FISCHER: That's all I have. Thank you your Honor.

JUDGE MILLS: Thank you, Mr. Fischer.

Mr. Minnis?

(EXHIBIT NOS. 25 AND 26-HC WERE MARKED FOR IDENTIFICATION.)

CROSS-EXAMINATION BY MR. MINNIS:

Q. Good morning, Mr. Schoonmaker.

A. Good morning.

Q. I've handed you two exhibits, one is Exhibit No. 25 and the other is Exhibit No. 26-HC. I'm going to take this a little bit out of reverse order, if you don't mind. Could I ask you to look at Exhibit No. 26-HC?

JUDGE MILLS: Mr. Minnis, while he's looking at that, can you provide copies to the Bench, please?

MR. MINNIS: I apologize. Exhibit 25, by the way, is what I handed out during opening arguments.

BY MR. MINNIS:

Q. First off, I might ask you -- well, do you recognize that document?

A. Exhibit 26-HC?

Q. Yes.

A. Yes.

Q. And what is that?

A. That appears to be a copy of the matched calls detail report for the -- excuse me. Just a second. For the -- well, let me look through it first --

Q. Yes, please.

A. -- further. It's a copy of two reports that we provided to the participants of the test -- the PTC participants, the matched call detail report and the unmatched terminating calls detail report for the Rockport -- exchange of Rockport Telephone Company during the one-hour test period on July 17th from one o'clock to two o'clock p.m.

Q. And so the record is clear, am I correct to say that pages 1 and 2 of this exhibit are the matched calls detail report and pages 3, 4, 5 and 6 are the unmatched terminating calls detail report for the Rockport exchange?

A. That's correct.

Q. Now, this exhibit has been marked highly confidential; is that right?

A. That's correct. Primarily because of the identification of individual customer numbers on it.

Q. Okay. And I will ask you questions -- if I asked you questions that did not reveal the specific phone numbers, it would, in your opinion, not be violating any highly confidential information?

A. That's correct.

Q. Okay. This Exhibit 26-HC also has some circles and handwritten notes on it; is that correct?

A. It does.

Q. Okay. Is this a true and correct copy of the matched calls detail report and the unmatched terminating calls detail report for the Rockport exchange regarding the Missouri originating and terminating records test that your group performed?

A. To the best of my knowledge and belief, it is. I haven't gone back and compared it with my copy of the report to make sure that it hasn't been altered, but it certainly appears to be the same kind of information we sent.

Q. Okay. I might ask you to look at -- refer to Exhibit No. 25 that I've also handed out. For the participants, it is what I also handed out during my opening argument this morning.

This is labeled Rockport Recording Examples; is that correct?

A. Yes.

Q. And I might ask, I provided this to you prior to the hearing today; is that correct?
A. That's correct.
Q. Okay. Have you had an opportunity to look at this Rockport Recording Examples, which is Exhibit No. 25?
A. Briefly.
Q. Okay. Have you been able to compare the information that's recorded on Exhibit 25 with information that's recorded on Exhibit 26-HC?
A. I did for some of the calls, but not for all of them.
Q. Okay.
A. In those I compared, the information seemed to match.
MR. MINNIS: Okay. We would move for the admission of Exhibits 25 and 26-HC.
JUDGE MILLS: Are there any objections to the admission of Exhibit 25 or Exhibit 26-HC?
Seeing none, they will be admitted.
MR. ENGLAND: Excuse me, your Honor. I don't know that we have an objection, but I notice the witness's hesitancy. I think he wanted to compare it with his own version, and the thing -- I don't have any reason to doubt that it's a copy, but could we reserve ruling until we -- it's sort of like a subject to check answer.

JUDGE MILLS: Sure. We'll show them offered. I will reserve ruling until after lunch. Mr. Schoonmaker --

THE WITNESS: That should be fine.

JUDGE MILLS: -- you've got homework to do over lunch.

MR. ENGLAND: Thank you.

MR. MINNIS: I don't have any further questions. Thank you.

JUDGE MILLS: Mr. England, does that go to 25 and 26?

MR. ENGLAND: Yeah. I guess now I have -- now I do have an objection with respect to the offer, because I'm not sure the purpose for which they're being offered, the relevancy.

JUDGE MILLS: Mr. Minnis, do you not have any cross-examination?

MR. MINNIS: Nothing further. My statement would be that these records, in essence, speak for themselves. And I wanted to clarify that the exhibit that I handed out in my opening argument, Exhibit 25, is a reflection of the records that -- of the test that was performed by Mr. Schoonmaker's office.

MR. ENGLAND: My dilemma, your Honor, is if Sprint is going to attempt to draw some conclusions from this exhibit for purposes of briefing, I don't know what they are at this point in time and can't redirect my witness to confront that or respond to that.

JUDGE MILLS: Let's do this. We'll let Mr. Schoonmaker review the exhibits, we'll get rid of the question of whether they accurately portray what they're supposed to portray. And then once we've done that, we'll revisit this argument about whether they're admissible.

MR. ENGLAND: Thank you.

JUDGE MILLS: We'll talk about this some more after lunch.

MR. MINNIS: Thank you.

MR. FISCHER: Your Honor, I'm sorry to go out of order here. Could we go back to Exhibit 24? It's been brought to my attention that Exhibit 24 is not exactly the Appendix 13 that I thought it was, that it contains some customer specific numbers that were X'ed out on the final version that was included in the records report. And I would ask, I guess in light of the fact it has customer specific numbers, that it be considered highly confidential, included under seal, for purposes of the record.

JUDGE MILLS: So I guess what you're saying is that some of the numbers shown on here are actual phone numbers?

MR. FISCHER: That's correct. And in the report, as it was put together last night and I hadn't seen the final numbers, the last four digits I believe were X'ed out so that those were not identifiable. So I would just ask, out of an abundance of caution, that it be treated as confidential.

JUDGE MILLS: That's fine. We'll relabel Exhibit 24 as Exhibit 24-HC and it will be subject to the protective order in this case.

MR. FISCHER: Thank you, your Honor.

JUDGE MILLS: Thank you.

(EXHIBIT NO. 24 WAS REMARKED EXHIBIT NO. 24-HC FOR IDENTIFICATION.)

COMMISSIONER DRAINER: Mr. Fischer, I just want a clarification. When I look at this, would it be Fields 16 and Fields 17 that basically give the phone numbers?

MR. FISCHER: Yes. It's Field 17 and 14, I believe.

COMMISSIONER DRAINER: And 14.

MR. FISCHER: 13, 14 and 17. On the records report that you're going to have introduced later on, Appendix 13 has those columns, but those are X'ed out on the last four digits.

JUDGE MILLS: Thank you.

Cross-examination of STCG Witness Schoonmaker goes now to Southwestern Bell.

MR. BUB: Thank you, your Honor.
CROSS-EXAMINATION BY MR. BUB:
Q. Before I get started, I'd also like to thank Mr. Schoonmaker for all his work in preparing the report. He did a Herculean job, and we appreciate it.
A. Thank you.
Q. Mr. Schoonmaker, first, I'd like to set up an example of a typical call that can be made today and then after we've set up that call, how it works, I'd like to ask you questions about it.
And if I could turn to the MTA map, this would be a call that would go from a Verizon customer in Warrenton to Orchard Farm. That will all be in the St. Louis LATA. Right?
A. Yeah. Warrenton's along I-70 --
Q. I don't know if the Commission can see the map. Warrenton is west of St. Louis and Orchard -- and Orchard Farm is just a little bit north of St. Louis.
A. Yes.
Q. That call would be considered an intrastate intraLATA toll call. Right?
A. Yes.
Q. All within the St. Louis LATA?
A. Yes.
Q. And it would be a 1-plus dialed toll call?

A. Or 0-plus.
Q. And you would agree that since the implementation of 1-plus intraLATA presubscription, that end-user in Warrenton would have a choice of his or her 1-plus intraLATA toll carrier?
A. Yes.
Q. Okay. Could choose Verizon?
A. I believe so.
Q. Could also choose other carriers like AT&T or MCI?
A. If they participate in those exchanges, yes.
Q. Okay. You don't have any reason to believe that they don't?
A. Well, I'm not sure about AT&T. I mean, there were lots of places they chose not to participate. I believe they participated in GTE exchanges, but --
Q. And MCI as well?
A. Yes.
Q. Okay. If a customer in Warrenton for that call picked Verizon, would you agree with me that Verizon would be considered that customer's picked carrier for 1-plus intraLATA toll dialing?
A. Yes.
Q. And on that call, Verizon would collect the retail revenue from that customer?

A. Yes.
Q. And that the rates and other terms and conditions that would apply to that call are those that would be set out in Verizon's intrastate intraLATA toll tariff. Right?
A. Yes.
Q. Okay. Let's talk about how that call gets from that Verizon customer in Warrenton to Orchard Farm. Orchard Farm, their exchange hones off of Southwestern Bell's St. Louis tandem, does it not?
A. That's my understanding.
Q. So that call would be routed from Verizon's office in Warrenton through Verizon's Wentzville tandem to Southwestern Bell's St. Louis tandem?
A. That sounds reasonable.
Q. And then it would go onto Orchard Farm?
A. Yes.
Q. And for Verizon to use Southwestern Bell's and Orchard Farm's network, you would agree that Verizon's required to pay both Southwestern Bell and Orchard Farm. Right?
A. Yes.
Q. And if Verizon didn't want to use Southwestern Bell's facilities, you'd agree that Verizon has the right to construct its own dedicated facilities to Orchard Farm, if

it chose to do that?

A. It could do that and several other things.

Q. Okay. But, to your knowledge, Verizon hasn't done that?

A. That's correct.

Q. And it's currently using the connecting facilities of Southwestern Bell?

A. I believe that to be true.

Q. Okay. You'd agree with me that Verizon's use of Southwestern Bell's and Orchard Farm's facilities would be pursuant to Southwestern Bell's and Orchard Farm's intrastate access tariffs. Right?

A. Yes.

Q. And those are approved by and on file here with the Commission?

A. Yes.

Q. And essentially these tariffs allow Southwestern Bell and Orchard Farm to bill for the use of their respective facilities?

A. Yes.

Q. And that would be based on the ownership of those facilities?

A. Yes.

Q. Orchard Farm bills for its piece, Southwestern Bell bills for its piece?

A. That's how it's done today.
Q. And both of those bills would go to Verizon?
A. Today they would.
Q. And that's known as meet-point billing, isn't it?
A. Yes.
Q. You'd agree with me that on that call, Southwestern Bell would charge Verizon transport. Right?
A. In their intrastate tariff I believe that's correct. And in the structure in the interstate tariff there would presumably be a tandem switching charge, but I don't believe Southwestern Bell has that in their intrastate tariff.
Q. Okay. And that transport charge would be based on airline miles, V and H coordinates?
A. I believe so, yes.
Q. Okay. Could you agree, looking at the map, that the transport mileage band that would probably apply would be the 1- to 25-mile band?
A. I don't know whether it would be 1 to 25 or 25 to 50.
Q. Certainly be one of the two?
A. One of the two.
Q. Okay. Mr. Schoonmaker, for reference, I'm going to hand you a sheet from Southwestern Bell's

intrastate access tariff.

MR. BUB: May I approach the witness? I'm sorry.

JUDGE MILLS: Sure. Go ahead.

BY MR. BUB:

Q. And this would be from PSC Missouri No. 36, Section 6, 9th Revised Sheet '83. And what I'd like you to confirm is that for the transport mileage Southwestern Bell for that 1- to 25-mile band charges approximately 8/10ths of a penny?

A. For 1 to 25?

Q. Yes, sir.

A. Yes. Approximately.

Q. And for the 25- to 50-mile band, it's a little over a penny and a half?

A. Yes.

Q. And those rates, you'd agree with me, are designed to recover Southwestern Bell's transport expenses?

A. Yes.

Q. Thank you. Now, let's talk about what Orchard Farm would have to pay -- excuse me.

Let's talk about what Verizon would have to pay Orchard Farm on this call. For reference, Mr. Schoonmaker, I'm going to hand you copies of Orchard Farm's rate sheets from its access tariff. And that would be Section 10, original sheets No. 3 and 4, that bear an effective date of March 28, 1993. And also I'm going to hand you a worksheet that Southwestern Bell internally did to add up the different access rate elements. I thought that might be helpful. Take a look at that for a minute.

A. Okay.

Q. I'm going to ask just a general question. Would you agree, having reviewed those tariff sheets, that what Orchard Farm would charge Verizon would be between approximately seven and a half cents and nine cents, depending on whether the full or the discounted CCL was applied?

A. Yes. That's -- assuming these are the correct tariff sheets.

Q. Thank you. And these are the rates that would be billed today on this Warrenton to Orchard Farm call. Right?

A. Yes.

Q. And, to your knowledge, when Orchard Farm sends such a bill to Verizon, Verizon pays it. Right?

A. To my knowledge.

Q. And, to your knowledge, Verizon isn't disputing that it would owe Orchard Farm on this type of call, is it?

A. No.

Q. Your reading of Verizon's testimony is that they accept responsibility for paying the access charge on calls their customers make?

A. Yes.

Q. Under the Small Companies' proposal on this call, Southwestern Bell would be required to pay Orchard Farm that seven and a half to nine cents a minute on the Verizon's customer call, wouldn't it?

A. Yes.

Q. Not Verizon?

A. Not Orchard Farm -- I'm sorry. Not Verizon, that's correct.

Q. Okay. And even if Orchard Farm knew it was a Verizon customer's call, it would still be looking to Southwestern Bell for its money?

A. That's correct.

Q. And even if Orchard Farm had an appropriate record, Category 11 record it could use to bill Verizon, it still wants Southwestern Bell to pay for it?

A. That's our proposal.

Q. And even if Verizon was willing to pay Orchard Farm for the termination of its own customer's call?

A. Under our proposal, Southwestern Bell would be responsible for it in this example.

Q. Would you agree with me that there's nothing in Southwestern Bell's own access tariffs that would permit us to charge Verizon for Orchard Farm's terminating access charges?

A. I'm hesitating because in the sections regarding meet-point billing, at least at one point in time, there were several different alternatives. I don't know if all those alternatives are there today. It may be that one of those alternatives would allow Southwestern Bell to do it.

But I guess under our proposal that Southwestern Bell become responsible for this traffic and act as a wholesaler as the interexchange carriers do in regards to the traffic they carry, I believe it would be appropriate that Southwestern Bell establish a wholesale rate which would allow it to recover those costs in some manner, whether it's by a direct pass through of the costs as they did under the PTC plan or whether it's by the -- a blended rate, for want of a better term, which is typically what the interexchange carriers do in their wholesale relationships with other carriers.

Q. You're not aware of anything in Southwestern Bell's access tariff that would allow it to recover those charges from Verizon. Right?

A. I -- again, with the exception of if there is an option in the meet-point billing section that would allow

Bell to do so. The wholesale provision is not in Southwestern Bell's access tariff today.

Q. Okay. I'd like to take you back for a moment a few years ago to the United complaint case that was filed against Southwestern Bell. That was TC-96-112. Do you recall that case?

A. I -- I recall some about it, yes.

Q. You were a witness in that case?

A. I believe I was.

Q. And that case involved Southwestern Bell's former -- or old cellular termination service. Right?

A. Yes.

Q. Unlike the current cellular termination service that Southwestern Bell offers, that service offered to actually terminate a wireless customer's call anywhere in the LATA. Is that your recollection?

A. It did.

Q. And that would be including to an Independent Telephone Company's exchange?

A. Yes.

Q. And in that case United believed that it was owed access charges from Southwestern Bell's tra-- excuse me -- from Southwestern Bell on that traffic?

A. That's correct.

Q. And the Small Companies supported that position?

A. Yes.

Q. Okay.

A. The Commission upheld it.

Q. Okay. You filed surrebuttal testimony in that case, didn't you?

A. If you have it, I assume that I did. I don't -- I don't remember -- I know I filed testimony in the case, I don't remember the specific pieces of testimony I filed.

Q. Okay. You recall testifying about the cellular termination service tariff in that case. Right?

A. Yes.

Q. And you recall comparing that cellular termination service to Southwestern Bell's intrastate access tariff; is that correct?

A. It's been some years since I've reviewed that tariff -- that testimony, so I don't recall it specifically, but I may have.

MR. BUB: Okay. May I approach the witness?

JUDGE MILLS: Yes.

BY MR. BUB:

Q. Mr. Schoonmaker, I'm going to hand you your testimony that was apparently filed April 30th, 1996 in that case and ask you to look at lines 2 through 7 on page 5.

Feel free to look at the whole thing, if you'd like.

A. Two through seven?

Q. Yes, sir.

A. Let me go back and just get the context here.

Q. Take your time.

A. Okay.

Q. Would you agree with me that you testified in that case that there's a clear specification in the Southwestern Bell access tariff that it offers to terminate services to these other companies' operating areas only when these business relationships are established under conditions where these other LECs will be, in the case of multiple bill option, willing to offer from their access service tariff the services provided in those companies' operating areas?

A. You read my testimony correctly.

Q. Okay. And you'd also agree with me that in lines 9 through 13 you indicate that there's been a considerable industry effort expended at the national level at the Ordering and Billing Forum referenced in the first page -- excuse me -- referenced in the first paragraph of Southwestern Bell's access tariff Section 2.4.5 to establish standard billing procedures for these billing relationships. These standard relationships are reflected in all LECs' access service tariffs; is that correct?

A. You correctly read my testimony.

Q. Okay. And it's also correct that you asked yourself, Does the Southwestern Bell radio common carrier interconnection service tariff, the old tariff that was at issue in that case, contain similar provisions? And you answered, No; is that correct?

A. None whatsoever.

Q. Okay. Thank you. I'd like to also have you look at the next page, lines 4 through 20, if you could read that. I'd like to ask you about one specific section, but it you could read the whole thing, that would give you the context of your answer.

A. All right. I've read it.

Q. Okay. Looking at lines 4 through 7, you indicate that the Southwestern Bell RCC tariff indicates that the services offered includes terminating services which may be used to access valid NXXs in the LATA without any differentiation between Southwestern Bell's end-offices and the end-offices of other LECs; is that correct?

A. You correctly read the testimony.

Q. Okay. And that's your testimony?

A. Yes.

Q. Okay. And you indicated at line 9 that this again indicates that Southwestern Bell will terminate traffic anywhere in the LATA without reference to the company owning the terminating end-office. Right?

A. Yes. This is in reference to the old radio com-- radio common carrier tariff, yes.

Q. Okay. And there was -- continuing on in your testimony, there's no mention of any charge other than those specifically outlined in that old radio common carrier tariff. Right?

A. Yes.

Q. And you'd agree that you stated that anyone reading the tariff on its face would logically conclude that Southwestern Bell is making a total offering that will terminate traffic to any valid NXX in the LATA the rate indicated in the Southwestern Bell tariff with no need to establish a relationship with any other party; is that right?

A. Yes.

Q. And it was on this basis that you -- it was your opinion that Southwestern Bell owed access to United?

A. Yes.

Q. Is your view since Southwestern Bell was holding itself out to terminate traffic anywhere in the LATA that it should have to pay the independent companies for that termination?

A. Yes.

Q. Okay. Let me shift gears on you for a minute.

JUDGE MILLS: Mr. Bub, before you do, I'm going to put you on the spot and ask you how much more cross-examination you have?

MR. BUB: A bunch.

JUDGE MILLS: A bunch. Okay. It's twelve o'clock, straight up. Why don't we take the noon recess and we'll be back at one o'clock.

Mr. Schoonmaker, you're going to look at those two schedules while we're off the record. And, Mr. England, and, Mr. Minnis, I'm going to give you two some homework too and have you discuss those exhibits and see if there is a resolution you can come to. And then we'll take up on the record whether there's objections to the admission of them.

We're off the record.

(A RECESS WAS TAKEN.)

JUDGE MILLS: We're in the middle of cross-examination of STCG Witness Schoonmaker by Southwestern Bell. We're going to take questions from the Bench a little bit out of order. Vice-chair Drainer has got to appear before the legislature in a little while, so we're going to allow her to do her questions. In the normal course you all will have a chance to do further cross-examination based on these questions as well as redirect based on these questions. So with that, Vice-chair Drainer.

COMMISSIONER DRAINER: I told Mr. Bub to sit down and he thought I was teasing.

Thank you. I do appreciate you letting me ask my questions out of order. And I only have a few.

QUESTIONS BY COMMISSIONER DRAINER:

Q. First, Mr. Schoonmaker, in Mr. Cowdrey's testimony -- surrebuttal testimony for Sprint, he on page 4 of his surrebuttal, mentioned that the Small Companies should be accountable for a 50/50 share of the unidentified traffic with the tandem owner, and this way each party has a stake in the process and equal incentive to work collaboratively in the identification of the unidentified traffic. That was brought up in the opening statements this morning by his attorney. And I would like you to respond to that type of proposal.

A. It's certainly -- I mean, on the surface of it, it seems to have a sense of fairness and maybe there should be some sharing, as that was being discussed in the opening statements this morning.

And as I've been thinking about the comments both in the opening statements and earlier about who has incentives and who doesn't have, it occurred to me that a 50/50 sharing might leave a very large company positioned where they really don't have much incentive to solve the problem, maybe they don't even with 100 percent; whereas, a

Small Company might have a huge incentive.

And I guess I'd use the Mid-Missouri example as one where the number was much larger in relationship to Mid-Missouri's financial situation than it was in regards to Southwestern Bell's financial situation.

I guess if you were going to do -- and if there was going to be some sharing of the responsibility, it seems to me that rather than a 50/50 split, it might be more appropriate to split it based on the relative revenues of the two companies or something so that they had an equal percentage of their total revenues at stake in trying to resolve the problem if I look at it simply from a standpoint of incentives.

Q. And then would it be -- what type of revenues? Terminating revenues for access? I mean, then you would get to the next detail.

A. Yeah. I guess -- I mean, when I was thinking about that, I was thinking about, you know, total Missouri intrastate revenues or something that would be relatively easy. I mean, maybe an arbitrary number along that way.

I mean, I guess we feel like, and what we've proposed, is that the tandem companies should have that responsibility from the standpoint that either they are to provide the records -- I mean, and if the records aren't being provided, they're the ones who have the business relationships with folks that could make those records happen, whereas, in most cases, we don't.

And so we certainly don't think our proposal is unfair to have them bear the full amount that -- but I guess I can recognize some -- you know, there maybe should be some responsibility on the Small Companies. I certainly don't think that 50/50 is -- is necessarily a fair balancing, particularly as I look at it in terms of incentives when I look at the size of Farber or any of the other companies in comparison to a Bell or a Sprint.

Q. And, you know, you mentioned arbitrary, and I guess that was my concern. Is it arbitrary just to do a 50/50 on what basis? And what I hear you say is there needs to be maybe some type of a revenue basis and that hasn't been worked out?

A. No. That certainly hasn't been worked out. It was a new thought to me today, but in terms of -- if I'm looking at it strictly from an incentives standpoint and motivation, if both of them have one-tenth of a percent of their revenues or two-tenths of the percent of their revenues or 5 percent of their revenues at stake, then they at least have equal incentives in relationship to their size to try to solve the problem.

Q. Okay. Thank you. And with respect to the business relationship, it has been brought up that that wasn't an initial issue to be addressed in this hearing, but that it has been brought up by the Small Companies. And since that is an issue that is looking at business relationships between Small Companies and the PTCs and as all of the PTCs are represented in this case and the Small Companies, wouldn't it be efficient, since all parties are here and the issue is before us and is being rebutted, to go ahead and determine that?

A. It -- yes, I think it should be. And I guess although -- and I actually haven't gone back and reviewed the language in the previous order. In the context of that case and what was before the Commission in that case and -- and what evidence was presented and what the Commission thought wasn't presented, I mean, these business relationship issues were there before. They were very much related to the types of records and the recording and so forth.

And I guess although they weren't -- it wasn't specifically perhaps -- or explicitly put out in the order, I thought it was implied in the general tenor of the discussion that had gone on in the previous case in regards to the records and the recording and so forth that business relationship issue was inte-- integrated with that discussion in the previous case. And I assumed it would and should have been discussed again in this case.

Q. Okay. Thank you. And, then, with respect to the Hewlett Packard System, does it really resolve all the issues in recording -- I kind of got the feel from this morning's opening comments that, well, we've got this Hewlett Packard now, it's all going to be okay.

A. Well, I got sort of that same impression from Mr. Bub's opening statement this morning as well. And I guess --

Q. And did it give you comfort?

A. Well, it didn't at this point in time. But, I mean, in fairness, my understanding is that that system is brand-new in terms of being installed. They had it at least working partially during the network test, but my impression from talking with them was not completely -- and I mean, we haven't seen the kinds of things that Mr. Bub discussed may be -- may be able to be produced by that system to resolve these differences.

I mean, if a year or two years down the road we're getting reports from Bell that says, oh, gee, we found that in BPS we forgot to turn on the recording for this MCI trunk group and we found it in our system a month later and we're telling you that, then we might start to get some comfort from it. But at this point in time we don't know exactly what that system is going to be able to do and what it will be set up to do.

Q. Okay. And with respect to the 2056 issue, can you explain to me what relevance that really has in this case?

A. Well, from what I was able to gather from the minutes, it seemed to be on a -- focused on a fairly narrow issue. And it seemed to me that it was saying that -- and the quote that I have in my testimony or the reference in my testimony to that exhibit seemed to be saying it's not dealing with intraLATA records.

Now, what Mr. Fischer in his opening statement suggested was that Issue 2056 is much broader than that and is doing more things. And it may be. Maybe -- maybe the minutes don't do justice to whatever that proposal is, but if it does, I haven't seen the evidence of it yet. And from what we were able to gather from the Internet, I don't see it in there. I just --

Q. Are you telling me that that's too new to really be using as a basis for any decision in this case to be dealing with the 2---

A. Well, from what I can understand about it, I don't think it's going to solve it. From what they say it will do, which is not evident in the minutes, maybe there's more to it than what I was able to see. At this point in time it doesn't appear to me from the record I was able to get, that it deals with the issues.

What I hear Mr. Fischer saying is that maybe there's much more in that proposal than meets the eye from the minutes. And if that's the case, maybe or maybe not. And until we find out what really is in the proposal, I don't know.

Q. Okay. Thank you. And I want to talk to you about a couple of cost areas. Do you have any knowledge of what it would cost to change the call record system, the --

A. To use the terminating record system?

Q. Yes. What would that cost the companies?

A. Well, for most of the companies, the capabilities are -- the capabilities and the capacity are in their switches to do that. It would be a matter of turning it on. They obviously would be doing some additional record processing. I don't have an idea of the cost. My impression from the discussions is that it's not substantial in terms of the total benefit.

Q. And it's not a large capital expenditure?

A. For most of the companies, it's not. Now, for some of the companies it appears that it may be larger. I don't have specific numbers. ALLTEL, for example, doesn't have that capability in all of its switches now. It's indicated that it's -- it's trying -- it's in the process of developing that capability, but the time and the cost I don't know.

And for the larger companies who have their own billing systems, it may be somewhat more of a billing system difficulty than it appears it would be for the smaller companies.

Q. And, overall, with respect to cost, do you have any feel for what you're asking the former PTCs to incur in adopting the Small Companies' proposal in this case?

A. Well, if -- if we adopted the Small Company proposal in this case, we would be generating CABS bills that would make these adjustments that we've proposed and the subtractions and they would have a CABS bill to process just as they would today.

We are not going to be sending them terminating records that they would then have to process. So I don't see that it would add a significant cost. In fact, if all the companies implemented it, they might be able to shut down some things that they're currently doing, but I don't know that for sure.

My impression is, since we would be sending them a bill just as we are today that would have different numbers on it because we had done different processing, that it wouldn't be a significant change in cost for them.

Q. Okay. With respect to the blocking issue representing the Small Companies and their customers, are there any concerns by the Small Companies of the impact of blocking, on their customers not getting calls and how that affects them?

A. Well, I mean, yes, we have those concerns, but in -- blocking is not something that -- and it is implemented and is done today and it's not something that's done lightly. If the individual company does it today, whether it's Mid-Missouri or Kingdom with a tandem or Southwestern Bell, that does not require a Commission order.

There are provisions in either the contracts or the tariffs that outline the procedure to notify the company with plenty of time to try to resolve the differences. And it doesn't get implemented very often. And typically by the time it is, somebody is significantly in arrears on their bill and --

Q. So you're basically asking the Small Companies have the same business opportunities and practices as the large companies already have --

A. Yes.

Q. -- in this state?

With respect to -- the Sprint attorney mentioned this morning that what the Small Companies are asking in this state is different than anything he has seen in any other state that they operate. And so with your knowledge of what goes on in other states, how do you

respond to that?
A. Two or three different viewpoints.
Q. Okay.
A. One, certainly there was discussion by Mr. Johnson and Mr. England that it's not so different from what's happening in the intraLATA enviro-- or the interLATA environment, but it is some.
Q. Yes.
A. Secondly, if you get down into the real details of the proposal -- and, in fact, I made a note to myself to talk to Mr. England about it in our briefing, trying to make a comparison --
Q. Well, maybe you could just talk to me about it.
A. Okay. Well, I mean, the business relationship change is a significant change, but if you look at what we ultimately proposed in terms of we subtract the IXC records, we subtract the wireless records and continue to bill those to the party, we don't change the Feature Group A, the basic difference that you get down to between our proposal and their proposal is, number one, under their proposal we would continue to bill the existing PTCs; under our proposal we would not.
Under their proposal we would have to bill all the CLECs; under ours, we would not. And that issue

continues to have concern to us over the long term, but in the short term it appears that the CLECs are putting very little traffic on this network, that most of it's going presumably by interexchange carriers. So that's not a particularly big issue.

And then that, third, the responsibility for the difference between the terminating recording gets placed on the -- on the tandem company.

Q. Well --

A. So the -- although they sound really different, when you get down to it and look at the numbers, they're not as different as they appear to be from the descriptions.

Now, let me get back to one more thing because your initial question was, is this being done in any other state.

Q. Yes.

A. I think this particular relationship and proposal that we've proposed in regards to intraLATA Feature Group C traffic is probably different than most states.

Q. Then let me follow-up. Is it true or not that the PTC/small LEC relationship that was developed originally is -- if not unique, is fairly unique to Missouri? I think Oklahoma has a similar plan, but is that the reason or not? Is that part of it?

A. It's part of it. I mean, the other thing, I think, and I think it was mentioned in opening statements this morning, I think by Mr. Johnson, that what we're proposing in regards to the PTC traffic is essentially going back to what it was under the PTC plan. So from that standpoint, our proposal is not all that different from what we had before the PTC plan was terminated.

Q. And so really if you look at -- again, looking at all of the states, not all other states had a PTC plan that now has been dissolved --

A. That's true.

Q. -- there were other types of relationships?

A. There were other types of relationships and the -- and even though in other states there were PTC relationships, they were dealt with differently in some other states as well.

Q. Are you in total agreement with the proposal that Mr. Jones presented -- the plan on page 4 and 5 of his direct testimony? Is that the plan that you are supporting?

A. I -- my -- my recollection and understanding is that although we worded it somewhat differently, his proposal and my proposal were the same.

Q. All right. So you have no area that you would rebut --

A. No.

Q. -- with respect to his proposal?

COMMISSIONER DRAINER: I have no other questions at this time. Thank you very much for your answers.

THE WITNESS: Thank you.

JUDGE MILLS: Thank you. I think at this point we'll get back into the regular round of cross-examination.

No?

COMMISSIONER MURRAY: We all have to go across the street.

JUDGE MILLS: Let's continue with questions from the Bench. Commissioner Murray?

QUESTIONS BY COMMISSIONER MURRAY:

Q. Mr. Schoonmaker, I just have a few questions for you.

A. Okay.

Q. With respect to the unmatched traffic --

A. Yes.

Q. -- is it true that even if you were to -- if you were to develop a factor for some kind of a sharing of that cost for the unmatched traffic, isn't it true that some of it is compensable and some of it is not compensable or some of it is likely to be compensable and some not?

A. I -- I'm trying to think. I mean, basically I think if everything was working right the way it should be, it should all be compensable by someone.

Q. Okay. By someone. But under the PT-- under the Small Companies' proposal, there would be certain traffic that would be subtracted from the amount --

A. Right.

Q. -- as compensable. Correct?

A. We subtract certain categories of traffic which are compensable by somebody else.

Q. Okay. Okay. And some of that unmatched traffic would fit into any one -- it could fit into any one of those categories?

A. Yes. If the proper records aren't created, it could be in any one of those categories. It might be wireless traffic or IXC traffic or Feature Group A traffic or Feature Group C traffic.

Q. Let me ask you this. If the records were being provided and those records could be matched with the Small Company records, would you agree that it would not be unreasonable for the secondary carriers to do their own billing and collecting?

A. Well, certainly that would -- that would resolve a lot of our concerns. We do have concerns, and we've discussed these in various cases before, about the difficulty of establishing business relationships with people that we have no connection.

Southwestern Bell may go out and negotiate an interconnection contract with a wireless provider or a CLEC or somebody else and we may not even really know that that exists. And in some cases the amount of traffic that comes from one of those providers may be very small.

I mean, if -- and it would be administratively easier given the business relationship we would propose because we would probably not have to try to deal with as many people. When you get a company, again, the size of a Farber or New Florence with 300 or 500 customers, to have to try to deal with 30 or 50 other carriers in the LATA, some of whom may be terminating 10 cents or 30 cents worth of traffic a month, certainly gives us concern and we would like to be out of that. But the biggest concern that we've had consistently is we're not getting compensated for all the traffic.

Q. Okay. And is that concern really a concern about who does the billing or is it a concern that the responsible carriers are not paying?

A. Well, for the most part, it's a problem of who's supposed to pay isn't being identified and it's simply falling through the crack. There are some problems with people paying once they're billed and once the rates have been determined and everything. Those are generally within manageable -- manageable sizes.

The bigger problem right now is finding out who to bill. And -- and, of course, in the case of the wireless carriers, we have the ongoing issue about what amount should be build. That hasn't been resolved yet.

Q. Okay. But is it your position that the former primary toll carriers should be the ones who would eat the amount that whatever responsible carrier failed to pay -- would fail to pay, that that should be eaten by the former PTCs versus the small carriers or the secondary carriers?

A. Well, our proposal is that they would be put in a position where they are wholesaling those services to other people and -- and collecting an appropriate amount from those people for terminating the service, including terminating it to our exchanges, similar to the interexchange carrier relationship which exists in the interLATA competitive environment.

Q. Okay. But the interexchange carriers get some revenue that the former primary toll carriers would not be getting off of that traffic; isn't that true?

A. Well, it's revenue they're not getting today. I mean, maybe this wasn't articulated as well as it might be, but certainly our sense would be if that they were required to enter into that wholesale relationship, that they should be able to establish an appropriate rate to support that kind of wholesale relationship as the interexchange carriers have done.

And whether that would be a contractual relationship that would take changes or would be some new tariff provisions, I don't know that we feel strongly what that would be, but we recognize that if they're going to pay us those amounts, they should be able to be collecting in some fashion amounts to cover that from the people that they're providing that service for.

Q. But the bottom line is that it is the secondary carriers' access rates that are being charged and/or being paid here; isn't that right?

A. On the residual unidentified traffic where we don't know where the jurisdiction is, we have proposed that the intrastate intraLATA rates would apply. To the extent that traffic is identified to other jurisdictions and these other carriers, whatever rates are applicable in those situations would apply.

For example, the IXC traffic, which we're subtracting, would have both interstate intraLATA tariffs applied. The wireless traffic would have whatever rates are finally determined to be appropriate for wireless carriers.

Q. And unidentified traffic would be at the highest access rate; is that --

A. Well, it would be at the intrastate intraLATA rates. And for many of the companies, that might be the highest rates. It wouldn't be true for all of them. For example, Lathrop's intrastate access rates are probably less than their interstate access rates are.

COMMISSIONER MURRAY: That's all. Thank you.

JUDGE MILLS: Commissioner Schemenauer?

COMMISSIONER SCHEMENAUER: Most of my questions have been asked. I do have some questions on Exhibits 24, 25 and 26. Has the homework been done on that and -- you don't know yet?

JUDGE MILLS: We have not established that yet. We can certainly -- I can inquire into that if you have questions about the exhibits.

COMMISSIONER SCHEMENAUER: Well, I do have some questions on that. And then also I would like to reserve my questions until after Southwestern Bell finishes their cross of Mr. Schoonmaker.

JUDGE MILLS: Okay.

COMMISSIONER SCHEMENAUER: But I do have some questions on those three exhibits, so --

JUDGE MILLS: If you want to reserve your questions, we'll go ahead and finish the cross-examination and then we'll come back to you.

COMMISSIONER SCHEMENAUER: Okay. And if I'm not here, maybe we'll pick it up when Mr. Schoonmaker gets back on the stand.

THE WITNESS: I will be here throughout the course of the hearing. I'll be available to be recalled if necessary.

COMMISSIONER SCHEMENAUER: Thank you.

JUDGE MILLS: Thank you very much.

Mr. Bub, that brings us back to you.

MR. BUB: Thank you. Just so I know what I'm supposed to be doing, am I supposed to be doing my cross-examination and then holding the follow-up question from the Bench until we do that round of questioning?

JUDGE MILLS: Exactly. You're supposed to pretend that never happened, and then we'll come back around to you in the normal rotation to do cross-examination by Southwestern Bell on questions from the Bench.

CROSS-EXAMINATION (CONT'D) BY MR. BUB:

Q. Okay. Good afternoon, Mr. Schoonmaker.

A. Good afternoon, Mr. Bub.

Q. Where we left off was I think we were starting to change gears, and I wanted to talk about what you're asking for. And I think some of this ground might have been covered, but I'm going to ask you -- shorten that piece.

So you would agree with me now that in the Small Company proposal, you're asking for more in this case than you did in the last PTC case; is that right?

A. I didn't go back and --

Q. Sure.

A. -- thoroughly refresh myself in the last case, but I believe in the last case we had indicated we were willing to bill the records to the individual PTC.

Q. And you were only looking to us for the difference, but now you're looking at us for everything?

A. Well, we're really not looking for everything. I mean, there's a lot of things that we're still subtracting out. We're looking to you for all the PTC traffic where we weren't before.

Q. And all CLEC traffic and anything else --

A. We are looking for you -- to you for all CLEC traffic. I don't know if that's different from what we proposed before or not.

Q. And anything else you can't identify. Right?

A. That's -- that -- any unidentified traffic would be there. And I think that's consistent with what our previous proposal was.

Q. The previous proposal just focused on that unidentified traffic which you called in that case the residual --

A. Okay.

Q. -- is that right?

A. To the best of my recollection.

Q. Okay. Would you agree with me in the prior PTC case the Commission found that residual billing scheme fundamentally inequitable?

MR. ENGLAND: Objection. I think the Commission's order will speak for itself.

MR. BUB: I think I'm entitled to ask in preparing this new type of proposal whether he considered the Commission's decision in the prior case where they found the residual billing scheme fundamentally inequitable. I think I'm entitled to ask whether he was aware of that when he proposed and put together this plan.

JUDGE MILLS: I think it's relevant to establish whether or not this witness knows what was said in that order, so I'll allow the question.

THE WITNESS: I read the Commission's order at the time it came out. There were a whole lot of issues that were being dealt with, many of which have more quick implementation time frames. I remember the context -- the overall context of the order. I didn't specifically remember that specific language, but if it's there, it's there.

MR. BUB: May I approach the witness?

JUDGE MILLS: Yes.

BY MR. BUB:

Q. Mr. Schoonmaker, I'd like to hand you the

Commission's Report and Order in TO-99-254 that was issued June 10, 1999. And can you confirm to me that the Commission found that there was a fundamental inequity in this residual billing scheme?

MR. ENGLAND: Same objection as before. The order will speak for itself.

JUDGE MILLS: And I think, as I understand this questioning, the question is not did the order say that, but was Mr. Schoonmaker aware of that when he created his proposal. And my ruling is the same. I think that question is relevant.

THE WITNESS: Okay. And I'd like to take just a moment to review the context of the order, if I could.

BY MR. BUB:

Q. Absolutely.

A. Okay. In response to your question, the Commission does say, However, there is a fundamental inequity in this residual billing scheme. Included in the minutes terminated to the SCs are some minutes of use for which SCs are not entitled to be compensated. These include MCA traffic delivered over common trunks, interstate intraLATA traffic and possibly Feature Group A traffic and calls that merely transit the PTC's network and then goes on.

In regards to our proposal, we have

specifically made provisions so that we wouldn't be compensated for MCA traffic as we did in our previous proposal. In regards to interstate intraLATA traffic, we have specifically proposed that we be compensated for that based on records that are associated with that. And in the interstate jurisdiction we have specifically dealt with Feature Group A traffic.

And I'm not sure exactly what the Commission was referring to when it referred to the calls that merely transit the PTC's network. Certainly our proposal in regards to wireless traffic says that we will go to the wireless carriers to seek that compensation.

Q.   Would you agree with me --

A.   So I -- I don't think our proposal as it is today, is -- is in conflict with that Commission decision and, in fact, addresses the specific things that the Commission mentioned in the context of what they thought might be inequity.

Q.   Wouldn't you agree with me, though, after having read that, that the -- one of the reasons the Commission found the proposal on that last case to be fundamentally inequitable is because it would make the PTCs pay for other carriers' traffic that merely transited the PTCs' networks?

A.   That's one of the pieces that's in there, yes.

Q. Thank you. I'd like to shift gears again on you and take you back not too far this time to the Mark Twain cellular termination service case. That was TA-2001-139 and other -- et al. You were a witness in that case as well. Right?
A. I was.
Q. Do you recall in that case the wireless carriers claimed that your Small Company clients there owed them reciprocal compensation on land-to-mobile calls that your clients' customers would make from their exchanges?
A. They claimed that, yes.
Q. And it was the Small Companies' position that they weren't the ones that owed that reciprocal comp to the wireless carriers. Right?
A. Because they weren't our customers --
Q. Okay.
A. -- for that call.
Q. You were saying that even though it was one of your local subscribers that made the call, such calls in most cases were being handled by interexchange carriers that were selected by the customer. Right?
A. That's correct. And they were -- I mean, the end-user customer was the interexchange carriers' customers for those calls.
Q. And those were 1-plus dialed toll calls.

Right?

A. Yes.

Q. And your clients didn't offer 1-plus toll calling. Right?

A. That's correct.

Q. And you also indicate in that case that you didn't have tariff authority to offer 1-plus toll calling?

A. Not only we didn't have tariff authority, we didn't have certificate authority.

Q. And, in your view, that was a call between interexchange carriers and the wireless carriers, not a call between your LEC clients and the wireless carriers. Right?

A. That's correct.

Q. End-user was the interexchange carrier's end-user and not your LEC client's end-user?

A. That's correct.

Q. And even though your clients' facilities were used to handle the call, your clients were only providing an access service. Right?

A. That's correct.

Q. Interexchange carriers contracted through your access tariffs to use those facilities. Right?

A. Yes.

Q. And the end-users, through their presubscription choices, chose specific interexchange

carriers to provide that toll service?
A. Yes.
Q. Interexchange carriers had contracts through their toll tariffs with the end-users. Right?
A. Yes.
Q. And that contractual arrangement was to complete the end-user's toll call to the wireless carrier customer. Right?
A. Yes.
Q. And the interexchange carrier was the one that received the revenue for doing that. Right? Not your clients?
A. That's true from the end-user.
Q. And the interexchange carrier, you testified, was willing to and did take full responsibility for paying any termination charges that were due the wireless carriers. Right?
A. Would you repeat that again?
Q. Sure. The interexchange carrier was willing to and did take full responsibility for paying any terminating charges to the CMRS providers?
A. I think that would be correct, yes.
Q. Okay. And it was your position in that case that the CMRS providers, the wireless carriers, were ignoring all the contractual relationships established by

these tariffs and claiming that it was your clients that owed them terminating compensation --

A. Yes.

Q. -- wasn't that your testimony?

A. That was.

Q. In that case didn't you also agree that in some limited situations you agreed that your clients were the responsible carrier that owed recip comp to the wireless carriers?

A. Yes.

Q. Some of those were the ones that participated in MCA like Cass County, Choctaw, MoKan or Lathrop; is that right?

A. Yes.

Q. And Green Hills, you recall you testified, had an optional one-way local calling plan into the Kansas City metro area?

A. Yes.

Q. Kingdom had a one-way EAS into Jefferson City?

A. Yes.

Q. In all those cases your clients did offer the service to the end-user. Right?

A. Basically, yes.

Q. And they had a tariff authority to provide those services. Right?

A. Yes.
Q. And they collected the retail revenue from the end-user?
A. Yes.
Q. Okay. But with your clients your position was that they weren't the responsible carrier. Right?
A. Yes.
Q. And, in fact, your clients filed a brief with the Commission arguing that finding them responsible for paying compensation on this 1-plus traffic would contradict the regulatory reality of the traffic. Do you recall seeing that in your client's brief?
A. Specifically, no, I don't think I read that, but that's okay. I --
Q. You agree with that though?
A. Yes.
Q. Okay. And you would also agree, as was cited in your brief, that doing so would violate long-standing Missouri law?
A. I'd agree with that.
Q. Violate the Bellflower case. Right?
A. If that was said in the brief, I would agree with that.
Q. You're familiar with -- at least generally familiar with the Bellflower case in which the Supreme Court

ruled that the Commission was without power to order a telephone company to provide services where it hasn't professed to offer them. Right?
A.   I'm very briefly familiar with the case. It's been some time since I reviewed it.
Q.   And that was your clients' point in the Mark Twain cellular case, that they couldn't be made to offer a service they hadn't provided?
A.   Again, I don't know that I -- I don't remember reading that brief, but if it's -- if that's what the position was in the brief, I don't dispute it.
Q.   Let me restate it. Your clients' position was that since they hadn't offered the 1-plus calling for their customers to call the wireless carriers, they couldn't be made to do so. Right?
A.   Yes.
Q.   And they couldn't be held financially responsible for those calls?
A.   Yes.
Q.   Now, Mr. Schoonmaker, isn't that exactly what your clients are trying to do to the former PTCs in this case, trying to make them financially responsible for another carrier's traffic?
A.   There are certainly some similarities.
Q.   Okay. If we go back to that one Verizon call

that we set up this morning, you'd agree with me that just like your clients in the cellular case, Southwestern Bell doesn't offer 1-plus toll services in Verizon's territory?

A. I don't believe they do.

Q. And we don't have tariff authority to offer toll services in Verizon's territory?

A. I don't know that for certain.

Q. Do you have any reason to believe that we do?

A. You -- I mean, I haven't reviewed your tariffs lately to see. I guess it wouldn't surprise me if you don't.

Q. You're aware that throughout all the PTC cases, Southwestern Bell's position was that it only offered and only had authority to offer toll services in its own exchanges?

A. I agree that was your position.

Q. You would agree on that call that would go from Warrenton, the Verizon customer, to a customer in Orchard Farm, that would be considered Verizon's customer, right, not Southwestern Bell's?

A. If they had picked Verizon, as -- as the example assumed.

Q. You also agree with me that while Southwestern Bell's facilities would be used in handling that call, Southwestern Bell in that example is only providing an access service, just like your companies were only providing an access service when the call went to the wireless subscriber?

A. They are providing an access service on the originating end.

Q. And we're providing an access service on the transport end. We looked at that rate this morning, didn't we?

A. We did look at the transport rate this morning.

Q. Okay. And you'd agree with me that Verizon contracts through its -- I guess through Southwestern Bell's access tariff to use that Southwestern Bell transport facility?

A. Yes.

Q. And it's Verizon with whom the end-user contracts to get his or her call completed to Orchard Farm. Right? Not Southwestern Bell?

A. I'm sorry. Say that again.

Q. It's Verizon with whom the end-user contracts with to get that call completed to Orchard Farm?

A. The end-user does contract with Verizon.

Q. And that's done through Verizon's intrastate toll tariff?

A. Yes.

Q. Verizon receives a toll revenue on that call, not Southwestern Bell?
A. Yes.
Q. And Verizon is willing to and does take responsibility for paying Orchard Farm for that call. Correct?
A. They do today, yes.
Q. You'd agree with me that it's only the Small Companies in this case that say Southwestern Bell should have to pay Verizon for that call -- I'm sorry -- that should have to pay Orchard Farm for that Verizon call?
A. Yes.
Q. Let's shift gears now and let's talk about records, but I'd still like to keep in mind that one example of the call going from Warrenton to Orchard Farm.
Let's talk about what's going on today. To enable Southwestern Bell and Orchard Farm to bill that call, to bill access on that call, you'd agree with me that Verizon creates an originating record?
A. That's correct.
Q. And it passes that to Southwestern Bell in the form of a 92 record and to Orchard Farm in the form of a Category 11 record?
A. Yes.
Q. And Verizon is billed by both with those two

flavors of records?

A. Today they are.

Q. Okay. Meet-point billing?

A. Yes.

Q. Okay. You'd agree with me that during the PTC case the PTCs wanted the Small Companies to use the 92 records when the PTC plan ended; is that correct?

A. 92-99 records, I believe was the specific title.

Q. Small Companies objected to that. Right?

A. They did.

Q. And ALLTEL was the only one that was willing to use the 92 records; is that right?

A. I believe so.

Q. And they've chosen to continue using those 92 records to date. Right?

A. I believe so.

Q. Same as they do in Arkansas?

A. I don't work in Arkansas, so I don't know for sure.

Q. But it was the other companies that wanted the Category 11 records. Right?

A. Yes.

Q. And the Commission ordered the PTCs to provide those type of records in its Report and Order in 99-254?

A. It did.
Q. Would you agree with me to get that done, the former PTCs worked with the Small Companies and their vendors?
A. Yes.
Q. And there were several meetings, conference calls, exchange of data and exchange of record formats?
A. Yes, there was.
Q. And, as a result of that process, a record format acceptable to the Small Companies and to their vendors was agreed to. Right?
A. Yes.
Q. And Southwestern Bell, Sprint and Verizon then made the necessary system changes on their end to produce that agreed on record?
A. Yes.
Q. Southwestern Bell, Sprint and Verizon began producing those by the Commission's April 4 deadline. Correct?
A. I thought it was April 1st, but --
Q. I'm sorry. You're correct. April 1st.
A. Yes. As far as I know.
Q. And ever since, the Small Companies have been using those for billing?
A. Yes.

Q. Okay. Would it be fair to say that in most cases it would actually be the Small Companies' billing vendor that actually uses those records to bill?

A. In a number of cases, it's the Small Companies' billing vendor, and in a number of cases it's the Small Companies themselves who are using billing vendor software.

Q. Okay. Would it be fair to say that vendors use those records as well?

A. Yes.

Q. Okay. For example, in that Warrenton to Orchard Farm call, would it be correct to say that Verizon sends its Category 11 record directly to Orchard Farm's billing vendor?

A. No. It would be more correct to say that it sends it to its -- well, I don't know which. It's -- their -- their affiliate who does the billing for them.

Q. Okay. In other cases it would be sent to a billing vendor?

A. Yes.

Q. And that could be somebody like the Martin Group or MidAmerica?

A. MidAmerica, that would be correct. As far as Martin is concerned, Martin, as I understand the relationship, provides the software to individual telephone companies and those telephone companies receive the records and do the billing.

Q. Okay. Let's focus on MidAmerica. Could you describe what they do when they receive the Category 11 records from the former PTCs?

A. Well, in very broad terms, they accept the records, they process them, they create a CABS bill.

Q. Okay. When you say "process them," could you tell me what you mean there?

A. They -- they -- I would assume in most cases the records are getting there either by tape or by an electronics transmission. I actually don't know which at MidAmerica.

The -- they read those records. They put them through computer programs that edit them and summarize them to appropriate exchanges and so forth. And at the end of the month they take those summaries and multiply them times rates to create a bill. Is that what you're looking for? I mean, I'm --

Q. Generally. And then in that processing they have to sort out which minutes to bill to Verizon, which minutes to bill to Southwestern Bell, which minutes to bill to Sprint, Fidelity, Spectra; is that right?

A. They have to identify that. Whether they have to sort them out -- since those come in from those separate people in separate groups, they may not have to sort them, but they certainly have to identify who the appropriate person is to bill them to.

Q. And then send out separate bills?

A. Yes.

Q. Okay. And is it true that the Small Companies pay the vendors for doing that work?

A. Yes.

Q. Would it be fair to assume that that is a normal expense of them doing business?

A. Yes.

Q. Something they need to expend in order to get paid for the service that they provide?

A. Right.

Q. You'd expect that expense would be covered in the rates that the companies charge?

A. Yes.

Q. Okay. I notice that under your proposal what you're seeking, reading it real close, is the right to bill from your own recordings and not use these Category 11's. Is that a correct reading?

A. That's correct.

Q. Okay. Are there Small Companies that you represent or that you're aware of that are willing to continue receiving Category 11 records?

A. There are a few of them that indicated that they would like to have that choice and that if they don't find significant differences between the records, which other companies have found, that those might be satisfactory.
Q. Could you tell us who those are?
A. For the time being, ALLTEL has indicated an interest in that and the TDS companies have.
Q. Any others?
A. Not that I recall.
Q. Have you had specific discussions with all of them?
A. No.
Q. Okay. A while back we asked your group a DR, a data request, about which companies have the present capability to record terminating usage. And in your response you indicated that ALLTEL said, no, they're in the process of establishing this capability; is that correct?
A. That's correct.
Q. Okay. Are you aware that in Arkansas ALLTEL does bill from other LECs' originating records?
A. From other LECs' originating records? I guess that wouldn't surprise me.
Q. Okay. You also indicated on that data request that New London, Stoutland and Orchard Farm only have the

ability to record incoming Feature Group D traffic; is that right?

A. That's what their response from us -- or the response that we received from them said. I did not have a chance to clarify that with them.

Q. Would you take that on its face to mean that they don't have the ability to record traffic coming over the common trunk groups, say, like that call that would go from Warrenton to Orchard Farm?

A. Well, not necessarily, because they may be able to -- since the terminating record for C and D that comes over the network is identical, they may be able to by -- in their switch indicating that that's a D trunk, be able to record it even though you may be calling it a C trunk at your end.

Q. But you're not sure at this point without having talked to them further?

A. No.

Q. I take it from your answer that the rest would be able to begin recording tomorrow, or is there some additional --

A. I think your question was did they have the capability in the switch, and the capability is in the switch.

Q. Now, does that mean that they all have the necessary software purchased and installed and tested to be able to begin recording or --

A. I would -- I would take it to mean that the software is installed and it could be turned on tomorrow. Some of them would probably have to make adjustments in their polling procedures or might add additional capability to keep more records before they were pulled in order to make a more efficient operation, but my understanding is it could be done tomorrow.

Q. Okay. And for those that you could start tomorrow, you'd expect them to bill all compensable traffic to the former PTCs with the exclusions that you've set out in your testimony?

A. That's our proposal.

Q. And they wouldn't have to be bothered with sorting out which carriers sent that traffic, they would just send one bill to Southwestern Bell, for example, if that was their former PTC?

A. And they would have to make the necessary subtractions that are involved in the -- in the process, but the rest of it, yes, would just go to Southwestern Bell if they were their tandem company.

Q. And then it would be up to the former PTC -- in order to get reimbursed by upstream carriers, it would then have to sort out from that one single bill that it would get from the terminating company all the traffic that came from the upstream carriers. Right? It would have to separate its own traffic --

A. From its own records, it would have to identify whose traffic it's terminating there and whom to bill.

Q. It would have to make sure -- for each of the Small Companies that subtended its tandem, it would have to make sure that those minutes were rated with the appropriate Small Company's access rate elements. Wouldn't that be true?

A. It would depend on what kind of compensation scheme you determined was appropriate for that wholesale relationship. That's one way it could be done and was done during the PTC plan.

Q. Small Companies each have different access rates. Right?

A. They each have their own access tariffs filed. Some of the rates are the -- some of the rates for some of the rate elements are identical in a number of the companies, but they each have their own access tariff rates.

Q. It would be fair to say that more of them are different than identical?

A. I don't know. I mean, they have to be individually tracked.

Q. Would it be fair to say that what Small Companies are asking the tandem companies to do is something that the billing -- that your own billing vendors are doing today?

A. I'm not sure that I understand that question. Could you rephrase it?

Q. Sure. Some of the functions that the Small Companies are asking the tandem companies to do are currently being done by billing vendors?

A. I mean, the billing vendors are rendering access bills just as Southwestern Bell is rendering access bills.

Q. But Southwestern Bell today only renders access bills on its own behalf. Right? It doesn't render access bills on any other carrier's behalf. Right?

A. Well, it -- it renders bills on traffic its net-- that traffics -- that transits its network to a variety of people.

Q. But it only bills on its own behalf, it doesn't bill on behalf of any of the Small Companies. Right?

A. And in our relationship that we're proposing, you would still bill on your behalf.

Q. But we don't bill for any of the terminating expenses that the Small Company terminating the call would incur?

A. I would assume that you would want to establish wholesale rates of some type and bill those wholesale rates.

Q. You'd agree that we're not doing that now?

A. That's correct.

Q. And that's an additional job, additional work that we'd have to pick up doing in the future?

A. It would be an additional rate element at least that you might have to include.

Q. Small Companies, they don't propose to pay the former PTCs for this additional work that they'd have us take on, do they?

A. No. We see that as it's -- you're billing for performing this wholesale function that you do by having the tandem switch and selling indirect services to companies that you provide indirect connections for.

Q. Okay. Let me switch gears on you again. Let's go back to that Warrenton/Orchard Farm example. You remember we agreed that the customer had other choices besides Verizon to handle that call. For example, that customer could pick AT&T or MCI to handle the call?

A. That's true.

Q. And if they did, would you agree with me that that call could go from Verizon to the interexchange carrier's facilities to Southwestern Bell's access tandem and then on up to Orchard Farm?

A. Yes.

Q. And that's how it's done today?

A. Yes.

Q. Okay. And when that happens, Southwestern Bell makes a recording at its access tandem; is that right?

A. That's correct.

Q. An Access Usage Record or an AUR?

A. Yes.

Q. Provides that to Orchard Farm and then Orchard Farm converts that to a Summary Usage Record, an SUR, and returns that back to Southwestern Bell so they both -- Southwestern Bell and the terminating company, Orchard Farm, can bill the same minutes to AT&T?

A. Yes.

Q. Okay.

A. And that may be traffic that AT&T originated or it may be traffic that 25 other resellers originated.

Q. You'd agree with me that both Orchard Farm and Southwestern Bell bills the IXC for that?

A. Yes.

Q. And that's, again, that meet-point billing that we talked about earlier?

A. Yes.

Q. And that's provided for in both Southwestern Bell's and Orchard Farm's intrastate access tariffs?

A. Yes.

Q. Orchard Farm doesn't bill Southwestern Bell for that. Right?

A. No.

Q. Are there some Small Companies with tandems that also permit interexchange carrier traffic to come to them through a former PTC's tandem?

A. There may be.

Q. And if that happens, that same process with the AURs, the SURs, meet-point billing occurs?

A. Hopefully.

Q. I'd like to shift gears on you again and this time talk about blocking. That's also part of your Small Companies' proposal, isn't it?

A. It is.

Q. It's correct that you think the Small Companies should be able to request Sprint, Southwestern Bell and Verizon to block another carrier's traffic on request?

A. Yes. After following certain procedures.

Q. Okay. But in your view, no Commission order is needed. Right?

A. We don't feel it's appropriate because you don't have to do that in order for you to block the traffic. We don't think the business relationship should be any different or the regulatory requirements any more stringent --

Q. Okay.

A. -- for us than you.

Q. You also believe that you should only have to pay a nominal amount to Sprint, Verizon or Southwestern Bell when your company has requested to block. Right?

A. Yes.

Q. But not what it might actually cost Sprint, Southwestern Bell or Verizon to do that blocking?

A. Yes.

Q. Okay. Is it correct that ALLTEL is one of the companies in your group in this case?

A. I believe so. Let me double check. Yes.

Q. You'd agree with me that ALLTEL also participated in the Mark Twain cellular termination service case, didn't it?

A. ALLTEL Wireless did.

Q. And that's an affiliate of ALLTEL Communications, which is your company in this case?

A. ALLTEL Missouri is another affiliate of the parent.

Q. Okay. And the parent is ALLTEL

Communications, Inc.?

A. I'll accept that.

Q. Okay. Would you agree with me that ALLTEL Communications, Inc. took a contrary position in that case with regard to blocking?

A. They may have, yeah. Yes, I believe they did.

Q. They took a position that blocking should be accomplished only upon a Commission order. Right?

A. I believe so.

Q. And they also took the position that the requesting LEC is responsible for the expenses associated with this requested blocking?

A. Yes.

Q. Okay. Let's talk for a moment about the CTUSR, the Cellular Transiting Usage Report. Would you agree with me that in the Mark Twain cellular termination service case it was the Small Companies' proposal in their tariff that the Small Companies could use that CTUSR to bill the wireless carriers?

A. That was one of the alternatives in the tariff, yes.

Q. And in that case you testified and told the Commission that the Small Companies could make the CTUSR work?

A. I don't remember my exact words, but we hoped that we could make it work. I mean, we -- I guess until somebody starts paying us, we don't know for sure. There's certainly -- we had concerns at the time the Commission ordered that report as to whether it was a sufficiently detailed record for billing. And Southwestern Bell represented if we had any billing problems, that they would be happy to provide experts and all the back-up detail for those records to satisfy us. But --

Q. Certainly you could --

MR. ENGLAND: Excuse me. Could the witness answer the question?

MR. BUB: I didn't mean to cut him off.

BY MR. BUB:

Q. Go ahead.

A. But, I mean, basically we said it was our intent to go by those reports and to use them as -- as one of the alternatives under that tariff.

Q. So certainly you believe you'd be able to bill from that report?

A. We hope so.

Q. Okay. And presumably the vendors, where vendors are used, could do the same?

A. Yes.

Q. Okay. Would you agree with me that after the Small Companies get the rate issue with cellular termination straightened out and they begin billing the wireless carriers, would you agree that you'd expect to get paid for that traffic?

A. I hope so, but I -- I'm -- I don't know. We'll see when we get to that point, I guess.

Q. Okay. If they do pay you, you'd agree you'd be getting additional revenue? Certainly more than you're getting now?

A. Yes.

Q. Okay. You saw Southwestern Bell in its testimony indicated that it's working with its HP System, Hewlett Packard System to develop a CTUSR-like report for traffic that might not now be identified. Did you see that?

A. I remember hearing that in your opening statement. I don't remember seeing it in the testimony.

Q. Let's just go with what I said.

A. Was that in Mr. Hughes' testimony?

Q. Yes.

A. I haven't had a chance to review Mr. Hughes' surrebuttal testimony yet.

Q. Why don't we just work with what I said in my opening statement. Assuming that's true and assuming that Southwestern Bell can produce a CTUSR report, same information, but this report, for example, would have traffic that's perhaps coming from a CLEC, would it be fair to say the Small Companies or their vendors could bill from that too?

A. I guess we probably could bill from them. Whether that's an acceptable record or whether it's a valid report remains to be seen at this point in time.

Q. But if it's formated the same, provides the same information and assuming the information's valid, you'd be able to bill from it?

A. We probably would be able to render a bill from it, if that's what we're required to do.

Q. And if you did and if the CLECs paid those bills, that would also be new revenue for you as well. Right?

A. Some amount.

MR. BUB: I think those are all the questions I have. Thank you.

Thank you, Mr. Schoonmaker

JUDGE MILLS: Thank you.

I've got a few questions. Before we do that, let's get back to the two exhibits we were discussing before lunch, Exhibits 25 and 26-HC. Mr. Schoonmaker, have you had a chance to verify the numbers on those exhibits?

THE WITNESS: I have reviewed both of the exhibits and there's a couple of corrections in the statements that I made earlier that I'd like to make in regards to particularly Exhibit 26-HC.

JUDGE MILLS: Okay. Go ahead.

THE WITNESS: First of all, earlier when I was asked about it, I indicated that it appeared to be the matched calls report and the unmatched terminating calls report for the Rockport exchange.

In reviewing the report more closely, it's for one of the three NXX codes in the Rockport exchange, not the complete exchange. And also in reviewing and comparing it with my copy, I find that this is excerpts, but not the complete reports for that -- for that exchange.

On the matched call report, pages 1 and 2, that's the first two pages of about five or six pages. And the other pages apparently didn't have any calls that -- that were used in the -- in Exhibit 25 and weren't included. And it's the same thing in regards to the unmatched terminating calls report. It's an excerpt, but not the complete report. But in looking at this, these are copies of -- of the pages of the report that we sent to Sprint.

JUDGE MILLS: Okay. Okay. Having had all that, let's go back to the beginning. Mr. Minnis, are you offering these two exhibits?

MR. MINNIS: We are. And I want to make the record clear. Mr. England and I have spoken about this during the break and it has come to my attention in my statements earlier on Exhibit No. 25 in which it discusses conversation time and there's numbers there, I indicated those numbers were minutes. Those are actually seconds, as I have found out during the break. And so I wanted to make the record clear. I didn't mean to mislead anyone on that.

I believe Mr. England has indicated that he, in his redirect, probably will ask Mr. Schoonmaker some questions on that, but I just wanted to make sure that was clear. And we would, again, move for the admission of these exhibits.

JUDGE MILLS: Okay. Mr. England, do you have objections to these?

MR. ENGLAND: Not in light of Mr. Schoonmaker's comments, Mr. Minnis' comments and I assume I'll have the opportunity to do some redirect with the exhibits.

JUDGE MILLS: Certainly. Certainly.

MR. ENGLAND: I have no objection.

JUDGE MILLS: Okay. Having no objections, Exhibits 25 and 26-HC are admitted into the record.

(EXHIBIT NOS. 25 AND 26-HC WERE RECEIVED INTO EVIDENCE.)

JUDGE MILLS: I have a few questions for Mr. Schoonmaker. We'll do those, then we'll do a round of cross-examination based on my questions, the questions from the two Commissioners that have already taken place, and then at a later time we will -- and then following that, we will do redirect based on all the questions to date. Then at a later time, we'll recall Mr. Schoonmaker for further questions from the Bench, a further round of cross-examination from the parties and a further round of redirect. Is that clear to everyone?

MR. JOHNSON: The second round will just be based on Commissioner Schemenauer's questions?

JUDGE MILLS: And possibly Commissioner Simmons' questions.

MR. JOHNSON: Sure.

JUDGE MILLS: I don't know whether Commissioner Simmons has questions or not.

QUESTIONS BY JUDGE MILLS:

Q. Okay. Mr. Schoonmaker, in Mr. Fischer's opening statement he pointed out that he was not, on behalf of Verizon and I assume Fidelity as well -- is not confident that the terminating records being provided are sufficient for the former PTCs to do billing on. Did you hear that portion of his opening statement?

A. I did.

Q. And what is your response to that? Do you agree with that and --

A. Well, first of all, the -- the PTCs would not have to do any billing off those records. The -- the companies themselves would be doing the billing to the PTCs.

In regards to the -- the correctness of the records, the network test, in my mind, showed that the -- the terminating companies, the Small Companies, can record these messages with the same kinds of accuracy at least that the PTCs can.

They may not be perfect and there still may be some things to be worked out. In -- in the final report on the network test, there is a report on Kingdom Telephone Company who found that they were not recording calls to a certain number because of parameters that had been put in their switch.

To me, what that shows is that if Kingdom makes a mistake and is not producing the records it should, it's the one that bears the brunt of that mistake. And until it corrects it, it wouldn't have been able to bill those records under our proposal.

But I -- from everything I have seen in the terminating record test, the records that the Small Companies are recording are at least as accurate, if not considerably more accurate than what we've been getting from them.

Q. Okay. That's accuracy. In terms of completeness, is there anything in those records that is missing that would be needed for billing purposes?

A. If the business relationship that we've proposed is adopted, no. The -- the companies can identify the trunk group that it's coming over and the fact that it's coming from the tandem company and bill the residual records to the tandem company.

If the -- if the proposal was to be used to bill at the terminating -- based on the terminating record but identifies the originating company, that could not be done from the terminating records, but that's not our -- that's not our proposal.

Q. Now, some of the parties, I think, have made the statement that we shouldn't be addressing business relationships in this case and I think some other parties have gone so far as to say the Commission doesn't regulate business relationships between telephone carriers. What's your response to both of those positions?

A. Let me take the second one first. I mean, I think tariffs regulate the business relationships between companies. I think interconnection contracts which the Commission has to approve regulates those business relationships. I certainly think that they could do it.

In terms of this case, my response would be similar to what I gave Commissioner Drainer this morning. I think in the context of the previous case, the issues that were put over into this one that the -- the business relationships were an integral part of the discussion about the records and which records should be used and how they should be used.

And although explicitly in the order business relationships wasn't one of the items listed, I believe it was in the context of what the Commission was ordering to be done in this case.

Q. Okay. Let's talk about the records test. I think it was described by someone as a Herculean effort. What was the overall cost of that effort to all participants?

A. I have no idea.

Q. Significant?

A. Yes. I mean, there was a lot of manhours put into it, but we didn't try to do any kind of tabulation either on our own side or certainly as a group to come up with a cost of what that --

Q. If we adopt your business relationship model, is that the kind of test that will have to be done regularly on an annual basis or a quarterly basis?

A. I guess -- I think it would be less likely under our business model and under our proposal than it would be if we continue on the way we've been doing before. In spite of the fact that we've done this test and we have identified some problems, there continue to be problems that haven't been identified.

And I think the second thing that I became more aware of as a result of the test was the fact that these errors can happen in isolated places. It can be three or four switches or in the case in the report, and I believe in Ms. Dunlap's testimony, there's talk about a specific trunk group from Sikeston to BPS where recording wasn't being done.

And it's become apparent that part of the problems are not global problems, but isolated to very specific places. And I think that there will be a continuing need and particularly under a continuation of the current policy to do tests of this type to try to identify the problems, because although they've been identified -- and one of the reasons that I included in my direct testimony the schedules on Citizens and Kingdom, that's not the first time -- it's the first time those particular schedules have been seen, but similar schedules were put in the previous PTC case and I think there was one on Citizens in the PTC case before that.

And the problem is still there and there's still a significant gap. And people are going to have to continue to work to either resolve that gap or decide that the gap is small enough that they'll pay the difference rather than continue to explore it.

Q. Okay. Now, as I understand -- let me ask you this. In your testimony you talk about your proposal would provide incentives to the former PTCs to improve the record creation process; is that correct?

A. Yes.

Q. Is the point of your proposal -- is the end making the former PTCs responsible or is the -- or financially responsible or is the end making the proper records created?

A. Well, I think the end is that we get compensated for everything we're terminating and we can do that by making the PTCs responsible. If they're responsible, some of these gaps that are there, they may have more motivation to go out and fix it and it may, in fact, improve the record process as well so that the amount of un-- unreconciled difference is less that they have to pay for.

Q. Okay. Well, let me ask that a different way. Would it be your preference to hold the former PTCs responsible for all of this traffic, or would it be your preference to have records passed to you so that the former SCs could bill properly for all of those minutes?

A. I think it's a combination of the -- I mean, if I look at what our proposal is, our proposal will continue to have us use many of the types of records that we're currently getting from them. And we have no objection to them being improved. If there are gaps in those records and -- and they can be improved so that we're billing more to the interexchange carriers then we are now because there's more records coming in, that's fine. But we want to make sure that we're being able to bill for the whole.

Q. Okay. I guess what I'm trying to get to is whether or not the responsibility is -- holding the former PTCs responsible, whether that's the end in itself or that's the means to the end?

A. Well, I -- I think the end, in our viewpoint, is two things. One is to be -- to be compensated by someone for all the minutes. And the second one and the reason we have emphasized the business relationship is -- is to try to make the administrative procedures and the business relationships simpler at our end for all small companies and not necessarily have to get into a whole host of business relationships with a bunch of CLECs or other folks and particularly if the traffic is a relatively minor amount. So it's a combination of both ends.

JUDGE MILLS: I think that's all the questions I have.

Let's do a round of cross-examination based on questions from the Bench, including those questions as well as the questions from Vice-chair Drainer and Commissioner Murray, beginning with Mr. Johnson.

FURTHER CROSS-EXAMINATION BY MR. JOHNSON:

Q. Mr. Schoonmaker, I want to follow-up on a series of questions from Judge Mills. And I think you had agreed with him that on some call records, the terminating record itself that's created by the Small Company or the independent may not have an originating company identifier in it?

A. That's correct.

Q. Okay. And can you explain to us why that does not happen or why the Small Company cannot always record an originating company identifier?

A. Well, first of all, because that information is not necessarily passed along the network. What is passed along is the -- the called party number, which is the originating telephone number. And you can't always identify from that who the called party is.

For example, in an area -- if it comes from a ported number that had been ported out of a -- or an unbundled element switchport that Southwestern Bell has sold to a CLEC, it may look like it comes from Southwestern Bell when, in fact, it does not come from them.

In other cases, like with interexchange carrier traffic, even if you identified the originating company, it may not be the company who's responsible for paying for the termination of the call because of a resale of another company's facilities.

Q. That was going to be my next question. In the interLATA billing arrangement where 119 records are used, has it ever been necessary to get an originating company identifier at the terminating tandem's record?

A. No. It's based on the trunk group as it -- and as the call arrives at the terminating tandem switch.

Q. There's also been some discussion about Cellular Terminating Usage Report as a billing record. Do you agree that that's an accurate description of what that report is?

A. No. It's not a particularly accurate description. I mean, it's in the -- in the original wireless tariff case Bell represented that they would provide this report and that it was accurate for billing and that we would be able to use that to bill from, and the Commission agreed with that.

Q. Does the CTUSR distinguish interMTA minutes from intraMTA minutes so that different rates may apply?

A. It doesn't.

Q. Does the CTUSR distinguish between wireless traffic that Bell terminates pursuant to its tariff, where Bell may have a secondary liability obligation, from wireless traffic that is terminated pursuant to interconnection agreements?

A. No.

Q. Go back a little bit further. I wanted to follow-up on some questions from the Bench. I believe it was Commissioner Drainer that asked you about the potential use of the HP SS7 Access something technology or possibly even the use of the OBF Issue 2056 as sort of an adjunct to the current terminating records for billing purposes. Do you recall those questions and answers?

A. Yes.

Q. Do you remember back in -- I believe it was either TO-97-217, the first PTC case, or TO-99-254, the second PTC case, that there was a Sprint witness, a switch engineer, that said at that time they were trying to make Feature Group C deliver all of the proper billing information that we would need?

A. Yes. I remember that.

Q. Whatever happened to that? Are you aware of it?

A. I don't know.

Q. And with respect to the HP application, have we been hearing about how that's been rolled out in Kansas before it was rolled out in Missouri?

A. There has been some information available on that. And my recollection is that the people in Kansas haven't been particularly satisfied with what they've seen, at least to this point in time.

Q. Would it be fair to say at this point in time you're not confident that any of these augmenting capabilities that have been mentioned over the past two to four years are necessarily going to work?

A. Just don't know.

MR. JOHNSON: Thank you, your Honor. That's all I have.

JUDGE MILLS: Thank you.

Public Counsel is not here. Staff?

MR. KRUEGER: No questions, your Honor.

JUDGE MILLS: Verizon?

FURTHER CROSS-EXAMINATION BY MR. FISCHER:

Q. Good afternoon, Mr. Schoonmaker. I just wanted to follow-up on a couple of questions from Judge Mills and Mr. Johnson about your records. Is it my understanding that the terminating company's 119 records do not include the originating carrier?

A. That's correct. And neither do the ones that are -- 119 records recorded by the tandem companies.

Q. And that kind of information would be helpful if the tandem owner was expected to turn around and try to find and bill that originating carrier. Right?

A. Well, the tandem company measures the traffic that comes into its network when it comes in. And they have the capability to bill off their own records to whomever they want and whoever they should bill, with the exception perhaps of the Feature Group C traffic.

Q. So the tandem owner could not just take that terminating record, that 119 record, and use that in isolation to bill the originating carrier because that doesn't give him that information; is that right?

A. There's no intention that there -- the record recorded at the terminating end-office would be passed up to the tandem company other than as a summary capsule.

Q. Okay. And with regard to the completeness of the terminating company's records, wouldn't you agree, based on our cross-examination and our discussion about Peace Valley and the Verizon records, that there continues to be a question, at least between those two companies, about whether unanswered and incomplete calls are included in the terminating company's records and whether they should be billed upon?

A. There is -- there is some question that was raised, to my knowledge, for the first time yesterday, about that. And that's something that we will need to investigate and find out.

Q. And I may have misunderstood your testimony, but you were indicating, I believe, that under your proposal, the tandem owner will pay for all the traffic basically going to the terminating carrier under your business proposal?

A. It's not nearly all the traffic. That's a way overstatement, because we're subtracting out all the wireless traffic, the IXC traffic, Feature Group A traffic, something else.

Q. With those subtractions that are included in your testimony, that would be true. Correct?

A. Yes. They would be --

Q. And that's true even if the originating carrier is identifiable?

A. That's our proposal.

Q. Okay. But I also understood you to say that the secondary carriers would welcome improvements in the records and will continue to use them to bill based on those records; is that true?

A. Yes. And I was referring to if there are problems with the recording of the interexchange carrier records, the cellular records or any of those records that we subtract, you know, if those are -- those are corrected and improved and there is consequently more volume, then we would subtract that volume.

Q. But you would be billing the tandem company and not the originating carrier; is that correct?

A. Not for those records, no.

Q. For those records you would bill the originating carrier?

A. Well, in the case of the wireless carrier records, it may be the originating. It would be the wireless carrier that terminates it to the tandem company who then creates the CTUSR record. That may or may not be the originating carrier if there is an exchange of traffic between those wireless companies.

In the case of the interexchange carrier traffic, it's the carrier, again, that's terminating the traffic to the tandem company and in many cases it is not the originating carrier.

Q. So under your proposal, would you identify when would the terminating carriers be billing an upstream carrier other than the tandem owner?

A. Would you repeat the question again?

Q. Okay. I may not have been clear. If I understand your testimony, you're saying that there would be occasions where the terminating carrier would bill carriers other than the tandem owner?

A. Yes. In the interexchange call, the interexchange carrier records, all the wireless records, the Feature Group A is actually billed by the tandem company, but it's settled on a different basis and would be subtracted out. The interstate intraLATA would be billed to the company for -- from whom we got a record.

Q. And you'd be using your terminating records for those bills?

A. No. We'd be using originating records or records recorded at the terminating tandem for those. And then we would subtract those from the total terminating records to get the amount to bill to the PTC for the remainder.

Q. Okay. So we would use originating records for those?

A. We would not use -- I'm sorry?

Q. We would --

A. We would use -- we would use originating records for the wireless IXC and so forth. We would use the terminating records for the remainder.

Q. Okay. In questions from, I believe, Commissioner Drainer, I believe you indicated that your business relationship proposal would be similar to the business relationship that existed under the old PTC plan; is that correct?

A. In regard to the fact that the terminating PTC would be billing back to the originating PTCs, that's correct.

Q. In the old days, the secondary carriers looked to the primarily toll carriers which owned the tandems for compensation. Correct?

A. That's correct.

Q. And would you agree that one of the reasons for the dismantling of the old PTC plan was that it was inconsistent with the new competitive environment? Wasn't that one of the reasons given?

A. That was one of the reasons the PTCs gave, I think.

Q. And it was one of the reasons the Commission adopted it, wasn't it?

A. It may have been.

Q. In the new competitive environment, we now have carriers like CLECs who were not players in the past. Correct?

A. Yes.

Q. In your effort to reassemble the business relationship that existed under the old PTC plan, aren't you really shifting the risks of the new competitive environment to the former PTCs?

A. Our effort is to establish a business relationship that's similar to the competitive IXC environment.

Q. But, in effect, doesn't it shift the entire risk of the new competitive environment, at least as regarding non-payment, to the former PTCs?

A. Not for wireless carriers, it doesn't. Not for IXCs, it doesn't. For CLECs, it would.

Q. And for other PTCs, for that matter, that happen to be going over their tandem?

A. And for other PTCs, it would.

Q. So in that sense it's expanding the risk even beyond where it was in the old PTC plan for a tandem owner?

A. In regards to CLECs, it does. In regards to PTCs, it doesn't expand it beyond the old PTC plan.

Q. Okay. Well, in some ways it was a simpler world for the SCs, or the secondary carriers, before the advent of competition. Would you agree?

A. It was simpler for the PTCs too.

Q. I won't disagree. Under your business proposal, aren't you suggesting that we go back to those olds days when the secondary carriers merely had to look to the PTCs for compensation?

A. It -- I mean, it has that effect to a certain extent. What we're trying to get to is a business relationship that's -- that's -- we think is more consistent with a competitive IXC environment and, frankly, that's more consistent with the network and the capabilities of the network where it becomes more and more difficult to identify people five steps up the network and it would be much easier if we were billing to the person that delivered to them and let them bill to the people that deliver to them and get into a wholesale/retail relationship.

Q. Certainly it would be easier for the secondary carrier?

A. It may be easier for everybody if we'd do that.

Q. Did you read Kathryn Allison's testimony, her rebuttal? I know you responded to it.

A. I did read her rebuttal testimony, yes.

Q. Is it your understanding that Verizon's interconnection agreements with CLECs and wireless providers prohibit Verizon from recovering termination charges rendered by third parties from providers upstream?

A. That's my general understanding of it. And those would presumably have to be renegotiated.

Q. Okay. So we'd have to change that at this point if we adopted your business relationship?

A. Probably would.

MR. FISCHER: Okay. Thank you very much.

JUDGE MILLS: Thank you.

Sprint, Mr. Minnis?

FURTHER CROSS-EXAMINATION BY MR. MINNIS:

Q. I just have a couple questions I wanted to follow-up on on the questions about recording. Is it fair to say that some of the small LECs recorded Category 11 records for the first time during this records test?

A. At the switches they didn't record Category 11 records. I mean, they're recording switch records, 119 records.

Q. Okay.

A. For some of them it may have been the first time and it may have been the first time for the billing vendors. For others it wasn't.

Q. Okay. Would it be your understanding that Rockport was one of those companies that for the first time --

A. I believe they've been doing it for a year or so before -- before the test at least.

Q. Does Rockport directly connect to an IXC -- to any IXC that you're aware of?

A. Not that I'm aware of.

Q. Okay. Now, you indicated that you might have to do some research regarding Verizon's question of whether the switches were recording unanswered calls; is that right?

A. Yeah. It's a combination of whether they were being recorded and whether they were being properly processed. I assume the recording is proper. Whether there was a problem in the processing or not is something that --

a question that Verizon raised yesterday and we'll have to investigate.

Q. It is possible then that those were being recorded as -- that unanswered calls may have been recorded as unmatched calls; is that right?

A. That's -- that's the possibility Verizon suggested. And that's a possibility. We just haven't had time to investigate it.

Q. Okay. Now, if that's the case, if a person were to call -- make a call into, let's say, the Rockport exchange using our example and the phone rang two, three, four times and hung up, is it possible to record an 18-second unmatched record there even though there wasn't an answered call?

A. There -- I mean, my understanding of the switches, there would be a record recorded.

Q. Okay.

A. What was supposed to happen is that those were not supposed to be included in the records that were sent to us --

Q. Okay.

A. -- for processing. Those were supposed to be excluded. The only calls we were supposed to get for the matching were calls that were completed calls that had conversation time.

Q. And we're not sure that happened?
A. In the case of Peace Valley at least, Verizon raised that question yesterday and we need to explore that further and find out.
MR. MINNIS: Okay. Thank you.
JUDGE MILLS: Thank you.
Mr. Bub?
MR. BUB: Thank you, your Honor.
FURTHER CROSS-EXAMINATION BY MR. BUB:
Q. This time I only have a few and not a bunch.
A. I'll believe that when you're done --
Q. Okay.
A. -- if it's true.
Q. I'd like to follow-up on some of the questions Vice-chair Drainer had asked about costs. Would you agree -- and these would be the costs to the former PTCs of implementing your proposal. Would you agree with me that those costs to the former PTCs would include paying for traffic originated by other carriers?
A. Yes. That's true.
Q. Okay. And also finding a way to be compensated by these originating carriers?
A. Yes.
Q. We'd have to somehow amend our interconnection agreements and change our access tariffs. Right?

A. That's true.
Q. To make them like the wholesale arrangement you say we should have; is that right?
A. Yes.
Q. Under the wholesale arrangement that you've, I guess, labeled the competitive IXC model, when AT&T is reselling its service to McLeod, AT&T, does it not, agrees to actually take that McLeod's customer's call all the way to the terminating end. Right?
A. That's correct.
Q. And the current interconnection agreements and tariffs that Southwestern Bell, Verizon and Sprint have don't do that?
A. That's what's been represented to the Commission, yes.
Q. And you accept that?
A. I accept that.
Q. Okay. It would also be the cost of doing billing and collection for this traffic, assuming there's a way to collect for it?
A. Yeah. I would assume that would not be terribly significant, because you'd already have billing relationships with all those carriers anyway.
Q. There would be more billing. Right?
A. Potentially another rate element or rate

elements depending on how you structured it. But in virtually all the cases you're presumably billing them for the transiting portion now so I wouldn't expect that would be a major undertaking, but it would depend some on your choice of rate structures and how you did that.

Q. Okay. You'd agree there would be some cost there?

A. Some.

Q. Okay. I'd also like to follow-up on a question that Chair Drainer asked you about whether or not the business relationship should be something to consider in this case. She asked you a question about since all the PTCs and the -- former PTCs and the Small Companies are here, wouldn't it be more efficient to address this business relationship issue since you guys brought it up. Do you recall that?

A. I remember that.

Q. Under your proposal, you'd have the PTCs pay for traffic from CLECs, for example. Right?

A. To the extent that they're using your Feature Group C network, which based on the records test doesn't appear that they're doing that very much.

Q. And in response to Commissioner Murray, you indicated that former PTCs should be able to collect some amounts from the originating carriers like the CLECs who actually send that traffic. Right?

A. Yes.

Q. You'd agree with me that those CLECs and those other people that might be sending that unidentified traffic aren't here today?

A. That's correct.

Q. And it's their interconnection agreements or access tariffs that would impact them that would have to be changed?

A. Yes.

MR. BUB: Thank you. Those are all the questions that we have.

JUDGE MILLS: Thank you.

Mr. England, redirect on all of the cross-examination and all of the questions from the Bench so far?

MR. ENGLAND: Yes, your Honor.

REDIRECT EXAMINATION BY MR. ENGLAND:

Q. And it's not going to be very structured. I apologize. Perhaps following up on that last line of questioning, I think it has to do with what parties are here and what parties aren't. Mr. Schoonmaker, in the Dial U.S., Southwestern Bell interconnection agreement were Small Companies a party, to the best of your knowledge, to the negotiations that gave rise to that interconnection agreement?

A. They were not.

Q. So if that interconnection agreement is being represented as setting precedent for the industry, do you think it was fair that it should set precedent for the industry when many of the industry players weren't parties to those negotiations?

A. No. And, in fact, I believe it was generally represented at the time that agreement was brought that it was an agreement only between Southwestern Bell and Dial U.S. and didn't have any impacts on other parties.

Q. To the extent the Commission's decision in the last PTC case where the plan was ultimately terminated is being represented as precedent for the originating carrier responsibility plan, do you know if all industry participants such as CLECs, wireless carriers and other people impacted by the business relationships that Mr. Bub referred to were parties to that case?

A. No, they were not.

Q. Okay. And how about the wireless interconnection tariff case involving Southwestern Bell Telephone Company where they sought to become simply a transit provider of wireless traffic? Were, first of all, all of the wireless carriers involved in that proceeding that you know of?

A. I don't believe that they were.

Q. Were all of the LECs, for that matter, incumbent LECs, involved in that case?

A. I don't think so.

Q. Okay.

A. Many of them weren't.

Q. Again, Mr. Bub was asking you about the cost to renegotiate contracts. Is it your understanding that most of the interconnection agreements entered into in this state are of a one- to two-year period of time?

A. Yes. I believe a large number of them are primarily two-year agreements.

Q. Many of them may be coming up for renegotiation within the next year. Would that be --

A. May be, yes.

Q. With respect to the agreement between Southwestern Bell and AT&T, do you understand that that agreement may no longer be in effect in light of a recent court decision?

A. Yes.

Q. And that would require renegotiation immediately, would it not?

A. Yes. Depending on -- I'm not exactly sure of the status of that -- the court remand.

Q. To the extent a number of CLECs opted to MFN or adopt the AT&T agreement, they might be in the same boat as AT&T is in renegotiating a contract. Correct?

A. That's correct.

Q. Mr. Fischer asked you about whether or not our proposal would expand the responsibility of PTCs. And I think you used the example of PTCs now becoming responsible under our proposal for CLEC traffic that transits their facilities and is terminated to our exchanges. Do you recall that line of questioning?

A. Yes, I do.

Q. Were CLECs in existence during the waning years of the PTC plan?

A. At the very end, there were a few that were existent. And, as I recall now -- actually the PTCs were responsible for the CLEC terminating traffic to the extent it existed.

Q. So to the extent we propose that they continue to be responsible for CLEC traffic in this new environment, that's not different than what they were responsible for towards the end of the PTC plan while still in effect and CLECs were in existence?

A. That's correct. And I believe I misstated that earlier.

Q. Judge Mills had asked you about whether or not the PSC regulates the business relationship between companies. And I guess my question to you is, did the PSC regulate the business relationship between the incumbent LECs in the state at the time -- in your opinion, at the time it -- at the time it implemented the PTC plan?

A. Both of -- yes, at the time of implementation, it definitely did.

Q. And how about at the time of termination?

A. It definitely did.

Q. How about when the PSC established MCA? Did it also address the business relationship between the companies?

A. Yes. The Commission did.

Q. And when the Commission established OCA and COS, did it again address the business relationship between the companies?

A. Yes.

Q. In your opinion, does the Commission have the authority or jurisdiction to address business relationships between LECs?

A. Yes.

Q. Back to some more cross-examination by Mr. Bub. I'm working my way back through my notes. He represents -- or I believe asked you whether or not revenue that we received -- that we're able to receive, assuming we can bill it, from the CTUSRs would represent new revenue stream to the companies. Do you recall that line of questioning?

A. I do.

Q. And I believe he also asked whether or not to the extent we were able to bill and receive money from CLECs, would that represent new revenue?

A. Yes.

Q. As a result of the termination of the PTC plan, did the Small Companies, on balance, gain or lose revenues?

A. On balance, they lost.

Q. Have you been involved in some of the revenue neutral filings that were made as a result of that PTC elimination?

A. Yes.

Q. And based on your understanding and review of those companies, were they losers as far as revenues are concerned or gainers after elimination of the PTC plan?

A. They were losers.

Q. Do you anticipate the new revenue that these companies might get as a result of being able to bill and collect money from CLECs and wireless providers to offset the revenues that they have lost as a result of the elimination of the PTC plan?

A. Not in most cases at least, perhaps all.

Q. There was some discussion regarding AUR records that are created at Southwestern Bell's tandem for purposes of meet-point billing.
A. Yes.
Q. Are those records created from the 119 or 119 AMA switch record?
A. Yes, they are.
Q. Okay. And is that the same record that we are proposing to bill from for purposes of our terminating measurement?
A. It would be the same record type that would be the basis for the records that we would use, yes.
Q. Mr. Bub went through a lengthy line of questioning with examples regarding whether or not the PTCs accepted responsibility for paying for other carriers' calls. Do you recall that? And I believe we had the example of the Verizon customer in Warrenton calling the Orchard Farm customer in Orchard Farm.
A. Yes.
Q. Under the PTC plan, did the PTCs, including Southwestern Bell, assume the responsibility of paying for other carriers' originated calls as far as the secondary carriers were concerned?
A. They did.
Q. Let's take that call from Verizon's witness --

or excuse me -- Verizon's customer in Warrenton to the Orchard Farm customer. And assume, if you will, that that customer in Warrenton has chosen an interexchange carrier that is purely a reseller. Do you understand my --

A. Yes.

Q. -- example?

How is that call handled from the originating point to the terminating point in that example?

A. Let's call the reseller ABC Long Distance. ABC Long Distance would have an agreement with some underlying carrier, let's say WorldCom, to carry that traffic for them.

And they would -- in combination between them and WorldCom would instruct Verizon to direct calls that are picked to ABC Long Distance to MCI's trunks and trunk group and it would be delivered to MCI's switch.

MCI would then switch the call and pass it onto Southwestern Bell at their tandem in St. Louis. Southwestern Bell would record that as an MCI call that was terminated to their tandem. And it would be -- the call itself would be sent onto Orchard Farm to terminate.

Southwestern Bell would create a Category 11-01 AUR record which it would send to Orchard Farm. Orchard Farm would summarize its billing at the end of the month, bill MCI and would send back to Southwestern Bell a

Category 11-50 summary record which Southwestern Bell would then use to bill MCI for its transport function for that call.

Q. You say that both Bell and Orchard Farm under the meet-point billing arrangement would bill MCI WorldCom; is that right?

A. That's correct.

Q. Was MCI WorldCom the originator of that toll call?

A. No.

Q. Were they the entity that had the customer relationship with the end-user that placed that toll call?

A. No. That would be ABC Long Distance Company. And ABC Long Distance Company would be the company that had a long-distance tariff.

Q. Mr. Bub also asked you about Orchard Farm's terminating access rates. And I believe you agreed, subject to check, that they were probably in the range of maybe seven and a half to nine cents a minute?

A. Yes.

Q. Is it your understanding that that rate is billed to any long-distance carrier that terminates a call to its exchange?

A. That's correct.

Q. So it does not matter who terminates that

call, that rate would be applied uniformly; is that correct?
A. That's correct.
Q. And under the proposal of the Small Telephone Companies to hold the tandem company responsible for some calls that are terminated to them under this new business arrangement, that same rate would apply to the tandem company as it would to an IXC; is that right?
A. That's correct.
Q. Let's go back to before the PTC plan was eliminated and that same call from a Verizon customer in Warrenton to the Orchard Farm customer.
A. Okay.
Q. Who paid Orchard Farm, in that example, its terminating access charge of seven and a half to nine cents?
A. Southwestern Bell.
Q. And where did Southwestern Bell get the money to pay Orchard Farm for that terminating rate?
A. They calculated a bill, as I understand it, and billed Verizon, assuming this is before intraLATA presubscription and Verizon was the originating toll provider of the call, or GTE at that time.
Q. Do you know if that was -- that intercompany settlement, if you will, between Southwestern Bell and Verizon was pursuant to a tariff, pursuant to agreement or pursuant to just some understanding as a result of the PTC

plan?

A. It was basically an understanding or agreement. There may actually have been a contract between Verizon -- a PTC contract between Verizon and Southwestern Bell as primary toll carriers. I know there was a contract. I don't remember how much detail it went into in regards to that billing.

Q. Do you know of any reason why that contract couldn't be resurrected for purposes of implementing settlements between Verizon and Southwestern Bell under the proposal we propose in this case?

A. No.

Q. And am I correct in understanding that Southwestern Bell and Verizon operated under that agreement for approximately 11 years during the length of the PTC plan?

A. Yes.

Q. Let me now turn your attention to Exhibits 26-HC and 25. Actually, I think I'm just going to focus on 25. And I believe you and Mr. Minnis may have clarified, first of all, that the conversation time as stated on that exhibit is seconds, not minutes?

A. That's correct.

Q. Okay. Let's take customer one, for example. It appears that the first call that matched lasted approximately 2,141 seconds?

A. Right.

Q. What would that be in minutes, roughly?

A. It's 35.7. That's not too rough, but I did calculate that this morning.

Q. Fair enough. If that call -- I'm looking at that exhibit. It that call lasted for that long, it would appear that all of the unmatched calls that are located or listed below there would have come in during that first call; is that right?

A. That's correct.

Q. Is it possible for those subsequent calls to connect and create conversation time, if you will, even though it appears that the first call was still in process?

A. Yes, it is. With both wireline and cellular providers, there are a number of features that could cause that to happen. One of those is Call Waiting where the customer would actually be connected to the second customer. He might even talk to that customer and be told, you know, I'm on another call, call me back later or I'll call you when I'm done. That's one possibility.

The second one is certainly a voice mail situation where the customer is forwarded to a voice mail because the call is busy and goes into the voice mail and leaves a message or even doesn't leave a message, but goes to the voice mail and decides not to leave a message and hangs up but has been on the call long enough that it's been -- the feature's been activated and it looks like a complete call.

And, you know, any of these -- those are at least two examples and there may be others. There may be some kinds of Call Forwarding situations where if it's busy, it gets call forwarded to a different number or something where it also might show as a complete call.

Q. With respect then to Customer 2 -- Customers 2 and 3, it would appear that the duration of the first matched call, unlike Customer 1, was not long enough to cover, if you will, or overlap the subsequent calls on the list; is that true?

A. That's correct. The 248-second call would be just over 4 minutes long, which means it was terminated by about 1306, maybe 1307. And all those other calls are much later than that.

Q. Okay. Now, let me turn your attention to Exhibit 24, which I believe is now 24-HC. And I don't intend to get into what I believe is the highly confidential information, just some general questions about that. Am I correct in understanding that this was information you provided to Verizon in response to a request for it?

A. I provided Verizon a set of information from which I believe they extracted this information.

Q. Okay. And when did they request the information from you?

A. I got a telephone call from David Evans and Ruth Nelson, I believe it was last Wednesday, asking for whether we could get those switch records. I contacted the billing vendor that afternoon. They indicated that they believed that they would have them and try to extract them and put them in a file for me and E-mail them to me. And I received that file on Friday. I reviewed the file, I extracted the information for the one hour which Verizon had requested and E-mailed it on to them Friday afternoon.

Q. When did you deliver to Verizon the list of unmatched terminating calls record detail?

A. It was during the first half of September.

Q. Did Verizon give you any reason or explanation as to why they waited approximately four or five months before asking for this additional information --

A. No.

Q. -- one week before hearing?

A. No.

Q. One last question, Mr. Schoonmaker, with regard to the new competitive environment we find ourselves in. Do you believe it's more reasonable in a competitive environment for companies to rely on records they create for purposes of billing for services they provide or records that other people create for purposes of billing for services that the terminating carrier provides?

A. I believe it's a much more reasonable business relationship to have those -- that billing based on records that the company itself records, rather than having the customer who's going to pay the bill record that and send it to the company to bill to them.

MR. ENGLAND: Okay. Thank you, sir. I have no other questions.

JUDGE MILLS: Thank you.

Mr. Schoonmaker, you may step down. You're probably going to be recalled at some point during this hearing.

Before we move onto our next witness, let's take a 10-minute recess until 3:15.

(A RECESS WAS TAKEN.)

JUDGE MILLS: We had finished cross-examination and direct examination of Mr. Schoonmaker. We're ready to move onto Mr. Jones. Mr. Jones, would you raise your right hand, please?

(Witness sworn.)

JUDGE MILLS: Thank you. You may be seated.

Mr. Johnson, go ahead.

MR. JOHNSON: Thank you, your Honor.

DAVID L. JONES testified as follows:

DIRECT EXAMINATION BY MR. JOHNSON:

Q. Would you state your name, please, for us.

A. David L. Jones.

Q. Give us your business address, sir.

A. 215 Roe Street, Pilot Grove, Missouri 65276.

Q. By whom are you employed?

A. Mid-Missouri Telephone Company.

Q. And what's your office with them?

A. President and general manager.

Q. Okay. Are you the same David Jones that caused to be pre-filed in this case direct, rebuttal and surrebuttal testimony, which I believe has been identified as Exhibit 4, your highly confidential schedules to that exhibit is 4-HC, your rebuttal is Exhibit 5, and your surrebuttal is Exhibit No. 6?

A. I am.

Q. Do you have any changes you need to make to any of that testimony this morning --

A. I do have.

Q. -- this afternoon?

A. In my rebuttal testimony, page 9, line 19 -- 19 it says, And bill he. That should be the word "the." Insert a "t" there so it reads, And bill the net residual to Southwestern Bell.

Q. Any other changes in that rebuttal testimony?
A. None.
Q. Do you have any changes that need to be made in your surrebuttal testimony?
A. Yes, I do.
Q. What page?
A. The pages are sticking together. Just a minute. Okay. On page 20 of my surrebuttal, line 22, it says, MCI WorldCom from Kansas to Rockport. Should insert the word "city" such that it reads, From Kansas City to Rockport.
Q. Any other changes to that surrebuttal?
A. None.
Q. With those changes, Mr. Jones, if I were to ask you the same questions as are contained in those exhibits, would your answers today be the same?
A. Yes.
Q. And are those answers true, to the best of your information, knowledge and belief?
A. Yes.
MR. JOHNSON: Your Honor, I would offer Exhibits 4, 4-HC, 5 and 6 at this time.
JUDGE MILLS: Exhibits 4, 4-HC, 5 and 6 have been offered. Are there any objections?
MR. LANE: Yes, your Honor. We have an

objection on surrebuttal testimony, which I believe is Exhibit 6. And our objection --

JUDGE MILLS: Before you proceed, let me break this up just so it's easier for me to keep track. Are there any objections to Exhibit 4?

Seeing none, Exhibit 4 will be received.

(EXHIBIT NO. 4 WAS RECEIVED INTO EVIDENCE.)

JUDGE MILLS: Any objections to Exhibit 4-HC?

Seeing none, Exhibit 4-HC will be received.

(EXHIBIT NO. 4-HC WAS RECEIVED INTO EVIDENCE.)

JUDGE MILLS: Are there any objections to Exhibit 5?

Seeing none, Exhibit 5 will be received.

(EXHIBIT NO. 5 WAS RECEIVED INTO EVIDENCE.)

JUDGE MILLS: Okay. And, Mr. Lane, your objection to Exhibit 6 is?

MR. LANE: Our objection begins with the material that starts on page 5, line 21 with the question through page 9, line 22; and page 14, line 14 beginning -- the sentence beginning, quote, In my view, which ends on line 18; and Schedules 1 through 3 of that surrebuttal testimony.

We have two objections to this. All of this testimony relates to an interconnection agreement arbitration between Southwestern Bell and TCG in Kansas.

Our first objection is that this is improper surrebuttal testimony. It's not rebuttal to any testimony filed by Southwestern Bell or any other witness. The only witness in the rebuttal testimony that addressed this interconnection agreement arbitration was Mr. Jones himself in his rebuttal on pages 16 and 17.

If he had these things to say, they were properly said in his rebuttal testimony, not his surrebuttal testimony. It's improper to have surrebuttal testimony to supplement rebuttal as opposed to rebutting someone else's testimony.

Our second objection to it relates to the lack of completeness of the Schedules 1 through 3 that are attached. Mr. Jones has selected excerpts from the testimony of one Southwestern Bell witness in the arbitration proceeding, selected portions of Southwestern Bell's brief and selected portions of the initial arbitrator's decision in Kansas.

The full testimony, brief and decision reflects that the position that Southwestern Bell advanced there is not inconsistent with the position advanced here. And attaching only a portion of those then is improper because it misleads and is irrelevant to this proceeding as it is incomplete.

JUDGE MILLS: Thank you.

Mr. Johnson, do you have a response?

MR. JOHNSON: Yes, your Honor. First of all, in Mr. Hughes' surrebuttal, he also addressed the issue of the Kansas arbitration decision and it goes to the transiting structure.

In his rebuttal testimony, Mr. Hughes testified and answered questions beginning at page 4 that talked about the traditional arrangement, how Southwestern Bell's network is utilized by other parties, whether Southwestern Bell is obligated under the Act to provide a transiting function, why other carriers choose to use Bell's network to transit traffic, what Bell's interconnection agreements say with respect to the obligation to pay terminating carriers when traffic is transited to them, and he goes on to conclude that the proposal submitted by the Missouri Independent Telephone Group and the Small Telephone Company Group conflict with those requirements.

What Mr. Jones' testimony that Mr. Lane has asked be stricken basically points out that what Bell is proposing be forced upon us is inconsistent with what Bell was willing to accept in another state. So we think it was proper surrebuttal to the testimony raised by Mr. Hughes in his rebuttal testimony.

JUDGE MILLS: Just a moment.

MR. JOHNSON: I would point out to you in his surrebuttal Mr. Hughes attempts to explain or reconcile why the position they were taking in Kansas was not inconsistent with the structure they are proposing for Missouri, so I'm not sure what harm there is for this evidence to be admitted.

JUDGE MILLS: Mr. Lane?

MR. LANE: Mr. Jones' surrebuttal testimony can't possibly be rebutting Mr. Hughes' surrebuttal testimony. Mr. Hughes was responding to the rebuttal testimony, to which we have not objected, and we have responded to that.

It's the addition in there of additional claims and additional information that we don't have a chance to rebut that should have been placed, if it was going to be at all, in his rebuttal testimony. It's improper to do it in surrebuttal testimony and it's improper to attach selected portions that mislead and misstate what Southwestern Bell's position in that prior case was.

JUDGE MILLS: I've read the section of Mr. Hughes' rebuttal testimony to which Mr. Johnson just referred beginning at page 4 where he does discuss the obligation to provide a -- actually, the question at line 19 I think says transisting function, which I assume is a transiting function.

And I think the information in Mr. Jones' surrebuttal testimony at pages 5 -- bottom of page 5, page 6, page 7, page 8 and page 9 is responsive to that. So I find that that is proper surrebuttal testimony and that it does respond to comments in the rebuttal testimony.

Mr. Lane, your next objection was the sentence at page 14, lines 14 through 18?

MR. LANE: Yes, your Honor.

JUDGE MILLS: Again, I think that's proper rebuttal to statements about the obli-- the requirement to accept a transiting function.

And then with regard to Schedules 1, 2 and 3 that are excerpts of testimony and briefs, I think it certainly is possible to paint a skewed picture by excerpting documents; however, it appears to me that -- let me look again -- that this defect could be cured by requiring the MITG to supplement this testimony with the full documents that these are excerpts of here.

MR. JOHNSON: We have the full documents back in my office, your Honor. We did this in order not to overly burden this exhibit because the testimony addresses a myriad of issues that were in contention in the arbitration and the brief as well. So they are very voluminous, but I'll be happy to supply them if it will satisfy -- if you require it to be complete.

JUDGE MILLS: I'll tell you what I'll do. If possible, I'd like you and Mr. Lane to confer and put together a package that will complete these documents. I'm sure -- well, I don't know this for a fact, but there may very well be testimony that doesn't need to be there to paint the complete picture, but we will allow you to require MITG to put as much of the testimony and as much of the brief and as much of the decision in as you think needs to be there to complete the picture.

MR. LANE: I have those with us today, and I'll use those in the course of my cross-examination.

JUDGE MILLS: Okay. Thank you. So to that extent, the objection's sustained, for the most part the objection's overruled. I'm going to hold off on admitting Exhibit 6 until we have the supplement that completely fleshes out the documents that you excerpted.

MR. JOHNSON: I'll be happy to just copy them tonight and bring them in.

JUDGE MILLS: Well, my concern is that if there are issues that are not relevant, I don't want to get 100 pages of stuff --

MR. JOHNSON: Absolutely.

JUDGE MILLS: -- if 75 is necessary or 50 or whatever -- the minimum amount we can get away with and still paint the complete picture is what I want to do. So we'll get that either tomorrow -- well, probably not today, but tomorrow I think.

Okay. Cross-examination, Small Telephone Company Group?

MR. ENGLAND: No questions. Thank you.

JUDGE MILLS: Public Counsel is again not here. Staff?

MR. KRUEGER: Thank you, your Honor.

CROSS-EXAMINATION BY MR. KRUEGER:

Q. Good afternoon, Mr. Jones.

A. Good afternoon.

Q. In your direct testimony on page line -- page 9 at lines 9 to 22, you quoted a number of statistics -- you quoted a number of statistics concerning the shortfall in the measured versus reported traffic. Now, after the further reconciliation attempts that have taken place, would those shortage figures now be different or do you contend that they're still accurate?

A. I know for Mid-Missouri the 50 percent number was the shortage number with the discovery of the Local Plus that pretty much accounted for that difference. For the other companies, I heard for the first time the numbers that were quoted by Mr. Schoonmaker this morning. So I'm really not familiar. I haven't seen the final runs.

Q. Okay. Do you know what the correct figure is now for Mid-Missouri after the Local Plus adjustment?

A. The information I've been given by Joyce Dunlap with Southwestern Bell is that they believe that the Local Plus discrepancy was the majority, if not all, of that traffic. We'll only know with some time whether that's true or not.

Q. Thank you. In regard to Southwestern Bell's Hewlett Packard Access 7 System, have you been able to observe whether this has resulted in an improvement in reconciliation of traffic records?

A. I have no knowledge of it. At this point I haven't seen any benefits from it. I know there's still some -- there's still some calls that we saw that -- during the 48-hour test that we've not received a satisfactory explanation for from some of their other switches.

The switches that we're concerned about are in Blue Springs and I believe it's Grain Valley or maybe it's Blue Springs and Independence. It's Blue Springs and Independence. And also some of the switches that hone off the Kirksville tandem, primarily Boonville and New Franklin, we've got some selected call detail from those areas that we weren't able to reconcile and we're still awaiting information on that.

So at this point I don't believe the SS7 System has given us the information we need to reconcile those differences, but the number is much, much smaller.

It's nothing of the order of magnitude that we're talking about with the Ericsson switches.

Q. So you're just saying it's impossible to judge one way or another?

A. That's correct.

Q. Okay. Now, do you support the implementation of the OBF proposal that is supported by Verizon?

A. My knowledge of that is limited to reading Verizon's testimony. So, I mean, we did look on the Internet and just tried to do a little research, but my knowledge of it is limited to what I've seen there. So at this point I don't have an opinion about that.

Q. You neither support nor oppose at this time?

A. Right.

Q. Can you say whether it would be compatible with the Small Companies' proposal in this case?

A. No. I'd rather not comment. There's some confusion in my mind -- when I read those -- when I read Verizon's testimony, my take on it was somewhat different than what I heard Bob Schoonmaker talk about this morning. And so, you know, I don't think I should be commenting.

Q. Now, in your surrebuttal testimony on page 18 you talked about Small Companies want the right to make their own determination of whether they will accept or reject transiting traffic. If a Small Company does not accept transiting traffic, how can this traffic properly be terminated?

A. I think the wholesale IXC relationship is one method that if -- today as a result of the complaint case Southwestern Bell filed against Mid-Missouri when we threatened to disconnect the Feature Group C trunk group, the Commission ordered Southwestern Bell to block a lot of the CLEC traffic terminating to us and a lot of the other inappropriate traffic, IXC traffic, etc.

I had calls from several of those CLECs concerned that their traffic was going to be blocked and we had discussions. And most of them elected in the end or in the final analysis to hand their traffic off to an IXC who had a point of presence at my access tandem and terminate it that way as opposed to negotiating an interconnect agreement with us.

Q. So in that case there was a specific order of the Commission regarding the blocking. What procedure do you think should be followed in regard to blocking in the general case?

A. Okay. In general, I believe that the companies need the ability to block as a last resort in the event of non-payment. I mean, we've used blocking before at Mid-Missouri Telephone Company. We've had IXCs that got delinquent in their payments and some of them went on as long as six to nine months without paying. At some point you got to pull the plug.

Usually what happens is when you block that traffic, they contract with another IXC and terminate the traffic over a third party. And usually the traffic flows uninterrupted. But I think it's a tool that we have to have available at our disposal to effectively manage our business.

And I don't think it -- I mean, today our federal tariffs and state tariffs allow us to block with specific notice provisions based upon specific circumstances. Some of those circumstances are fraudulent abuse of the network, carriers that are damaging the network with whatever means they might be using, or for failure to maintain credit. And I believe that's a valuable tool that we need to continue to use. I think historically we've been very careful about when we deploy that.

Q. And your position is that you should be able to unilaterally take those actions in those circumstances?

A. Yes. If circumstances warrant it, I believe we have the obligation to follow our tariffs, both our federal tariffs and state tariffs. To do so I think would be improper -- to not follow the tariffs would be improper.

MR. KRUEGER: Thank you. That's all the questions I have, your Honor.

JUDGE MILLS: Thank you. Mr. Fischer?

MR. FISCHER: Thank you, your Honor.

CROSS-EXAMINATION BY MR. FISCHER:

Q. Good afternoon, Mr. Jones. I've just got a couple questions for you. As you know, I'm representing the Verizon in this proceeding.

Is it fair to say that at least for Verizon and Mid-Missouri Telephone Company and the recent records test that was completed, that we matched records quite well between our two companies?

A. Quite well probably wouldn't be appropriate. I think exact would be appropriate.

Q. Exact. Okay. Thank you. In your direct testimony, I believe you characterized Verizon, Southwestern Bell and Sprint as functioning as interexchange carriers; is that right?

A. Yes. With the advent -- or the end of the PTC plan, our tariffs contained language in them that said during the PTC plan our tariffs were subject to terms and conditions of the primary toll carrier plan. Now that the primary toll carrier plan has ended, the tariffs specifically say that PTCs are considered ICs, interexchange customers, for purposes of the Oregon Farmers access tariff. And, therefore, the terms of that tariff apply to PTCs -- or former PTCs, now ICs just as they would to AT&T, MCI, WorldCom, whoever.

Q. Is it also your understanding that interexchange carriers in Missouri are considered competitive carriers providing competitive services?

A. State that again, please.

Q. Is it your understanding that interexchange carriers in Missouri are competitive companies providing competitive services?

A. As a general rule, I believe that to be correct.

Q. Are you suggesting then that the Commission reclassify Verizon Midwest as a competitive carrier?

A. When you say "Verizon Midwest" --

Q. The old former GTE, local exchange company.

A. I certainly think some of the services Verizon provides are truly competitive. I think their long-distance service is truly competitive. I mean, you face direct competition on a level playing field there. So I think to that extent some of your services are truly competitive.

Q. So you wouldn't have a problem if they reclassified us as a competitive company?

A. Certainly that service.

Q. Okay. And if we're not a competitive company, then would you agree we're still a local exchange company?

A. I think your business is much like mine probably. There's certain facets of it that are still pretty much non-competitive and other aspects of it that are very competitive. And I really don't have specific knowledge related to Verizon, but assuming you're in the same business I am, I understand that, you know, it's changing and a lot of our business is competitive.

MR. FISCHER: That's all I have. Thank you very much.

JUDGE MILLS: Thank you.

Sprint, Mr. Minnis?

CROSS-EXAMINATION BY MR. MINNIS:

Q. Hi, Mr. Jones. I just wanted to ask you about the records test between Sprint Missouri and Mid-Missouri. It's my understanding that those records also matched up perfect; is that correct?

A. I think -- yeah. If you look in the terminating test report, I think I summarized by carrier the results of that as it relates to Mid-Missouri. Initially we had a mismatch with Sprint, but when we looked at it and sorted the traffic by carrier identification code and sorted out the quad zero Sprint local traffic from the IXC traffic, that was matched, as I understand it, perfectly.

MR. MINNIS: Okay. Thank you. No further questions.

JUDGE MILLS: Thank you.

Southwestern Bell, Mr. Lane, Mr. Bub?

MR. LANE: Thank you, your Honor.

CROSS-EXAMINATION BY MR. LANE:

Q. Good afternoon, Mr. Jones.

A. Good afternoon.

Q. I want to discuss first your analysis of the Southwestern Bell/TCG arbitration in Kansas, which is discussed in your surrebuttal testimony. On page 9 you make the claim that Southwestern Bell is engaged in gamesmanship and is acting with duplicity because of the position it expresses here compared to that which it expressed in Kansas. Do you recall that?

A. Just a minute. Let me get -- page 9 of my surrebuttal?

Q. Yes, sir.

A. Lines -- you're talking about, like, line 11 through 13?

Q. I'm talking about where you say Southwestern Bell is engaged in gamesmanship and acting with duplicity.

A. Yes. I see that.

Q. And I assume before you made those statements, that you read in full all of the testimony of Southwestern Bell's witnesses in that case. Right?

A. I didn't read all the testimony in full, but I read the excerpts that seemed to deal with that issue.

Q. Did you read the testimony in full of Mr. Hopfinger, excerpts of which you attached to your surrebuttal testimony?
A. I -- no. I reviewed the pertinent parts. I won't say that I reviewed all his testimony in the case.
Q. And did you review in full all of Southwestern Bell's brief that you attached excerpts of?
A. Just a minute. I know I reviewed the pertinent parts. I won't say I reviewed the whole brief. I don't recall at this point.
Q. I'm just a little bit wondering how you can know you reviewed the pertinent parts if you didn't review the whole thing to know which parts were pertinent and which weren't. Can you help me with that?
A. Well, I mean, it's very obvious when you look at it. You can scan through it and see it. What led me there was the order itself and I backed into the prior positions.
Q. Okay. And did you read the entirety of the order?
A. Let me refresh myself, if you will, please. No. I reviewed the portions dealing with that, the specific portions.
Q. All right. And would you agree with me, Mr. Jones, that if you don't review the entirety of the

testimony, the entirety of the brief, the entirety of the order, that it's possible that you'd be misstating what Southwestern Bell's position was on the issues in that case and how they relate to this case?

A. It's certainly possible, but the language in the order seemed pretty plain to me when dealing with that specific issue.

Q. All right. Let's talk about Kansas for a moment. Your claim is here that Southwestern Bell has a different position on transiting traffic in Kansas than it expressed in this case. Right?

A. That's correct.

Q. Would you agree with me that the majority of traffic that's at issue in this case is interexchange traffic and not local traffic?

A. Interexchange. It depends on -- interexchange versus local. Yes, we consider it interexchange traffic for the most part. The only piece of it that might be construed to be local is intraMTA wireless traffic that's classified as local.

Q. And in your surrebuttal on page 3, lines 17 and 18, you make the claim that all of the traffic at issue here is interexchange traffic. Right?

A. Just a minute and I'll get there. Yes. I view Southwestern Bell's role under our tariff as an interexchange carrier, interexchange customer. So I consider the traffic to be interexchange traffic.

Q. Now, the Kansas arbitration, on the other hand, dealt only with local traffic, not interexchange traffic with regard to the transiting question; isn't that true?

A. It dealt with transiting traffic from third-party carriers that were wanting to transit that traffic to termination to Southwestern Bell. And it -- it was under the auspices of the Act, under the interconnect agreement.

Q. Okay. My question, though, Mr. Jones, is that transiting question in Kansas dealt solely with local traffic, not interexchange traffic; isn't that correct?

A. Let me check. I believe it refers -- everything I read refers to it as transit traffic. If you can direct me to specific language you're wanting me to look at, I'll be glad to look at that, but as I read it, it talks in terms of transit traffic and doesn't define it as local or not local.

Q. And not having read the entirety of the testimony or the brief, your understanding of it was that that dealt both with local and with interexchange traffic; is that right?

A. It says TCG may at some unknown future date decide to offer, meaning whatever transiting service they decide to offer.

Q. Does that mean, yes, you thought it meant both local and --

A. Yes. It could, yes.

MR. LANE: Your Honor, if I may, I'd like to have the Commission take official notice of the post-hearing brief that Southwestern Bell filed in Kansas. I have a certified copy of that for you with the seal of the Commission from Kansas on it and copies for the parties, if I may.

JUDGE MILLS: Well, just so that the record is complete on any appeal here, I'd rather have it offered as an exhibit rather than take official notice. It's not a document that we normally have and it's not a document that the circuit court, were it to go to circuit court, normally would have.

MR. LANE: I do have copies so that's -- in terms of authentication of the document, though, I'm offering it based on that.

JUDGE MILLS: Thank you.

(EXHIBIT NO. 27 WAS MARKED FOR IDENTIFICATION.)

MR. LANE: Has that been admitted?

JUDGE MILLS: No. For purposes of the record, we've marked as Exhibit 27 a post-hearing brief of Southwestern Bell Telephone Company in a matter before the Kansas Corporation Commission in Docket No. 00-TCGT-571-ARB. Inasmuch as this is a document that we could take official notice of, I'm going to admit it into the record as an exhibit. And it is admitted.

(EXHIBIT NO. 27 WAS RECEIVED INTO EVIDENCE.)

BY MR. LANE:

Q. Mr. Jones, directing your attention to pages 20 through 22 of that brief, would you agree with me that in there Southwestern Bell takes the position that intraLATA toll calls terminated over interconnection trunks should be billed between -- by the appropriate companies pursuant to their access tariffs?

A. Yes.

Q. So that's contrary to what your understanding was when you filed your surrebuttal testimony. Right?

A. No. All I was trying to point out was that Southwestern Bell had rejected the notion that TCG could bring traffic from other carriers to Southwestern Bell through its interconnection IE and indirect interconnection.

Q. You agree with me that -- having read this now, that Southwestern Bell's position is the same here as it was there, that for interexchange traffic, that the parties' access tariffs control on a meet-point bill basis?

A. I -- well, I don't see that you say meet-point at -- you know, given the part I've read, but I believe you intend that access would apply on that traffic. And I don't think the comments that I made in my surrebuttal testimony indicate that I believe you think it should be subject to reciprocal compensation.

All I'm saying is that in Kansas you rejected the notion that you had to accept traffic that was transited via TCG terminating into your exchanges. That's the exact same scenario in reverse where we're saying we don't believe that we should have to accept traffic transited via Southwestern Bell terminating to our exchanges. We didn't say that access shouldn't apply because it's interexchange. We're just saying we think we have, as a tandem operator -- Mid-Missouri, a tandem operator, we believe we have the right to require direct interconnection at the tandem.

Q. Now, would you agree with me that only local traffic is subject to a transiting charge under Southwestern Bell's interconnection agreements?

A. I'm not familiar with your interconnection agreements. I would go on to say that my understanding of the Act that --

Q. You'll have to wait for me to ask a question --

A. Okay.

Q. -- if you would. Thank you.
Would you agree with me that under the Act, that only local calls are subject to reciprocal compensation?
A. That's my understanding, yes.
Q. Would you agree with me that Southwestern Bell's position both in Kansas and here is that the originating party is responsible for calls on a local basis that transit its network on its way to some third-party's network?
A. State the question again, please.
Q. Yes. Would you agree with me that Southwestern Bell's position in Kansas as well as in here -- in Missouri is that local calls which originate on one carrier's network, transit Southwestern Bell's network and terminate in a third-carrier's network are the responsibility in terms of compensation for the originating carrier to pay?
A. I don't know that this information sets that issue out. I can't comment.
Q. In Missouri do you know the answer?
A. Okay. Make sure I understand the question. You're saying a local call that transits a third carrier, terminating to your network are the obligation of the originating carrier to pay for?

Q. No. That wasn't the question.
A. Try it again, please.
Q. Carrier A originating a local call, it transits Southwestern Bell's network and it terminated in Carrier B's network. Would you agree with me that Southwestern Bell's position is that the responsibility to pay Carrier B is that of the originating party, Carrier A, and not Southwestern Bell?
A. And you're talking in respect to your interconnection agreements? I mean, it's a local call, so you're talking something that's subject to an interconnection agreement?
Q. Yes.
A. And I'm not familiar. In general terms, I assume you could structure that however you choose, whatever the parties are willing to agree to.
Q. And is it your understanding that Southwestern Bell's position in this case is that it's the originating party that has the responsibility to pay the carrier that ultimately terminates the call?
A. Certainly. I would agree with that.
Q. And do you have any information that Southwestern Bell's position on that issue was different in Kansas?
A. No. But I don't think I said it was

different.

Q. In Kansas, with regard to the issue that was raised with TCG, would you agree with me that the issue there was within a local exchange did Southwestern Bell have the right to bring its own facilities to the place of interconnection with another CLEC and connect directly with a CLEC at that location?

A. As I understand the issue, it was one that Southwestern Bell wanted to reserve the right to be able to enter into a direct interconnection with that other carrier as opposed to having the traffic transited through TCG.

Q. And we're talking again with regard to, as you now understand, a local exchange area. Right?

A. No, I don't agree to that. It says -- says, Further, Southwestern Bell cannot be required to subscribe to the proposed transiting service that TCG may at some unknown future date decide to offer.

Suppose TCG wants to terminate interexchange carrier traffic across that interconnection with you. I mean, I think it's open-ended.

Q. Okay. And, again, you might understand more about Southwestern Bell's position in Kansas had you read all of the testimony and all the brief. Right?

A. It's possible.

Q. Okay. Do you think it would be incumbent on you to do that before you accuse Southwestern Bell of gamesmanship and acting with duplicity?

A. I think the language is very plain and says what it says.

Q. Now, in this case would you agree that what Mid-Missouri is proposing is not that Mid-Missouri will go to CLECs located in Kansas City and make the direct connection there? What Mid-Missouri wants is to have those CLECs come and make direct connections with Mid-Missouri. Right?

A. What we're trying to accomplish is in conformance with our access tariffs as they are today and to ensure that we have that same direct relationship with that carrier that Southwestern Bell wanted in Kansas, such that we have the ability to accurately record and to bill the proper party, we've got the proper business arrangement with that carrier so that we can effectively and efficiently manage our business. It's real simple. It's not complex.

Q. Okay. And I'm trying to get to the difference between Kansas and Missouri that you took your time in the surrebuttal to point out. And I'd ask you if agree with me that you're not proposing to go and bring your facilities from Mid-Missouri all the way up to Kansas City to interconnect with CLECs. Is that a fair statement? That's not what you're proposing?

A. I haven't had that opportunity. I believe that if a CLEC came to me and wanted to negotiate an interconnection agreement, that certainly might be a portion of it. I mean, I may have facilities that I can use to get to that CLEC and might be willing to do that, but if I don't have the opportunity to ever negotiate with that CLEC, I don't know.
Q. If Southwestern Bell's position in Kansas was that for local traffic only it wanted to be able to go and take its own facilities and bring them directly to another CLEC's facilities in that same local exchange, that's not inconsistent with Southwestern Bell's position here, is it?
A. I think -- I don't know that that's inconsistent. The inconsistency is the rejection of the notion that you have to accept transiting traffic.
Q. Now, would you agree with me that Section 251-A of the Telecommunications Act of '96 requires all carriers to interconnect directly or indirectly with the facilities and equipment of other telecommunication providers?
A. I agree.
Q. Okay. Today can you tell me how Mid-Missouri is meeting its obligation to indirectly connect with other carriers?
A. Sure. Indirectly we connect with -- I mean,

customers from all over the country can call Mid-Missouri's customers because our network is interconnected. And IXCs have a point of presence at our access tandem and are able to deliver traffic for termination. That's one form of indirect interconnection.

Another form of indirect interconnection would be wireless carriers that hand traffic off to Southwestern Bell in Kansas City for transit to Mid-Missouri.

Direct interconnection would be carriers such as Southwestern Bell that originate calls in Kansas City and have a direct interface with Mid-Missouri at Pilot Grove.

Q. Now, if your proposal in this case is adopted, Mid-Missouri would be able to require all carriers to interconnect directly with Mid-Missouri. Right?

A. I don't know that "require" is the right word. Carriers would have the choice to either directly interconnect with us or hand that traffic off for termination by a party that is already directly interconnected with us.

Q. Okay. Your position though, as I understand it, is that Southwestern Bell, as the carrier between your company and let's use a CLEC as an example, has the right not to carry that traffic from the other CLEC to Mid-Missouri if it so chooses. Right?

A. I believe that's an option that you have that you can negotiate. As an interexchange customer of ours, you can negotiate with that CLEC to terminate his traffic in your role as an IC carrier terminating to Mid-Missouri or you can choose to not enter into that wholesale business relationship. I believe that's fully within your ability to choose which -- which way you care to handle it.

Q. And if Southwestern Bell chooses not to serve as the carrier carrying the traffic between those two networks, then any CLEC that would want to have its customers call Mid-Missouri's customers would have to come and directly connect with Mid-Missouri. Right?

A. No. That -- I mean, when -- when the Commission ordered Southwestern Bell, pursuant to the complaint case, to block the CLEC traffic that we at that time thought was -- the stealth traffic that was terminating that we didn't know who it belonged to, at that time the feeling was or information I'd been given was that it was CLEC traffic and CLECs that were laundering IXC traffic on the network.

So the notices went out to all the CLECs that the traffic was going to be blocked on a certain date. As a result of that, I got many, many calls from CLECs inquiring about the possibility of direct facilities. Most all of them elected to put that -- well, in fact, all of them have, elected to put that traffic on an IXC for termination. So none of them directly interconnect with me. Rather they hand that traffic off to an IXC for termination.

Q. Right. Their choice in that case would be either come and directly connect with you or find somebody else that will other than Southwestern Bell or the other PTCs. Right?

A. Yeah. I don't know what the universe of that provider is.

Q. Now, I want you to take a look at your surrebuttal, page 4, lines 3 through 9. And I wasn't sure I completely understood your point there.

A. Lines 3 through 9?

Q. Yeah. Lines 3 through 9. My question is, are you saying that the tariff only applies to the carrier which is directly interconnected with Mid-Missouri and not indirectly connected with the carrier?

A. That's correct. The tariff has no provisions for indirect connection to us. To be able to order Feature Group C access, our tariff -- and I have an exhibit here that -- that I haven't included in testimony, but sets it out real clearly --

MR. LANE: Your Honor, this isn't responsive to my question. It was a simple yes or no and I have the yes, so I ask the rest of the answer be stricken as non-responsive.

THE WITNESS: It is very responsive, your Honor.

JUDGE MILLS: Well, I think Mr. Johnson can bring that out in redirect testimony. I think you have answered the question that was posed.

MR. JOHNSON: Were you through with your answer --

MR. LANE: Yes.

MR. JOHNSON: -- to the question that was posed?

BY MR. LANE:

Q. I'll go on to my next one here, Mr. Jones. Haven't the Small Companies routinely billed indirectly connected carriers under this Organ Farmers access tariff for years?

A. Okay. There's two different scenarios, I think as Mr. England's chart earlier this morning depicted. There's companies that have their own access tandems, such as Mid-Missouri, and there's companies that are end-office companies.

The access tandem companies historically haven't billed other carriers for indirect interconnection. We bill -- and I'm talking in terms of Mid-Missouri as an access tandem. We bill carriers that have a presence at our tandem.

There's exceptions to that. The exceptions are the interstate Feature Group A, which at this point in time is billed by Southwestern Bell and you revenue share with us on that. And then the wireless traffic where we're provided CTUSR summary records and bill the wireless carriers directly. Outside of those, the rest of the traffic we have a direct relationship and bill it directly to the carrier that terminates it.

Q. All right. I'll ask my question again.

A. Okay. I'm --

Q. Would you agree with me, Mr. Jones, that many of the Small Companies in the state have routinely billed indirectly connected interexchange carriers under the Oregon Farmers access tariff?

A. Okay. And I'm getting there. That was the second scenario. The second scenario is a company that's an end-office company that subtends someone else's tandem. In this case, I'll use the example of Alma Telephone Company. They subtend Citizens Telephone Company's access tandem.

The carriers come to Citizens' tandem and Alma forwards -- Alma's point of presence for equal access is at the Citizens' tandem. Citizens then generates an Access Usage Record at their tandem, forwards that record to Alma and Alma then creates an 11-50 summary record and that is used to bill the carriers, both Citizens' portion of that call and also Alma's portion of the call.

So you've got two different scenarios, one where there is a direct relationship, and that's the access tandem company; and one where there is an indirect relationship, and that's the end-office company that relies on the upstream tandem.

Q. Okay. I'm going to focus on the end-office company that does not have its own tandem that receives traffic from interexchange carriers through another company's tandem. Would you agree with me that those end-office companies have, for years, been billing exchange access to those interexchange carriers who are indirectly connected under their concurrence in the Oregon Farmers access tariff?

A. Yes. In those cases they rely on the 119 Access Usage Records developed at the tandem.

Q. The interexchange carrier who originated the call in that example is neither directly connected with the end-office company nor has it ordered any access facilities from the end-office company; is that correct?

A. No. I believe they do have to order access from the end-office company. They have the choice under Oregon Farmers and also the interstate tariffs, the NECA tariff, they can order the access either at the company's designated access tandem or at the end-office.

And in that scenario, it's the interexchange carrier's choice whether they actually interconnect at Alma or interconnect at Alma's tandem, which is -- Alma's designated tandem, which is, I believe, Citizens Telephone.

Q. The calls that flow -- let me use an example of a call from Cape Girardeau to Orchard Farm that comes through Southwestern Bell's tandem in St. Louis. You agree with me that's how a call that --

A. Okay. It's coming from Orchard Farm through --

Q. Other way around. Originating customer is in Cape, that customer's placing a call to an Orchard Farm customer.

A. Uh-huh.

Q. Would you agree with me that that call would flow to Southwestern Bell's tandem in St. Louis and from there to Orchard Farm?

A. And if -- and what -- I'm assuming in that example that Orchard Farm uses Southwestern Bell's access tandem in St. Louis?

Q. Yes.

A. In that case, the call would terminate to Southwestern Bell's access tandem in St. Louis for forwarding to Orchard Farm. Southwestern Bell would then be responsible to generate the -- the 119 terminating access record to forward to Oregon -- or Orchard Farm.

Q. That call in Cape could have been originated by a customer using AT&T. Right?

A. Yes.

Q. And in that example, AT&T -- let's assume that AT&T passes the call to Southwestern Bell at its tandem in St. Louis and is then carried to Orchard Farm. Okay? Would you agree with me that Orchard Farm has no direct relationship with AT&T with regard to the purchase of any facilities from Orchard Farm?

A. I disagree. AT&T has to order access from Orchard Farm.

Q. Okay. Doesn't that call go over a common trunk group between Southwestern Bell's tandem --

A. It does, but there's still requirements in the tariff that AT&T forward an ASR to Orchard Farm and set up a business relationship with Orchard Farm.

Q. And who has to order the facility that goes between Orchard Farm and Southwestern Bell's tandem?

A. That facility would be provisioned -- I mean, it's a common trunk group so that facility would be provisioned between Orchard Farm and Southwestern Bell as part of their ongoing trunk sizing.

Q. Southwestern Bell would order that facility and pay for it under Oregon Farmers access tariff. Right?

A. I don't believe so, no. I think that when it's a common trunk group, it's considered joint provisioning of that common trunk group.

Q. So who orders the trunk group?

A. It's -- it has to be mutual discussions between Southwestern Bell and Orchard Farm, is my understanding of it.

Q. But it's not between Orchard Farm and any interexchange carrier, is it? It's between Orchard Farm and Southwestern Bell. Right?

A. I think that as part of the ASR process -- and please understand I'm having -- I've been an access tandem company for so long, I'm having to clean out the cobwebs in the corners to think how we used to do it when we weren't an access tandem company.

It's my recollection that when AT&T ordered access to our end-offices when we subtended Southwestern Bell's tandem, they gave us a forecast usage. And then Southwestern Bell and Mid-Missouri worked together to size the trunk group large enough to handle that forecast usage.

Q. Would you agree with me that the majority of the Small Telephone Companies in Missouri are non-tandem companies?

A. I believe that to be correct.

Q. At least 25 of the 37 are non-tandem

companies. Correct?

A. I would generally agree with that.

Q. And over those common trunk groups to those non-tandem companies flows both interstate and intrastate interexchange calls. Right?

A. That's correct.

Q. Now, under your proposal, Southwestern Bell would be required to pay for all of the indirectly connected traffic with certain designated exceptions; is that correct?

A. What our proposal says is that as an interexchange customer under the Oregon Farmers tariff, Southwestern Bell has the facility that the traffic is terminating over and with the limitation of the exceptions, any traffic terminated over that facility would be billed to Southwestern Bell. And those exceptions are the exceptions stated in my direct testimony.

Q. I want to take two of the exceptions, wireless carriers and IXCs. Would you agree that with regard to those exceptions, that they would be indirectly connected with the non-tandem company?

A. The wireless carriers would be indirectly interconnected. The IXCs would be connected at the end-office carrier's designated access tandem and that's -- that's an important distinction, because when -- in the case of Oregon Farmers, Oregon Farmers has designated

Southwestern Bell as an access tandem for interexchange carrier traffic.

Q. It's fair to say that your proposal doesn't address how Southwestern Bell is to be compensated from the carriers who originated the call. Right?

A. No. We have not addressed that.

Q. Would you agree with me that the Commission ought to look at how local exchange companies like Southwestern Bell and the other former PTCs would be compensated for this additional expense they would be incurring?

A. That would be -- certainly be an aspect of it, yes.

Q. You would agree with me that it would be inappropriate to force the former PTCs to bear this additional expense without providing a method of recovery for it?

A. Absolutely.

Q. And you would agree with me that, under your view, since it's optional for Southwestern Bell and the other former PTCs to do indirect interconnection, that if they're not compensated, they're not going to engage in that. Right?

A. Well, that's one of the incentives to our proposal is that if you're not being compensated or if -- if your costs exceed your -- what you get out of your interconnection agreement, you wouldn't engage in that activity.

Q. Now, let's start with -- let's look at some CLEC traffic, if we can for a minute, under your proposal. Would you agree with me that CLEC traffic -- CLEC-originated traffic may be interexchange or it may be local?

A. Yes. It can be both.

Q. And let's talk about interexchange. Would you agree with me that the applicable compensation due a Small Telephone Company to terminate a CLEC-originated call would be that Small Company's access tariff?

A. Okay. An originating CLEC call that's interexchange?

Q. Yes.

A. Yes.

Q. Would you agree with me that the charges that the small local exchange companies have in Missouri to terminate an interexchange intrastate call typically range from 4 to 15 cents a minute?

A. Subject to check.

Q. And with regard to Mid-Missouri, in particular, would you agree with me that your terminating access charges are in the range of something in excess of 12 cents per minute?

A. Yes. Slightly over 12 cents. That's for intraLATA. InterLATA's 15 cents or so.

Q. Would you agree that under Southwestern Bell's access tariff, that when it performs a transport function on a call originated by a CLEC terminating to a Small Company, that Southwestern Bell is going to receive something less than 2 cents and often less than 1 cent per minute?

A. If you're saying your access tariff, as I heard in, I believe, your cross-examination of Mr. Schoonmaker this morning, your access transport rates are under a penny or slightly over a penny. That would be your compensation for the transport. Certainly that wouldn't cover the cost of terminating the traffic into our exchanges.

Q. Would you agree with me that Southwestern Bell's access tariff doesn't contain a provision that would allow it to pass on charges assessed to it by the Small Telephone Companies for terminating CLEC-originated traffic?

A. I don't know.

Q. Let's look at the Oregon Farmers tariff we've been discussing. Would you agree that that tariff contemplates meet-point billing of access on interexchange toll calls?

A. Yes. That's one option in it.

Q. And that applies to CLEC-originated toll calls

that are transported over Southwestern Bell's network and terminate to a Small Company's exchange too. Right?
A. If the traffic is handed off as interexchange traffic, then -- and delivered over a trunk group that meet-point billing's applicable to, then it would apply.
Q. And so if your proposal is adopted, there's the potential of double recovery, since your tariff, in your view, would apply both to Southwestern Bell as the transporting company and to the CLEC as the originating company?
A. No.
Q. You'd have to take steps to modify your tariff to exclude that, wouldn't you?
A. No.
Q. Now, let's take a look at CLEC local traffic. You would agree with me that Mid-Missouri doesn't have any CLEC-originated local traffic, does it?
A. Today we don't have any CLECs operating in our area, that's correct.
Q. But other small CLECs do terminate local calls for CLECs, do they not? I don't know if I said that right.
A. Try it again.
Q. Let me try it again. You would agree with me that other Small Telephone Companies do terminate local calls for CLECs?

A. One more time, please.
Q. Within the MCA, Kansas City, St. Louis and Springfield, would you agree with me that the Small Telephone Companies that operate there do terminate local calls that are originated by CLEC customers?
A. Yes. Terminate. Yes, I would.
Q. And in St. Louis, there's one Small Telephone Company, Orchard Farm, that does that; in Kansas City you have Cass Telephone, Lathrop and MoKan; and in Springfield, you have Choctaw and Halltown. Right?
A. Seems reasonable. I'm not absolute.
Q. Okay. And you'd agree with me that MCA calls are local. Correct?
A. Yes. The -- the Commission, I believe, classified MCA as local.
Q. And would you also agree with me that CLECs have now been permitted to provide MCA service in Missouri?
A. That's my understanding.
Q. The Commission issued an order last September related to that?
A. And please understand that we don't have MCA in our area, so I'm not intimately familiar with all the details of it.
Q. You're familiar that MCA service is on a bill and keep basis. Right?

A. Yes.

Q. Would you agree with me that under your proposal, that Southwestern Bell and any other former PTC that's operating within an MCA should not be required to pay any terminating compensation to Small Telephone Companies on CLEC-originated MCA traffic that they may transit?

A. I believe that to be correct. I think our proposal says that the MCA traffic would be excluded from compensation or subtracted out.

Q. And have you provided in your testimony anywhere a discussion of how you would identify CLEC-originated MCA traffic?

A. I don't believe we have. I think that's one of the items that said, you know, the parties would have to work on a solution, i.e., put the traffic on separate trunk groups to exclude it or develop some sort of circuit factors for it.

Q. Would you agree with me that as -- strike that.

Would you agree that CLECs may also have traffic that's within the MCA that's non-MCA service?

A. Yes.

Q. And would you agree with me that this Commission has treated traffic within the MCA, whether it's an MCA call or not, as local for purposes of interconnection agreements?

A. I'm not -- I'm not personally familiar with that.

Q. Would you agree with me that the Commission has previously approved arrangements where CLECs are to be responsible for any charges to terminate calls from the Small Telephone Companies related to MCA calls?

A. I'm sorry. I don't have knowledge.

Q. Okay. Were you a participant in the Dial U.S. interconnection agreement --

A. No.

Q. -- proceeding?

A. I was not.

(EXHIBIT NO. 28 WAS MARKED FOR IDENTIFICATION.)

MR. LANE: Your Honor, I'd ask the Commission to take official notice and to accept into evidence Exhibit 28, which is the Report and Order in Case No. TO-96-440 issued on September 6th of 1996.

JUDGE MILLS: Are there any objections to the admission of Exhibit 28?

Hearing none, it will be admitted.

(EXHIBIT NO. 28 WAS RECEIVED INTO EVIDENCE.)

BY MR. LANE:

Q. Would you agree with me, Mr. Jones, that the

Small Telephone Companies in Missouri were participants in the interconnection agreement involving Southwestern Bell and Dial U.S.?

MR. JOHNSON: Object to the form of the question, your Honor. It's vague. What does he mean by "participants"? Does he mean we tried to intervene or we were parties?

JUDGE MILLS: Could you rephrase the question?

BY MR. LANE:

Q. Would you agree with me, Mr. Jones, that the Small Telephone Companies in Missouri were involved in the proceedings that were held in front of this Commission concerning the approval of the interconnection agreement between Dial U.S. and Southwestern Bell?

A. Yes.

Q. And would you agree with me that in that proceeding the Small Telephone Companies were expressing concern about who would pay applicable charges to them for terminating calls within the MCA?

A. Seems reasonable.

Q. And would you agree with me that in that case the Commission determined that when a CLEC was a facilities-based provider of service, that it would be responsible for making applicable compensation payments to terminate calls to Small Telephone Companies?

A. Well, having read the paragraph on the middle of page 7, it appears to me that the Commission decided that when Dial U.S. becomes a facilities-based provider or a mixed-mode provider of basic local exchange service, then it must make arrangements with other LECs such as Choctaw to terminate calls to the other LECs' customers.

Please realize I haven't read the whole order, so I may have taken it out of context.

Q. Would you agree with me that if the Commission had determined that Southwestern Bell should be responsible for terminating -- for paying termination charges to Small Telephone Companies for charges -- for calls originated by CLECs, that the interconnection agreement would have undoubtedly looked different?

MR. JOHNSON: Objection, your Honor. Calls for speculation, conjecture, what an agreement might have looked like if certain hypothetical facts that didn't exist, had existed.

MR. LANE: Well, your Honor --

JUDGE MILLS: I don't think it calls for speculation. It certainly was posed as a hypothetical. I think the witness can answer that.

THE WITNESS: Repeat the question again, please.

BY MR. LANE:

Q. Would you agree with me that if the Commission had not approved this arrangement, that the parties would have negotiated an interconnection agreement different than what they did?

MR. JOHNSON: Same objection.

JUDGE MILLS: Same ruling.

MR. JOHNSON: Thank you, your Honor.

THE WITNESS: It's possible.

BY MR. LANE:

Q. If the Commission had determined that Southwestern Bell, as a transiting carrier, was responsible for paying termination charges on CLEC-originated calls, that interconnection agreement would have presumably contained provisions that allowed Southwestern Bell to be compensated by the CLEC for that. Right?

A. Well, what it says here is that they're prohibited from sending that traffic until a compensation arrangement acceptable to Dial U.S. and the third party have been reached. So I -- I assume one possible outcome would be that once Dial U.S. becomes a mixed-mode or facilities-based provider, they could provision direct facilities to Choctaw for termination of that traffic.

Q. That wasn't my question though, Mr. Jones.

A. I'm sorry. I --

Q. Would you agree with me that if the Commission found that Southwestern Bell was to be responsible for compensating a small LEC to terminate a CLEC-originated call, that the interconnection agreements would certainly have contained provisions that allowed Southwestern Bell to recoup that money from the CLEC that originated the call?

A. It would seem reasonable that that would be a component of it, yes.

Q. And would you agree with me that the interconnection agreements between Southwestern Bell and all of the facilities-based CLECs in Missouri as well as those interconnection agreements between the other former PTCs and CLECs all are set up on the arrangement that it's the originating CLEC that's responsible for paying applicable termination charges to any Small Company that ultimately terminates the call?

A. I'm not familiar with those interconnection agreements. I didn't participate in them. I wasn't at the table negotiating them. I don't know what's in them. So, I mean, I can't answer.

Q. In your capacity with Mid-Missouri, you're not generally familiar with how compensation today works on CLEC-originated calls?

A. Well, the -- you're asking me about specific interconnection agreements that Southwestern Bell's entered into --

Q. It --
A. -- and I don't --
Q. Isn't your general understanding that all --
MR. JOHNSON: Your Honor, I'd like for him to be able to finish a question without Mr. Lane interrupting.
MR. LANE: I thought he was.
JUDGE MILLS: I'd like that too, but I think he was. It certainly was my impression that he was finished. Mr. Jones, if you --
THE WITNESS: I was.
JUDGE MILLS: -- weren't finished, please go ahead. Were you finished?
THE WITNESS: Well, I guess -- I wasn't party to those agreements and I know there's a lot of flexibility that can be negotiated in an interconnection agreement. And to ask me about all of them in Missouri, I have no clue. I don't know about all of them.
BY MR. LANE:
Q. Your general understanding is that all the interconnection agreements contemplate that the CLEC originating the call is responsible for paying -- for creating the record and paying the applicable termination. Right?
A. It's my understanding some -- that would be one possibility. Another might be bill and keep. I really

don't know. I mean, that's -- that's subject to negotiation between the parties and I think anything the two parties can agree to can be acceptable.

Q. Isn't the fact that you're not being paid on calls that are CLEC-originated one of the things that has the Small Telephone Companies in Missouri concerned?

A. It certainly had me concerned for a long time.

Q. Okay. And when you were checking into that, didn't you discover that the agreements contemplated that it was the CLEC that was responsible for paying you and not Southwestern Bell or the other former PTCs?

A. It's been my impression that it's been Southwestern Bell's position that they weren't responsible, that the CLEC was responsible to forward to us records that we could bill the CLEC based upon.

Q. Wouldn't you agree that if we change in midstream at this point, that there would need to be some arrangements made to somehow change the interconnection agreements with the CLECs to impose on them the obligation to pay Southwestern Bell, for example, when it serves as the transiting carrier?

A. Changes might be required, yes.

Q. Now, would you agree with me that the linchpin of your position in this case is that Southwestern Bell and the other former PTCs don't have to accept transiting traffic and that the small LECs don't have to accept it either?

A. That's right.

Q. And would you agree that that position is directly contrary to the Commission's decision in Southwestern Bell's wireless tariff Case TT-97-524?

A. I think the Commission decided that case based on the fact that wireless traffic that's intraMTA is considered under the Act to be local traffic. I don't know that that case dealt with CLEC traffic.

(EXHIBIT NO. 29 WAS MARKED FOR IDENTIFICATION.)

JUDGE MILLS: This is the Report and Order in Commission Case TT-97-524, and it will be marked as Exhibit 29.

MR. LANE: I'd offer Exhibit 29 at this time, your Honor.

JUDGE MILLS: Are there any objections to the admission of Exhibit 29?

Hearing none, it will be received.

(EXHIBIT NO. 29 WAS RECEIVED INTO EVIDENCE.)

BY MR. LANE:

Q. And if I could, Mr. Jones, if I could direct your attention to page 19 of the second full paragraph on the page continuing over to conclusion on page 20. Would you agree with me that the Commission determined in that case that contrary to the arguments of the Small Companies, that Southwestern Bell was not choosing to, quote, remain in the middle, but was instead required by the Act to interconnect with wireless carriers and to transport that traffic through to Small Telephone Companies?

A. Yes. That is -- that is my recollection of the Commission decision in that case related to wireless traffic terminating to the third-party LECs.

Q. And is there something in the Act that you're aware of that makes it a requirement for Southwestern Bell and other companies to transport wireless-originated traffic to Small Companies but gives them the option not to on other types of traffic?

A. Well, I think the premise that the Commission made that finding was based on the fact that anything that was intraMTA was local. And I see that as different than CLEC traffic and traffic that falls under the interexchange customer relationship.

And that was part of our position, that the -- the traffic that's subject to this order that CTUSRs are being provided for would be backed out.

Q. And I understand that that's your position, but my question was whether you're aware of anything in the Act that you can point to that says, yes, you have a requirement to transit wireless-originated calls but you have the option to refuse CLEC-originated calls?

A. Well, my recollection of the Act is it doesn't deal with transit calls anywhere. This is a finding of the Commission. I don't know that I necessarily agree with their -- their understanding of the Act, but nonetheless, I -- I accept it at this point in time.

I might also point out there's nothing in the Act that I'm familiar with that makes Southwestern Bell secondarily liable for this traffic, but the Commission found that they were, so --

Q. If indirect interconnection is a right under the Act, as opposed to an option as you see it, then your proposal that Southwestern Bell and the small ILECs can refuse indirect interconnections wouldn't be permissible, would it?

A. I would generally agree with that.

Q. And with regard to recording traffic, your position is that the small LECs should have the right to use their own terminating records as a basis for billing. Right?

A. That's correct.

Q. Would you agree with me that today on LEC-originated toll calls, that the records are created on an originating basis and those are used -- those are what's used for the compensation of Small Telephone Companies?

A. It's my general understanding that the former PTCs use originating records, yes.

Q. It would be a substantial change from where we are today to switch over to a terminating record regime, would it not?

A. No.

Q. Would you agree with me that terminating records are not used today on IXC-originated traffic that goes to a non-tandem Small Telephone Company?

A. One more time, please.

Q. With regard to interexchange calls that are sent to a small LEC that doesn't have its own tandem, terminating records are not used. Right?

A. Who is the interexchange carrier in that example? Give me an example.

Q. Let's take an intraLATA call that's carried by -- it's originated by AT&T, handed off to Southwestern Bell and then terminated to Orchard Farm again. Would you agree with me that Orchard Farm uses the records of Southwestern Bell for purposes of billing AT&T today?

A. Okay. It's my understanding that the terminating tandem, which happens to be a Southwestern Bell tandem, uses a 119 record produced at the tandem to record that traffic just like Mid-Missouri would propose to use at its tandem to record a similar call. And it is a terminating record on the terminating end of the call, but it's recorded at the tandem as opposed to the end-office.

Q. Would you agree with me that today the terminating records that non-tandem companies can utilize don't contain the information that would be necessary for the former PTCs to go back and bill the responsible party?

A. Well, that record -- we wouldn't -- in our -- in our proposal, that wouldn't be the record to use. The record to use would be the records created by the tandem company where those entities interconnect. We would only -- it's part of our proposal that that 119 record only be used to produce the billing to the -- the former PTC acting as an IC carrier.

Q. So we'd have to have two sets of records being kept under the Small Telephone Companies' proposal, one set for you to use to bill former primary toll carriers and another set for the former primary toll carriers to use to bill whoever was the responsible party for the call?

A. I would assume that both sets of those -- the new set would be the recording done by the secondary -- the former secondary carriers, the end-office companies or the tandem companies. The other set of information, I would assume, would already be there today so that you bill those carriers that interconnect with you. You have to bill them something. I don't know how you bill them, but you have to record their traffic somehow.

Q. But we'd have a dual set of records then that would have to be utilized for billing purposes under your proposal?

A. Yes. It's like having a twin-engine airplane. You've got redundancy.

Q. Well, it's not redundancy because they're doing two different things, aren't they? One set of records is being used to bill the tandem company?

A. Right.

Q. And you have another set of records that's being used to bill the originating party. Right?

A. That's correct.

Q. They're not redundant. They're different things, aren't they?

A. It does provide a cross-check, because the sum of the total should be the same.

Q. Okay. Well, let's look at that. To be able to do that and have the sum of the total be the same, wouldn't you have to have the terminating records be able to identify who the originating carrier is so that you can then compare that to the former PTC's records? That's how you're going to get the match. Right?

A. Well, when we did the 48-hour industry test, we did not have that information. We were looking to see if the sum of the two parts equaled.

Q. But that wasn't my question, Mr. Jones.

A. I'm sorry. I misunderstood your question.

Q. Would you agree with me then that if you're to use those two sets of records as a check on one another, that both of them have to have the same information in them, and if the terminating records don't identify the originating carrier or the originating number, then you won't be able to do that check that you described?

A. I wouldn't agree with that, because if that were the case, the 48-hour test would not have been valid because all the traffic that we saw didn't identify the originating carrier. I mean, it came through as quad zero in our switch, but we did look at the call volumes and the call -- the usage to make sure that the total equaled.

Q. Some Small Companies, their terminating record capability is limited to simply capturing the total number of minutes that come over its network. Right?

A. It's my understanding from the members of the MITG group that they all have the ability to record the same type of information that Mid-Missouri recorded based on an understanding I have. I do not have specific knowledge relating to the STCG companies.

MR. LANE: Okay. May I approach the witness, your Honor?

JUDGE MILLS: Yes.

BY MR. LANE:

Q. I want to show you some data request responses that we received from Mr. Johnson. And these were requests to Alma, Chariton Valley, Choctaw, Mid-Mo and MoKan, and ask if you'd take a look at the MoKan Dial response to DR Request No. 3, and ask if you agree that in that case they said that the only records they had contained terminating conversation minutes, there was no to or from number information?

A. I stand corrected. That is correct.

Q. Okay. And it's fair to say with regard to MoKan Dial at least, if not others, that you can't do the check that you described if all that MoKan Dial can measure is the total number of minutes that come over its network without knowing either the originating or the terminating number?

A. That would create a problem, yes.

Q. And it would be a problem to audit MoKan Dial in that example, would it not, if the only information that it had was the total number of minutes that flowed over the network? There would be nothing in which we could do to check further to see if they were correct?

A. Well, you could do a preliminary audit to make sure the minutes matched a reasonableness test.

Q. I mean, presumably you wouldn't do an audit unless the minutes weren't matching. Right?

A. That's correct.

Q. And so then you went to the next step to do the audit, there wouldn't be anything to do, there would be no records to check because all they can tell you is, hey, we terminated X number of minutes. We don't know where they came from and we don't know where they went to. Right?

A. That's correct.

Q. Okay. With regard to Mid-Mo and the Local Plus issue, would you agree with me that with the Local Plus minutes taken into account, you believe that accounts for all or almost all of the discrepancy that you saw between your terminating records and what you were receiving compensation for?

A. That's -- that's the information that I've received from Joyce Dunlap, is that she believes that was the -- the vast majority, if not all. Unfortunately, we didn't have -- we don't have those Local Plus records. They weren't recorded, so we can't do an exact verification to see.

I think with time, we'll have that information and we'll know if there's additional records we're missing, but it's my belief and understanding based on the information that you've -- Southwestern Bell has provided, that that's the majority of the discrepancy.

Q. And wasn't that what you said in the Local Plus case, the one --

A. Yes.

Q. -- we just tried?

A. Correct. And I relied on the information that you had provided.

Q. Okay. And you have no information to the contrary. Right?

A. That's correct.

Q. I want to ask a couple of questions about your proposal to subtract out certain items of usage based on industry standard billing records that you describe on your direct testimony, page 4.

A. Just --

Q. And I want to focus on industry standard billing records so that I understand what it is that you mean by that. With regard to interstate intraLATA calls, are there any industry standard records for those calls at this time?

A. At this point Southwestern Bell has not been providing Mid-Missouri any information related to those calls. However, we have been recording those calls ourselves and identifying the interstate intraLATA calls based on the information we received at the Pilot Grove access tandem. And we're recordings those as a 119 call type, which I do believe is an industry standard.

Q. Okay. I'm a little bit confused. I had understood that your proposal was that there were certain calls that if the former PTC identified and utilized industry standard records to give to you, that was the circumstance that you deducted. Is my understanding incorrect? You're willing to use your own records if you can identify the originating carrier and you'll deduct those from the --

A. Certainly. That would be our preference. I mean, either one would be acceptable, but obviously we'd like to use our own recorded records as a check and balance.

Q. And if your terminating records then, to the extent they show the originating number and if that can be tracked back and identify the originating carrier for that call, then your proposal would be to deduct that amount from the total terminating minutes that you'd otherwise bill for?

A. Right. We'd bill those at the interstate access rates.

Q. Okay. And I don't want to confuse you here. I may not be understanding what you're saying. If you record a terminating number -- or an originating number and it's a CLEC-originated call and that's identified as such, is it your testimony and your proposal that you would deduct that from the total number of minutes that the former PTCs would have to pay?

A. I think the answer -- the answer is the same. If you provide me the interstate intraLATA minutes that you terminated, we can deduct those. And if there was a discrepancy between what we recorded and you reported, that would end up being part of the residual.

Q. Okay. I'm trying to step away for a minute from the interstate intraLATA, although I do want to come back to it, but I may be misunderstanding your testimony.

I thought you indicated that you would be willing to use your terminating records, and that if they showed an originating number and we showed that that was an originating number belonging to some other carrier, that you would be willing to deduct that from the total number of minutes that we'd otherwise have to pay for. Is my understanding correct?

A. And you're saying this is interstate intraLATA?

Q. Okay. I'm just trying to understand your proposal.

A. I'm sorry.

Q. Okay.

A. Okay. Give me -- okay. Let me explain the proposal.

Q. Okay. I -- go ahead.

A. The proposal was that we would deduct out interstate Feature Group A as reported to us on the IX statement which Southwestern Bell generates; we would deduct out what we identified as interstate intraLATA because interstate access applies to that; MCA traffic, pending the development of a factor, putting it on separate trunks, however we quantify MCA traffic; and then the CTUSRs or any other indirect interconnection traffic that's either ordered by this Commission or we voluntarily agree to accept.

Q. And let me go back and do it again. I had understood that you'd said that you'd only deduct if there was an industry standard billing record that you were provided with; is that right?

A. No. I think we said -- well, I -- it's my assumption that the industry standard billing records are the records we have today. I don't anticipate that meaning that we're creating a new record.

Q. Okay. But with regard to interstate intraLATA, we don't have industry standard billing records this minute, do we?

A. For Mid-Missouri Telephone Company, I believe we do, but outside of that, I know that you're working on developing some sort of report to report that to us. And I think it's the intent that that report would be an accepted -- accepted record to use to back that traffic out.

Q. Okay. And let's take a look at another company. Let's use MoKan Dial, which doesn't have any of the recording capabilities that your company apparently has and only records the terminating minutes that come to it. How would they subtract out interstate intraLATA minutes?

A. It would be based upon information that I think you're in the process of trying to provide to companies --

Q. Okay.

A. -- unless they can --

Q. But that's not an industry standard record for that as of today. Right?

A. I would -- I think that's correct, yes.

Q. Okay. And would you have to agree when that record is developed -- would you have to agree that it is industry standard before you'd accept it for purposes of deducting from the terminating minutes?

A. Well, I think the intent is that we would deduct that traffic once you provide us the record. And I think -- I think the record would have to be a record that has the information necessary that we could bill the carrier and expect to get paid.

Q. Now, today there are several carriers that can send interstate intraLATA calls to Small Telephone Companies in Missouri. Right?

A. Give me an example, if you would.

Q. There's Sprint and GTE. Right? That operate either in Illinois or Kansas and can send interstate intraLATA toll calls to Small Telephone Companies in Missouri?

A. Okay. I'll accept that. I was under the impression that that traffic was being popped out and wasn't necessarily being delivered over the Feature Group C network.

I mean, we had an industry meeting where we met and discussed interstate intraLATA, and it was my recollection at least on the Kansas side of the state -- I cannot recall on the St. Louis side because that didn't perk my interest, but the Kansas City side did and it was my rec-- recollection at that time that there were two companies in Kansas that were still delivering traffic -- interstate intraLATA traffic to small LECs in Missouri outside of Southwestern Bell. And it was also my understanding that there was a point in time that that was going to cease, and that point in time has long since passed.

So it's my understanding that today Southwestern Bell is the only carrier us-- delivering interstate intraLATA trunk group to small LECs -- interstate intraLATA traffic over the common trunk group to small LECs.

Q. If there are other carriers besides Southwestern Bell doing it, then under your proposal, we could be required -- strike that.

Under your proposal, if those interstate intraLATA calls aren't identified with sufficient specificity, your proposal is that those would be billed at the intrastate access rates as opposed to interstate access rates. Right?

A. If those calls are not identified and records aren't provided, yes.

Q. Okay. And would you agree with me that the interstate access tariffs of the Small Telephone Companies are, on the whole, substantially --

A. Certainly. Less. I'll finish it for you.

Q. For example, Mid-Missouri -- you concur in the NECA tariff, don't you --

A. Yes.

Q. -- on the interstate side?

And your charges under the interstate tariff are about 4 1/2 cents roughly to terminate a call, aren't they, as compared to a little bit over 12 cents for an intrastate?

A. Several times higher on the intrastate side.

JUDGE MILLS: Okay. Mr. Lane, whenever you're at a breaking point, we're going to stop for the day.

MR. LANE: Okay.

JUDGE MILLS: Is this a natural break?

MR. LANE: Sure.

JUDGE MILLS: We're going to -- it's almost five o'clock. We're going to convene for the day. We will reconvene tomorrow morning at 8:30 continuing with Mr. Jones.

Thank you. We're off the record.

(WHEREUPON, the hearing of this case was adjourned until 8:30 a.m., January 25, 2001.)

I N D E X

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