Exhibit No. ____
Issue: Terminating Compensation
Type of Exhibit: Direct Testimony
Sponsoring Party: MITG
Date Prepared: November 30, 2000

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

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

DIRECT TESTIMONY

OF

DAVID JONES

Jefferson City, Missouri

November 30, 2000

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BEFORE THE PUBLIC SERVICE COMMISSION

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

AFFIDAVIT OF DAVID JONES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David Jones, of lawful age, on my oath states, that I have participated in the preparation of the foregoing testimony in question and answer form, consisting of 12 pages, to be presented in this case; that the answers in the foregoing testimony were given by me; that I have knowledge of the matters set forth in such answers; and that such matters are true to the best of my knowledge and belief.

David Jones

Subscribed and sworn to before me this 30th day of November, 2000.

Notary Public

My Commission Expires:
ORNA MICKELIS
Notary Public - Notary Seal
STATE OF MISSOURI
Callaway County
My Commission Expires: Apr. 16, 2003

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Q. Please state your name, capacity, and business address.

A. David L. Jones, President, Mid-Missouri Telephone Company, 215 Roe, Pilot Grove, Missouri, 65276.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of the following companies that comprise the Missouri Independent Telephone Group (MITG): Alma Telephone Company, Chariton Valley Telephone Corporation, Choctaw Telephone Company, Mid-Missouri Telephone Company, Modern Telecommunications Company, MoKan Dial Inc., and Northeast Missouri Rural Telephone Company.

Q. What is the purpose of this testimony?

A. The issues pending in this case were not finally disposed of in the Commission's Report and Order in TO-99-254. This case was established to consider terminating compensation issues for traffic SWB and other former primary toll carriers (PTCs) terminate to small LECs which under the terms of the Primary Toll Carrier Plan (PTC Plan) formerly operated as secondary carriers (SCs). The purpose of my testimony is to submit a proposed solution to remaining terminating compensation issues, and to submit testimony in support of this proposal.

Q. Would you please set forth the small company proposed solution to the terminating compensation issues?

A. Yes. The following is the proposal:

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Missouri Small Company Terminating Compensation Proposal

A. Missouri will no longer require terminating compensation to be determined from originating records for traffic terminated to an ILEC over a common trunk from another ILEC. Instead the terminating LEC has the right to bill terminating compensation based upon the terminating LEC's measurement of total terminating usage. Terminating LECs desiring to utilize a system whereby terminating compensation is computed based upon originating records may opt to do so.

B. For LECs exercising this right, from total terminating usage the terminating LEC will subtract out usage based upon industry standard billing records associated with the following types of terminating traffic:

1. LECs not owning an access tandem:
   a. interstate FGA on IBIS statement
   b. interstate intraLATA
   c. IXC traffic, including FGB
   d. MCA traffic*
   e. terminating traffic terminated over an indirect interconnection in which all carriers involved voluntarily agree or are ordered to utilize a different billing/record exchange process (intraMTA wireless)

2. LECs owning an access tandem:
   a. interstate FGA on IBIS statement
   b. interstate intraLATA
   c. MCA traffic*
   d. terminating traffic terminated over an indirect interconnection in which all carriers involved voluntarily agree or are ordered to utilize a different billing/record exchange process (intraMTA wireless)

C. Former PTCs with the access interconnection will be responsible for all of the residual traffic volumes remaining after subtracting the above traffic types, payable at intrastate access rates.

D. In the event the LEC is not paid for terminating wireless traffic, upon request from the terminating LEC the former PTC will be required to either:
1. implement network translations to block nonpaying wireless carrier traffic, at no cost to the terminating LEC, or
2. be secondarily liable for payment of terminating compensation to the terminating LEC, upon nonpayment by the wireless carrier

E. Any former PTC not willing to accept this terminating compensation business relationship may avoid it by either:

1. terminating its existing access connection with other ILECs, or
2. convert its existing access connection with other ILECs to a FGD access connection, or
3. cease transiting traffic types (B.1.e or B.2.d. above) via the existing access connection with other ILECs

*MCA traffic volumes will be computed by doing an industry 48 hour records test to determine, for each company, a percentage of MCA usage coming over the common trunks. This factor will be updated at intervals as ordered by the Commission. In the alternative the Commission can order that MCA traffic either be measured and reported on a regular billing cycle basis, or placed upon separate trunk groups.

Q. What small companies support this proposal?

A. This proposal is supported by all MITG companies and by all STCG companies.

Q. When the Commission last addressed the terminating compensation issue, it deferred the issue to this docket because there was insufficient information as to the cost of converting from FGC to FGD, as to whether there was a potential for real terminating compensation shortages with an originating records system, and whether FGD would provide the billing information needed. How does the small company proposal consider those concerns?

A. We attempted to obtain conversion cost information from the former PTCs, but they did not provide it. Under the small company proposal the failure of the PTCs to provide this information is not important. That is because the small company proposal leaves the existing signaling protocols--the existing "network"--in place. The small company proposal changes the business relationship, not the network or the billing information the network delivers.

Experience since termination of the PTC Plan has demonstrated that the originating record system does result in real and substantial terminating compensation discrepancies. The recently conducted industry test established that the terminating company's recording system provides more accurate and reliable billing information than obtained from the originating company. Therefore I believe our proposal satisfactorily addresses the concerns raised by the Commission in 1998.

Q. It seems as though the small company proposal would change the old relationship with the former PTC to one more like an interexchange carrier (IXC). Why is this appropriate?

A. With termination of the PTC Plan and implementation of intraLATA presubscription, we have completed the evolution from a monopoly provisioned toll market to a fully competitive marketplace. Having done that, it is now time to also completely evolve the underlying intercompany compensation structure. Today the former PTC is functioning as an IXC in former SC exchanges. As the Commission recognized in TC-2000-325, the former PTC is now an interexchange carrier or customer under the small company access tariff. The Oregon Farmer access tariff, PSC Mo. No. 6, Sheet 44.1, includes a PTC as an Interexchange Customer subscribing to access services.

When a former PTC terminates traffic to a small ILEC, it purchases access services in the same manner as an IXC. Unlike an IXC, the former PTCs have been allowed to place their traffic on a trunking facility commingled with other types of traffic, and have been granted the ability to report their own terminating usage. It is appropriate to treat the former PTCs as IXCs to ensure fair competition between them, and also to assure that all usage is properly compensated.

Q. **I would like for you to discuss some of the reasoning underlying this proposal. The first premise is that Missouri will no longer rely upon originating records as the basis for determining terminating compensation. What is the justification for this element?**

A. This is only a concern for intercompany traffic. Under the originating record system, one company is recording another company's traffic. This creates a "fox guarding the henhouse" situation. The former PTC does not have the correct incentive to measure and audit its process to assure accurate terminating compensation. This was clearly demonstrated by the industry 48 hour test, and by Mid-Missouri Telephone Company's experience with SWB's unidentified terminating traffic.

Q. **Is the small company proposal supported by approved tariffs?**

A. Yes, for years both federal and Missouri tariffs have contained language which required the implementation of competitively neutral provisions when 1+ presubscription is implemented. The language states that, upon implementation of pre-subscription, which is provisioned on a FGD basis, FGC will not be provided. See Schedule 1, Oregon Farmers PSC Mo No. 6, Sheet 82, section 6.3.3(A)(1):

"*When FGD switching is available, FGC switching will not be provided.*"

Schedule 2, NECA FCC Tariff No. 5, 3rd Revised Page 6-74, Section 6.7.1(A), states"

> *"Existing FGC Access will be converted to Feature Group D Access when Feature Group D Access becomes available in an end office."*

Q. Why does this tariff language indicate an originating record system will not be used?

A. The FGD system in use since divestiture makes it the responsibility of the terminating end office to measure traffic on the terminating end of the call. This tariff language means that, after 1+ competition (pre-subscription), terminating traffic will be measured on the terminating end, not the originating end.

The small company proposal anticipates continuing to allow the former PTCs to use the common trunk with FGC signaling instead of converting to FGD. Even with continued use of FGC, the approved Federal and Missouri tariffs contemplate the terminating LEC using actually measured terminating usage where measuring capability exists.

Schedule 3, NECA Tariff FCC No. 5, 4th Revised Page 6-82, Section 6.7.4 states:

> *"Customer traffic to end offices will be measured (i.e., recorded), by the Telephone Company at end office switches or access tandem switches...For terminating calls over FGC when measurement capability exists, the measured minutes are the chargeable access minutes."*

Schedule 4, Oregon Farmers PSC Mo. No. 6, Sheet 103.1, regarding terminating usage, states:

> *"For terminating calls over FGC the chargeable access minutes are either measured or derived. For terminating calls over FGC where measurement capability does not exist, terminating FGC usage is derived from originating usage....."* (emphasis mine)

These approved tariffs state a requirement for using the terminating telephone company's measurement of its terminating traffic. The tariff allows the derivation of terminating usage from originating usage only where the terminating company does not have measurement capability. This is consistent with the small company proposal, which bases terminating compensation upon the terminating company's measurement. As the PTC Plan has ended, there is no justification for making this language subordinate to the originating record system the PTCs desire.

Q. Has the experience since end of the PTC Plan demonstrated that the small company concerns regarding a terminating compensation system based upon originating records are valid?

A. Yes. Since the Commission's Order in TO-99-524, we believe it has been established that the originating record system does result in real and substantial discrepancies between total terminating traffic and reported terminating traffic. Mid-Missouri has experienced a 50 % shortage. Modern has measured a 19 % shortage. Northeast has experienced a 6 % shortage. Chariton Valley measured shortages up to 27 %. MoKan and Choctaw cannot determine any meaningful terminating discrepancies, as all MCA traffic terminating to them is unmeasured and unreported. It has been reported that other small companies have seen shortages ranging from 8 % to 39 %. During the July industry recording test, message shortages ranged from 0.3 % to 58.9 %. Documents substantiating these figures are attached as Highly Confidential Schedule 5.

While the PTC Plan was in place, SWB reported that Mid-Missouri's T/O ratio resulted in Mid-Missouri being compensated for less terminating traffic than actually terminated to Mid-Missouri over the SWB trunks. When the PTC Plan ended, and T/Os were replaced by actual terminating traffic, Mid-Missouri expected an increase in reported terminating traffic. This is not what happened. Instead of an increase, Mid-Missouri experienced a dramatic decrease. Mid-Missouri activated the recording of traffic on the SWB common trunk group. Between December of 1999 and July of 2000 our measurements showed that Mid-Missouri was not receiving records or compensation for 50 % of the total traffic terminating over the SWB trunk group.

After six months of unsuccessful discussions with SWB, Mid-Missouri was forced to send out notices that the trunks over which the offending or non-compensated traffic was terminating would be disconnected. SWB filed a complaint against Mid-Missouri to prevent it from disconnecting the trunks. Based upon SWB's representations to the Commission that IXCs and CLECs were the offending parties, the Commission ordered the offending traffic to be blocked by SWB. The PSC ordered Mid-Missouri to keep the trunks connected. Although SWB supposedly implemented the blocking as ordered, the terminating discrepancy continued. Since then it has been determined that most, if not all, of the offending traffic was SWB's. SWB had performed erroneous translations and had failed to change old translations. This resulted in SWB not creating originating records, not reporting terminating traffic, and not paying Mid-Missouri terminating compensation that was clearly owed.

This is the type of anomaly the originating records system can produce, and has produced. For over a year Mid-Missouri has had the burden of tracking down and proving a mistake made by SWB. During this process, SWB sued Mid-Missouri to keep us from stopping the traffic for which SWB was not paying compensation. Now that Mid-Missouri has caught SWB, we find that SWB has not created or kept the records by which past compensation can be accurately ascertained. Mid-Missouri is now required to estimate past call volumes to collect for its terminating compensation.

Q. Do you need to explain each component of the rest of the small company proposal?

A. I believe the small company proposal is fairly self-explanatory. If any explanation or clarification becomes necessary, I will attempt to address it in later testimony.

Q. Why do you believe it is reasonable for the Commission to adopt the small company proposal?

A. The small company proposal adopts the competitive IXC business relationship. Under this arrangement, the IXC delivering traffic is responsible for all traffic delivered over the access connection it has ordered from the terminating LEC. using the total terminating traffic measurement of the terminating LEC, the small company subracts, or provides credit for, terminating traffic for which there is an established compensation mechanism.

The residual or left over traffic becomes the responsibility of the former PTC who ordered the access connection. The deficiencies of the common trunk operates to the harm the former SCs. If a former PTC wishes to place CLEC, wireless, or other types of interconnection agreement traffic on the common trunk network, I believe the former PTC should have the corresponding obligation to be responsible for compensation flowing downstream. Only the former PTC is situated as a gatekeeper to control and limit the flow of traffic to providers for which they have established compensation and billing arrangements.

Q. Does this conclude your direct testimony?

A. Yes.

ACCESS SERVICE

6. Switched Access Service (Cont'd)

6.3 Provision and Description of Switched Access Service Feature Groups (Cont'd)

6.3.2 Feature Group B (FGB) (Cont'd)

(B) Testing Capabilities

FGB is provided, in the terminating direction where equipment is available, with seven digit access to balance (100 type) test line, milliwatt (102 type) test line, nonsynchronous or synchronous test line, automatic transmission measuring (105 type) test line, data transmission (107 type) test line, loop around test line, short circuit test line and open circuit test line. Additional testing services are available as set forth in Section 9. following for FGB.

6.3.3 Feature Group C (FGC)

(A) Description

(1) FGC is provided at all Telephone Company end office switches. It is provided to the customer (i.e., provider of MTS) on a direct trunk basis or via Telephone Company designated access tandem switches. Originating FGC Access is available to all customers when used to provide the Interim NXX (N) Translation optional features or 800 Data Base Access Service. Terminating FGC access is available to all customers other than providers of MTS and WATS when such access is used in conjunction with the provision of the Interim NXX Translation optional feature or 800 Data Base Access, but only for purposes (N) of testing. Feature Group C switching is provided at an end office switch unless Feature Group D end office switching is provided in the same office. When FGD switching is available, FGC switching will not be provided.

(2) FGC is provided as trunk side switching. The switch trunk equipment is provided with answer and disconnect supervisory signaling. Wink start start-pulsing signals are provided in all offices where available. In those offices where wink start start-pulsing signals are not available, immediate dial pulse signaling is provided. When FGC with SS7 Signal (C)
is provided, no inband signaling is provided. (N)
(D)

Schedule 1

6. Switched Access Service (Cont'd)

6.7 Description and Provision of Feature Group C (FGC)

6.7.1 Description

(A) FGC Access provides trunk side access to Telephone Company end office switches for the customer's use in originating and terminating communications. Originating and terminating FGC Access is available to providers of MTS and WATS. Originating FGC Access is available to all customers when used to provide the Interim NXX Translation optional feature or 800 Data Base service. Terminating FGC access is available to all customers other than providers of MTS and WATS when such access is used in conjunction with the provision of the Interim NXX Translation optional feature or 800 Data Base service, but only for purposes of testing. Existing FGC Access will be converted to Feature Group D Access when Feature Group D Access becomes available in an end office. Special Access Services utilized for connection with FGC at Telephone Company designated WATS Serving Offices as set forth in Section 7. following may be ordered separately by a customer other than the customer which orders the FGC Switched Access Service (i.e., a provider of MTS and WATS) for the provision of WATS Services. Special Access Services are ordered as set forth in 5.2 preceding.

(x) Issued to reflect new corporate address.

Schedule 2

6. Switched Access Service (Cont'd)

6.7 Description and Provision of Feature Group C (FGC) (Cont'd)

6.7.4 Measuring Access Minutes

Customer traffic to end offices will be measured (i.e., recorded) by the Telephone Company at end office switches or access tandem switches. Originating and terminating calls will be measured or imputed by the Telephone Company to determine the basis for computing chargeable access minutes. In the event the customer message detail is not available because the Telephone Company lost or damaged tapes or incurred recording system outages, the Telephone Company will estimate the volume of lost customer access minutes of use based on previously known values.

For terminating calls over FGC when measurement capability exists, the measured minutes are the chargeable access minutes. For originating calls over FGC, chargeable originating access minutes are derived from recorded minutes in the following manner:

Step 1: Obtain recorded originating minutes and messages from the appropriate recording data.

Step 2: Obtain the total attempts by dividing the originating measured messages by the completion ratio. Completion ratios (CR) are obtained separately for the major call categories such as DDD, operator, 800 series, 900, directory assistance and international from a sample study which analyzes the ultimate completion status of the total attempts which receive acknowledgement from the customer. That is, Measured Messages divided by Completion Ratio equals Total Attempts.

(x) Issued to reflect new corporate address.

Schedule 3

6. Switched Access Service (Cont'd)

6.7 Rate Regulations (Cont'd)

6.7.4 Determining Access Minutes (Cont'd)

(E) Feature Group C Usage Measurement (Cont'd)

(2) Terminating Usage

(D)

(D)

For terminating calls over FGC to 800 Service, usage measurement begins when the terminating FGC entry switch receives answer supervision from the terminating end user's end office, indicating the terminating 800 Service end user has answered.

The measurement of terminating call usage over FGC to 800 Service ends when the terminating FGC entry switch receives an on-hook supervisory signal from the terminating end user's end office, indicating the terminating 800 Service end user has disconnected, or from the customer's point of termination, whichever is recognized first by the entry switch.

For terminating calls over FGC the chargeable access minutes are either measured or derived. For terminating calls over FGC where measurement capability does not exist, terminating FGC usage is derived from originating usage, excluding usage from calls to closed end services or Directory Assistance Services.

Schedule 4