Exhibit:
Issue: Records
Witness: Dunlap
Type of Exhibit: Direct Testimony
Sponsoring Party: Southwestern Bell Telephone Co.
Company: Southwestern Bell Telephone Co.
Case No.: TO 99-593

SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO 99-593

DIRECT TESTIMONY

OF

JOYCE L. DUNLAP

St. Louis, Missouri

November, 2000

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF JOYCE L. DUNLAP

STATE OF MISSOURI	)	
	)	SS
CITY OF ST. LOUIS	)	

I, Joyce L. Dunlap, of lawful age, being duly sworn, depose and state:

1. My name is Joyce L. Dunlap. I am presently Associate Director-Exchange Carrier Relations/Settlements for Southwester Bell Telephone Company.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Joyce L. Dunlap
Joyce L. Dunlap

Subscribed and sworn to before me this 29th day of November 2000.

Maryann Purcell
Notary Public

MARYANN PURCELL
Notary Public - Notary Seal
STATE OF MISSOURI
ST. LOUIS CITY
MY COMMISSION EXP. JAN. 5, 2004

My Commission Expires: January 5, 2004

DIRECT TESTIMONY OF JOYCE L. DUNLAP

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is Joyce L. Dunlap. My business address is One Bell Center 31-P-5 St. Louis Missouri 63101.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR TITLE?

A. I am employed by Southwestern Bell Telephone Company as Associate Director – Exchange Carrier Relations/Settlements for Missouri.

Q. HAVE YOU PREPARED AN EXHIBIT WHICH PROVIDES INFORMATION REGARDING YOUR EMPLOYMENT AND EDUCATIONAL BACKGROUND.

A. Yes. That information is attached as Schedule 1.

BACKGROUND AND PURPOSE

Q. WHY DID THE MISSOURI PUBLIC SERVICE COMMISSION (COMMISSION) ESTABLISH THIS CASE?

A. In its June 10, 1999 Report and Order in Case No. TO-99-254, the Commission ordered "that Case No. TO-99-593 is established to investigate signaling protocols, call records, trunking arrangements and traffic measurement."

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will provide Southwestern Bell Telephone (SWBT's) position and supporting rationale on the following issues:

1. Why the existing originating record system which is currently being used by all parties for intercompany compensation on IntraLATA toll traffic should remain in place.
2. Why the use of terminating records in a competitive environment is not appropriate.

<u>CONTINUED USE OF ORIGINATING RECORDS</u>

Q. WHAT IS AN ORIGINATING RECORD?

A. An originating record is the record created by the carrier whose customer placed a particular telephone call.

Q. WHAT IS THE ORIGINATING RECORDS SYSTEM?

A. Each day, millions of intraLATA toll calls are made throughout the state by retail telephone customers of the Incumbent Local Exchange Company (ILEC) toll providers (Fidelity, SWBT, Sprint, Spectra and Verizon). To administer end user billing and inter-company compensation on this volume of calls, the larger LECs like Sprint, SWBT and Verizon have created and currently maintain large data processing systems. (The other LECs may be assisted in this process by outside vendors.)

Q. HOW DOES THE ORIGINATING RECORDS SYSTEM OPERATE?

A. Regardless of whether the systems are totally in-house or provided in part by a vendor, all LEC toll providers' Originating Records Systems begin with a record created by the LEC's switch on each intraLATA toll call placed by an end user. This record captures directly from the switch various information about the call, such as the date and time the call was placed, the call's duration, the calling party's telephone number, the called party's telephone number, and the type of call (e.g., direct dialed, operator handled, 800).

Q. WHAT DOES THE ORIGINATING RECORDS SYSTEM DO WITH THESE SWITCH RECORDS?

A. The LECs' data processing systems pull these records from each of the switches in their exchanges and convert these switch recordings into 01-01-XX Exchange Message Records (EMRs). These EMR records are a national standard record format and are used by LECs to generate end user toll bills. The LECs' data processing systems then make copies of these EMR records in a 92-01-XX detail record format. The 92-01 detail record contains information such as date, length of the call (conversation time), originating/terminating NPA/NXX, and traffic type.

Q. DURING THE TERM OF THE PRIMARY TOLL CARRIER (PTC) PLAN, DID THE SECONDARY CARRIERS (SCs) ALSO CREATE ORIGINATING RECORDS?

A. Yes. Each SC created EMR records on the toll calls end user customers in their exchanges placed. The SCs or their vendors similarly converted these EMR records into 92-01 detail records, which they forwarded to their respective PTC. These 92-01 records created by the SCs were the basis of all originating and terminating access billing (since terminating access was billed based on a ratio of terminating to originating (T/O) traffic) by the SCs to the PTCs. They were also the basis for the retail toll billing for the toll calls placed by SC customers.

Between themselves, the LEC toll providers exchange records on a summary basis. They do this by summarizing the 92-01 detail records into 92-99-XX summary records (summarized by originating toll center to each individual terminating end office in the LATA). When another LEC toll provider's facilities are used on the call path to complete a toll call, the originating LEC forwards the appropriate 92-99 summary records to those other carriers. Using these summary records, each carrier involved in handling the call bills terminating access charges to the originating LEC toll provider.

Q. IS THIS THE PROCESS THE FORMER PTCs SUGGESTED ALL PARTIES USE AT THE TERMINATION OF THE PTC PLAN IN CASE NO. TO-99-254?

A. Yes.

Q. DID THE COMMISSION ORDER ANY CHANGES TO THIS PROCESS IN THAT CASE?

A. Yes. In that case, the former SCs complained that while they had been creating originating 92-01 detail records for their respective PTC's and other carriers' use, they had never had to receive and process the 92-99 summary records for billing terminating access on intraLATA toll calls. (Until that time, they billed terminating access based on their originating toll traffic, multiplied by their respective T/O ratios.) They were concerned that they would have to modify their internal processing systems to accept and use 92-99 records (or pay their outside vendors to accept and use a 92-99 record). As a result, the Commission ordered the PTCs to provide Category 11 records, similar to what the SCs used in the Carrier Access Billing Systems (CABS). The Commission ordered this conversion to occur by April 1, 2000.

Q. DID THE FORMER PTCs COMPLY WITH THIS ORDER?

A. Yes. Each of the former PTCs (Fidelity, GTE, Sprint and SWBT) implemented programming changes in their processing systems to reformat the 92-01 records into a Category 11 format. The industry began discussions on the format of these records in July 1999 and reached preliminary agreement in November 1999. Final approval for the format was given in February 2000.

Q. WHEN DID THIS CHANGE TAKE PLACE?

A. GTE, Sprint, Fidelity and SWBT started to provide Category 11 records to the former SCs in April 2000 as ordered.

Q. WHY SHOULD THE CURRENT ORIGINATING RECORD SYSTEM REMAIN IN PLACE?

A. The existing originating record system, as modified in accordance with the Commission's direction, for intrastate intraLATA intercompany compensation should remain in place for the following reasons:

1. The originating records that are currently provided by Verizon, Fidelity, Spectra, Sprint and SWBT to terminating companies for billing contain the necessary information such as date of call, length of call (conversation time), originating/terminating NPA/NXX of the call, and the traffic type (Operation Handled, Direct Dialed etc.) to allow the terminating company to issue accurate access billing.

2. The originating records currently being used are based on the national industry standard 01-01-XX Exchange Message Record (EMR) format which is the basis used to bill IntraLATA toll calls.

3. The use of the originating carriers' records for intercompany compensation has been in existence for over 12 years. Well in excess of a billion dollars in billed revenue and inter-company compensation have been exchanged between the parties using this system. During the entire duration of the PTC Plan, SWBT, GTE, Sprint and Fidelity relied on originating records that the small companies created for all toll calls placed from the small companies' exchanges. These records were the basis for all access billing the small companies rendered to SWBT, GTE, Sprint and Fidelity, as well as what was used to prepare retail toll billing for intraLATA toll calls made by SC customers over the course of the Plan.

Q. IS THE ORIGINATING RECORD SYSTEM PERFECT?

A. No. No records system would ever be perfect. However, a tremendous amount of industry resources have been dedicated to developing and maintaining the present originating records system. The originating records system was developed by the entire

LEC industry (both large and small companies) to support transitioning the provision of toll services from an environment in which all toll service revenues and expenses were pooled and shared, to the present access-based environment. Representatives from both the large companies and the small companies (and their consultants) worked diligently for nearly a year to develop the system, reach agreement on the type of records to be created and exchanged, the specific record format and layout, and how settlements between companies would occur. The parties also worked together to put appropriate processes in place within each company (and within their outside vendors) to support this system and to ensure that they would function across the companies. This was truly a massive effort.

Q. HOW HAS THE INTEGRITY OF THE PRESENT SYSTEM BEEN MAINTAINED?

A. During the early years of the PTC Plan, the PTCs (primarily SWBT) audited each other and the SCs on an annual basis to ensure that appropriate records were being created and appropriate settlements made between the companies. These audits usually consisted of internal data reviews as well as on-site visits to other companies. During the course of these audits, various problems or issues would be identified and corrected. While these audits were often a lot of work, we viewed the process as healthy as it always led to improvements within our systems. As time went on and a greater comfort level was achieved with the system, on-site audits became less frequent, but internal data reviews continued. And even though there was no formal schedule for performing audits, any party had the right to request an audit.

Also, SWBT has been willing to work with any other company that believed it was not receiving the appropriate amount of records or compensation. For example in 1999, Citizens Telephone Company approached us with a concern on the amount of originating PTC records it was receiving. To address that concern, we conducted a record test with Citizens in which Citizens captured traffic data for a one-hour period on May 27, 1999 on its end and shared that data with SWBT. SWBT then spent hundreds of hours researching those calls records to determine whether a record should have been created in each instance, and if so, whether one was indeed created and passed. Of the 365 call records presented to us, we were able to reconcile within 7 calls, which at the time satisfied this investigation. On a day to day basis we have worked with many companies such as Farber and Kingdom Telephone Companies to resolve specific issues relating to originating records. We believe that in each case, we were able to resolve the concern that was brought to us.

Q. HAVE THERE BEEN ANY RECENT REVIEWS OR AUDITS?

A. Yes. During the technical workshops held in this case (1-19-00 and 2-22-00), the former SCs expressed a concern that they were not receiving the appropriate amount of records on the traffic they were terminating and proposed conducting a industry-wide records test. We readily agreed to work together to develop and conduct a large-scale test because we believed it would help the industry identify any problems that might have developed with the current system so that they could be corrected. It was agreed that the Industry would undertake a records test to reconcile any differences in the originating records provided by originating toll providers to what was recorded by ten terminating companies. These ten terminating companies were selected to represent a cross section of the state. There were some from each LATA. Some were single exchange companies. Others were multiple exchange companies. Some homed off of Sprint's tandems, some off Verizon's tandems, and the others off SWBT's tandems.

Q. HAS THE INDUSTRY COMPLETED THIS RECORDS TEST?

A. The actual capturing of records for the test was conducted for a 48 hour period from July 16-17, 2000. Within that period, an hour's worth of traffic data was selected for in-depth analysis. Most of the reconciliation of the originating records provided to the terminating companies has been completed and the Industry is currently working to produce a final report to detail the entire records test process, the findings and the actions taken.

Q. WHEN WILL THIS FINAL REPORT ON THE RECORDS TEST BE COMPLETED?

A. This report should be completed in early January 2001.

Q. WERE ANY PROBLEMS DISCOVERED DURING THE RECORDS TEST?

A. Yes. During preliminary reconciliation work, SWBT discovered that its Local Plus usage in some offices was not being recorded properly.

Q. HOW IS LOCAL PLUS® TRAFFIC TO BE RECORDED?

A. In Missouri all Local Plus usage is to be recorded at the originating central office switch. It is assigned a call code 006, which is a toll record, with a Message Billing Index (MBI) number 13 which indicates a Local Plus call.

Q. WHAT SPECIFICALLY WAS FOUND TO BE THE PROBLEM?

A. During our investigation, we learned that Local Plus usage in our Ericsson switches in the host offices of KnobNoster, Sedalia, Marshall and their remote offices of Lamonte and Slater in the Kansas City LATA was being recorded as a call code 001, with a MBI of 13, which for intercompany settlements is treated as a local call. The Local Plus usage in these offices should have been recorded as a call code 006 with a MBI of 13. We subsequently learned that we had a similar problem in the Ericsson switch at our Mexico central office and its remote offices in the St. Louis LATA.

Q. SINCE THAT INITIAL INVESTIGATION HAVE YOU DETERMINED THAT ANY OTHER ERICSSON SWITCHES WERE AFFECTED?

A. Yes. We learned that the Ericsson switch at Kennett and Linn and their remotes also had this recording problem.

Q. WHAT EFFECT WOULD THIS RECORDING PROBLEM HAVE ON SETTLEMENTS WITH COMPANIES WHO TERMINATED SWBT'S LOCAL PLUS TRAFFIC?

A. In Missouri, the intercompany settlement system with other LECs does not create and include local records (call code 001) in the intercompany settlement process. Only LEC- carried intraLATA toll (call code 006), 800 and OUTWATS records are created and processed by the settlement system for LEC destined calls. Therefore, because of the generation of call code 001 for Local Plus traffic in these Ericsson switches, no compensation record was created and forwarded to the terminating company. The terminating company then would not have a record from which it could bill SWBT terminating access.

Q. DID SWBT CORRECT THIS PROBLEM?

A. Yes. The translations for the Ericsson switches in the Kansas City LATA were corrected on a prospective basis on August 11, 2000 and the translations for the Ericsson switch in the St. Louis LATA were corrected on September 1, 2000.

Q. WERE THE AFFECTED COMPANIES NOTIFIED OF THIS PROBLEM?

A. Yes. On August 17, 2000 I sent an e-mail letter notifying them of this problem and its correction. On September 8, 2000 I sent another an e-mail letter to the companies in both the St. Louis and Kansas City LATAs. A copy of those letters is attached as SCHEDULE 2.

Q. IS SWBT WILLING TO ADJUST SETTLEMENTS FOR LOCAL PLUS USAGE FOR WHICH THE MISSOURI LECS NEVER RECEIVED RECORDS AND THEREFORE NEVER RECEIVED COMPENSATION?

A. Yes. SWBT is willing to make those adjustments. In my September 8, 2000 letter I told all of the companies in the Kansas City and St. Louis LATAs we would be making a retroactive adjustment and proposed we wait to make that adjustment until after we began recording this traffic and base it on actual usage in a representative month.

On August 29, 2000 we made an initial preliminary settlement to Mid-Missouri Telephone Company because of its location to the affected switches and the fact that three of the affected exchanges had been part of former high volume COS routes. In addition, in my September 8, 2000 letter I advised all of the companies in the Kansas City and St. Louis LATAs that if they felt they were similarly impacted because of their location or other factors to contact us to discuss an initial preliminary adjustment. Based on requests received on November 14th and November 15th 2000, I am working on calculating settlement amounts for the other affected companies.

Q. WERE ANY OF SWBT'S OTHER SWITCHES IN MISSOURI IMPACTED BY THIS PROGRAMMING ERROR?

A. No. SWBT has rechecked the translations in its other Missouri switches and verified that Local Plus is being recorded correctly.

Q. DOES THE PROGRAMMING ERROR THAT WAS FOUND IN SWBT'S ERICSSON SWITCHES INDICATE THAT THERE IS AN INHERENT FLAW IN THE ORIGINATING RECORDS SYSTEM?

A. No. In fact it demonstrates that the originating records process works as designed. Since the records had a call code of 001, they should not have been transmitted to the SCs for billing. In this instance, these Local Plus calls were coded incorrectly in the switch as call code 001, instead of 006. As designed, the system transmitted the 006 call records to the SCs for billing.

<u>THE INADEQUACY OF TERMINATING RECORDS</u>

Q. IF THE CURRENT ORIGINATING RECORD SYSTEM IS NOT USED FOR INTRALATA COMPENSATION WHAT RECORDS WOULD BE USED?

A. Many of the parties in this case have proposed the use of terminating recordings.

Q. WOULD THESE TERMINATING RECORDINGS BE CATEGORY 11 OR CATEGORY 92 RECORDS?

A. Neither. As outlined in Mr. Scharfenberg's testimony the terminating record would be a call code 119 AMA record.

Q. ARE CALL CODE 119 AMA RECORDS STANDARD INDUSTRY RECORDS?

A. Yes. But the call code 119 AMA record is a record that is used for the billing of traffic carried by IXCs.

Q. WOULD THESE CALL CODE 119 AMA RECORDS BE APPROPRIATE FOR LEC TO LEC TOLL TRAFFIC?

A. No. As outlined by Mr. Scharfenberg in his testimony these call code 119 AMA records do not contain all information necessary for proper billing of terminating access. The identification of the originating provider of the call, which is the party responsible for the payment of terminating access, is not identified on the call code 119 AMA record.

Q. PLEASE EXPLAIN HOW CALL CODE 119 AMA RECORDS ARE USED FOR IXC CALLS WHEN THE CALL ORIGINATOR IS NOT RECORDED.

A. IXCs who are billed by LECs using the call code 119 AMA record are directly interconnected to a LEC at either the LEC's end office or tandem through use of a separate trunk group. The call code 119 AMA record is recorded at this end office or tandem connection and identifies the trunk group that carried the call not the specific originating provider of the call.

Q. HOW DOES THIS DIFFER FOR LEC TO LEC TOLL TRAFFIC?

A. LEC to LEC FGC traffic is delivered for termination to a LEC exchange over a jointly provided common trunk group between the LEC exchange and the tandem company. These common trunks groups not only carry LEC traffic but the traffic of many other carriers (such as wireless carriers, Competitive Local Exchange Carriers (CLECs), FGA carriers, and IXCs (in cases where the terminating LEC receives IXC traffic through another LEC's tandem) destined for termination to an end office company. Therefore a call code 119 AMA record made at the terminating end of this jointly provided common trunk would identify all traffic carried on this trunk group as belonging to the tandem owner. At the terminating end of the call, without standardization by the Industry or switch manufactures, there are no means currently in place to be able to identify the true originating provider of the call for proper terminating access billing.

Q. WHY DO THESE COMMON TRUNK GROUPS CARRY THE TRAFFIC OF MULTI CARRIERS?

A. Under the federal Telecommunications Act of 1996 (the "Act"), tandem companies like SWBT must accept the traffic of these other carriers for termination within its own exchanges or transiting to another company's network. Section 241(a)(1) of the Act states that each telecommunications carrier has the duty to "interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers." In addition as outlined by Mr. Scharfenberg the use of a separate trunk group for each type or classification of traffic is not an efficient use of the jointly provided LEC to LEC network.

Q. ARE THERE ANY OTHER REASONS WHY A CALL CODE 119 AMA RECORD WOULD NOT CONTAIN THE TRUE ORIGINATING PROVIDER OF A CALL PLACED ON THE JOINTLY PROVIDED COMMON TRUNK GROUP?

A. Yes. In a competitive environment, customers may be provided service by CLECs via the purchase of Unbundled Network Elements (UNE). In this instance, the true originating provider of the call can not be determined at the terminating end of the call.

Q. PLEASE EXPLAIN WHY THIS IS THE CASE.

A. When such a call is terminated to a LEC, the LEC records a call code 119 AMA record, but the originator of the call appears to be SWBT not the CLEC since the call originated from a telephone number that uses UNEs purchased from SWBT. These calls look like they belong to SWBT not the CLEC. In this cases the LEC at the terminating end of the call can not determine who is the true originating provider. The use of a call code 119 AMA record, recorded at the terminating end of the call, will result in incorrect access billing in these situations.

Q. HAS THE INDUSTRY UNDERTAKEN ANY STEPS TO IDENTIFY THE TRUE ORIGINATING PROVIDER FOR THIS TYPE OR CALL?

A. Yes. The Industry through the Ordering and Billing Forum (OBF) has had numerous discussions on the need to identify the originator or service provider for all calls. The Alliance for Telecommunications Industry Solutions (ATIS) sponsored Network Interconnection Interoperability Forum (NIIF) is continuing its efforts to look at a network solution that will identify the service provider for each call. In addition OBF is evaluating the deployment of a line level database. They have proposed and sent out for comment a National Data Repository for Line, Switch and Company Level Information which would be used to identify the service provider for each telephone number.

Q. DOES SWBT SUPPORT THIS EFFORT?

A. Yes, however not enough detail has yet been developed on this proposed database for SWBT to be able to determine whether it can support this specific database. SWBT has stated in its response to these issues at OBF that we "continue to support the ongoing investigation to determine a resolution(s) to the issues identified. Until additional details are available SBC can not commit any support to the proposed National Data Repository for Line, Switch and Company Level Information. SBC is especially interested in the finalized data elements as well as a cost structure, funding mechanism, data population, data security and intended use of the proposed database."

OTHER MATTERS

Q. DURING THE TECHNICAL CONFERENCES, SOME PARTIES CLAIMED THAT TANDEM COMPANIES LIKE SPRINT, SWBT AND VERIZON SHOULD BE REQUIRED TO PAY FOR ALL TRAFFIC THAT FLOWS THROUGH THEIR TANDEMS, EVEN IF SOME OF THE TRAFFIC WAS ORIGINATED BY ANOTHER CARRIER AND MERELY TRANSITED THE TANDEM COMPANY'S FACILITIES. DO YOU BELIEVE THIS IS AN ISSUE FOR THIS CASE?

A. No. When the Commission established this case, it did so to investigate "signaling protocols, call records, trunking arrangements and traffic measurement." Case No. TO-99-254 Report and Order, issued June 10, 1999 at p. 19. It set out a similar direction in its June 15, 1999 Order Directing Notice in this case. In neither order, however, did the Commission indicate that the parties should investigate requiring carriers with tandems to pay for the termination of another carrier's traffic.

Q. DO YOU BELIEVE THE COMMISSION HAS ALREADY DECIDED THIS QUESTION?

A. Yes. In Case No. TO-99-254, the former SCs sought an order from the Commission requiring the tandem companies to pay them for any discrepancy between the minutes shown on originating records that were provided and what the SCs recorded themselves at the terminating end. The Commission specifically rejected this proposal. Among the reasons for rejecting it was that it would make the tandem companies financially responsible for other carriers' traffic that merely transited the tandem company's network:

> ...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 the SCs are not entitled to be compensated. These include MCA traffic delivered over common trunks, interstate intraLATA traffic, and possibly Feature Group A <u>traffic and calls that merely "transit" the PTC's network</u>. Adopting this scheme would guarantee that some SCs will be over-compensated when there is little evidence that they are under-compensated under the present scheme.

Report and Order, p. 13 (emphasis added).

Q. WAS THIS THE FIRST TIME THE COMMISSION RULED THAT COMPANIES THAT MERELY TRANSIT ANOTHER CARRIER'S TRAFFIC ARE NOT FINANCIALLY RESPONSIBLE FOR PAYING TERMINATING COMPENSATION ON THE OTHER CARRIER'S TRAFFIC?

A. No. The Commission previously made a similar determination in ruling on how CLECs interconnect with incumbent carriers. In the Dial U.S. interconnection case, Case No. TO-96-440, which was the first in the state, the Commission specifically examined this transit of traffic and determined that Dial U.S. must make its own arrangements to terminate its own traffic. And all of the other interconnection agreements SWBT, GTE (now Verizon) and Sprint have with various CLECs that operate in the state all contain similar provisions making the originating carrier responsible for paying compensation to all carriers that are involved in terminating those CLEC calls.

The Commission also made a similar determination with regard to wireless traffic. In examining SWBT's revised Wireless Carrier Interconnection Service tariff in Case No. TT-97-524, the Commission found that the wireless carriers were primarily liable for bearing the expenses to terminate their own traffic. SWBT was to bill wireless carriers for its piece of the network which the wireless carrier uses to transmit its calls and the terminating carrier was to bill the wireless carriers for the use of their network in terminating the call.

Q. IN EACH OF THESE CASES, THE COMMISSION AFFIRMED THE CONCEPT THAT THE ORIGINATING CARRIER IS RESPONSIBLE FOR THE EXPENSES INCURRED IN TERMINATING ITS OWN CUSTOMERS' CALLS. IS THIS CONCEPT NEW?

A. No. This is the standard practice that has existed in the industry for years. The access tariffs of all LECs in the state (including the small LECs in this case) call for meet point billing. In other words, each carrier involved in terminating a call bills the originating carrier for each piece of their network that is used to terminate the call. These access tariffs do not permit the terminating company to bill the tandem company for traffic the tandem company's customers did not originate. Rather, they require the originating carrier to be billed for its own traffic. These tariffs were approved by the Commission and have been in effect for over 12 years (their interstate access tariffs that also require meet point billing have been in effect for approximately 16 years). This practice is not unique to Missouri, but is common throughout the country.

Q. IS ONE LEC'S TRANSITING A CALL THROUGH A TANDEM COMPANY'S NETWORK THE SAME AS AN IXC'S USING ANOTHER IXC'S NETWORK?

A. No. The two situations are very different. IXCs that use another IXC's trunk group have entered into private resale agreements. Under these types of agreements, the reselling IXC (which may not have any physical facilities of its own) often purchases large blocks of transmission capacity on the facility-based IXC's network. Under these agreements, the facility-based IXC not only agrees to carry resellers' traffic across its own network, but also to terminate it on an end-to-end basis. In offering this type of end-to-end service, the facility of the terminating LEC(s) are a component of the facility-based IXC service and the facility-based IXC must compensate the terminating LEC(s) for using those facilities. Compensation to the terminating LEC(s) is under LEC access tariffs which call for meet point billing.

These resale arrangements are very common in the industry and represent a separate wholesale line of business for facility-based IXCs. Facility-based IXCs have voluntarily chosen to engage in this line of business and is the means by which they are able to generate additional revenue from the excess capacity on their networks that they are not using to serve their own retail customers.

LEC tandem companies are in a very different position. First, they are not offering other carriers an end-to-end service that includes the actual termination of the connecting carrier's traffic to a customer on a third carrier's network. Instead, LEC tandem companies offer actual termination of the connecting carrier's calls to customers within the tandem LEC's own exchanges. If the call is destined for a customer on another LEC's network, the tandem company only holds itself out to transport or "transit" the call across its own network so the connecting carrier can reach the network of the terminating LEC. Under the tandem companies' access tariffs and interconnection agreements, it only bills for the pieces of its network used by the connecting carrier. It is up to the connecting carrier to separately compensate the terminating LEC for using its network. That is also what the terminating LEC's access tariff calls for.

Second, a LEC tandem company does not have a choice in permitting other carriers to connect with it for the purpose of reaching another carrier's network. Under the Act, LEC tandem companies have a legal obligation to provide transiting to other requesting telecommunications carriers. The Act, however, imposes no obligation on a tandem company to pay for another carrier's traffic.

Q. WHAT RECORDS DO TERMINATING LECs CURRENTLY RECEIVE FROM SWBT FOR TRAFFIC TERMINATED TO THEM OVER THE FGC COMMON TRUNK GROUP WHICH TRANSITS A SWBT TANDEM?

A. The following records are created and transmitted for traffic transited by a SWBT tandem for termination to a LEC exchange over the FGC common trunk group:

- LEC-originated intraLATA toll - either Category 11 or Category 92 records, as selected by the terminating carrier.
- Wireless Traffic – Cellular Transiting Usage Summary Report – CTUSR, as ordered by the Commission.

- FGA Traffic – AG655-001 through AG655-004 Report – which is used in the traditional SWBT five state region (Arkansas, Kansas, Missouri, Oklahoma and Texas).
- IXC transported usage terminated to a non-tandem company – Category 11 Records.

Q. DO TANDEM COMPANIES SEND RECORDS TO TERMINATING LECS FOR THE USAGE A FACILITY BASED CLEC OR UNE PROVIDER ORIGINATES AND TRANSITS OVER THE FGC COMMON TRUNK GROUP?

A. No. The creation and transmission of records for CLEC and UNE provider-originated traffic is the responsibility of that CLEC or UNE provider.

Q. HOW DOES THE LEC RECEIVE COMPENSATION FOR THE TYPES OF TRAFFIC MENTIONED ABOVE THAT IS TERMINATED TO THEM OVER THE FGC COMMON TRUNK GROUP?

A. The LEC generally bills the originator of the call directly using the record provided. The only exception is FGA that is revenue shared at each company's rates.

Q. IN ITS JUNE 10, 1999 REPORT AND ORDER IN CASE NO. TO-99-254, THE COMMISSION NOTED THAT "PRUDENT BUSINESS PRACTICES DICTATE THAT THE SCs MOVE TOWARD ACQUIRING MORE INFORMATION ABOUT, AND AUTHORITY TO BILL FOR, CALLS TERMINATED TO THEM." DOES SWBT AGREE WITH THIS STATEMENT?

A. Yes.

Q. WHAT HAS SWBT AND OTHER TANDEM COMPANIES DONE TO HELP TERMINATING LECs ACQUIRE MORE INFORMATION ABOUT THE CALLS THEY TERMINATE TO ASSIST THEM IN BILLING AND BEING APPROPRIATELY COMPENSATED FOR THAT TRAFFIC?

A. SWBT and the other LEC tandem companies have, as directed by the Commission, reprogrammed their billing systems to provide the terminating LECs with records in the Category 11 format for all intraLATA toll calls their customers originate. By far, this is the bulk of the traffic that terminates to them through large LEC tandems.

SWBT and the other LEC tandem companies are also working with the terminating carriers to develop a mechanism to exchange records for interstate intraLATA traffic (e.g., calls from Kansas City, Kansas to Kansas City, Missouri). SWBT is currently developing a report for this type of usage for transmission to the LECs so that proper access billing can be accomplished for this traffic and expects to be completed with this report in January 2001.

And as indicated in the Direct Testimony of SWBT witness Richard Scharfenberg, SWBT has invested in new technology, the Hewlett Packard Business Intelligence System, that will assist in the identification of traffic that enters the LEC-to-LEC network and help assure that all traffic terminated can be appropriately billed.

Q. SHOULD TANDEM COMPANIES BE REQUIRED TO PAY FOR ANOTHER CARRIER'S TRAFFIC THAT MERELY TRANSITS THEIR NETWORKS?

A. No. The originating carrier is the party that bills the end user that placed the call and is the one that received the end-user revenue on the call. Traditionally it is the originating party that is responsible for the expense associated with terminating its customers' call and therefore for payment of the terminating access to all parties on the call path. The current process accommodates that process. The originating record process that is currently in place allows for the identification of the true originator of the call and accurate access billing.

Over the course of the past twelve years when problems were found with the originating record process, the Industry has worked together to resolve them. We view this as a healthy process with the end result being that the overall integrity of the billing systems used by the Industry is strengthened. We see no need to change a system that was very costly to implement and that has been serving the Industry well for over twelve years.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

SUMMARY OF EDUCATION, WORK EXPERIENCE AND QUALIFICATIONS

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have received an Associate of Business Administration in 1983, a Bachelor of Business Administration in 1986 and a Master of Business Administration in 1994, from Lindenwood College in St. Charles, Missouri.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.

A. I have been employed by Southwestern Bell Telephone Company since 1969. From 1969 to 1980, I held various positions in finance and capital recovery in Missouri and Texas.

In 1980 I was appointed Manager-Administrative. In 1987 my title was changed to Area Manager-Administrative. In this position I was involved in the administration of the Missouri Toll and Access Pools, assisted in the development of the Missouri Primary Toll Carrier Plan and was administrator of that plan from July 1, 1988 to March 1, 1990.

In March 1990 I was appointed Area Manager-Industry Relations, and in this position have responsibilities for coordination and administration of various systems and settlements with all incumbent independent local exchange telephone companies (ILECs) in Missouri, including day-to-day contacts on a variety of issues. In addition, I have assisted in the analysis of data and testimony associated with Public Service Commission dockets involving ILECs.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes.

August 17, 2000

TO: Ed Dunvant - Alltel
Oral Glasco - Alma
Ken Matzdorff - Cass County/Spectra
Bill Biere - Chariton Valley
Kathie Munson - Citizens
Jerry James - Craw-Kan
Steve Gann - Green Hills
Bruce Copsey - Holway
Kathy Faircloth - Iamo
Bill Rohde - MarkTwain
David Jones - Mid-Missouri
Don Stowell - MoKan Dial
Gary Godfery Northeast MO Rural/Modern
Ruth Nelson - GTE
Bob Williams - Oregon Farmers
Phil Johnson - Grand River Mutual/Lathrop
Raymond Henagan - Rock Port
Don Edwards - Sprint

FROM: Joyce L. Dunlap
Area Manager-Industry Relations
One Bell Center, Room 31-P-5
St. Louis, Missouri 63101
314-235-6155

As a result of some preliminary analysis that we have been doing to prepare for the reconciliation part of the Missouri Records Test, Southwestern Bell Telephone discovered on August 4, 2000 that we may have been incorrectly recording Local Plus calls in our Ericsson switches in KnobNoster, Sedalia, Lamonte, Marshall and Slater. It appeared that these calls were being recorded as call code 001 (local) instead of call code 006 (toll). In Missouri, these local 001 records are not pulled into the settlement system therefore no settlement records would be created. After we verified that this problem existed, we immediately took steps to correct it. We can now report that this problem was corrected on a go forward basis August 11, 2000.

To the extent that our Local Plus customers in these exchanges originated calls for termination to one of your exchanges, your company did not receive a settlement record for that traffic. We are currently in the process of determining when this problem started and are verifying that Local Plus is being recorded correctly in our other exchanges throughout the state. At this point, we believe the problem was limited to the Ericsson switches mentioned above. In addition, we are checking to see if there are records that can be provided to your company for billing, or in the alternative working on an estimated retroactive adjustment for this traffic.

At the current time we do not know the magnitude of this correction but believe it will to some extent help narrow the difference between terminating to billing records. As we all move through the reconciliation process we should have a better feel for that amount. We wanted to bring this correction to your attention quickly in case it might aid you in the record analysis you are now doing.

On a go forward basis, you should be seeing additional records as a result of this correction beginning with your September data. It would be helpful if after these records are processed your company could let us know what percentage change you are seeing in your total terminating to billing records.

If you have questions, I can be reached on 314-235-6155.

CC: Bob Schoonmaker – GVNW
Phyllis Callahan – Warinner, Gesinger & Assoc.

September 8, 2000

TO: Ed Dunvant – Alltel
Oral Glasco – Alma
Ken Matzdorff – Cass County/Spectra
Charlie Crow - Farber
Bill Biere – Chariton Valley
Kathie Munson – Citizens
Jarry James – Craw-Kan
Steve Gann – Green Hills
Bruce Copsey – Holway
Kathy Faircloth – Iamo
Bill Rohde – Mark Twain
David Jones – Mid-Missouri
Don Stowell – MoKan Dail
Gary Godfery – Northeast MO Rural/Modern
Ruth Nelson – GTE
Bob Williams – Oregon Farmers
Phil Johnson – Grand River Mutual/Lathrop
Raymond Henagan – Rock Port
Don Edwards – Sprint
Lisa Winberry – BPS
Dee McCormack - Ellington
Dave Beier - Fidelity
Randy Boyd – Kingdom
Jim Simon – New Florence
Patty Epperson – New London/Orchard Farm
Don Santhuff – Steelville

FROM: Joyce L. Dunlap
Area Manager – Industry Relations
One Bell Center, Room 31-P-5
St. Louis, Missouri 63101
314-235-6155

As some companies may be aware from my previous letter of August 17, 2000 (copy attached) Southwestern Bell Telephone (SWBT) experienced a problem in the recording of Local Plus traffic in our five Ericsson switches in the Kansas City LATA. That problem was corrected August 11, 2000. Subsequently we learned that we had a similar problem in the Ericsson switch at Mexico. That problem was corrected September 1, 2000. We believe that this problem was limited to the Ericsson switches. But to make sure, we are now in the process of examining all of our other switches in the state to verify that Local Plus recordings are being correctly made.

If your company is in the Kansas City LATA you should see additional Local Plus records with your September data. If your company is in the St. Louis LATA you should see additional Local Plus records with your October data.

We would like to propose that we wait until we see actual data for your company to develop an adjustment based on that data. The adjustment would cover the period 6-1-99 through 8-11-00 or 9-1-00 depending on which LATA your company is in and take into account the Local Plus start up period. Prior to making the adjustment for your company we would forward to you the calculations used to develop this adjustment for your review. Hopefully we would then be in the position to forward an agreed upon settlement amount to your company by late October or November 2000.

We have made a preliminary partial settlement with Mid-Missouri because of the disproportionate impact on it due to the fact that the affected SWBT exchanges of KnobNoster, Sedalia, Lamonte, Marshall and Slater are adjacent to the Mid-Missouri exchanges. Furthermore three of these exchanges were previously part of higher volume former COS routes.

Should your company feel that it has been as similarly impacted because of its location to the affected exchanges or other factors, please contact me. We will work with your company to develop a preliminary partial settlement that would be subject to being trued up to an agreed upon settlement amount.

If you would like to discuss the above or discuss a preliminary partial settlement amount, I can be reached on 314-235-6155.

CC: Bob Schoonmaker
Phyllis Callahan