Exhibit No:

Issues: Policy

Witness: Hughes
Type of Exhibit: Rebuttal Testimony

Sponsoring Party: Southwestern Bell Telephone Company

Case No: TO-99-593

# SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO-99-593

REBUTTAL TESTIMONY

OF

THOMAS F. HUGHES

Jefferson City, MO December, 2000

## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

In the Matter of the Investigation into Signaling			) Case No. TO-99-593		
Protocols, Call Records, Trunking Arran	gements and	.)	,		
Traffic Measurements		)			
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STATE OF MISSOURI	)	'.		7	
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COUNTY OF COLE	) :	• • •	•		
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I, Thomas F. Hughes, of lawful age, beir	ng duly sworn, de	epose and	state:		

- 1. My name is Thomas F. Hughes. I am presently Vice President Regulatory in Missouri for Southwestern Bell Telephone Company.
- 2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.

Thomas F. Hughes

Subscribed and sworn to before this \_\_\_\_\_\_ day of December, 2000

My Commission Expires: Apr. 4, 2004

## REBUTTAL TESTIMONY OF THOMAS F. HUGHES

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- 3 O. WHAT IS YOUR NAME AND BUSINESS ADDRESS?
- 4 A. My name is Thomas F. Hughes. My business address is 101 W. High Street,
- 5 Jefferson City, Missouri.

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- 7 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR TITLE?
- 8 A. I am employed by Southwestern Bell Telephone Company as Vice President-
- 9 Regulatory for the state of Missouri.

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- 11 Q. HAVE YOU PREPARED AN EXHIBIT WHICH PROVIDES INFORMATION
- 12 REGARDING YOUR EMPLOYMENT, EDUCATIONAL BACKGROUND
- 13 AND APPEARANCES BEFORE THE COMMISSION?
- 14 A. Yes. That information is attached as SCHEDULE 1.

- 16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
- 17 A. The purpose of my testimony is (1) to respond to proposals made in the Direct
- 18 Testimonies of MITG witness David Jones and STCG witness Robert Schoonmaker
- to change the existing business relationship in Missouri between tandem Local
- Exchange Companies ("LECs") and the LECs subtending those tandems; (2) to
- 21 provide SWBT's position concerning their proposal that tandem companies block
- 22 calls at the terminating LEC's direction; and (3) to address concerns the STCG
- expressed about a SWBT early retirement program that has recently been completed.

ī	5 Whi wides soyce Duniap, who previously med Direct resultionly in this case,
2	will address MITG and STCG's proposal to permit some of the terminating carriers to
3	bill terminating access charges from the terminating recordings they have been
4	making rather than from the originating records that traditionally have been used.
5	
6	SWBT witness Richard Scharfenberg, who also previously filed Direct Testimony,
7	will address the network issues that MITG and STCG have raised.
8	
9 10 11	I. CHANGING THE BUSINESS RELATIONSHIP TO MAKE TANDEM COMPANIES RESPONSIBLE FOR PAYING TERMINATING ACCESS CHARGES ON OTHER CARRIERS' TRAFFIC
12 13	Q. BOTH MITG (JONES DIRECT AT PG. 4) AND STCG (SCHOONMAKER
14	DIRECT AT PGS. 5-6) OUTLINE PROPOSALS TO ALTER THE BUSINESS
15	RELATIONSHIP BETWEEN TANDEM COMPANIES AND THE SMALL
16	LECS. DO YOU AGREE WITH THESE PROPOSALS?
17	A. No.
18 19	Q. WHY NOT?
20	A. Their proposals completely overturn established industry precedent under which the
21	carrier whose customer placed the call is responsible for securing all the necessary
22	facilities to complete its customer's call and for compensating other carriers when
23	those carriers' facilities are used to handle that call. Essentially, MITG and STCG
24	seek to overturn this traditional structure and make tandem companies financially

responsible for calls placed by other carriers' customers, simply because those calls

2 transited the tandem companies' facilities.

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## 4 Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED THIS ISSUE?

5 A. Yes. As SWBT witness Joyce Dunlap indicated in her Direct Testimony at pp. 17 – 6 19, the Commission previously rejected this approach on numerous occasions. Most 7 recently, the Commission in the last Primary Toll Carrier (PTC) case, Case No. TO-99-254, specifically rejected allowing MITG and STCG to bill tandem companies for 8 other carriers' traffic. The Commission rejected a similar proposal in its review and 9 approval of SWBT's revised Wireless Carrier Interconnection Service Tariff in Case 10 No. TT-97-524. There, the Commission held that it is the originating wireless carrier 11 12 that is primarily responsible for compensating companies that terminate its cellular customers' calls, not the transiting carrier: The Commission made a similar 13 determination when it examined the first interconnection agreement between a 14 Competitive Local Exchange Company (CLEC) and SWBT in the Dial U.S. case. 15 There, the Commission ruled: 16

When Dial US becomes a facility-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. Dial US is prohibited by the agreement from sending to SWB traffic that is "destined for the network of a third party unless and until compensation arrangements acceptable to Dial US and the third party have been reached." Interconnection Agreement at 15.XIII.A. The Commission finds that this provision protects other LECs and removes the potential for discrimination from the agreement. The agreement, therefore, does not discriminate against Choctaw. Report and Order, Case No. TO-96-440, issued September 6, 1996 at p.7.

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O. WHAT IS THE BASIS FOR THIS TRADITIONAL ARRANGEMEN	O. Y	WHAT I	STHERA	SIS FOR	THIS TRADITIONAL	ARRANGEMENT?

- A. This traditional arrangement recognizes that it is the originating telecommunications carrier (e.g. IXC, LEC, wireless carrier) that has made a business decision to offer service to its customers. It recognizes that the originating carrier is the service provider selected by the customer. The originating telecommunications carrier is the one that determines how its customers' calls are to be routed. It is the one that determines the rate the customer must pay for the service. And it is the one that
- Accordingly, the originating carrier is the one responsible for paying any charges associated with terminating its customer's call.

actually receives the revenue from the customer for the service provided.

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## Q. IS SWBT'S NETWORK UTILIZED BY OTHER PARTIES IN ORIGINATING

AND TERMINATING CALLS WHEN SWBT IS NEITHER THE

#### ORIGINATING CARRIER NOR THE TERMINATING CARRIER?

A. Yes. In many cases, SWBT serves as the transiting carrier for calls. Essentially,

SWBT switches and transports the call from the originating carrier's network to the

terminating carrier's network.

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#### 19 Q. IS SWBT OBLIGATED TO PROVIDE THIS TRANSISTING FUNCTION?

A. Yes. Section 251(a)(1) of the federal Telecommunications Act of 1996 (the

"Telecommunications Act") states that each telecommunications carrier has the duty

"to interconnect directly or indirectly with the facilities and equipment of other

telecommunications carriers." This section obligates SWBT to interconnect with

other carriers (e.g., CLECs and wireless) and transit the calls for termination by the ILECs.

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## 4 Q. WHY DO OTHER CARRIERS CHOOSE TO USE SWBT'S NETWORK TO

## TRANSIT TRAFFIC?

A. Other carriers seek to use SWBT's network to gain efficiencies for themselves and 6 7 their customers. SWBT's network has been in place for years and extends to nearly every other telephone company in the state (in cases where SWBT does not directly 8 9 connect with a particular telephone company, SWBT connects with a tandem company, like Sprint or Verizon, that serves the smaller company). Thus, by 10 establishing a direct connection with SWBT, other carriers can indirectly reach all 11 12 other telephone companies in the LATA. The alternative would be for the other carriers to physically build their networks to all other carriers operating in the state, which the originating carriers have indicated would be inefficient for them. The 14 Telecommunications Act recognizes these inefficiencies and is why SWBT and all 15 other telecommunications carriers are required to interconnect their networks with 16 other carriers. 17

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#### 19 Q. WHAT DO THE INTERCONNECTION AGREEMENTS STATE

#### REGARDING THE OBLIGATION TO PAY THE TERMINATING

## 21 **CARRIER?**

- 22 A. The SWBT/AT&T interconnection agreement at Attachment Compensation, Section
- 7 Billing Arrangements for Compensation for Termination of IntraLATA, Local,

1		Transit, and Optional Calling Area Traffic, makes clear that each party is responsible
2		for creating originating records for its own customers' toll calls and supplying those
3		records to all carriers on the call path to enable them to bill terminating charges to the
4		originating carrier. 7.2.2 states "Each Party will transmit the summarized originating
5		minutes of use from Section 7.2.1 above to the transiting and/or terminating Party for
6		subsequent monthly intercompany settlement billing". Section 7.2.1 states "On a
7		monthly basis, each Party will record its originating minutes of use including
8	*	identification of the originating and terminating NXX for all intercompany calls".
9		
10	Q.	IS THIS SAME OR SIMILAR PROVISION IN OTHER
-11		INTERCONNECTION AGREEMENTS IN MISSOURI?
12	A.	Yes. Similar provisions requiring the originating carrier to pay the terminating carrier
13		are in all of SWBT's contracts in Missouri.
14		
15	Q.	DO THE PROPOSALS PRESENTED BY MITG AND STCG CONFLICT
16		WITH THIS REQUIREMENT?
17	A.	Yes. Section 7 noted above makes it clear that the originator of the call is obligated
18		to pay for traffic that they terminate on another carrier's network. Their failure to pay
19	•	should not obligate SWBT to pay on their behalf.
20		
21	Q.	ARE ALL THE NECESSARY PARTIES PRESENT IN THIS CASE FOR THE
22		EXISTING BUSINESS RELATIONSHIP TO BE CHANGED IN MISSOURI
23		AS MITG AND STCG PROPOSE?

١.	A.	10. With an parties were invited to participate in the network test, many have
2		chosen not to participate. Since SWBT has interconnection agreements with many
3		carriers (CLECs and wireless carriers), it would be inappropriate to alter the
4		relationship outlined in the interconnection agreements in this case.
5		
6	Q.	IF TANDEM COMPANIES WERE TO BE MADE FINANCIALLY
7		RESPONSIBLE FOR TERMINATING CHARGES ON ANOTHER
8		CARRIERS' TRAFFIC, IS THERE ANY MEANS FOR THE TANDEM
9		COMPANIES TO COLLECT THESE TERMINATING CHARGES FROM
10		THE ORIGINATING CARRIER?
l 1		
12	A.	No.
13		
14	Q.	WHY NOT?
15	A.	The current interconnection agreements between SWBT and CLECs/wireless carriers
16		call for the originating carrier to compensate the terminating company. The
17		Commission would need to revise all of the interconnection agreements in Missouri if
18		it were to adopt the MITG and STCG proposal.
19		
20	Q.	MITG AND STCG's PROPOSALS TO CHANGE THE TRADITIONAL
21		BUSINESS RELATIONSHIP APPEAR TO SPRING FROM THEIR
22		CONCERN THAT THEY MAY NOT BE GETTING PAID FOR ALL THE
23		TRAFFIC THEY ARE TERMINATING. DOES SWBT AGREE THAT

-	TERMINATING LECS	A ROBE WINDSHIPPING HOLD	TO COLUMN	BIOLANDIAN AND MINERAL
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2 APPROPRIATE RATE (i.e., TERMINATING ACCESS CHARGES OR

## RECIPROCAL COMPENSATION) FOR TERMINATING ANOTHER

#### CARRIER'S TRAFFIC?

A. Absolutely. SWBT agrees that terminating carriers are entitled to appropriate compensation for terminating calls. SWBT has always been willing to pay the appropriate terminating compensation on its customers' calls. This can be seen by SWBT's promptness in acknowledging financial responsibility when it discovered that it had not paid for terminating Local Plus® calls placed from its Ericsson switches because of a translation error. However, SWBT does not believe it should be obligated to pay for calls originated by other carriers.

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# Q IS SWBT WILLING TO ASSIST TERMINATING COMPANIES IN

14 SECURING THE INFORMATION THEY NEED TO BILL ORIGINATING

## CARRIERS FOR THE TERMINATION OF THOSE CARRIERS' TRAFFIC?

A Yes. As Ms. Dunlap indicated, most of the traffic that flows to the small LECs comes from the tandem companies' (Fidelity, Spectra<sup>1</sup>, Sprint, SWBT and Verizon's) own customers. In Case No. TO-99-254, MITG and STCG asked the Commission to

require each of the tandem companies to provide them with Category 11 records on

this traffic. In its June 10, 1999 Report and Order, the Commission adopted MITG

and STCG's request and ordered the tandem companies to provide a Category 11

<sup>&</sup>lt;sup>1</sup> I understand that Spectra uses the same tandem configuration for its exchanges as GTE (now Verizon) did when GTE owned those exchanges.

record for this traffic. SWBT and the other tandem companies have complied with this Order and made modifications to their in-house data processing systems (or those used by their vendors) to convert the records they had traditionally exchanged among 3 themselves into the Category 11 format. The tandem companies have been producing 4 5 Category 11 records since April of this year. The small LECs have been successfully using them to bill terminating access to SWBT and SWBT has paid the terminating 6 companies based on that billing. 7 8 Ms. Dunlap also explained that as directed by the Commission, SWBT provides to 9 each terminating carrier a monthly Cellular Transiting Usage Summary Report 10 (CTUSR) that summarizes, by wireless carrier, the cellular calls that transit SWBT's 11 network and terminates to each terminating LEC exchange. In addition to Sprint and 12 Verizon, I understand that a few of the small terminating LECs (New London, 13 Orchard Farm and Stoutland) are actually using the CTUSR to bill wireless carriers. 14 While the rest have yet to actually use it, I would note that they testified in Case No. 15 TT-2001-139, et al. (Mark Twain, et al.'s Wireless Termination Service Tariff Case) 16 that they planned to use it to bill wireless carriers if they could not get originating 17 records from the wireless carriers. Mark Twain's Proposed Wireless Termination 18 ServiceTariff at Sheet No. 4 paragraph E.3 states: 19 If a CMRS provider is unable to provide billing records of the calls that it 20 originates to the Telephone Company, the Telephone Company may use usage 21 reports and/or records (such as a CTUSR) generated by a third party ILEC whose 22 network is used to transit the traffic as the basis for billing the CMRS provider. 23

In addition, Ms. Dunlap explained how SWBT currently provides terminating companies with records on IXC traffic, Feature Group A traffic, and how SWBT is working with the Missouri telephone industry to develop records the terminating companies can use to bill for interstate, intraLATA traffic.

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As SWBT network witness Richard Scharfenberg explained, SWBT has recently purchased the AcceSS7 Business Intelligence network monitoring system developed by Hewlett Packard/Agilent. This system provides the capability to monitor interconnection traffic being carried over SWBT's facilities. SWBT made this investment to augment its audit and validation capabilities used to assure that traffic is properly flowing through the billing and compensation systems. (It was through the use of this system that SWBT discovered that its Ericsson switches were not properly translated to create appropriate records for Local Plus.) If monitored traffic is not represented in the billing data as it should be, this system could be used to determine the source of the traffic. This determination would allow appropriate action to be taken to correct problems in the creation or exchange of billing data. Working in conjunction with the traditional AMA-based billing systems, this new system, in the future, could provide records where the AMA-based records have not been properly produced or exchanged. Such a capability would allow SWBT and the terminating companies to have a supplementary billing record to fill the gap for missing AMAbased records.

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## Q. WHEN DID SWBT DEPLOY THE ACCESS7 BUSINESS INTELLIGENCE

## PACKAGE IN MISSOURI?

- 3 A. The system and related applications are being installed in stages. At time of the
- 4 records test conducted in July in Missouri, the complete installation and acceptance
- testing of the latest phase were not complete. However, SWBT was able to utilize
- some of the capabilities of the systems during the test. The current phase of
- deployment is nearly complete and acceptance testing is underway.

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## 9 II. BLOCKING

- 10 Q. IN THEIR PROPOSALS, MITG AND STCG SEEK AUTHORITY TO
- 11 REQUIRE SWBT TO BLOCK A PARTICULAR CARRIER'S TRAFFIC
- 12 WHEN THEY ARE NOT BEING COMPENSATED BY THAT CARRIER.
- 13 DOES SWBT HAVE CONCERNS WITH THIS BLOCKING PROVISION?
- 14 A. Yes. As stated above, SWBT has an obligation under the federal
- Telecommunications Act to allow indirect interconnection and to permit other carriers
- to use its network to reach the networks of other carriers. SWBT believes that
- without a specific order from the Commission, it does not have the authority to block
- transiting traffic at the request of a terminating carrier when it is having a dispute with
- the originating carrier. As the transiting carrier, SWBT is not in a position to know
- 20 the status of the relationship between the terminating LEC and the originating
- 21 provider or whether there are appropriate grounds for stopping the flow of traffic. In
- addition, without a specific order from the Commission, SWBT is concerned with
- incurring liability to the originating carrier for cutting off its traffic.

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THIS TRAFFIC?

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- A. The LEC which requests the Commission to order SWBT to block the traffic ought to
  be responsible since that carrier is requesting it. To the extent the LEC wishes to
  recover the cost from the originating carrier, that is also reasonable.
- 5 Q. WHAT DOES IT COST SWBT TO UNDERTAKE THIS BLOCKING?
- A. The cost varies depending on the number of central offices, which would require translations work, as well as the number of NXXs which must be entered into the system. SWBT believes that a rate of \$30.93 for the first half-hour and \$21.32 for each additional half-hour would be appropriate. If this work is performed on an overtime basis then appropriate overtime rates would apply (see, e.g. the
- SWBT/AT&T Interconnection Agreement, UNE appendix pricing).

# 13 Q. DOES SWBT BELIEVE THAT BLOCKING IS GENERALLY

## APPROPRIATE IN THESE CIRCUMSTANCES?

- 15 A. If the terminating LEC is not being compensated for the calls, ultimately blocking
  16 may be appropriate. However, it should be a last resort, as customers of both the
  17 originating carrier and the LEC would be adversely affected by having the traffic
  18 blocked. Requiring a specific Commission order would help insure that blocking was
  19 justified under the circumstances.
- 21 Q. WOULD SWBT BLOCK THIS TRAFFIC IF ORDERED BY THE MISSOURI
- 22 **PSC?**

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23 A. Yes. SWBT would block traffic upon a Missouri PSC order.

ORIGINATING RECORDS?

A. As was outlined in the direct testimony of Joyce Dunlop, SWBT discovered an error 1 in the translations associated with Local Plus® traffic in its Ericsson switches. Upon 2 discovery of this error, SWBT took corrective action in its Ericsson switches. This 3 situation has now been rectified. 4 5 6 Q. HAS SWBT REACHED A SETTLEMENT WITH MID MISSOURI FOR THIS 7 TRAFFIC? A. Yes. SWBT has reached a full settlement with Mid Missouri on the payment of past 8 due amounts related to this error. 9 10 III.SWBT EMPLOYEES 11 O. MR. SCHOONMAKER, ON PAGE 17 AT LINE 7 OF HIS DIRECT 12 TESTIMONY, EXPRESSES CONCERN THAT THE EARLY RETIREMENT 13 OF SOME OF SWBT'S MANAGEMENT FORCE WILL MAKE IT MORE 14 15 DIFFICULT FOR BILLING ISSUES TO BE DEALT WITH EXPEDITIOUSLY AND CORRECTLY IN THE FUTURE. DO YOU AGREE 16 WITH THIS CONCLUSION? 17 A. No. Although some of SWBT's management employees are accepting an early 18 retirement offer, the number of management employees that are leaving the company 19 has been limited so that the required technical skills will be retained. Also, since the 20 21 current offer was not made to the non-management employees, the impact on the 22 technical forces required to maintain the switching and AMA systems will be

minimal. SWBT work force has some of the best technical employees of any

1	telecommunication company doing business in Missouri. SWBT is committed to	
2	maintain this level of expertise in the future.	
3		
4	Q. SHOULD A CHANGE IN MANAGEMENT PERSONNEL RESULT IN	
5	CHANGING OF THE BILLING SYSTEMS?	
6	A. Absolutely not. There will be new faces but this is the case in any company when	
7	people retire or change jobs. This is not something new in the telephone industry	or
8	unique to SWBT. All companies experience personnel changes, but the day to day	7
9	issues are resolved. The Missouri ILECs will still have people within SWBT to	
0	contact to discuss issues, just as has been done in the past. Changes in personnel a	re
1	no reason to dismantle the current originating records system and change the entire	Э
2	business relationship that has served the industry for over 12 years.	
3		
14	Q. DOES THIS CONCLUDE YOUR TESTIMONY?	
15	A. Yes it does.	

## SUMMARY OF EDUCATION AND WORK EXPERIENCE

## Q: WHAT IS YOUR EDUCATIONAL BACKGROUND?

A: I graduated with a BS in Engineering Management from the University of Missouri -Rolla in 1991. I earned a Master of Business Administration from St. Louis University in 1995.

## Q: PLEASE OUTLINE YOUR WORK EXPERIENCE.

A: I began my career with Southwestern Bell in 1991 as a Manager Installation/Repair. After assignments in Finance and with Southwestern Bell's Payphone division, I began working in the St. Louis Market Area. There I held positions as Manager Business Office Support and Area Manager Installation and Repair. In 1995, I helped form SBC's Wholesale Marketing Organization. Over the course of 3 years, I held various positions with responsibilities including Resale, SBC's CLEC training and the CLEC website. In 1998, I was appointed Director of the AT&T local account team. I served in that capacity until accepting my current position in October of 1999.

# Q: HAVE YOU PREVIOUSLY APPEARED AS A WITNESS BEFORE THE MISSOURI PSC?

A: Yes. I appeared before the PSC in Rulemaking TX-2000-160 -snap back procedures for CLECs and in Rulemaking TX-2000-708 – Rulemaking Surety Bond. I also appeared before the PSC in TO-2000-258 - Local Plus Promotion for SWBT business customers. I have also testified in TO-99-483 – investigation for the purpose of clarifying and determining certain aspects surrounding the provisioning of Metropolitan Calling Area Service and TC-2000-325 et al, Southwestern Bell Telephone Company's Complaint Against Mid-Missouri Telephone Company for Blocking Southwestern Bell's Maximizer<sup>sm</sup> 800 Traffic and Request for an Order Requiring Mid-Missouri to Restore the Connection. I also testified in TO-2000-261 – in the Matter of the Application of SBC Advanced Services, Inc. for Approval of an Interconnection Agreement with Southwestern Bell Telephone Company. I was an affiant in TO-99-227 - In the Matter of the Application of Southwestern Bell Telephone Company to Provide Notice of Intent to File an Application for Authorization to Provide In-Region InterLATA Services originating in Missouri Pursuant to Section 271 of the Telecommunications Act of 1996. I also appeared before the Commission in Case No. TT-2001-139, et al - In the Matter of Mark Twain Rural Telephone Company's Proposed Tariff to Introduce its Wireless Termination Service.