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Issue(s): Article II: Definitions Issues 6, 14-16; Article V: Interconnection and Intercarrier Compensation Issues 7, 9, 10, 17, 32-34
Witness: Calvin Simshaw
Type of Exhibit: Direct Testimony
Sponsoring Party: CenturyTel of Missouri, LLC and Spectra Communications Group, LLC d/b/a CenturyTel
Case No.: TO-2006-0299
Date Testimony Prepared: March 21, 2006

DIRECT TESTIMONY

OF

CALVIN SIMSHAW

ON BEHALF OF CENTURYTEL OF MISSOURI, LLC AND SPECTRA COMMUNICATIONS GROUP, LLC d/b/a CENTURYTEL

CASE NO. TO-2006-0299

OF THE STATE OF MISSOURI

PETITION OF SOCKET TELECOM, LLC FOR COMPULSORY ARBITRATION OF INTERCONNECTION AGREEMENTS WITH CENTURYTEL OF MISSOURI, LLC AND SPECTRA COMMUNICATIONS, LLC PURSUANT TO SECTION 252(b)(1) OF THE TELECOMMUNICATIONS ACT OF 1996	)))))))	**CASE NO. TO-2006-0299**

STATE OF WASHINGTON

COUNTY OF CLARK

AFFIDAVIT OF CALVIN K. SIMSHAW

I, Calvin K. Simshaw, of lawful age and being duly sworn, state:

1. My name is Calvin K. Simshaw. I am presently Vice President, Associate General Counsel – Regulatory for CenturyTel Service Group, LLC.

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.

Calvin K. Simshaw

Subscribed and sworn to before this 20th day of March, 2006.

Notary Public

My Commission expires: Aug 3, 2007

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DIRECT TESTIMONY OF CALVIN SIMSHAW

ON BEHALF OF CENTURYTEL OF MISSOURI, LLC AND SPECTRA COMMUNICATIONS GROUP, LLC d/b/a CENTURYTEL

Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.

A. My name is Calvin Simshaw. My business address is 805 Broadway, Vancouver, Washington.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING DIRECT TESTIMONY?

A. I am submitting direct testimony on behalf of CenturyTel of Missouri, LLC and Spectra Communications Group, LLC, collectively referred to herein as "CenturyTel."

I. INTRODUCTION

Q, BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by CenturyTel Service Group, LLC. My job title is Vice President, Associate General Counsel – Regulatory.

Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

A. I am generally responsible for supporting CenturyTel, Inc. operating local exchange carriers in regulatory and interconnection matters. This includes providing support to CenturyTel of Missouri, LLC and Spectra Communications Group, LLC in the negotiation of interconnection agreements with CLECs. In this testimony I will refer to both of these companies interchangeably as "CenturyTel."

Q. PLEASE OUTLINE YOUR WORK EXPERIENCE.

A. I have almost thirty years of experience in the telecommunications industry, beginning in 1979 when I served as a Staff Attorney with the Montana Public Service Commission. I

left the Montana Commission in 1985 to take the position of Director of Industry and Legal Relations with the Montana Telephone Association. In that position, I was primarily responsible for representing the interests of 13 independent local exchange carriers with regard to regulatory and intercarrier relations matters. In 1989, I joined the regulatory group at Pacific Telecom, Inc., a holding company operating local exchange carriers in nine western states. Between 1989 and 1997, while working at Pacific Telecom, my primary job duties entailed representing Pacific Telecom's local exchange carriers before various state regulatory commissions on a variety of regulatory and intercarrier issues. Pacific Telecom was acquired by CenturyTel, Inc. in 1997. Since then, I have continued to work in the regulatory and interconnection areas for CenturyTel, including the past six years under my current job title.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I have a Bachelor of Arts Degree in Business Administration from the University of Montana, as well as a Law Degree, also from the University of Montana.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. In my testimony, I discuss intercarrier compensation and interconnection related disputes arising between CenturyTel and Socket in the context of Article V of the proposed interconnection agreement. I will present testimony on several of the issues identified in this proceeding that have a direct bearing on how the parties share in the costs associated with exchanging traffic between their networks. Basically, I explain how Socket's interconnection and intercarrier compensation proposals are designed to create and take advantage of a regulatory arbitrage opportunity with respect to certain traffic (i.e., VNXX), while shifting the costs from Socket to CenturyTel. Not only is Socket's

attempt in that regard fundamentally inconsistent with the FTA's goal of promoting facilities-based competition, but it also deviates from sound regulatory and economic principles. In my testimony I will elaborate on each of the following points, among others:

- The bulk of the traffic to be exchanged between the Parties will likely be Socket's VNXX dial-up ISP traffic.
- Socket's VNXX dial-up ISP service increases the distance between the calling and called party, which in turn increases the costs.
- In order for the service to work, calls must ride interoffice facilities that, unlike the servicing of legitimately local calls, extend beyond the local calling area.
- The existing interoffice facilities on CenturyTel's network were designed only for long distance traffic and will not be able to accommodate the increased call volume and the increased call duration associated with Socket's VNXX dial-up ISP traffic.
- Socket's VNXX dial-up ISP traffic will require the addition of trunks on the routes leaving CenturyTel's local calling areas.
- The number and location of Points of Interconnection (POIs) required in the agreement will dictate which Party bears the cost of these additional trunks.
- Under Socket's single POI per LATA approach, Socket would shift these costs to CenturyTel.
- The costs of the additional trunks is a direct result of Socket rolling out its VNXX dial-up ISP service.
- Socket derives all of the revenues associated with its VNXX dial-up ISP service.
- CenturyTel will derive no revenue from Socket's VNXX dial-up ISP service.
- Therefore, Socket should bear the increased costs associated with the provision of its VNXX dial-up ISP service, rather than shifting those costs to CenturyTel and creating an arbitrage opportunity undermining the primary goal of the FTA—to promote facilities-based competition.

Q HOW IS YOUR TESTIMONY STRUCTURED?

A. In the first section of my testimony, I will pay particular attention to the impact of Virtual NXX dial-up ISP traffic, which has been, and will likely continue to be, the great bulk of the traffic exchanged between the parties. After discussing Virtual NXX traffic, I will describe how Virtual NXX dial-up ISP service is designed to allow and encourage CenturyTel customers to place dial-up internet calls to ISPs served by Socket. I will explain how VNXX dial-up ISP service is a means of regulatory arbitrage by which the additional costs of carrying calls from a distant exchange to the CLEC's point of interconnection are borne by the ILEC, not by the CLEC providing the VNXX service. While VNXX calls are actually interexchange calls, CLECs deploying VNXX arrangements avoid paying access charges. Following this, I will explain how Socket is taking positions in this proceeding that are purposely designed to shift costs of the Virtual NXX dial-up ISP service to CenturyTel even though it is Socket, and not CenturyTel, that will continue to derive revenues from that service.

After discussing the cost and policy implications of Socket's Virtual NXX dial-up ISP related proposals, I will turn my attention to the critical network interconnection issues concerning the number and location of Points of Interconnection (POIs) that must be established for the parties to effectively, efficiently, and equitably exchange traffic. In addressing this issue, I will explain how Socket's "one POI per LATA regardless of traffic volume" proposal is unreasonable and improperly attempts to shift substantial costs to CenturyTel that Socket should otherwise bear.

Finally, I will address several disputes arising under Article II and Article V that, with the effects certain proposed language may have, may critically impact how the parties interconnect, the traffic they exchange, and the applicable intercarrier

compensation for that traffic. In the end, to best promote facilities-based competition and equitably apportion costs and responsibilities between the parties, the Commission should adopt CenturyTel's proposed contract language.

II.
VIRTUAL NXX DIAL-UP ISP SERVICE

Q. WHAT IS VIRTUAL NXX?

A. Basically, a virtual NXX ("VNXX") arrangement is the assignment of a telephone number associated with an exchange area to a customer who is not physically located in that exchange area. The physical location of the end-user customer who is being called bears no relationship to the local number that is assigned to that customer. For example, a carrier utilizing VNXX could assign a telephone number from an Ava, Missouri NXX to a VNXX carrier's customer who is physically located in St. Louis, or even in Oklahoma City, Oklahoma. When the CenturyTel customer in Ava dials that number, the call is routed to St. Louis or Oklahoma City, to be delivered to the VNXX carrier's customer located in that other city. Under VNXX arrangements, therefore, carriers can assign an NPA/NXX telephone number associated with a local service area in which it has no physical presence. VNXX dial-up ISP service is the most prevalent form of VNXX arrangements.

Q. WHY SHOULD THE COMMISSION BE CONCERNED ABOUT VNXX DIAL-UP ISP SERVICE?

A. Among other reasons, the Commission should be concerned with the volume and treatment of VNXX traffic because such arrangements tend to overburden the existing ILEC network by creating the need for a connection between the calling and called party that is much longer (both in terms of distance and call holding time) than that for which

the network was originally designed. If not properly accounted for in the interconnection agreement, this practice could effectively allow those carriers that deploy VNXX arrangements to avoid the costs associated with the distance between calling and called party created by the service. In order to put many of the issues in this proceeding in their proper context, it is necessary to understand the nature and impact of VNXX Dial-up ISP traffic. As I stated earlier, this traffic makes up the great bulk of the traffic that the parties will likely be exchanging under the arbitrated interconnection agreement.

Q. PLEASE DESCRIBE IN MORE DETAIL WHAT VNXX DIAL-UP ISP SERVICE ENTAILS.

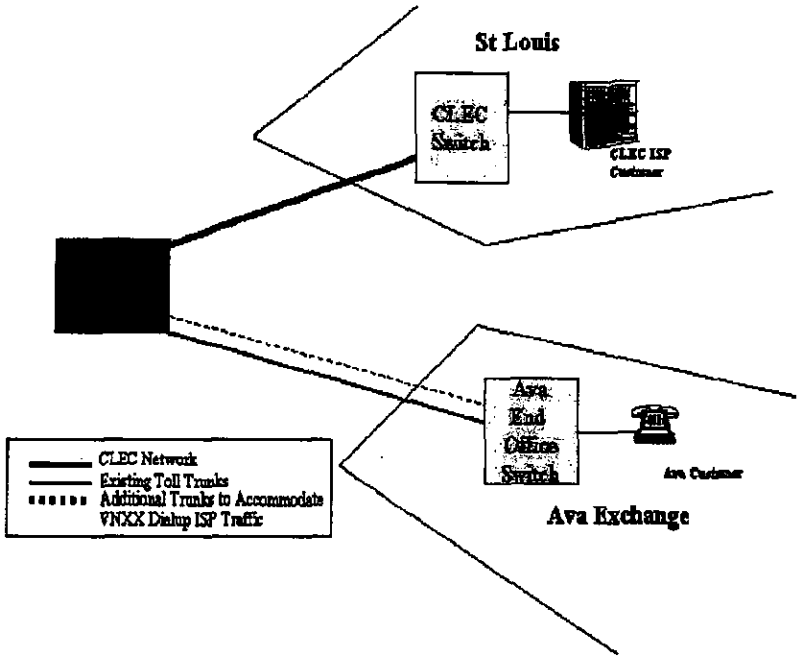
A. As the South Carolina state commission explained,

> Virtual NXX allows a customer to obtain a telephone number in a local calling area in which the customer is not physically located. As far as the person calling the number is concerned, the call is a local call, but the party answering the call is actually located somewhere else within the LATA. This type of arrangements is referred to as "virtual NXX" because the customer assigned to the telephone number has a "virtual" presence in the associated local calling area. This presence, however, " is just a virtual presence, not a physical one. " Virtual NXX is similar to foreign exchange ("FX") service provided by an ILEC. However, unlike FX service, " virtual NXX" does not use lines dedicated to particular customers for transporting the call between rate centers. "Virtual NXX" also closely parallels 800 service.[1]

Importantly, using VNXX arrangements allows carriers to effectively determine the rating of the call because the rate charged to the originating party is typically based on an examination of the originating and terminating NXX codes. In my view, VNXX dial-up ISP service is a niche that many Competitive Local Exchange Carriers ("CLECs") have

[1] In re *Petition of Adelphia Business Solutions of South Carolina, Inc. for Arbitration of an Interconnection Agreement with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Communications Act of 1934 , as Amended by the Telecommunications Act of 1996*, Docket No. 2000-516 Order on Arbitration No. 2001- 045 at 4-5 (S.C. P.S.C., Jan. 16, 2001).

discovered and employed to go into business to provide service predominately, and in many cases exclusively, to ISPs. It has become a financially lucrative means of regulatory arbitrage designed to take advantage of existing intercarrier compensation regimes and minimize or completely avoid incurring costs to deploy facilities and transport traffic. The CLEC's ISP customer is often an affiliate of the CLEC, and in many instances the ISP customer actually created its own affiliated CLEC for the purpose of providing VNXX dial-up ISP service to itself, thereby gaming the system. The service involves ISPs removing their equipment from more rural local exchanges and redeploying that equipment (or initially deploying the equipment) at or near a CLEC switch in a bigger city. CenturyTel's rural exchange of Ava, Missouri can be used as an illustrative example. With the advent of VNXX dial-up ISP service, an ISP that had been providing local dial-up internet services to customers in Ava would remove its equipment from Ava, Missouri and replace it with equipment at or near a CLEC switch located in, for example, St. Louis. The ISP would then cease taking local service from CenturyTel in Ava and would instead begin taking service from a CLEC in St. Louis. The ISP would take service from the CLEC in St. Louis with the expectation that it would continue to provide local dial-up internet service to its customers in Ava, even though it would no longer have any facilities or presence in the Ava local calling area. The Following diagram depicts how a VNXX dial-up ISP service arrangement between Ava and St. Louis would look from a networking perspective.



A typical VNXX dial-up ISP call can be traced on the diagram as follows. The CenturyTel local customer in the Ava exchange would dial the Ava telephone number that the CLEC has given to its ISP customer in St. Louis. The call would first go from the CenturyTel customer's premise to the Ava central office switch. The call would then be routed to Branson and then onto St. Louis where the CLEC would deliver it to the ISP.

Q. BUT ISN'T IT NORMALLY A LONG DISTANCE CALL FOR A CUSTOMER IN AVA TO PLACE A CALL TO ANOTHER PARTY LOCATED IN ST. LOUIS?

A. It is true that Ava and St. Louis are not in the same local calling area and normally calls from a customer in Ava to a customer in St. Louis would be a long distance call. However, CLECs argue that with VNXX dial-up ISP service, customers in Ava should be

able to place calls to St. Louis without paying long distances charges, and that the CLEC should be allowed to provide this interexchange service to its ISP customer without paying the access charges normally associated with interexchange calls. CLECs instead want such calls treated as purely local traffic, subject only to intercarrier compensation generally applied to local traffic.

Q. DOES TRAFFIC TO ISPS DIFFER IN ANY RESPECT FROM TRADITIONAL VOICE TRAFFIC?

A. Yes. Among other things, calls to ISPs tend to have much longer holding times; that is, they last much longer than traditional voice calls. Therefore, dial-up calls to ISPs effectively consume network facilities for longer durations than the typical call. Calls involving ISPs also tend to flow in only one direction, from the ILEC's end user (who is also the ISP's client) to the ISP served by the CLEC. In other words, from the ILEC to the CLEC with little or no traffic coming back in the other direction. This arrangement skews the 1996 Federal Telecommunications Act's (the "FTA") anticipation of a "mutual" exchange of traffic between ILECs and CLECs, potentially turns the intercarrier compensation regime on its head, and undermines a key goal of the Act—to promote facilities-based competition.

Q. WHAT IS THE CLEC'S RATIONALE FOR TREATING THIS TRAFFIC, THAT IS OBVIOUSLY GOING BETWEEN TWO DIFFERENT LOCAL CALLING AREAS, AS LOCAL?

A. Quite simply, CLECs have developed a way to arbitrage the system by playing games with the telephone numbers they assign to their ISP customers. Continuing with my illustrative example, the CLEC would now be serving the ISP in St. Louis. However, instead of giving that ISP a St. Louis telephone number, the CLEC would instead give the

ISP an Ava telephone number. The CLEC would also give that same ISP customer in St. Louis telephone numbers for any other rural exchanges in Missouri from which the ISP desired to receive calls. The CLEC would give the ISP telephone numbers from these exchanges even though neither the CLEC nor the ISP have any facilities in any of those exchanges. The CLECs argue that because the customer in Ava placing the call and the CLEC's ISP customer in St. Louis receiving the call both have Ava telephone numbers, the call is local and should not be subject to toll or access charges.

Q. WHY DO YOU REFER TO THIS AS "GAMING" THE SYSTEM?

A. The Public Switched Telephone Network has traditionally relied upon telephone numbers to determine the jurisdictional nature of calls; that is, whether a particular call is local or long distance. The traditional, historic expectation has always been that an Ava telephone number would only be given to a customer physically located in and taking service in Ava. By the same token, a customer taking service in St. Louis would be given a St. Louis telephone number. The North American Numbering Plan Administrator (NANPA) guidelines plainly articulate this expectation.[2] By ignoring these expectations and numbering guidelines and instead playing games with the way they assign telephone numbers, CLECs are gaming the system. They are being allowed to, in effect, fool the network into thinking that a call from a customer in Ava to a customer in St. Louis is somehow local.

[2] The Central Office ("CO") Code Assignment Guidelines issued by the North American Numbering Plan Administrator assume "from a wireline perspective that that CO codes/blocks allocated to wireline service providers are to be utilized to provide service to a customer's premises physically located in the same rate center that the CO codes/blocks are assigned."

Q. BUT HAVEN'T CUSTOMERS IN ST. LOUIS ALWAYS HAD THE OPPORTUNITY TO ESTABLISH SERVICE IN AVA AND GET AN AVA TELEPHONE NUMBER VIA FOREIGN EXCHANGE ("FX") SERVICE?

A. Yes, but only to the extent the customer in St. Louis was willing to pay to, in effect, establish a service location in Ava. Under true FX service offerings, the St. Louis customer pays for a dedicated connection between St. Louis and Ava in order to establish that customer's service location in Ava. Only then would that customer have the right to have an Ava telephone number that could be called locally by other Ava customers. With traditional FX service, it is not a matter of the network being fooled into thinking that a call from Ava to St. Louis is local, but rather a case of the St. Louis customer paying the long distance charge in the form of a charge for the required dedicated connection between Ava and St. Louis. In other words, the FX customer rightfully pays for the costs associated with the increased distance between the calling and called party that is caused by the FX service. This is markedly distinct from Socket's approach here. Socket is willing to pay only for the facilities from the POI to its ISP customers. Socket does not offer to pay for dedicated facilities from the local calling area (LCA) out of which it is assigning numbers for VNXX dial-up ISP service to its POI. As a result, Socket is accounting for only a portion of the required connection between its customer and that customer's desired distant local calling area. The remainder of the costs have been effectively shifted to another carrier. Obviously the CLECs prefer to avoid those costs when such a lucrative arbitrage opportunity exists. Despite Socket's attempts to confuse the situation by referring to VNXX dial-up ISP service as "FX-like," the two services are not at all the same. As noted, under VNXX dial-up ISP service, neither the CLEC nor the ISP customer in St. Louis would have any facilities in Ava or pay to establish a dedicated connection between St. Louis and Ava in order to establish a service location in Ava.

Q. EVEN IF THE NETWORK HAS BEEN FOOLED INTO THINKING THAT THE CALL FROM AVA TO ST. LOUIS IS LOCAL, WON'T IT STILL BE NECESSARY FOR SUCH A CALL TO GO OVER LONG DISTANCE FACILITIES IN ORDER TO BE COMPLETED?

A. Yes, the calls will have to ride facilities that leave the local calling area and traverse a long distance. This is significant because distance drives cost. This may not be as much of a factor on major backbone routes between big cities, but it is a factor of enormous proportions for the relatively less densely populated and spread out areas CenturyTel primarily serves in Missouri. For these areas and these facilities, distance critically impacts and exacerbates costs. Therefore, the question of who bears the cost of transport on the rural portion of the route necessary to complete the "long distance VNXX" call becomes a critical issue.

Q. WHAT DOES THIS DISCUSSION HAVE TO DO WITH ARBITRATION OF AN INTERCONNECTION AGREEMENT IN THIS PROCEEDING?

A. It has everything to do with arbitrating the interconnection agreement between Socket and CenturyTel in this proceeding, particularly in light of the positions Socket is taking with respect to interconnection requirements and intercarrier compensation. A critical factor to the CLECs in making VNXX dial-up ISP service fit their business case is putting in place an interconnection agreement with the ILEC whose customers will be originating the VNXX dial-up calls to the CLEC's ISP customer. In order to fully arbitrage the situation, the CLEC must seek terms that force the ILEC to pick up most of the transport costs associated with the CLEC having moved the ISP so far away from the dial-up customers. Examining the disputes between CenturyTel and Socket in Article V, it becomes readily apparent that Socket takes key positions in a blatant effort to facilitate its VNXX arbitrage opportunity.

III.
POINT OF INTERCONNECTION ("POI")

Article V. – Issue No. 7

Which party's contract language should be adopted regarding network interconnection provisions, including but not limited to point of interconnection ("POI") requirements, methods of interconnection, and use of the third party facilities?

Q. WHAT IS A POINT OF INTERCONNECTION ("POI")?

A. The POI identifies the physical location where the ILEC and CLEC, here Socket and CenturyTel, will exchange traffic with each other. Agreement terms pertaining to the POI will determine which party bears most of the costs associated with transport of VNXX dial-up ISP traffic, which in turn will likely make up the great bulk of the traffic exchanged between Socket and CenturyTel. The parties are in basic agreement that each party should bear financial responsibility for the costs of transport on its side of the POI. Therefore, the location of the POI on any given route will determine the transport costs each party will bear on any given call between the end points of that route.

Q. WHAT IS THE PARTIES' DISPUTE REGARDING POIS?

A. The crux of this dispute concerns the number of POIs Socket must establish with CenturyTel and, generally speaking, their locations. Socket has taken the position that, virtually regardless of traffic volume and primary directionality of the exchanged traffic (*i.e.*, whether it is grossly out of balance flowing from ILEC to CLEC), it need establish only a single POI in each LATA in perpetuity for the exchange of traffic with CenturyTel. CenturyTel, on the other hand, has agreed that a single POI is appropriate only as an entry vehicle during the initial period of CLEC entry into a LATA. Once traffic associated with a particular local calling area grows to a point where it begins to

burden existing facilities, a POI should be established in that local calling area. In other words, at the point where Socket has assigned telephone numbers out of a particular local exchange, and traffic associated with that exchange grows to a DS-1 level (*i.e.*, 24 voice grade channels), a POI should be established in that local calling area.

Q. DO CLECS HAVE AN ABSOLUTE RIGHT TO DICTATE THAT THERE BE ONLY A SINGLE POI IN THE LATA FOR AS LONG AS THEY WANT?

A. No, they do not have such an absolute right. The FTA merely states that CLECs are entitled to connect "at any technically feasible point within the carrier's network." 47 USCA § 151(c)(2)(B). Various FCC rulings have endorsed an initial single POI entitlement merely as a way to facilitate facilities-based entry and competition. It is, in short, an entry vehicle. The rationale for allowing a single POI was the FCC's intent to help "new entrants" initially enter a given market without creating a financial disincentive to competition. As a competitor establishes a market foothold, however, the FCC fully expected the competitor to deploy additional POIs.

Q. DO STATE COMMISSIONS HAVE DISCRETION TO DETERMINE WHEN ADDITIONAL POIS SHOULD BE REQUIRED?

A. Yes, they do, especially when, as here, it is the number and location of POIs that will determine an equitable allocation of costs between the parties. A good example of the exercise of such discretion was displayed by the North Carolina Utility Commission in an arbitration between AT&T Communications (the old AT&T then functioning as a CLEC) and BellSouth. The North Carolina Commission was dealing with a factual situation very similar to the one at hand here. The North Carolina Commission stated:

> In this case, AT&T's proposal to establish only one POI per LATA would force BellSouth to incur additional transport costs to deliver local traffic

> from every exchange in the LATA to AT&T. In effect, this result would require BellSouth to absorb the cost of a significant portion of AT&T's local network at no cost to AT&T.
>
> ...Accordingly, the Commission concludes that, despite AT&T's assertions, there is no case or principle that is legally dispositive of the result on this issue. Rather, the law allows, and the greater equity demands, that, if AT&T interconnects at points within the LATA but outside BellSouth's local calling area from which traffic originates, AT&T should be required to compensate BellSouth for, or otherwise be responsible for, transport beyond the local calling area. The Commission further concludes that this holding does not violate any FCC rule or case law and that is more equitable than not and in the greater public interest.
>
> *In re AT&T Communications of the Southern States, Inc.*, 2001 WL 401431 (N.C. Util. Comm'n March 9, 2001) (emphasis added).

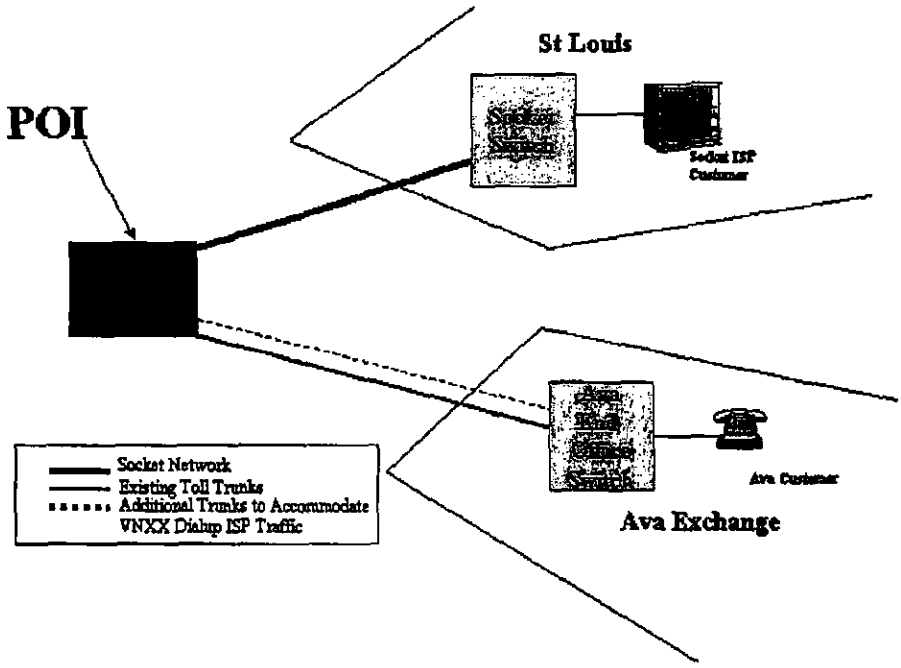
Q. IS A SINGLE POI IN A LATA IN PERPETUITY CONSISTENT WITH THE "GREATER EQUITY" IDENTIFIED BY THE NORTH CAROLINA COMMISSION?

A. No, it is not. As I will describe in some detail, when applied specifically to the circumstances in this case, the end result would be grossly inequitable.

Q. HOW WOULD AN UNRESTRICTED SINGLE POI IN THE LATA IMPACT CENTURYTEL?

A. Allowing CLECs unfettered unilateral authority to limit themselves to a single POI per LATA would have many and varied significant negative effects on CenturyTel. Perhaps the best way to illustrate the impact on CenturyTel would be to continue looking at the illustrative example of VNXX dial-up ISP calls from Ava to St. Louis. Socket has indicated that it is interested in providing service in CenturyTel exchanges in the Springfield LATA, which includes Ava. Socket operates a switch in St. Louis and provides VNXX dial-up ISP service to its affiliated ISP, and perhaps other ISPs, located in St. Louis. In order to provide VNXX dial-up ISP service to these ISPs in St. Louis, Socket will provide those ISPs with Ava telephone numbers. Socket would further

expect that calls from CenturyTel customers in Ava to Socket's ISP customers in St. Louis would be exchanged under the terms of this arbitrated interconnection agreement between Socket and CenturyTel. Under Socket's proposed language, Socket would establish a single POI at CenturyTel's tandem switch in Branson and would not establish a POI at Ava even though Socket provides Ava telephone numbers to its ISP customer in St. Louis and even though traffic volume out of Ava may be substantial relative to existing traffic leaving the Ava local calling area calling. As noted earlier, neither Socket nor its ISP customer would have any facilities or presence in Ava. Under the single POI approach, Socket would demand that CenturyTel deliver all traffic from Ava, and for that matter every other CenturyTel end office in the Springfield LATA, to Socket at a single point in Branson. Returning to the earlier Ava to St. Louis illustrative diagram, as indicated below, the single POI per LATA would be located at Branson rather than at Ava.



Q. UNDER SOCKET'S UNRESTRICTED SINGLE POI APPROACH, WHICH CARRIER BEARS THE COSTS OF TRANSPORTING THE VNXX DIAL-UP ISP CALLS ON THE PORTION OF THE ROUTE FROM AVA TO BRANSON?

A. Because the POI would be located in Branson and the Ava to Branson portion of the route would be on CenturyTel's side of the POI, CenturyTel would bear the costs of transport from Ava to Branson. Socket would bear the transport costs from Branson to St. Louis. However, as Dr. Avera similarly notes in his direct testimony regarding rural routes generally, the Ava to Branson portion of the route is the more costly portion of the route because it is in the more rural, less densely populated area. As a consequence, the Ava to Branson portion of the call route traverses a relatively thin pipe (*i.e.*, lower volume per route mile) carrying fewer minutes per mile on the facility. The Branson to

St. Louis portion of the call route, conversely, traverses a relatively fat pipe (*i.e.*, higher volume per route mile) carrying many more minutes per mile. Consequently, economies of scale dictate that the costs per minute mile will be much higher on the Ava to Branson portion than on the Branson to St. Louis portion of the route of the call. This significant cost differential helps explain why Socket demands a single POI per LATA under circumstances in which each party remains responsible for the facilities on its side of the POI. This would effectively allow Socket to avoid being responsible for the most costly segment of the route.

Q. WOULD SOCKET'S UNRESTRICTED SINGLE POI DEMAND IMPACT JUST THIS ONE VNXX DIAL-UP ISP CALL ROUTE?

A. No. The Ava to Branson route is merely a singe illustrative example. In addition to the Ava to Branson route, CenturyTel would also be responsible for maintaining a route from Willow Springs to Branson, from Shell Knob to Branson, and from any other CenturyTel exchange (potentially more than 50 exchanges) to Branson at such time as Socket unilaterally decides to provide its ISP customers in St. Louis with telephone numbers to any of those exchanges. Socket seeks to force CenturyTel to deliver all such traffic to Socket at a single point in the LATA, for example Branson. This would require CenturyTel to bear the substantial cost burden of maintaining many different facilities on many different routes to the single POI. At the same time, Socket would merely be responsible for continuing to transport traffic over the same single fat pipe route from Branson to St. Louis. This same dynamic would also hold true in the Kansas City LATA as well as any other LATA from which Socket chooses to draw telephone numbers to assign to its ISP customers in St. Louis. So in this manner, too, Socket would disproportionately burden CenturyTel with onerous transport obligations throughout the

more rural areas of the LATA, while itself retaining only limited, less expensive, and less cumbersome obligations relating to a single high-capacity transport route.

Q. IS SOCKET'S DEMAND IN THAT RESPECT CONSISTENT WITH THE FTA?

A. No, it is not. To the contrary, Socket's demand undermines a central goal of the FTA, which is to promote facilities-based competition. In paragraph 3 of its TELRIC NPRM, the FCC expressed concern that applications of its TELRIC pricing rules may understate forward-looking costs and thereby "thwart one of the central purposes of the Act: the promotion of facilities-based competition." Socket's demands here do no less. By erecting this lucrative arbitrage opportunity and shifting cost responsibility to the ILEC, CLECs obviously have far less incentive, if any, to deploy their own facilities. When a CLEC deploys an expensive form of interconnection, like a remote single POI, CenturyTel should not have to assume all of the transport costs. Indeed, if a CLEC selects a "technically feasible" but expensive form of interconnection such as single point of interconnection per LATA, or a POI outside the local calling area, then the CLEC should be required to bear the cost of that interconnection. As the FCC noted in Paragraph 199 of the First Report and Order, "[o]f course a requesting carrier that wishes a 'technically feasible' but expensive interconnection would, pursuant to Section 251(d)(1), be required to bear the cost of that interconnection, including a reasonable profit."

Q. DOES CENTURYTEL CURRENTLY HAVE FACILITIES THAT CONNECT AVA AND OTHER EXCHANGES TO THE TANDEM SWITCH IN BRANSON?

A. Yes, however it must be noted that the tandem switch at Branson is an access tandem and not a local tandem.

Q. WHAT IS THE SIGNIFICANCE OF THE BRANSON TANDEM BEING AN ACCESS TANDEM RATHER THAN A LOCAL TANDEM?

A. From a network engineering and construction perspective, as well as understanding the nature of the traffic routing, the distinction is critical. Because the Branson tandem is an access tandem, all facilities connecting exchanges like Ava and others that are not in the Branson local calling area were specifically designed to carry access (i.e. long distance) traffic only. They were never intended to carry local traffic. For example, all traffic on the route from Ava to Branson is currently access traffic rather than local traffic. It is traffic that is leaving the Ava local calling area. As such it constitutes "Paying" Traffic.

Q. WHY DO YOU REFER TO THE CURRENT TRAFFIC ON THESE ROUTES AS "PAYING" TRAFFIC?

A. As it is traffic leaving the Ava local calling area, all such traffic on this route connecting Ava to Branson has, up to this point, been access traffic subject to per minute access charges under CenturyTel's intrastate or interstate access charge tariffs. Because such traffic has been subject to per minute access charges it has remained fairly stable. Where there has been growth requiring expending capital resources to increase capacity on the route, it has been accompanied by increases in the minutes subject to access charges and, therefore, increased revenues. In that manner, CenturyTel's costs to increase capacity have been effectively reimbursed and justified by the increased access revenue derived from the increased traffic requiring facility augmentation. Historically, as traffic has increased and costs have increased, there has also been an associated increase in revenues available to defray those costs.

Q. WOULD APPLICATION OF SOCKET'S UNRESTRICTED SINGLE POI APPROACH AND THE GENERATION OF VNXX DIAL-UP ISP TRAFFIC UPSET THIS BALANCE?

A. It certainly would. VNXX dial-up ISP traffic, under the single POI approach Socket advocates, would not be "paying" traffic. It is obvious from the proposed contract language and the positions set forth in the Joint DPL that Socket has no intention of paying CenturyTel per minute access charges or otherwise for transporting this traffic over those routes between the CenturyTel end offices and the single POI in Branson. Under the single POI per LATA approach, Socket attempts to avoid all financial responsibility for the sizeable costs associated with transporting the VNXX dial-up ISP traffic on the routes from the CenturyTel end offices to the single POI in Branson.

Q. DOES IT MATTER THAT THE FACILITIES AT ISSUE WERE DESIGNED TO HANDLE ACCESS TRAFFIC RATHER THAN LOCAL TRAFFIC?

A. Yes, it does. The facilities at issue were engineered, designed, and deployed specifically based on anticipated volumes and patterns of access traffic. Those basic underlying assumptions vary substantially between access and local traffic, and even more so between traditional access traffic and essentially one-way VNXX dial-up ISP traffic.

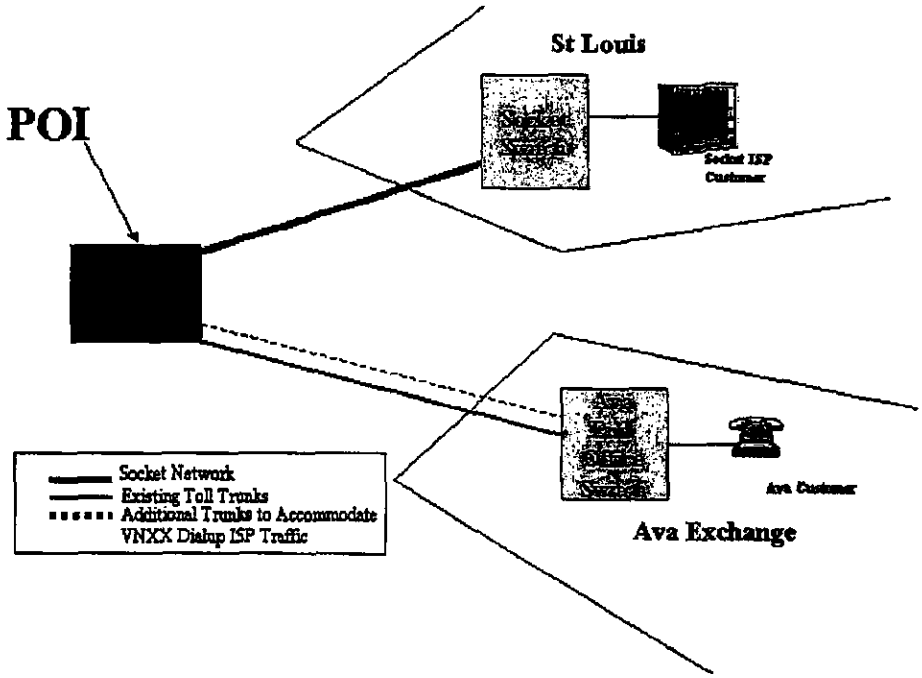
Q. WOULD IT BE TECHNICALLY FEASIBLE TO SIMPLY PUT THIS NEW TRAFFIC ON THE EXISTING ROUTE BETWEEN AVA AND BRANSON IN ORDER TO DELIVER IT TO SOCKET IN BRANSON?

A. No, it would not be technically feasible. The existing facilities and capacity on that route simply cannot accommodate this new VNXX dial-up ISP traffic. As was discussed earlier, this route, like many others that would be subject to Socket's unrestricted single POI demand, was designed and engineered to handle a very manageable volume of long distance traffic leaving the Ava local calling area. It has been CenturyTel's experience that implementation of VNXX dial-up ISP traffic by CLECs typically causes a very rapid exhaust of capacity on routes leaving the local calling area. This is due in large part to

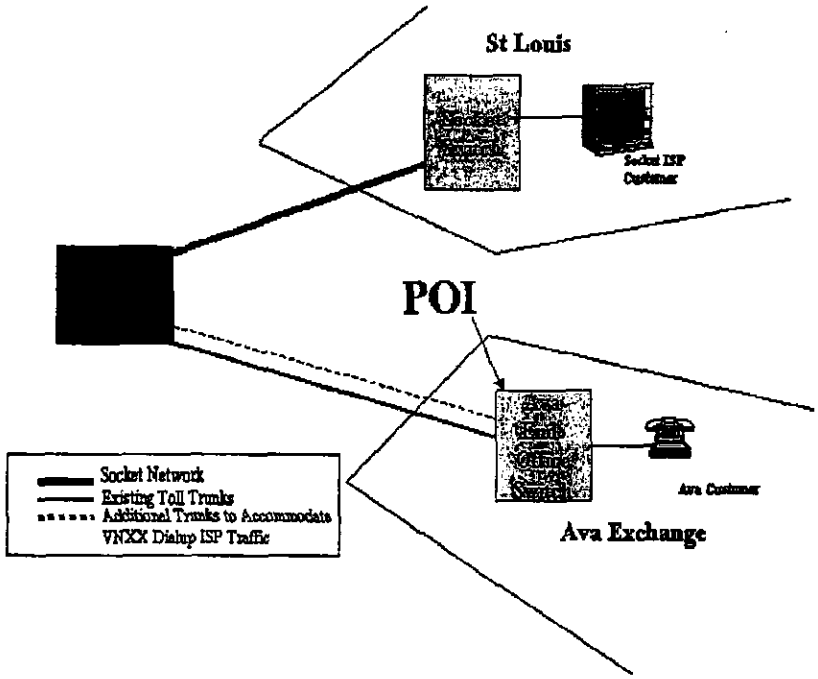
the fact that dial-up ISP calls have very long holding times. Also, because neither the CLEC nor its ISP customer pay charges to allow this traffic to ride facilities leaving the local calling area, they have no incentive to constrain the volume or duration of such traffic. If CenturyTel were to place the VNXX dial-up ISP traffic on the existing routes, such traffic would quickly overload the routes and cause blockage, including blockage of legitimate long distance calls that Ava customers might be trying to place. In other words, this new "non-paying" traffic would overcrowd and block out the existing legitimate "paying" traffic.

Q. COULD BLOCKAGE BE AVOIDED BY ADDING CAPACITY ON THESE ROUTES CONNECTING THE CENTURYTEL END OFFICES TO BRANSON?

A. Yes, assuming that the underlying facility can be upgraded and given proper planning and lead time this would be possible. However, such action would come with a cost. This, quite naturally, begs the all important question of who should bear the cost of adding capacity to accommodate VNXX dial-up ISP traffic exchanged under the agreement. If the agreement allows a single unrestricted POI per LATA indefinitely with each party responsible for the facilities on its side of the POI, CenturyTel would bear financial responsibility for the cost of the increased capacity, as that portion of the route would be on CenturyTel's side of the POI in Branson. (See the diagram below.)



In that manner, CenturyTel would incur substantial expenses to deploy facilities primarily designed and deployed to handle traffic inuring solely to Socket's financial benefit. If the agreement instead appropriately provides for additional POIs with the growth of traffic, Socket would become financially responsible for the cost of the required increased capacity, as that portion of the route would be on Socket's side of the POI, which would then be required to be established in the local calling area, for example at Ava. (See the diagram below.)



Q. HAS SOCKET ACKNOWLEDGED THAT EXCHANGE OF TRAFFIC BETWEEN THE PARTIES MAY CAUSE THE NEED FOR ADDITIONAL CAPACITY BETWEEN THE CENTURYTEL END OFFICES AND SOCKET'S SWITCH?

A. Yes, Socket has specifically acknowledged and anticipated this likely result. For example, Socket's proposed language at Article V, Section 11.1.2.1 provides that, with regard to any particular local calling area, when traffic exchanged between the parties exceeds a level of 24 DSOs (i.e. a DS-1) at peak, Socket would establish direct trunks to the CenturyTel end office in that local calling area.

Q. DOES CENTURYTEL AGREE THAT DIRECT TRUNKS TO THE CENTURYTEL END OFFICE SHOULD BE ESTABLISHED WHEN TRAFFIC REACHES A LEVEL OF 24 DSOS?

A. Yes, CenturyTel agrees that direct trunks should be established to the CenturyTel end office in the local calling area once traffic in that local calling area reaches a level of 24 DSOs (sometimes also referred to as a DS-1, or T-1 level). In this respect, the parties seem to be in agreement that 24 DSOs (*i.e.*, 24 voice grade trunks) is a significant level of traffic. In fact, significant enough to justify establishment of its own dedicated trunks. The establishment of dedicated trunks for the VNXX dial-up ISP traffic to be exchanged by the parties would be appropriate because it would prevent blockage of other traffic already riding that same route between the CenturyTel end office and, in the example above, Branson. The Parties agree that adding this capacity to the route is appropriate. However, the Parties still have a serious dispute as to who should bear the financial responsibility for the cost of that added capacity. Socket maintains that, even though dedicated trunks should be established to a CenturyTel end office when traffic reaches a level of 24 DSOs, the POI for that traffic should remain at a single point in the LATA, in other words at Branson. By taking this position, Socket attempts to shift the costs of the dedicated trunks and additional capacity onto CenturyTel. However, that cost, precipitated by Socket's VNXX dial-up ISP traffic, should be borne by Socket, which is both the cost causer and the only party financially benefiting from the arrangement. Therefore, once traffic associated with a particular local calling area reaches a level of 24 DSOs, a POI should be established in that local calling area. This would result in Socket bearing the costs of the dedicated trunks and added capacity from that local calling area based upon the principle that each party is financially responsible for trunks on its side of the POI.

Q. WHICH PARTY SHOULD BE RESPONSIBLE FOR THE COSTS OF ACCOMMODATING THE EXCHANGE OF VNXX DIAL-UP ISP TRAFFIC?

A. There are two public policy and economic principles that dictate the answer to this question: (1) the cost causer should pay and (2) the party who derives revenue from the traffic should pay. Here, as I mentioned above, Socket is both the cost causer and is the party deriving revenues from the traffic. Therefore, Socket should bear the cost of augmenting the facilities transporting traffic out of the local calling area once traffic volume reaches the 24 DSO level.

Q. WHY DO YOU CHARACTERIZE SOCKET AS THE COST CAUSER?

A. It is Socket's business plan and service offerings that necessitate augmenting capacity or deploying additional facilities. It is Socket, after all, that has rolled out the VNXX dial-up ISP service and offered it to ISP customers. The service entices ISPs to remove their equipment and presence from relatively rural local exchanges, or to not place such equipment in those exchanges in the first place. At the same time, the service persuades ISPs to relocate their equipment, or initially locate their equipment, only in larger, more urban exchanges that are in many instances far away from the dial-up internet customers the ISPs seek to serve. The ISP, as a result, is no longer even in the same local calling area as its dial-up internet customers. It is this increased distance between the ISP and the customers placing calls to that ISP, as well as the longer call duration, that creates the costs in question. Dial-up calls to the ISP, which had previously been carried on facilities within a local calling area, must now be carried on much longer interexchange facilities that leave the local calling area. These interexchange routes often cross several other exchanges and local calling areas before arriving at the exchange in which the party answering the call (*i.e.*, the ISP) is located. As has been described previously, this

directly causes the need to increase capacity on the interexchange route (including, for example, the portion from Ava to Branson). Indeed, Socket's own proposed language (Article V, Section 11.1.2.1) properly anticipates that additional trunks to CenturyTel's end offices must be deployed. Socket and its VNXX dial-up ISP service cause the costs associated with the need to add trunks to the interexchange routes.

Q. DOES SOCKET DERIVE REVENUE FROM THE VNXX DIAL-UP ISP TRAFFIC?

A. Yes. The VNXX dial-up ISP service appeals to ISPs because it allows them to artificially expand their local dial-up coverage area and to save costs in the deployment of their equipment by allowing them to consolidate that equipment at a single urban location. When a CLEC such as Socket provides to an ISP in St. Louis telephone numbers for Ava or any other rural local calling area, it is with the clear expectation that the ISP will be able to receive calls from those areas and that such calls will be placed as toll-free calls. There is clearly a value associated with such an inward toll-free dialing service. The ISPs are willing to pay for that value. As a consequence, Socket charges for the service and receives revenue from its ISP customers. In this manner, Socket and other CLECs providing VNXX dial-up ISP service derive revenues from the service at the same time they attempt, with the unrestricted single POI demand, to avoid responsibility for many of the costs associated with making the service work. That is, the costs of creating a long distance connection between the dial-up callers and the distant ISP.

Q. DOES CENTURYTEL DERIVE ANY REVENUE FROM THE VNXX DIAL-UP ISP TRAFFIC GENERATED BY SOCKET AND ITS ISP CUSTOMERS?

A. No. CenturyTel would derive no access charge revenue from the VNXX dial-up ISP traffic. Neither would CenturyTel derive any additional local revenue as a result of the

traffic. CenturyTel currently charges flat monthly rates for the service that allows its customers to place local calls. Although the VNXX dial-up ISP traffic clearly leaves the local calling area, the VNXX arrangement fools the network into treating the traffic is local. CenturyTel is not in a position to charge its customers any more than the current flat monthly rate to account for this additional so-called "local" traffic. All new revenue associated with this traffic will inure to Socket in the form of the charges that the ISPs pay to Socket for this inward toll-free calling service.

Q. DOES SOCKET HOLD ITSELF OUT AS PROVIDING SUCH VNXX DIAL-UP ISP SERVICE?

A. Yes, it does. On its web site, www.socket.com, Socket describes a service it calls "Wholesale Dial-up." The service is specifically targeted to ISPs. The web site touts the service as allowing ISPs to increase their dial-up coverage area without incurring huge capital outlays. Obviously that increased dial-up coverage will only have value if it is toll free dial-up. There are only so many ways to accomplish this result. It could be accomplished by providing the ISP with "800" toll-free inward dialing service. This is not likely as it would require Socket to pay access charges for such interexchange traffic's use of the originating local exchange carrier's network. A second way to provide the service would be via true FX service. Again, though, this is unlikely as it would require Socket to charge the ISP for a dedicated circuit from St. Louis to Ava. That leaves VNXX dial-up ISP service, which is very attractive to Socket so long as it can shift most of the transport costs associated with expanded local calling onto the incumbent local exchange carrier rather than to its own ISP customer. There is little question that Socket's "Wholesale Dial-up" service is VNXX dial-up ISP service. This

also explains why Socket advocates a single POI approach. This is the vehicle by which Socket intends to shift responsibility for transport costs onto CenturyTel.

Q. YOU STATED EARLIER THAT THE BULK OF THE TRAFFIC EXCHANGED UNDER THE ARBITRATED AGREEMENT WOULD CONSIST OF SOCKET'S DIAL-UP ISP SERVICE. ON WHAT DO YOU BASE THAT CONCLUSION?

A. That is typically the case when, as here, an ISP creates a CLEC affiliate and begins offering VNXX dial-up ISP service. Current traffic patterns give every indication that Socket's operations in CenturyTel service territories are no exception to this general tendency. The best indicator of what traffic will be exchanged under the arbitrated agreement is to look at traffic currently being exchanged between the parties. Point-to-point traffic studies are very revealing in this regard. For example, I looked at just a couple of CenturyTel's more rural local exchanges where Socket has assigned telephone numbers to its customers. In a sample one-week period, CenturyTel customers in La Grange, Missouri called only one telephone number that Socket issued for that exchange. However, the calls amounted to more than 50,000 minutes with an average holding time of 60 minutes. This certainly suggests that the traffic is dial-up ISP traffic. Since there is no indication that the ISP is located in the La Grange local calling it is more particularly VNXX dial-up ISP traffic. Similarly, during the same one-week period CenturyTel customers in Eminence, Missouri also called only one telephone number that Socket issued for that exchange. However, the calls amounted to more than 40,000 minutes with an average holding time of 61 minutes. Again, this suggests that the traffic is dial-up ISP traffic. Since there is no indication that the ISP is located in the Eminence local calling it is also VNXX dial-up ISP traffic.

Q. IS THERE ANY OTHER INDICATION THAT THIS TRAFFIC IS DIAL-UP ISP TRAFFIC?

A. Yes there is. In fact, each of the Socket telephone numbers being dialed by CenturyTel customers in these exchanges is listed on Socket's web site as being local dial-up numbers that customers of Socket's ISP should use to connect to the internet. There is no doubt that all of the traffic being exchanged between CenturyTel and Socket out of these two rural CenturyTel exchanges is VNXX dial-up ISP traffic. There is no reason to believe that this will not continue to be the case with regard to all of CenturyTel's more rural exchanges under the arbitrated interconnection agreement. This is why it is important to focus on VNXX dial-up ISP traffic when making critical determinations such as where, and how many, POIs there should be.

Q. WOULD ADOPTING THE MULTIPLE POI APPROACH MORE PROPERLY AND FAIRLY ALLOCATE THE COSTS ASSOCIATED WITH VNXX DIAL-UP ISP SERVICE?

A. Yes, it would. CenturyTel would simply require that a POI be established in the local calling area once the traffic reaches a DS-1 level (i.e. 24 DS-Os). This is the same point at which the parties have agreed that a direct connection should be established between that local calling area and Socket's network. A POI would therefore be established in the local calling area when the additional dedicated trunks are added to establish the direct connection. This would appropriately result in Socket assuming the financial responsibility for those added trunks as they would be on Socket's side of the POI. Socket, as the financially responsible party, would of course, be free to decide how to establish the dedicated trunks to the local calling area. Socket could choose to lease such facilities or capacity from CenturyTel, enter arrangements with a third party provider, even build and own the facilities themselves. In any event, Socket as the cost causer and

financial beneficiary of the traffic would properly bear financial responsibility for the costs and facilities that are required to make their VNXX dial-up ISP service work.

Q. IN YOUR VIEW IS IT UNREASONABLE TO EXPECT SOCKET TO ESTABLISH A POI IN EACH LOCAL CALLING AREA WHERE IT HAS TRAFFIC ABOVE A DS-1 LEVEL?

A. Not at all. As I have already described, it is Socket's service that is generating the traffic and it is Socket that is deriving revenue from that traffic. It only stands to reason that any CLEC that holds itself out as offering service in a particular local calling area should be prepared to establish a presence in that area. Otherwise the CLEC is functioning no differently than an IXC who merely pulls traffic out of the local calling area. Moreover, a primary goal of the FTA, after all, was to promote facilities-based competition.

Q. HAS SOCKET ACKNOWLEDGED THAT THERE IS SOME POINT AT WHICH MORE THAN A SINGLE POI SHOULD BE ESTABLISHED IN A LATA?

A. Yes, but the traffic threshold they have proposed is so high as to be meaningless in CenturyTel's service areas. At section 4.3.1.1 and 4.3.1.2 of Article V, Socket has proposed language that would only require an additional POI when traffic reaches an OC-12 level. An OC-12 level of traffic is a very large volume of traffic usually only associated with very densely populated urbanized service areas. An OC-12 is the equivalent of 8,064 DS-Os or 336 DS-1s. Although Socket agrees that 24 DS-Os is sufficient traffic to justify dedicated trunking, it will not consider an additional POI until the traffic reaches a level 336 times that high. The totally unrealistic nature of an OC-12 trigger can be illustrated by taking note of the following: Even if every single CenturyTel customer in the exchanges of Jerico Springs, Bradleyville, Schell City, Everton, Protem, Raymondville, Nebo, Koshkonong, Bronaugh, Louisburg, Weaublieau,

Dadeville, Thomasville, Jenkins, Preston, Walker, Cedar Creek, and Arcola were to call Socket's ISP customers at the same time, that still would not be enough traffic to trigger the OC-12 threshold that Socket is proposing.

Q. IS IT SURPRISING THAT SOCKET WOULD PROPOSE SETTING THE TRAFFIC THRESHOLD FOR AN ADDITIONAL POI SO UNREALISTICALLY HIGH?

A. Not at all. As I have described previously in my testimony, retaining a single POI in the LATA works entirely to the financial benefit of Socket and to the financial detriment of CenturyTel. Under Socket's proposed language, CenturyTel would be forced to absorb the costs of adding up to 8,064 trunks between its end offices and the single POI in order to make Socket's VNXX dial-up ISP service work. Only if the total trunks required ever exceeded 8,064 would an additional POI be required and therefore, only at that point would Socket have to begin taking some responsibility for the costs caused by its service to its customers. CenturyTel's proposed threshold of 1 DS-1 (24 DS-Os) is much more realistic than Socket's proposal of an OC-12 level in light of the specific CenturyTel network configuration and service areas.

Q. SHOULD THE COMMISSION'S PREVIOUS RULINGS WITH REGARD TO AT&T (F/K/A SBC) DICTATE HOW IT DECIDES THE POI ISSUE IN THIS PROCEEDING?

A. No. As Dr. Avera and Guy Miller also generally discuss at length in their direct testimony, the Commission's prior rulings with regard to AT&T should not dictate how the POI issue should be decided in this proceeding. The relevant factors that the Commission should take into consideration are very different as between CenturyTel and AT&T. As I noted previously, CenturyTel's tandem switches in Missouri function as access tandems and not as local tandems. This means that the existing facilities linking

CenturyTel's end offices to the anticipated single POI are access facilities carrying only non-local traffic. My understanding is that AT&T, unlike CenturyTel, operates several local tandems. This means that AT&T's links between its end offices and the anticipated single POI would in many instances already be designed to carry local traffic. Therefore, the relative burden and impact of adopting an unrestricted single POI approach would be quite different as between CenturyTel and AT&T.

Q. ARE THERE OTHER REASONS WHY AN UNRESTRICTED SINGLE POI APPROACH WOULD MORE DRAMATICALLY IMPACT CENTURYTEL THAN AT&T?

A. Yes, the difference in service territories is a major factor. AT&T serves much more densely populated urbanized local exchanges. This means that the connections between those exchanges and any single POI would likely entail fairly high traffic volume routes. The addition of Socket's VNXX dial-up ISP traffic may not significantly impact the manageability and cost of those routes since they may already have flat-rated local traffic on them. Conversely, CenturyTel's local exchanges are much less densely populated and more spread out. This means that the connections between CenturyTel's end offices and any single POI will entail relatively low traffic volume routes.

Q. HAS THE FCC ITSELF QUESTIONED THE EQUITY OF REQUIRING AN ILEC TO BEAR THE COST OF TRANSPORTING TRAFFIC OUTSIDE THE LOCAL CALLING AREA?

A. Yes it has. In the *Intercarrier Compensation NPRM*, the FCC solicited comment on "whether an incumbent LEC should be obliged to bear its own costs of delivering traffic to a single POI when the POI is located outside the calling party's local calling area."[3] The FCC has noted that there have been a substantial number of disputes related to how

[3] *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9651, para. 113.

carriers should allocate interconnection costs, particularly when the physical POI is located outside the local calling area where the call originates. The FCC attributes these disputes to the lack of clarity among the various rules governing the costs of interconnection.[4] In this context, the Missouri Commission has discretion to determine whether there should be only a single POI per LATA based upon the circumstances of the case.

Q. HAS ANY PROGRESS BEEN MADE IN ANSWERING THE FCC'S QUESTION AS TO WHETHER AN ILEC SHOULD HAVE TO BEAR THE COST OF TRANSPORTING TRAFFIC OUTSIDE THE LOCAL CALLING AREA?

A. Yes. Although the FCC has not issued a final order in the Intercarrier Compensation proceeding, substantial progress has been made. About eighteen months ago the National Association of Regulatory Utility Commissioners (NARUC) formed an Intercarrier Compensation (ICC) Task Force to attempt to develop a comprehensive and fair solution to intercarrier compensation reform. After extensive deliberations and negotiations, the Task Force has developed an industry sponsored framework for such intercarrier compensation reform which is set forth in framework documents. Under those framework documents, the question posed by the FCC is effectively answered. With regard to Tier 2 LECs (which would include CenturyTel) such carriers would effectively not be obligated to transport traffic outside of the local calling area. Any need to transport traffic beyond the Tier 2 ILEC's local calling area would be the responsibility of the RBOC or CLEC interconnecting with the Tier 2 ILEC. As the Task Force came to realize, this is a very equitable resolution of the issue that takes into account the costs and burdens associated with the more rural interexchange routes.

[4] *Intercarrier Compensation*, Further Notice of Proposed Rulemaking, at para 91 (rel. March 3, 2005).

Q. HAVE THERE BEEN OTHER DEVELOPMENTS IN THE INDUSTRY THAT SUPPORT THIS RESOLUTION OF THE ISSUE AS TO WHICH PARTY SHOULD BEAR THE COSTS OF THE TRANSPORT THAT LEAVES THE LOCAL CALLING AREA?

A. Yes, right here in Missouri, CenturyTel has negotiated this very same issue with two other CLECs. Both MCImetro Access Transmission Services, LLC ("MCI") and CD Telecommunications, LLC ("CD") sought to provide VNXX dial-up ISP service that would generate calls originating in, but leaving CenturyTel local calling areas. In each instance the parties agreed to terms that require the CLEC to bear the costs of transport outside of the local calling area. This was accomplished by requiring more than a single POI in the LATA.[5] This is further evidence that the more equitable resolution is to require Socket to bear the costs of transport outside of the local calling area. CenturyTel's contract language regarding the establishment of POIs should be adopted.

IV.
ADDITIONAL ARTICLE II AND ARTICLE V DISPUTES

Article V. – Issue No. 9
Should interconnection facilities compensation be based on each party taking responsibility for bringing its facilities to the POI?

Article V. – Issue No. 17
How should expenses be divided for trunking facilities on each party's side of the POI?

Q. WHAT IS THE PARTIES' DISPUTE REGARDING THESE ISSUES?

A. The parties no longer disagree on the proper apportionment of responsibility of trunking and facilities on each side of the POI. As noted above, the parties agree that each party should be responsible for the costs and facilities on its side of the POI. However, it

[5] The MCI/CenturyTel amendment was submitted to the Commission in Case No. LO-2005-0383 and approved by the Commission by Order issued June 2, 2005. The CTL/CD Agreement and Addendum are on file in Case No. TK-2006-0126.

should remain clear that this provision does not alter responsibilities with regard to collocation and access traffic. With respect to collocation, accordingly, the Commission should adopt CenturyTel's proposed section 8.2, which merely notes that when the POI is a collocation arrangement it is subject to the terms and provisions of Article XIV: Collocation. The parties, notably, have agreed to Article XIV in its entirety. Further, responsibilities with regard to access traffic will be governed by applicable access tariffs regardless of the location of the POI applicable to non-access traffic. Access traffic must continue to be subject to CenturyTel's applicable access tariffs. Therefore, the Commission should adopt CenturyTel's proposed language at Section 8.3 to that effect. Rather than imposing any new or substantive requirements, the language merely incorporates the terms and provisions of the otherwise applicable access tariffs.

Q. HOW SHOULD THE COMMISSION RESOLVE THIS DISPUTE?

A. While recognizing that the parties have agreed to the language in section 8.1, the Commission should, for the reasons stated above, adopt CenturyTel's proposed language in sections 8.2 and 8.3.

ARTICLE V. – ISSUE NO. 10
What language should the ICA include regarding intercarrier compensation for transport and termination of traffic?

Q WHAT IS IN DISPUTE WITH REGARD TO ARTICLE V, ISSUE NO. 10?

A. This issue involves the payment of reciprocal compensation ("recip comp") with regard to traffic exchanged under the Interconnection Agreement. As noted previously, the great bulk of traffic to be exchanged between the parties will likely be Socket's VNXX dial-up ISP traffic. Therefore, the thrust of this issue is what, if any, recip comp charges should be applicable to that traffic.

Q. WHAT IS SOCKET'S POSITION WITH REGARD TO RECIP COMP BEING APPLIED TO VNXX DIAL-UP ISP TRAFFIC?

A. Originally, Socket was proposing terms that would have applied bill and keep to this traffic. Socket's proposed language filed with its Petition for Arbitration at Article V, Section 9.5.1 provided as follows:

> *To the extent that ISP-bound traffic is provisioned via FX or FX-type arrangements, it is subject to the compensation mechanism of Bill and Keep.*

However, Socket has since modified its proposed language such that it would become the recipient of recip comp payments from CenturyTel for VNXX Dial-up ISP traffic once it begins to terminate more than 60 percent of the traffic exchanged between the parties.

Q. WOULD THE TRAFFIC TERMINATED BY SOCKET LIKELY EXCEED THE 60 PERCENT THRESHOLD PROPOSED BY SOCKET?

A. Yes, in all likelihood the percent of traffic Socket terminates will instantly greatly exceed 60 percent. This is because almost all of the traffic to be exchanged by the parties will be Socket's VNXX Dial-up ISP traffic. This traffic flows in only one direction. As has already been noted, in several of CenturyTel's exchanges 100 percent of the traffic currently exchanged with Socket is Socket's VNXX Dial-up ISP traffic. Therefore, under the terms it proposes, Socket would receive 100 percent of the recip comp payments while CenturyTel would receive none.

Q. WOULD IT BE APPROPRIATE FOR SOCKET TO IMPOSE RECIP COMP CHARGES ON CENTURYTEL FOR SOCKET'S VNXX DIAL-UP ISP TRAFFIC?

A. Absolutely not. It would be quite another thing if CenturyTel was actually generating revenue from the VNXX Dial-up ISP traffic and was merely expected to pay Socket for Socket's part in making that traffic and revenue possible. However, it has been noted

that CenturyTel does not generate revenue from Socket's VNXX Dial-up ISP traffic. On the contrary, only Socket derives revenue from the traffic. Under Socket's Single POI position, CenturyTel would experience only increased costs when Socket chooses to roll out additional VNXX Dial-up ISP services (or "Wholesale dial-up" as Socket refers to the service in its marketing materials).

Q. IS SOCKET'S PROPOSAL WITH REGARD TO RECIP COMP CONSISTENT WITH THE INTENT OF THE FTA?

A. No, it is not. The FTA refers to recip comp as the "mutual and reciprocal" recovery of costs. Clearly the FTA anticipated a mutual exchange of traffic with both parties benefiting from the arrangement. The Act anticipated that recip comp would flow both directions, hence the term "reciprocal compensation." Socket with its VNXX Dial-up ISP service is attempting to arbitrage the system such that 100 percent of the traffic terminates on its network, so that it receives 100 percent of the end-user revenues, and it receives 100 percent of the recip comp payments. There would hardly be anything mutual or reciprocal about such an arrangement. Socket should not be allowed to perpetuate such a windfall.

Q. IS SOCKET'S PROPOSAL WITH REGARD TO RECIP COMP CONSISTENT WITH THE OUTCOME IN THE M2A SUCCESSOR PROCEEDING?

A. No, it is not. In that proceeding the Commission adopted language that effectively would not apply any recip comp charges to VNXX Dial-up ISP traffic.

Q. HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?

A. Socket's proposed language should be rejected. CenturyTel's language, which makes such VNXX traffic subject to access charges should be adopted. In the alternative, and

consistent with the earlier mentioned MCImetro/CenturyTel and CD Telecom/CenturyTel agreements, Bill and Keep could be applied to such traffic conditioned upon POIs being established in each local calling area where Socket chooses to assign VNXX telephone numbers.

Article II – Issue No. 14
How should the ICA define "Information Access" and "Information Access Traffic"?

Article II – Issue No. 15
Should the definition of "ISP Traffic" follow the way the term is defined in the FCC's ISP Remand Order?

Q. WHAT IS THE PARTIES' DISPUTE WITH REGARD TO THESE ISSUES?

A. The definitions at issue here will directly affect how the parties treat the all-important VNXX dial-up ISP traffic. Under CenturyTel's language, VNXX dial-up ISP traffic would be treated as access traffic because it consists of calls between parties who are not located in the same local calling area. Under Socket's language, any and all traffic destined for an ISP, including VNXX traffic would be treated as non-access regardless of whether such calls leave the local calling area, the LATA, or even the state.

Q. BUT DON'T BOTH PARTIES' DEFINITIONS REFERENCE THE FCC'S ISP REMAND ORDER?

A. Yes, both parties do refer to the ISP Remand Order in their proposed definitions. However, to simply do so without elaboration, as Socket's language does, would merely invite controversy and disputes. Some CLECs have claimed that the FCC's ISP Remand Order somehow converted VNXX dial-up ISP traffic into non-access traffic. Based upon Socket's proposed overly broad definitions of "Information Access Traffic" and "ISP Traffic," and the manner in which Socket proposes to use those terms within the body of the Agreement, that is exactly what Socket is attempting to accomplish here. Socket is

relying on its own tortured interpretation of the ISP Remand Order as support for its desire to have VNXX dial-up ISP traffic treated as non-access traffic.

Q. DOES THE FCC'S ISP REMAND ORDER SUPPORT SOCKET'S DESIRES IN THIS REGARD?

A. No, it does not. The ISP Remand Order did not remove any traffic, ISP-bound or otherwise, from the access category. Instead, what the ISP Remand Order did was to remove certain ISP-bound traffic from the Section 251(b)(5) category of traffic. In other words, the ISP Remand Order started with the 251(b)(5) category, not the access category, and then carved out from the 251(b)(5) category ISP-bound traffic where the ISP is located in the same local calling area as the customer placing the call. ISP-bound traffic where the ISP is not located in the same local calling area as the calling party never was included in the 251(b)(5) category and therefore was not touched or affected by the ISP Remand Order.

Q. DOES THE LANGUAGE IN THE FCC'S ISP REMAND ORDER SUPPORT THIS CONCLUSION?

A. It certainly does. Nowhere in the 54-page Order did the FCC state that it was applying a new compensation plan to calls where the ISP is located outside of the local calling area. Instead the FCC was addressing treatment of ISP-bound traffic where the ISP is located in the same local calling area. The FCC described the question it was addressing at paragraph 13 of the order:

> As a result of this determination, the question arose whether reciprocal compensation obligations apply to the delivery of calls from one LEC's

> end-user customer to an ISP in the same local calling area that is served by a competing LEC.[6] (emphasis added).

Q. WAS THE FCC'S ISP REMAND ORDER APPEALED TO AND REVIEWED BY THE FEDERAL COURT?

A. Yes, it was. The Court's decision in that review makes it clear that the FCC was making a carve-out from section 251(b)(5) traffic and was not removing anything from the access category. The Court also confirmed that the FCC was addressing ISP-bound traffic only where the ISP is located in the same local calling area. After all, that is the only ISP-bound traffic that would have been included within section 251(b)(5) traffic to begin with. The Court specifically stated:

> In the order before us the Federal Communications Commission held that under section 251(g) of the Act it was authorized to 'carve out' from section 251(b)(5) calls made to internet service providers ('ISPs') located within the caller's local calling area.[7] (emphasis added)

Socket's attempt to somehow use the ISP Remand Order to gain non-access treatment of its VNXX Dial-up ISP service is clearly thwarted by the language in the order and the decision on appeal.

Q. HOW SHOULD THE COMMISSION RESOLVE THIS DISPUTE?

A. The Commission should reject Socket's definitions as they are an attempt to gain treatment of their VNXX Dial-up ISP traffic that they are not entitled to. The Commission should accept CenturyTel's definition of "Information Access Traffic or ISP Bound Traffic" as it is consistent with the ISP Remand Order and properly applies

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[6] *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Intercarrier Compensation for ISP-Bound Traffic*, Order on Remand and Report and Order, 16 FCC Rcd 9151, at ¶ 13 (2001) (*"ISP Remand Order"*).

[7] *WorldCom v. FCC*, 288 F.3d 429, 430 (D.C. Cir. 2002)

non-access treatment only to those calls where the ISP is located in the same local calling area.

Article V – Issue No. 32
What definition, if any should be included in the ICA for the term "Foreign Exchange" or "FX"?

Article V – Issue No. 33
How should the ICA define "Local Interconnection Traffic"?

Article V – Issue No. 34
What Party's definition of "Virtual NXX Traffic" is most appropriate for the ICA?

Q. WHAT IS THE PARTIES' DISPUTE WITH REGARD TO ISSUE 32 IN ARTICLE V?

A. The issue here, once again, has to do with the proper treatment of Socket's VNXX Dial-up ISP traffic. Socket is again proposing definitional language that attempts to improperly gain non-access treatment of its VNXX dial-up ISP traffic. Socket proposes to define FX in a manner that would bring the VNXX dial-up ISP traffic within scope of Local Interconnection Traffic. However, as was described earlier in this testimony, VNXX dial-up ISP service in the manner contemplated by Socket is not true FX service. This is because neither Socket nor its ISP customer would bear the cost of a dedicated facility connecting to the distant local calling area. Instead, Socket intends to shift this cost to CenturyTel by arbitraging this and other interconnection agreement language. Socket's definition of FX should be rejected.

Q. WHAT IS THE PROBLEM WITH SOCKET'S PROPOSED DEFINITION OF LOCAL INTERCONNECTION TRAFFIC?

A. Socket's definition attempts to include VNXX dial-up ISP traffic either as ISP Traffic or FX. If Socket's proposed definition of those two terms are accepted, this would result in the mistreatment of VNXX dial-up ISP traffic and the unjust results described throughout

this testimony. Socket should not be allowed to link bad definitions together in order to arbitrage the agreement to its financial benefit and CenturyTel's financial detriment. CenturyTel's definition of Local Interconnection Traffic, linked with its proper definition of ISP Traffic, should be adopted as they result in treatment of VNXX dial-up ISP traffic that is equitable and consistent with applicable law.

Q. WHAT IS THE ISSUE WITH REGARD TO THE DEFINITION OF VNXX TRAFFIC?

A. Both Parties' definitions originally suffered from some ambiguities. CenturyTel modified its definition as a result of comments made by Socket in the original DPL. Socket has not modified its definition and it remains ambiguous. CenturyTel's revised definition is much clearer and should be adopted.

Article II – Issue No. 16
Should the ICA include a definition of "IntraLATA Toll Traffic"?

Q. IS SOCKET'S PROPOSED DEFINITION OF "INTRALATA TOLL TRAFFIC" APPROPRIATE?

A. No. The problem is with the inclusion of the limiting phrase "a separate retail charge." In today's market place there are a growing number of flat-rated "all-you-can-eat" interexchange calling plans. CenturyTel is concerned that the limiting phrase "a separate retail charge" will tempt carriers in the future to argue that what is clearly interexchange traffic, has been somehow converted to non-access traffic simply because there is no longer any retail usage-based charge. It is not necessary to inject this ambiguity into the definition. Therefore, CenturyTel's much more straight-forward definition should be adopted.

Article II – Issue No. 6
Should the parties' ICA extend obligations to CenturyTel affiliates?

Q. WHAT IS THE PARTIES' DISPUTE ON THIS ISSUE?

A. At its crux, this dispute relates to Socket's improper attempt to incorporate CenturyTel affiliates into the Parties' bilateral agreement. With its proposed language, Socket would ostensibly extend contractual obligations to third-parties that are not parties to this proceeding and that are themselves not regulated entities. For example, in defining "Currently Available," Socket demands that the facilities, services, features, functions, or capabilities of CenturyTel affiliates be considered. In other words, when Socket submits a Service Order to CenturyTel, Socket would require CenturyTel to respond as if any of its affiliates were similarly obligated to provide requested facilities, services, and the like to Socket under the FTA and under the Agreement.

Q. CAN YOU PROVIDE SOME BACKGROUND AS TO THE EXTENT OF CENTURYTEL'S AFFILIATED OPERATIONS IN MISSOURI?

A. CenturyTel, Inc., the parent company, owns two corporate entities which are operating as ILECs in Missouri. As mentioned at the beginning of my testimony, those two entities are CenturyTel of Missouri, LLC and Spectra Communications Group, LLC. Each of these ILECs is negotiating and arbitrating a separate interconnection agreement with Socket. The Two CenturyTel ILECs have consented to a joint proceeding in this matter solely as a convenience to the Commission and the parties. In no way has either of these entities waived their right as an incumbent local exchange carrier to have their own interconnection agreement with Socket. In this testimony I have referred to both CenturyTel of Missouri, LLC and Spectra Communications Group, LLC interchangeably as "CenturyTel" again, purely as a matter convenience. I expect that other CenturyTel

witnesses have done the same. This does not change the fact that CenturyTel of Missouri, LLC and Spectra Communications Group, LLC are each a separate incumbent local exchange carrier under the FTA. CenturyTel, Inc., also owns and operates several non-ILEC entities that may or may not have any operations or facilities in Missouri. These other entities are not incumbent local exchange carriers under the FTA.

Q. WHY DOES CENTURYTEL OBJECT TO SOCKET'S DEMANDS THAT OBLIGATIONS EXTEND TO OTHER CENTURYTEL AFFILIATES?

A. Socket's demands are problematic from both a legal and an operational standpoint. First, Socket's proposed contract language impermissibly attempts to impose obligations on CenturyTel beyond its obligations under the FTA and beyond the ordinary understanding of bilateral contracts. As its Petition for Arbitration plainly reveals, the purpose of this proceeding, consistent with sections 251 and 252 of the FTA, is to develop a bilateral interconnection agreement between Socket and CenturyTel (i.e., CenturyTel of Missouri and Spectra). As such, the respective obligations and rights of the parties in the agreement must necessarily be limited to the contracting parties. Socket and CenturyTel, after all, cannot enter into an interconnection agreement, even if fully agreed to by both parties, obligating AT&T Missouri to perform certain obligations. Nor can they bind a CenturyTel affiliate, especially not where one party—Socket—unilaterally attempts to do so. Further, beyond Socket's error in attempting to impose legal obligations on a non-party to the contract, it would also impose obligations beyond those set forth in the FTA. While telecommunications carriers have certain duties under section 251(a), LECs have certain obligations under section 251(b), and ILECs have certain additional obligations under section 251(c), I am not aware of any provision in the FTA or in FCC regulations obligating affiliated entities that are not themselves telecommunications carriers, LECs,

or ILECs to adhere to those duties. The affiliates, of course, are separate legal enteritis and should be treated as such. Through the guise of defining what is "currently available," Socket cannot circumvent these limitations and effectively reach out to non-parties that may themselves be non-regulated and, in any event, are legal entities separate and apart from the ILEC involved in this arbitration proceeding.

Q. YOU MENTIONED THAT SOCKET'S DEMANDS ARE ALSO PROBLEMATIC FROM AN OPERATIONAL STANDPOINT. CAN YOU EXPLAIN?

A. Certainly. Extending CenturyTel's obligations to its non-ILEC affiliates would also impose undue operational difficulties on CenturyTel. Because the affiliates are separate entities, they are not totally integrated with CenturyTel's ILEC operations. If the Commission were to adopt Socket's language, I understand that CenturyTel may effectively be required to somehow integrate affiliate operations in a manner allowing CenturyTel to query affiliates for available services, features, facilities, etc. It is my understanding that this is not currently technically feasible and, in any event, would present operational difficulties, not to mention potentially substantial costs (which Socket, of course, must be obligated to reimburse CenturyTel through recurring and/or non-recurring rates). In addition to being outside the scope of the FTA, imposing such an obligation would be impractical. When Socket submits a service order, CenturyTel's response must necessarily be based on the facilities and services it has available, not on the hypothetical availability of comparable facilities or services from unspecified, non-ILEC affiliates.

Q. ARE THERE ANY OTHER PROBLEMS WITH SOCKET'S LANGUAGE?

A. Yes. In addition to the legal and operational problems discussed above, Socket's proposed language itself is overly broad and ambiguous, potentially giving rise to future disputes between the parties requiring Commission intervention. Socket, for example, does not define or in any way limit the term "Affiliate" in a manner that makes the reference understandable in this context. The sheer breadth of the proposed contract language that ostensibly encompasses to the services, features, functions and capabilities of unspecified non-ILEC "Affiliates" is improper.

Q. HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?

A. Consistent with the FTA and basic contract principles, as well as acknowledging the operational difficulties that may arise, the Commission should reject Socket's demands. The interconnection agreement resulting from this compulsory arbitration proceeding is necessarily limited to the parties to this proceeding and the rates, terms and conditions pertaining to those section 251 obligations the parties negotiated. Socket cannot purport to bind non-party affiliates to the terms of this bilateral Socket-CenturyTel contract or impose non-251 obligations on CenturyTel.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, it does.