

Exhibit No. _____
Issue: Terminating Compensation
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: MITG
Date Prepared: January 11, 2001

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

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

SURREBUTTAL TESTIMONY

OF

DAVID JONES

Jefferson City, Missouri

January 11, 2001

Exhibit No. 6
Date 1-24-01 Case No. TO-99-593
Reporter ML

Exhibit No. _____
Issue: Terminating Compensation
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: MITG
Date Prepared: January 11, 2001

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

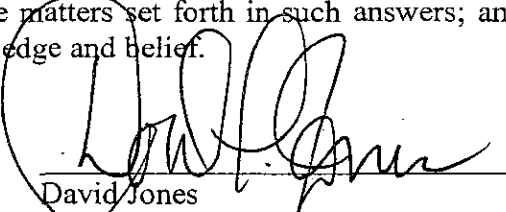
**In the Matter of the Investigation)
into Signaling Protocols, Call)
Records, Trunking Arrangements,)
and Traffic Measurement.)**

Case No. TO-99-593

AFFIDAVIT OF DAVID JONES

STATE OF MISSOURI)
) ss.
COUNTY OF Cole)

David Jones, of lawful age, on my oath states, that I have participated in the preparation of the foregoing testimony in question and answer form, consisting of 25 pages, to be presented in this case; that the answers in the foregoing testimony were given by me; that I have knowledge of the matters set forth in such answers; and that such matters are true to the best of my knowledge and belief.



David Jones

Subscribed and sworn to before me this 9 day of January, 2001.

My Commission Expires:



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

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

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

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

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

10 **Q. What is the purpose of this surrebuttal testimony?**

11 A. The purpose of this testimony is to respond to the rebuttal testimony filed on
12 behalf of Southwestern Bell (SWB), Verizon (GTE), and Sprint (United).

13 **IC and LEC relationships**

14 **Q. In their rebuttal testimonies, the former PTC witnesses claim that they are**
15 **not IXC's, but instead are LECs passing "LEC to LEC" traffic. Do you agree**
16 **with their analysis?**

17 A. No. The traffic in question is interexchange traffic originated by interexchange
18 carriers. While the former PTCs are LECs providing local service in their own
19 service areas, they are also "IXCs" originating interexchange or toll service from
20 their service areas (the common industry acronym is "IXC", under small company
21 access tariffs the acronym is "IC"). When this interexchange traffic is terminated
22 to the small LECs comprising the STCG and MITG, it is terminating access
23 traffic. As such the only authorization for its termination is the filed and

1 approved access tariffs, the primary example being the Oregon Farmers access
2 tariff, in which the majority of the small LECs concur.

3 Under the Oregon Farmers tariff there are no provisions for the former
4 PTC, the connecting carrier ordering the access trunk, to deny responsibility for
5 traffic it brings to that access connection. Under that access tariff, the traffic is
6 interexchange customer or IC traffic. Any carrier connecting to the small LEC to
7 terminate interexchange traffic is defined by the tariff as an Interexchange
8 Customer (IC), with language specifically including former PTCs as ICs, and the
9 traffic delivered is interexchange traffic.

10 The tariff does not create any privileged status allowing former PTCs to
11 "transit" traffic. The tariff contains no special "LEC to LEC" relationship. As an
12 example, during the PTC Plan SWB paid Mid-Missouri terminating access for all
13 PTC originated traffic, even that originated by Verizon and Sprint.

14 **Transiting traffic**

15 **Q. Sprint and SWB take the position they are required to "transit" this traffic**
16 **under the terms of the Telecommunications Act of 1996. Do you believe that**
17 **this is what the Act entails?**

18 **A.** No. The 1996 Act implements new interconnection and reciprocal compensation
19 requirements for local traffic exchanged between two connecting local
20 competitors. The Act did not change interconnection and compensation
21 principles applying to IC traffic. Traffic originated by CLECs and terminating to
22 the small LECs has not been defined as local. It is interexchange traffic for which
23 reciprocal compensation principles do not apply. Traffic originated by the former

PTCs which terminates in the small ILEC exchanges likewise has not been defined as local, and is interexchange traffic to which access applies.

Q. SWB witness Hughes, at pages 4 and 5 of his rebuttal testimony, states that under the Act SWB is "obligated" to provide a "transiting" function whereby it delivers interexchange traffic originated by carriers other than SWB to the small LECs with no responsibility whatsoever for that traffic. Do you agree with his opinion?

A. No. The Act nowhere mentions the word "transiting". The obligation to indirectly interconnect is not defined and has no specific duties associated with it. I believe the small LECs are and have been in compliance with the duty to connect indirectly, as the traffic in question has always terminated. The issue is one of business relationships and underlying compensation obligations. The Act did not change access compensation over direct connections between ICs such as MCI Worldcom, Sprint, Verizon, SWB and the LECs to whom interexchange traffic terminates. The Act requires reciprocal compensation to be based upon direct interconnections between local competitors. The former PTCs and the small LECs do not compete for local markets with each other, and they do not exchange local traffic over the existing access connection. I disagree that the Act requires small LECs to accept transit traffic and attempt to bill upstream carriers that did not order the access connection.

Q. SWB states that the small ILECs are required to accept transiting traffic from SWB, and must look to upstream originating carriers for

1 **compensation. Do you have information causing you to question SWB's**
2 **position that ILECs must accept transiting traffic?**

3 A. Yes. I have information that SWB does not believe *it* must accept transiting
4 traffic. I agree that SWB does not have this obligation. However the small LECs
5 in Missouri comprising the MITG and STCG, as well as Sprint, Fidelity, and
6 Verizon, likewise have no such obligation.

7 In Kansas, CLEC TCG petitioned the Kansas Corporation Commission for
8 compulsory arbitration of unresolved issues of a negotiated interconnection
9 agreement with SWB. KCC Docket 00-TCGT-571-ARB. In that proceeding
10 TCG proposed that SWB be required to accept traffic originated by other carriers
11 "transited" to SWB by TCG. In the direct testimony of Curtis Hopfinger, SWB
12 Executive Director-Wholesale Regulatory, SWB stated that ILECs had no
13 obligation to accept transiting traffic:

14 "Q. Must SWBT, at TCG's sole discretion, be required to receive transit traffic
15 services from TCG?
16 A. No. TCG is attempting to require SWBT to accept transit traffic from
17 TCG that originates from a third party carrier and deny SWBT any rights
18 to arrange a direct interconnection agreement with the third party carrier.
19 SWBT wishes to interconnect with all carriers within the LATA that want
20 to exchange traffic with SWBT. TCG has no right to interject itself in
21 SWBT's efforts to establish interconnection arrangements that do not
22 require TCG to transit traffic. SWBT will not be required to subscribe to
23 the transiting service TCG proposes in order to exchange traffic with other
24 carriers. TCG cannot use this arbitration to affect the manner in which
25 SWBT interconnects with other carriers."

26
27 I attach copies of the cover page and pages 16-17 of Mr. Hopfinger's testimony as
28 Schedule 1.

1 In its post hearing brief, SWB's attorneys rejected the proposition that as
2 an ILEC SWB had any obligation to accept transit traffic from another carrier:

3 **"Issue 16: Must SWBT at TCG's sole discretion be required to**
4 **receive Transit Traffic from TCG?"**

5 This issue, as framed here and on the Disputed Issues List filed
6 with the Commission on February 21, 2000, as to whether SWBT must be
7 "required to receive" transit traffic from TCG, differs from Ms. Swift's
8 characterization of whether TCG "may offer" its Transit Traffic Services
9 to SWBT. (Swift-Direct, p. 16, Is. 14-15). The difference in this language
10 is very important. However, both SWBT witness Hopfinger and TCG
11 witness Swift testified that SWBT is not required to receive transit traffic
12 from TCG. (Hopfinger-Direct, p. 16, l. 15; Swift-Direct, p. 16, l. 13).
13 TCG cannot require SWBT to accept transit traffic from TCG that
14 originates from a third party carrier and deny SWBT any rights to arrange
15 a direct interconnection agreement with the third party carrier.
16 (Hopfinger-Direct, p. 16, Is. 15-17). Likewise, TCG has no right to
17 interject itself into SWBT's efforts to establish interconnection agreements
18 that do not require TCG to transit traffic. (Id. at Is. 19-20). Further,
19 SWBT cannot be required to subscribe to the proposed transiting service
20 that TCG may at some unknown future date decide to offer. (Id. at pp. 16-
21 17, Is. 20-21).

22 SWBT requests the Arbitrator and Commission determine that
23 SWBT cannot be required to accept transit traffic from TCG at TCG's sole
24 discretion. Further, SWBT requests a determination that SWBT shall no
25 be required to subscribe to any transiting service offered by TCG and that
26 TCG shall not interject itself into any effort by SWBT to establish direct
27 interconnection agreements with third party carriers that do not require
28 TCG to transit traffic."
29

30 The pertinent excerpt from SWB's brief is attached as Schedule 2.

31 At pages 25-26 of the Arbitrator's decision, the Arbitrator held that SWB
32 was not required to accept transiting traffic from another carrier. The Arbitrator
33 reasoned that

34 "...no other carrier should be authorized to interject itself into the
35 interconnection arrangements of the local exchange carrier, without its
36 agreement. There is no indication in the statute that transit services are
37 considered. Clearly, parties may agree to accept calls on a transiting basis,
38 but SWBT has indicated its unwillingness to do so and has expressed a

1 preference for negotiating its own agreement. SWBT's last best offer is
2 adopted."

3
4 Copies of the cover page, and pages 25-26 of this decision are attached as
5 Schedule 3.

6 By Order of September 8, 2000, the Kansas Corporation Commission
7 affirmed the Arbitrator's decision.

8 **Q. Applying SWB's position and the Kansas decision to the small LECs in**
9 **Missouri, what conclusions do you draw?**

10 A. First, the Act does not require small LECs to accept transiting traffic from SWB
11 or any other former PTC. Verizon, Fidelity, and Sprint are not required to accept
12 transiting traffic from SWB. SWB is not allowed to interject itself into the
13 interconnection arrangements of the Missouri small LECs. While the small LECs
14 can agree or consent to accepting transiting traffic, they are entitled to refuse out
15 of a preference for developing their own direct interconnection agreements with
16 other carriers.

17 Applying the Act consistently with the interpretation tendered by SWB
18 and accepted by the Kansas Corporation Commission, it is not appropriate for any
19 interconnection agreement between SWB and another carrier to address traffic
20 destined for the small LECs, without the small LECs' consent. The small LECs
21 have not consented to this, and have stated their preference for their own direct
22 interconnections and the business relationships a direct interconnection provides.
23 SWB's actions in transiting such traffic over the objections of the small LECs has
24 prejudiced the small LECs' right to reject transit traffic out of a preference for

1 direct interconnections with other carriers. By entering into such agreements,
2 SWB has interjected itself into the interconnection arrangements of the small
3 LECS. SWB is attempting to do in Missouri what it stated in Kansas could not be
4 done.

5 **Q. Are you aware of any special standard or privilege that SWB has, or has in**
6 **Kansas, that the small LECs do not have in this regard?**

7 A. No. The small LECs are ILECs with identical obligations to those of SWB under
8 §§ 251 and 252 of the Act. The Act does not apply differently in Kansas than it
9 does in Missouri. I am offended that SWB would take and prevail on the correct
10 position in Kansas, and then turn around and proffer a totally opposite position to
11 the Missouri Public Service Commission. I view SWB's exercise as a poor
12 attempt at gamesmanship unbecoming of the largest carrier in both Kansas and
13 Missouri.

14 SWB's duplicity is nothing more than an attempt to get the best for itself
15 and force the worst for others. For itself, SWB wants direct interconnections
16 with business relationships it can control, without interference or reliance upon
17 others. For small LECs, SWB wants them to be relegated to accepting all forms
18 of traffic over the common trunks. This would cause the small LECs to be reliant
19 upon SWB for transport, recording, billing record exchange, and revenue
20 assurance. In addition it would enhance the value of the direct interconnection
21 with SWB to SWB's benefit but to the detriment of all carriers receiving this
22 transited traffic.

1 **Q. To your knowledge is there anything contained in the Act that requires the**
2 **small companies to accept indirect or transiting traffic and the business**
3 **relationship SWB proposes?**

4 A. No. Small ILECs have exactly the same rights as do the larger ILECs such as
5 SWB, Verizon, and Sprint. The duty to connect indirectly applies to them with
6 equal dignity as it applies to the small ILECs. The Act does not relegate the small
7 ILECs to second class ILECs forced to accept transiting traffic over an indirect
8 interconnection that larger ILECs are entitled to reject. Terminating
9 compensation business relationships are to be either access based, where ICs
10 deliver traffic; or reciprocal compensation based, where two local competitors
11 develop an interconnection agreement applying reciprocal compensation to local
12 traffic that is mutually exchanged between those two parties to the agreement. In
13 both situations it is the direct interconnection that is the basis for the business
14 relationship.

15 **Q. Does the transiting scheme prejudice small ILECs in their ability to negotiate**
16 **with and obtain compensation from wireless carriers?**

17 A. Yes. As an example, Mid-Missouri Telephone entered into interconnection
18 negotiations with US Cellular for a direct interconnection. After exchanging
19 several documents, it was discovered that all of the subject US Cellular traffic
20 being terminated to Mid-Missouri was inter-MTA and subject to Mid-Missouri's
21 terminating access rates. US Cellular then advised Mid-Missouri that it wanted to
22 withdraw from interconnection negotiations and would begin forwarding this
23 traffic via an arrangement with AT&T, an IC, for termination to Mid-Missouri.

1 Several months later, as a result of its attempt to disconnect the FGC common
2 trunk group, Mid-Missouri was contacted by US Cellular to make sure this inter-
3 MTA traffic would not be disconnected. Apparently US Cellular had never
4 moved this traffic to AT&T as indicated. Instead US Cellular was passing the
5 traffic to SWB for termination over SWB's common trunks. This has precluded
6 Mid-Missouri from receiving compensation for inter-MTA traffic.

7 **Q. Please describe the indirect interconnection or transiting structure the**
8 **former PTCs say the small companies are required to accept without their**
9 **consent.**

10 A. SWB indicates all LECs (except SWB, apparently) must accept transited traffic,
11 regardless of where it originates or what facilities the traffic traverses prior to
12 termination. SWB will and has transited traffic even between one tandem and
13 another tandem.

14 Verizon indicates that LECs must only accept transit traffic which is
15 delivered at the tandem serving the exchanges where the traffic terminates.
16 Verizon indicates that CLECs and wireless carriers have a duty to directly
17 interconnect with all tandems in the LATA. Verizon indicates that it is
18 inappropriate to pass transited traffic from one company's tandem to another
19 company's tandem.

20 Sprint is apparently closely aligned with Verizon. Upon request Sprint
21 will assist a LEC in preventing the transport of tandem to tandem transited traffic.

1 **Q. Are the former PTCs consistent in their description of interconnection**
2 **obligations and where the acceptance of transiting traffic without consent is**
3 **required of small companies?**

4 A. No. SWB asserts that all ILECs are subject to the obligation to accept transiting
5 traffic over an indirect interconnection. According to SWB, there are no
6 limitations on this. Under SWB's position, even ILECs with their own access
7 tandems must accept transited traffic. Under SWB's assertion, even Verizon and
8 Sprint should be forced to accept transiting traffic. However, at their tandems
9 Verizon and Sprint have developed their own direct interconnection agreements
10 with CLECs and wireless carriers.

11 Verizon asserts that CLECs and wireless carriers have an obligation to
12 directly interconnect with each tandem in each LATA. Verizon states that the Act
13 does not require "inter-tandem" transit traffic, and that only ILECs without
14 tandems must accept transiting traffic.

15 **Q. In your opinion are these distinctions working and workable?**

16 A. No. Several small companies have their own access tandems. The small ILECs
17 may possess more access tandems than do the former PTCs. They established
18 their own access tandems in order to require all carriers desiring to terminate
19 interexchange traffic to directly interconnect at the tandem to deliver this traffic,
20 or alternatively to contract with another presently interconnected IC to deliver this
21 traffic for them.

22 Verizon and Sprint apparently believe that there should not be inter-
23 tandem transit traffic. However they apply a different rule for inter-tandem traffic

1 originated by former PTCs. They are apparently allowing interexchange traffic
2 they originate in their IC capacity to "transit" to small companies, even when it is
3 inter-tandem. For example, a call originating in Warrensburg, a Sprint exchange,
4 terminating to Pilot Grove, a Mid-Missouri exchange, will traverse the Sprint
5 Warrensburg tandem, the SWB McGee tandem, and the Mid-Missouri Pilot
6 Grove tandem. They insist that this is permissible transiting, and Mid-Missouri
7 must bill Sprint terminating compensation, not SWB which is the delivering IC
8 for this traffic.

9 Apparently they believe that when the IC transporting the call also
10 happens to be a LEC, there is some type of exception to the prohibition against
11 inter-tandem transit. I do not believe any justification for this belief exists.

12 The transiting positions of the former PTCs are inconsistent and not
13 capable of uniform enforcement.

14 **Q. Do you see any similarity between the small company proposal and Verizon's**
15 **position that CLECs and wireless carriers must interconnect with each**
16 **tandem in the LATA to exchange traffic?**

17 **A.** Yes. The majority if not all Verizon properties in Missouri are served by a
18 Verizon tandem. Verizon's position requires all CLECs and wireless carriers to
19 directly interconnect with Verizon. Verizon would thereby not have to accept
20 transiting traffic from any other carrier without its consent. This is the same
21 position that the small companies are proposing. Small companies are not
22 required to accept traffic transiting by the former PTCs, and then left to attempt to
23 chase down originating carriers for compensation. If the former PTC insists upon

1 transiting other carrier's traffic over the trunks the former PTC ordered, it should
2 be responsible to pay the terminating LEC for all traffic delivered. Under its
3 position that competitors must connect at tandems, Verizon preserves its right to
4 obtain only direct interconnections and the underlying IC business relationships.

5 Of the small LECs, I believe that Mid-Missouri, Northeast, Chariton
6 Valley, Kingdom, Grand River, Alltel, Citizens, KLM, Seneca, Green Hills, Mark
7 Twain, Steelville and Spectra all own their own tandems. Under Verizon's
8 position, each of these companies would also be entitled to only direct
9 interconnections with CLECs and wireless carriers. That is not the way it is
10 working today, as SWB is transiting traffic destined for these ILEC tandem
11 companies.

12 I do not think any reasonable interpretation of the Act limits the right to
13 reject transit traffic only to those ILECs owning a tandem. The Act addresses
14 interconnection rights between companies. In my view the most appropriate
15 interpretation is the one SWB espoused and the Kansas Corporation Commission
16 adopted: every company is entitled to reject compensation relationships
17 constructed upon indirect interconnections for transiting traffic if they prefer to
18 develop their own direct interconnection business relationships.

19 **Q. At page 16 of her rebuttal, SWB witness Dunlap suggests that the small**
20 **company position would bring us back to the days when different telephone**
21 **companies networks were not connected. Is this what the small companies**
22 **are suggesting?**

1 A. Absolutely not. We are merely trying to implement the most appropriate and
2 most efficient business relationship over the existing common access trunks. This
3 relationship works efficiently today for many ICs which are a fraction of the size,
4 and have a fraction of the traffic, of SWB. This business relationship has not
5 resulted in an inefficient network. Numerous ICs directly interconnect with Mid-
6 Missouri. They make the business decision to terminate only their own traffic, or
7 to accept traffic from other ICs that do not wish to directly interconnect with Mid-
8 Missouri. The IC ordering the access trunks pay for both. That is all that is really
9 at issue here: Do the former PTCs have the same options with the same
10 responsibilities? It has nothing to do with network efficiency. SWB is every bit
11 as capable as any other IC of making the same business decisions and having the
12 same responsibilities for those decisions.

13 **Q. In his rebuttal, SWB witness Hughes points out that the small company**
14 **proposal is inconsistent with the originating records systems SWB has**
15 **required of CLECs in interconnection agreements with those CLECs. What**
16 **is your response?**

17 A. That is a matter between SWB and the CLEC. They can negotiate and agree to an
18 originating record system if they desire. If SWB agrees to something that it
19 cannot make money on, that should not effect compensation between SWB and
20 Mid-Missouri. What SWB and the CLEC agree to cannot prejudice Mid-
21 Missouri's rights. SWB has no right to require Mid-Missouri to attempt to collect
22 from anyone other than SWB. SWB's business decision, made without Mid-
23 Missouri's knowledge or consent, by which it voluntarily chose to transit CLEC

1 traffic to Mid-Missouri over SWB's trunks, does not effect a Mid-Missouri
2 business decision to bill SWB for traffic on SWB's trunks.

3 As I mentioned earlier, statements like this from SWB are nothing more
4 than SWB attempting to obtain all of the benefits of direct interconnection, while
5 attempting to force other LECs into all of the detriments of indirect
6 interconnection.

7 Mid-Missouri has the right to reject an inherently unreliable business
8 relationship, just as SWB has done. I suspect the reliability of such systems,
9 because Mid-Missouri is not getting any records from CLECs, and SWB has
10 stated that it is not able to record the CLEC traffic destined for Mid-Missouri.
11 SWB has also notified this Commission that it is unable to block UNE-P traffic
12 destined for Mid-Missouri. Why should Mid-Missouri, or any other small LEC,
13 be required to accept a business relationship where they receive unknown
14 quantities of traffic from unknown carriers, for which there is no way they can
15 determine whether and if and by whom a traffic record is being generated?

16 **Q. Mr. Hughes testified that SWB is willing to assist terminating LECs in**
17 **securing the information needed to bill originating carriers. Is that**
18 **consistent with what SWB has stated in the past?**

19 **A.** No. In the past when we requested such traffic information, SWB stated that it
20 was not in possession and was under no obligation to provide this information to
21 the terminating LECs. Instead SWB relied upon provisions in interconnection
22 agreements whereby CLECs were to create and send category 11 records to
23 downstream terminating companies.

1 **Q. Do you agree with Mr. Hughes assertion that not all of the parties necessary**
2 **to adopt the business relationship the small companies propose are in this**
3 **docket?**

4 A. No. The former PTCs and the small LECs who were formerly SCs are parties.
5 The access connection, or common trunks in question, connect the former SCs to
6 the former PTCs. All of the parties necessary to determine the business
7 relationship for traffic terminated over this access connection are parties. The fact
8 the former PTCs have negotiated interconnection agreements with other carriers,
9 and that in those agreements the former PTCs have voluntarily agreed to place
10 other carrier's traffic across the common trunks, does not mean that those other
11 carriers are necessary parties. As Mr. Hughes mentioned they were given the
12 opportunity to participate, which some did but subsequently withdrew.

13 The small LECs were not asked to be made parties to those
14 interconnection agreements, and they were approved without any participation of
15 small LECs. Just as we were not necessary parties to determining the terms of the
16 direct interconnections between the former PTCs and the CLECs, the CLECs are
17 not necessary parties to determining the terms of the direct interconnections
18 between the former PTCs and former SCs.

19 **Q. Do you agree with SWB's assertion that not all small companies desire the**
20 **right to the terminating compensation business relationship contained in the**
21 **small company proposal?**

22 A. No. I have been involved in small company discussions concerning this issue for

1 quite some time. All small companies want the *right* to make their own
2 determination of whether they will accept or reject transiting traffic, which is the
3 small company proposal. All want to be compensated for all traffic terminating to
4 them.

5 **Q. At pages 4-6 of Mr. Cowdrey's rebuttal, he takes issue with the options**
6 **available to a former PTC that does not want to be responsible for the**
7 **residual traffic component of the small company proposal. Do you agree**
8 **with his analysis of these options?**

9 A. No. The starting point of the small company proposal is that they do not have to
10 accept transiting traffic. The former PTCs have no right to deliver traffic without
11 being responsible to pay the terminating LEC. If a former PTC does not want to
12 be responsible for any potential residual, all it must do is stop transiting traffic.
13 This is option 3 of my direct testimony. Option 1, terminating their existing
14 access connection with other ILECs, is merely a rhetorical option, but it is also a
15 way for the former PTC not to be responsible to pay terminating access for
16 transited traffic. Option 2, converting to FGD, would adopt the IC business
17 relationship by creating separate trunks by which the ordering carrier is
18 responsible for all traffic.

19 **Q. Do you agree with Mr. Cowdrey that option 3 would have an adverse impact**
20 **upon competition in rural areas?**

21 A. No. The small company proposal would result in an increased likelihood of
22 interconnections and competition in rural markets. It is the "transiting" scheme of
23 the former PTCs that would result in a decreased competition in rural areas.

1 Competition in rural areas is created when local competitors which may be
2 CLECs, wireless carriers, and ICs, directly interconnect with rural LECs to
3 originate and terminate local traffic. When carriers elect to use the transiting
4 scheme of the former PTCs they do not develop a presence in the areas served by
5 small LECs. As such the small LECs are precluded from having the ability to
6 offer their customers expanded local calling to CLEC or wireless subscribers, or
7 an expanded array of long distance providers. The transiting scheme is only a
8 method for delivering traffic originated in urban areas, where competition exists,
9 to rural areas where limited or no competition exists. The benefits of competition
10 thus bypass the customers of small LECs.

11 When a LEC exercises its right to refuse transited traffic out of a
12 preference for its own direct interconnections, CLECs, former PTCs, or wireless
13 carriers needing to terminate their originating traffic to those LECs have two
14 choices: either contract with an IC to deliver the traffic for them, or establish
15 their own direct interconnections. Any CLEC or wireless carrier that believes the
16 costs of purchasing termination services from another carrier justify a direct
17 interconnection with a rural LEC can then make and pursue a direct
18 interconnection to exchange local and interexchange traffic. This would truly
19 result in larger calling scopes and more competition for customers in rural areas
20 served by small ILECs.

21 **Where recordings take place**

22 **Q. At page 13 of her rebuttal, Ms. Dunlap cites Section 6.7.4(E)(2) of the Oregon**
23 **Farmers access tariff for the proposition that the tariff does not contain a**

1 **preference for recording terminating traffic at the terminating end of the**
2 **call. Do you agree with her interpretation of your tariff?**

3 A. No. The very first sentence of section 6.7.4 (Determining Access Minutes) states
4 that "Customer traffic to end offices will be measured (i.e., recorded or assumed)
5 by the Telephone Company." See 1st Revised Sheet 97, attached as Schedule 4.
6 Under the tariff the Telephone Company is the small LEC, not the Interexchange
7 Customer. The tariff clearly states that the LEC performs the measurement,
8 either by recordation or assumption.

9 I point this out to show that the existing approved tariffs do give the
10 recording authority to the terminating company. The use of T/O ratios, or the use
11 of originating records, during the PTC Plan have nothing to do with this case.
12 The tariff had special language subjugating the tariff to the terms of the PTC Plan.
13 The PTC Plan is now over, and the record system in use then has nothing to do
14 with the record system that should be used under our current tariff. As the
15 Commission held in the complaints SWB brought against Mid-Missouri, Chariton
16 Valley, and Seneca-Goodman, TC-2000-235, with the end of the PTC Plan SWB
17 must comply with this tariff.

18 **Q. At pages 9 and 12 of his rebuttal Mr. Cowdrey disputes your prior testimony**
19 **regarding where FGD recordings take place. What is your response?**

20 A. Mr. Codwrey on Page 9 slightly misstates the specifics of how various calls are
21 and would be handled. It his specific example, a call carried by MCI Worldcom
22 from Kansas to Rockport would be recorded by the Sprint tandem at Maryville.
23 These category 11 records would be forwarded to Rockport for generation of

1 CABS billing to MCI Worldcom. In addition Rockport or its billing vender
2 would create category 1150 Summary Usage Records which would be forwarded
3 upstream to Sprint and any other Meet Point transport providers to be used in
4 billing their respective portions of transport. In this instance the Southwestern
5 Bell originating records are not used today.

6 In the MITG and STCG proposal, Rockport would simply record total
7 terminating FGC traffic at it terminating end offices and then subtract the various
8 types of traffic, as listed in my direct testimony, and bill the remainder to Sprint
9 the connecting FGC carrier. In both of these scenarios the Southwestern Bell
10 originating records are not used.

11 **Originating versus terminating records**

12 **Q. At page 8 of his rebuttal, Mr. Cowdrey claims that under the small company**
13 **proposal they have a disincentive to obtain billing records. Do you agree**
14 **with his remarks?**

15 **A.** No. Mr. Cowdrey's claim is premised upon the faulty assumption that small
16 companies must accept transiting traffic and attempt to chase down all of the
17 myriad of originating carriers for billing records and compensation. The starting
18 point of the small company proposal is that they are not required to accept
19 transiting traffic without their consent. Under the small company proposal, if the
20 former PTCs are not improperly transiting traffic without small LEC consent,
21 there will be no residual traffic for which the former PTC must pay for.

22 If the former PTC continues to deliver traffic originated by other carriers
23 over this access connection the former PTC is responsible for, the PTC should be

1 responsible to pay termination for this traffic. The former PTC is in sole
2 possession of all of the necessary controls to assure compensation is paid. The
3 residual proposal puts the incentive to capture and use the appropriate billing
4 information where it properly belongs--with the former PTC responsible for
5 ordering the common trunks.

6 **Q. At pages 2-3 of her rebuttal, SWB witness Dunlap claims that SWB has a**
7 **financial incentive to make sure that originating records are not "dropped"**
8 **because they are also used for end user billing. Do you agree with her in this**
9 **regard?**

10 A. No. If it were true that every interexchange call had both an end user EMR record
11 and an equal intercompany compensation record, her contention might have some
12 merit. However it is not true. The EMR record is only the starting point in the
13 process for creating a billing record. SWB performs edits and translations on the
14 EMR record before billing records are created. There are types of traffic for
15 which no EMR record is used for customer billing purposes, but for which
16 intercompany compensation records *should* be created and passed. It is SWB's
17 ability to strip or edit EMR records before creating intercompany compensation
18 records, that makes her claim unreliable.

19 For example, SWB apparently does not use EMRs to bill its customers
20 subscribing to Local Plus service. SWB receives a fixed amount of compensation
21 from the LP end user whether or not a billing record is created. These customers
22 are not billed on a usage-sensitive basis. As the Local Plus experience
23 demonstrated, SWB has the ability not to create and pass billing records simply

1 by making mistakes in its systems with respect to "call codes". This has resulted
2 in no intercompany compensation billing record being created or passed.

3 **Q. Verizon witness Allison proposes use of an OBF proposal. What is your view**
4 **with respect to the OBF proposal?**

5 A. It appears that the OBF proposal does assume that the terminating company
6 should be allowed to bill based upon its own terminating recordings. I agree with
7 that. However there is nothing about the OBF proposal that indicates it is
8 binding, and it is obviously inconsistent with what SWB has stated it will do.

9 **Q. Do you agree that history has shown the originating records system of the**
10 **former PTCs has always worked, and is easily auditable?**

11 A. No. As Mr. Cowdrey of Sprint testified in his direct testimony, the actions
12 necessary to perform an originating records test and reconciliation is very difficult
13 and time consuming. Further, as Mr. Cowdrey testified at page 11 of his rebuttal,
14 Sprint only recently delivered "missing records" for the test to Rockport, over 5
15 months after the test period. Apparently Sprint, similar to SWB, has discovered it
16 created a "temporary error" with respect to recording traffic terminating over the
17 common trunks to Rockport.

18 My experience with SWB demonstrated to me how difficult it was to get
19 the appropriate response even from SWB carrier relations personnel. I did not
20 attempt to audit SWB.

21 **Q. Ms. Dunlap disagrees that Mid-Missouri sustained any burden in tracking**
22 **down SWB's Local Plus mistake. Is her testimony a fair depiction of the**
23 **events?**

1 A. No it is not! For over 6 months I constantly attempted to convince SWB that it
2 was not delivering the appropriate billing records to Mid-Missouri. I had reason
3 to believe, from the outset, the problem was in SWB's systems for Local Plus
4 traffic. I got absolutely nowhere. Mr. Al Peters of SWB and Mr. Paul Cooper of
5 SWB both affirmatively told me the problem traffic was IXC traffic that CLECs
6 were "laundering" through their connections with SWB. SWB then sued Mid-
7 Missouri to prevent it from disconnecting the trunks which were causing a 50 %
8 loss of terminating compensation. In that suit SWB again said it was paying for
9 all of its traffic. It was only during the industry test conducted in July that SWB
10 actually discovered its problems.

11 After SWB admitted it had created the problem, it took Mid-Missouri
12 another 5 months to obtain the compensation SWB agreed it owed. Even then
13 SWB attempted to extract what I felt were inappropriate concessions from Mid-
14 Missouri before SWB would pay what it agreed it owed.

15 The issue still is not completely resolved. It is my belief that Local Plus
16 calls originated in exchanges served by SWB's Kirksville switch are not
17 generating terminating LP records. I have made inquiries of SWB relative to
18 customers that I have confirmed subscribe to LP, which Mid-Missouri recorded
19 terminating calls for which SWB provided no originating counterpart. SWB to
20 date has not provided a response.

21 I can assure the Commission that the process a small LEC must undergo in
22 order to track down and discover if a mistake has occurred upstream is not an
23 easy one.

1 **Q. At page 20 of her rebuttal, Ms. Dunlap minimizes the extent of the Local Plus**
2 **problem by pointing out that only 3.2 % of SWB's access lines are served by**
3 **Ericcson switches. What is your response to this observation?**

4 A. Even less than 3.2 % of those customers are served by switches located in the 524
5 (Mid-Missouri's) LATA. I doubt that all of the 3.2 % subscribe to Local Plus
6 service. Nevertheless, SWB's mistake for those of the 3.2 % subscribing to
7 SWB's Local Plus caused Mid-Missouri to suffer a loss of 50 % of its terminating
8 access compensation for over one year. Regardless of who caught whom, any
9 system which allows for these types of mistakes is unacceptable. This is even
10 more reinforcement for the small company position, which precludes a small
11 company from being at risk from the problems inherent in an originating records
12 system.

13 **Q. Does this conclude your surrebuttal testimony?**

14 A. Yes.

SOUTHWESTERN BELL TELEPHONE COMPANY

STATE CORPORATION COMMISSION

DIRECT TESTIMONY OF CURTIS L. HOPFINGER

FEB 29 2000

DOCKET NUMBER 00-TCGT-571-ARB

Atty A

p&f-

1 Q. PLEASE STATE YOUR NAME, YOUR TITLE AND YOUR BUSINESS
2 ADDRESS.

3 A. My name is Curtis L. Hopfinger. My business address is Four Bell Plaza, Dallas,
4 Texas. My title is Executive Director-Wholesale Regulatory for SBC
5 Telecommunications, Inc.

6 Q. WHAT ARE YOUR RESPONSIBILITIES AS EXECUTIVE DIRECTOR-
7 WHOLESALE REGULATORY?

8 A. I am responsible for supervising and directing the regulatory organization that
9 coordinates and assists in the formulation of regulatory positions pertaining to
10 the provision the wholesale products and other requirements of the Federal
11 Telecommunications Act of 1996 (the Act). This responsibility covers SBC's
12 current wireline territory including Southwestern Bell Telephone Co. (SWBT),
13 Pacific Bell (Pacific), Nevada Bell (Nevada), Southern New England Telephone
14 (SNET) and Ameritech (AIT). Additionally, I am responsible for monitoring any
15 state or federal regulatory rules, regulations and orders that may affect SBC's
16 wholesale operation or may affect any current or future Competitive Local
17 Exchange Carrier (CLEC) interconnection agreements.

18 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE?

1 proposal is an inappropriate attempt by TCG to reap an unjust windfall. TCG has
2 not included its rationale for why it should receive tandem routed compensation
3 in its position statement. However, the payment of tandem rates to TCG would
4 result in overcompensation for the termination of traffic. TCG is not entitled to
5 tandem-routed compensation on calls when tandem functions are not provided
6 TCG has not provided any evidence that it provides a tandem routed function to
7 SWBT. SWBT believes that TCG may be basing its incorrect assumption that it
8 is entitled to tandem rate compensation on a misinterpretation the FCC's rules.
9 After TCG has provided its rationale for why it believes it should receive tandem
10 rate compensation, SWBT is confident it will be able to demonstrate to the
11 Commission why such rationale is flawed. SWBT witness Robert Jayroe, in
12 response to Network Architecture Issue 1.1, also addresses this issue.

13 Q. MUST SWBT, AT TCG'S SOLE DISCRETION, BE REQUIRED TO RECEIVE
14 TRANSIT TRAFFIC SERVICES FROM TCG? [RC-16]

15 A. No. TCG is attempting to require SWBT to accept transit traffic from TCG that
16 originates from a third party carrier and deny SWBT any rights to arrange a direct
17 interconnection agreement with the third party carrier. SWBT wishes to
18 interconnect with all carriers within the LATA that want to exchange traffic with
19 SWBT. TCG has no right to interject itself in SWBT's efforts to establish
20 interconnection arrangements that do not require TCG to transit traffic. SWBT
21 will not be required to subscribe to the transiting service TCG proposes in order

1 to exchange traffic with other carriers. TCG cannot use this arbitration to affect
2 the manner in which SWBT interconnects with other carriers.

3 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

4 A. Yes. However, if TCG raises additional issues, I would request to supplement
5 this testimony.

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Petition of TCG)
Kansas City, Inc. for Compulsory Arbitration)
of Unresolved issues with Southwestern Bell) Docket No. 00-TCGT-571 -ARB
Telephone Company Pursuant to Section)
252 of the Telecommunications Act of 1996.)

POST HEARING BRIEF OF SOUTHWESTERN BELL TELEPHONE COMPANY

I. INTRODUCTION

The purpose of this arbitration proceeding is to assist the parties in completing an interconnection agreement for local exchange service pursuant to Section 252 of the Telecommunications Act of 1996 (hereinafter the "Act"). Southwestern Bell Telephone Company's ("SWBT") goal in this proceeding continues to be the completion of an interconnection agreement that is fair and equitable not only to SWBT, but for TCG Kansas City, Inc. ("TCG") as well. SWBT believes its proposals, set forth through the arbitration process and in its Last Best Offer ("LBO") achieve such a result for both parties.

SWBT believes the proposals brought forward in this proceeding by TCG cannot achieve a fair and equitable result. TCG's proposals attempt to address issues, specifically access-related issues that are well beyond the scope of a local interconnection agreement. SWBT believes TCG is attempting to single itself out for special treatment and exempt itself from existing federal and state access tariffs and access requirements, contrary to federal and state regulatory orders and regulations, as

to pass it until sometime in the fourth quarter of 2000, if then. (Tr. pp. 40-41, ls. 24-02).

Considering Ms. Swift's prior sworn testimony, it would now appear that TCG intends to be the exception to the rule requiring the passage of CPN. It is hardly fair and equitable to allow certain CLECs to knowingly deploy equipment that cannot pass CPN and allow them to pay local traffic reciprocal compensation rates when in fact the bulk of the traffic may be intraLATA toll.

SWBT's proposal regarding the passage of CPN is a reasonable and fair method of determining the charges for traffic passed without CPN. SWBT requests the Arbitrator and the Commission adopt its proposal on this issue.

SWBT's Last Best Offer ("LBO") RC Issue 14:

Where SS7 connections exist, if the percentage of calls passed with calling party number (CPN) is greater than 90%, all calls exchanged without CPN information will be billed as local or intraLATA toll traffic in direct proportion to the minutes of use exchanged with CPN information. If the percentage of calls passed with CPN is less than 90%, all calls passed without CPN will be billed as intraLATA switched access.

Issue 15: Should TCG be allowed to charge the tandem rate to SWBT for calls originated on the SWBT network and terminated on TCG's network?

See the previous discussion Network Architecture Issue 1 for a complete discussion regarding this issue.

Issue 16: Must SWBT at TCG's sole discretion be required to receive Transit Traffic from TCG?

This issue, as framed here and on the Disputed Issues List filed with the Commission on February 21, 2000, as to whether SWBT must be "required to receive"

transit traffic from TCG, differs from Ms. Swift's characterization of whether TCG "may offer" its Transit Traffic Services to SWBT. (Swift-Direct, p. 16, ls. 14-15). The difference in this language is very important. However, both SWBT witness Hopfinger and TCG witness Swift testified that SWBT is not required to receive transit traffic from TCG. (Hopfinger-Direct, p. 16, l. 15; Swift-Direct, p. 16, l. 13). TCG cannot require SWBT to accept transit traffic from TCG that originates from a third party carrier and deny SWBT any rights to arrange a direct interconnection agreement with the third party carrier. (Hopfinger-Direct, p. 16, ls. 15-17). Likewise, TCG has no right to interject itself into SWBT's efforts to establish interconnection agreements that do not require TCG to transit traffic. (Id. at ls. 19-20). Further, SWBT cannot be required to subscribe to the proposed transiting service that TCG may at some unknown future date decide to offer. (Id. at pp. 16-17, ls. 20-01).

SWBT requests the Arbitrator and Commission determine that SWBT cannot be required to accept transit traffic from TCG at TCG's sole discretion. Further, SWBT requests a determination that SWBT shall not be required to subscribe to any transiting service offered by TCG and that TCG shall not interject itself into any effort by SWBT to establish direct interconnection agreements with third party carriers that do not require TCG to transit traffic.

SWBT's Last Best Offer ("LBO") RC Issue 16:

All parties wishing to terminate traffic on SWBT's network shall have their own interconnection agreement with SWBT for such purpose.

Respectfully submitted,



APRIL J. RODEWALD (KS#99007)

BRUCE A. NEY (KS#15554)

MICHELLE B. O'NEAL (KS#70461)

220 E. Sixth Street, Room 515

Topeka, Kansas 66603-3596

(785) 276-8435

ATTORNEYS FOR SOUTHWESTERN

BELL TELEPHONE COMPANY

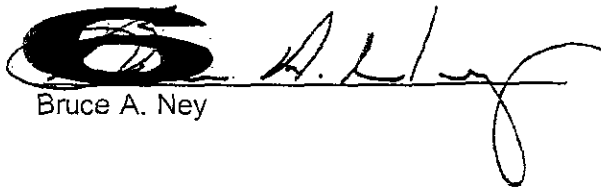
CERTIFICATE OF SERVICE

I hereby certify that a correct copy of the SWBT's Post Hearing Brief was sent via U.S. Mail or hand-delivered on this 12th day July, 2000.

Eva Powers
Assistant General Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 666044027

Dana Bradbury Green
Robert A. Fox
Foulston & Siefkin LLP
1515 Bank of America Tower
534 Kansas Avenue
Topeka, KS 66603

Mark Witcher
AT&T
919 Congress Avenue, Suite 900
Austin, TX 78701-2444


Bruce A. Ney

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

AUG 07 2000

In the Matter of the Petition of TCG)
Kansas City, Inc. for Compulsory)
Arbitration of Unresolved Issues with)
Southwestern Bell Telephone Company)
Pursuant to section 252 of the)
Telecommunication Act of 1996.)

Docket No. 00-TCGT-571-ARB

Jeffrey S. Wasamen Docket
Room

ARBITRATOR'S ORDER 5 : DECISION

The above-captioned matter comes before the Arbitrator for a decision. Being familiar with the record and aware of the pertinent facts the Arbitrator finds as follows:

TCG Kansas City, Inc. (TCG) filed a petition for compulsory arbitration of unresolved issues in its negotiations with Southwestern Bell Telephone Company (SWBT) on December 22, 1999, pursuant to 47 U.S.C. § 252(b). SWBT filed its Response on January 25, 2000, after receiving an extension of one week in which to respond. The parties filed a Joint Issues Matrix on February 21, 2000, and simultaneous direct testimony on February 29, 2000. In response to a Motion, a Protective Order was issued March 3, 2000. On March 9, 2000, the parties filed a Joint Motion for Extension of Time to file rebuttal testimony and to extend the overall time frame of the Arbitration. The Motion was granted on March 10, 2000. The Order provided that the Arbitrator would issue her decision three weeks after briefs were filed and that the Commission, in accordance with its arbitration procedure, would issue its final decision within 30 days of the Arbitrator's decision. A hearing was held on June 8, 2000. The parties elected to make panel presentations on the issues and only the Arbitrator asked questions. Briefs were filed on July 12, 2000. The Arbitrator contacted counsel for the parties on August 3, 2000, the day

geographic area comparable to that of SWBT's tandem. Pursuant to 47 C.F.R. § 51.711(a)(3) "the appropriate rate for the carrier other than an incumbent LEC is the incumbent LEC's tandem interconnection rate." TCG should be allowed to charge the tandem rate.

20. Issue 16: Must SWBT at TCG's sole discretion be required to receive Transit Traffic from TCG? TCG explains it merely wants to ensure the agreement enables TCG to offer Transit Traffic Services to third party carriers if it chooses to do so. TCG requests a determination that the compensation arrangements for such services should be comparable to the arrangements applicable to Transit Traffic Services offered by SWBT. TCG Brief, 45. TCG testimony makes it clear that it is not TCG's intent to require SWBT to accept transit traffic. Swift, Dir. 16.

SWBT's Brief states that this issue asks whether SWBT should be required to accept transit traffic from TCG. SWBT objects to any requirement that it accept transit traffic. Hopfinger, Dir. 18. SWBT requests a determination that it is not required to accept transit traffic from TCG at TCG's sole discretion, nor should SWBT be required to subscribe to any transiting service offered by TCG and that TCG shall not interject itself into any effort by SWBT to establish direct interconnection agreements with third party carriers that do not require TCG to transit traffic. SWBT's last best offer is that all parties wishing to terminate traffic on SWBT's network shall have their own interconnection agreement with SWBT for such purpose. SWBT Brief, 36-37.

The Arbitrator agrees with SWBT that local exchange carriers have a duty to establish reciprocal compensation arrangements for the transport and termination of traffic. 47 U.S.C. § 251(b)(5). Consistent with that obligation, no other carrier should be authorized to interject itself

into the interconnection arrangements of the local exchange carrier, without its agreement. There is no indication in the statute that transit services are considered. Clearly, parties may agree to accept calls on a transiting basis, but SWBT has indicated its unwillingness to do so and has expressed a preference for negotiating its own agreement. SWBT's last best offer is adopted.

The Commission's procedure provides the parties with an opportunity to comment on the Arbitrator's decision. Such comments shall be filed on or before the 15th day after the date of the decision. The Commission shall then issue its final order 30 days after the date of this decision.

A handwritten signature in cursive script that reads "Eva Powers". The signature is written in dark ink and is positioned above a horizontal line.

Eva Powers, Arbitrator

Dated: August 7, 2000.

P.S.C. MO. No. 6

1st Revised Sheet 97
Cancels Original Sheet 97
For Area Served

Oregon Farmers Mutual Tel. Co.

ACCESS SERVICE

6. Switched Access Service (Cont'd)

6.7 Rate Regulations (Cont'd)

6.7.4 Determining Access Minutes

Customer traffic to end offices will be measured (i.e., recorded or assumed) by the Telephone Company. Originating and terminating calls will be measured (i.e., recorded or assumed) by the Telephone Company to determine the basis for computing chargeable access minutes. In the event customer message detail is not available because the Telephone Company lost or damaged tapes or incurred recording system outages, the Telephone Company will compute chargeable access minutes by estimating the volume of lost customer messages based on previously known values. This estimated customer message volume will be provided to the customer. For terminating calls over FGA and FGB, FGC to 800, and FGD, and for originating calls over FGA (when the off-hook supervisory signal is provided by the customer's equipment before the called party answers) the measured minutes are the chargeable access minutes. For originating calls over FGA (when the off-hook supervisory signal is forwarded by the customer's equipment when the called party answers), and FGC, chargeable originating access minutes are derived from recorded minutes in the following manner.

(C)

Step 1: Obtain recorded originating minutes and messages, measured as set forth in (C) and (E) following for FGA, when the off-hook supervisory signal is forwarded by the customer's equipment when the called party answers and for FGC from the appropriate recording data.

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

Issued: 6/1/90

Robert Williams, Manager
P. O. Box 227
Oregon, Missouri 64473

Effective: 7/1/90

Schedule 4