

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

KENT LARSEN

Jefferson City, Missouri

January 11, 2001

Exhibit No. 8
Case No. 1-24-01 99-593
Reporter TC

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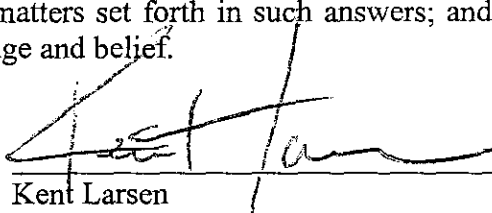
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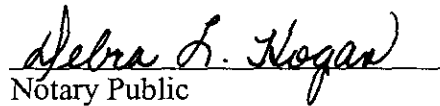
AFFIDAVIT OF KENT LARSEN

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Kent Larsen 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 13 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.


Kent Larsen

Subscribed and sworn to before me this 8th day of January, 2001.


Notary Public

My Commission Expires:

MY COMMISSION EXPIRES 9-03-2001

1 Q. PLEASE STATE YOUR NAME AND ON WHOSE BEHALF YOU ARE
2 TESTIFYING.

3 A. I am Kent Larsen filing surrebuttal testimony on behalf of the Missouri
4 Independent Telephone Group.

5 Q. ARE YOU THE SAME KENT LARSEN WHO FILED REBUTTAL
6 TESTIMONY IN THIS CASE?

7 A. Yes.

8 Q. WHAT ARE THE DIFFERENCES IN THE POSITIONS OF THE PARTIES IN
9 THIS MATTER?

10 A. The major difference between the parties is the interpretation of traffic types and
11 the corresponding responsibilities of the carriers that originate, transit and
12 terminate interexchange calls in Missouri. In order to clarify the issues, it is our
13 position that former PTCs are IXC's when they originate interexchange traffic that
14 terminates to the access tandems or end offices of the SCTG / MITG LECs.
15 Furthermore, all CLECs and those CMRS carriers that have not executed a local
16 interconnection agreement with a terminating carrier are also IXC's when
17 originating interexchange traffic that terminates to the access tandems or end
18 offices of the SCTG / MITG LECs. Throughout my testimony, the term "IXC"
19 includes these carriers and all other carriers that originate interexchange traffic
20 subject to LEC access charges.

21 SCTG / MITG LECs maintain that interconnection of IXC traffic should
22 be consistent among all carriers. Our disagreement with the former PTCs is the
23 fact that some of their interconnection agreements with CLECs and CMRS

1 carriers fail to recognize the current IXC-LEC or IXC-LEC-LEC network and
2 associated financial arrangements that will require meet-point access charge
3 billing records and billing. In fact, our plan should be viewed as a simplification
4 of the issues of intercompany compensation. The network between the former
5 PTCs and the SCTG / MITG LECs is an interexchange network used by IXCs to
6 originate and terminate interexchange traffic. In the past, the network and the
7 business relationship between the former PTCs and the STCG / MITG LECs was
8 used for other purposes but that is not the case today. Unfortunately, SWBT and
9 the other former PTCs believe that they can allow interexchange traffic onto the
10 interexchange network under a contract that the SCTG / MITG LECs were not
11 party to. Their contracts attempt to impose upon LECs not party to those
12 agreements intercompany compensation arrangements inconsistent with the
13 standard IXC access arrangements. They claim the traffic is somehow different
14 due to certain elements of the 1996 Telecommunications Act. It is not. The
15 mischaracterized traffic is interexchange traffic. As I will demonstrate in this
16 testimony, the Act does not require the former PTCs to mischaracterize traffic.

17
18 Q. IN HIS REBUTTAL TESTIMONY ON PAGE 4, MR. HUGHES DESCRIBES
19 THE "TRADITIONAL" ARRANGMENT OF INTERCARRIER
20 COMPENSATION. DO YOU AGREE WITH HIS DESCRIPTION?

21 A. Absolutely. If SWBT originates an interexchange call that terminates to a small
22 company's tandem, SWBT's obligation as an IXC is to establish direct trunks to
23 the tandem and to be responsible for all traffic on the trunks. If the call terminates

1 to an end office that subtends a SWBT tandem, SWBT should generate a billing
2 record identical to that which it provides for AT&T, WorldCom or any other IXC
3 traffic under meet-point access charge tariffs. I also agree with Mr. Hughes'
4 assertion that a CLEC is a carrier that can determine how its customers calls are to
5 be routed, however I limit the CLECs' choices more than does Mr. Hughes. The
6 CLEC that originates an interexchange call has the exact obligations as I outlined
7 above. The CLEC performing its IXC function can establish direct trunks to the
8 small company tandem and be responsible for all traffic on the trunks. If the
9 CLEC chooses, it can route its interexchange traffic for a call that terminates to an
10 end office that subtends a SWBT tandem through the SWBT tandem. SWBT must
11 then generate a billing record identical to that which it provides for AT&T,
12 WorldCom or any other IXC traffic under meet-point access charge tariffs and
13 present the billing data to the small company subtending its tandem. The small
14 company then bills the CLEC for the interexchange traffic.

15 Q. MR. HUGHES STATES ON PAGE 4 OF HIS REBUTTAL TESTIMONY
16 THAT SWBT IS OBLIGATED SECTION 251(a) OF THE 1996
17 TELECOMMUNICATIONS ACT TO "TRANSIT" CALLS FROM AN
18 ORIGINATING CARRIER TO A TERMINATING CARRIER AND THAT
19 THE PROPOSAL PRESENTED BY SCTG AND MITG CONFLICT WITH
20 THIS OBLIGATION. IS HIS INTERPRETATION CORRECT?

21 A. No. IXCs have neither a need nor a right to a special "transiting" arrangement for
22 interexchange traffic under the 1996 Act. Assuming a narrow interpretation of
23 the 1996 Act, 251(a) addresses interconnection of local traffic. CLEC

1 interexchange traffic is not "local". Under a broader view of the 1996 Act,
2 indirect interconnection of all interexchange traffic carried by IXC's satisfies
3 251(a) and is a standard network function that the SCTG / MITG LECs are not
4 proposing to limit. Under Mr. Hughes' theory of 251(a) obligations imposed on
5 LECs, IXC's would enjoy the same local "transiting" rights Mr. Hughes implies
6 belong to a CLEC for originating interexchange traffic under 251(a). IXC's do not
7 enjoy such rights. Therefore all IXC's can interconnect directly at a SWBT tandem
8 and by extension indirectly at a subtending end office for the transmission of
9 interexchange traffic, and 251(a) is satisfied.

10 Q. IN HER REBUTTAL TESTIMONY ON PAGE 12, LINES 12 THROUGH 14,
11 MS. DUNLAP STATES "ONLY THE LEC WHERE THE TRAFFIC ENTERS
12 THE LEC-TO-LEC NETWORK CAN PROPERLY CREATE BILLING
13 RECORDS SO THAT OTHER LECs ON THE CALL PATH KNOW THE
14 RESPONSIBLE ORIGINATING SERVICE PROVIDER." PLEASE ADDRESS
15 THE ISSUES RAISED BY HER STATEMENT.

16 A. In order to resolve this matter, it must be remembered that the former PTCs are
17 IXC's and must perform their responsibilities as IXC's consistent with an IXC's
18 role in the network. Implied in her summation of what I believe to be the issue in
19 this case, the beginning of Ms. Dunlap's summary should be prefaced with the
20 following clause, i.e. add: "IN THE CASE OF IXC TRAFFIC..." With that
21 clarification, Ms. Dunlap's statement identifies every key point in this matter.

22 First, she mischaracterizes the relationship between former PTCs and SCs
23 as "LEC-to-LEC". As former PTCs, SWBT, Verizon, Sprint and Spectra as well

1 as CLECs using the FGC network are IXCs. So, regardless of FGC versus FGD
2 signaling technology or the network's FGC heritage, the traffic from SWBT and
3 other former PTCs is IXC traffic. It is impossible to over-emphasize this point.
4 This means that, at an STCG / MITG LEC access tandem, all IXCs (AT&T,
5 WorldCom and SWBT) are required to order and remain financially responsible
6 for direct trunks. Therefore, Ms. Dunlap is correct when she states that where IXC
7 traffic enters a "LEC-to-LEC" network is where the traffic measurement for
8 billing terminating access should take place. That point of entry is the access
9 tandem of the STCG / MITG LECs for all IXC traffic and is the end office for
10 SWBT IXC traffic terminating to subtending LECs. Furthermore, the STCG /
11 MITG agree that a subtending end office can accept SWBT-generated AUR
12 records as an appropriate vehicle for billing IXCs. In this case, Ms. Dunlap's
13 identification of the "LEC-to-LEC" network is a correct characterization of IXC
14 traffic where SWBT is not an IXC but is in fact a LEC passing other IXCs'
15 traffic.

16 In its role as the recording LEC of IXC traffic, Ms. Dunlap's statement
17 includes the position that the recording LEC is responsible to "properly create
18 billing records so that other LECs on the call path know the responsible
19 originating service provider". I agree but it is my contention that SWBT has not
20 been properly motivated to perform its role as the Local Plus issue illustrates.
21 Apparently, Missouri PSC witness Arthur P. Kuss agrees. In his rebuttal
22 testimony, he states:

23 "I agree with Mr. Jones that there is minimal incentive for a carrier to
24 assure that its traffic measurement is correct when it is not responsible for the

1 compensation of that traffic. The small LEC proposal appears to remedy that
2 problem.”
3

4 Q. HOW DOES MS. DUNLAP'S STATEMENT ADDRESS CLEC TRAFFIC?

5 A. A CLECs' originating interexchange traffic is IXC traffic. All rules regarding the
6 IXC's relationship to the terminating LEC applies as discussed herein.

7 Q. HOW DOES MS. DUNLAP'S STATEMENT ADDRESS CMRS TRAFFIC?

8 A. A CMRS carriers' originating interexchange traffic is IXC traffic unless or until
9 the CMRS carrier exercises its right to reclassify the traffic as local. At that time,
10 appropriate negotiations pursuant to the requirements of the 1996 Telecom Act
11 can determine network interconnection, traffic measurement and compensation
12 issues. Before such "local" designation occurs, the traffic is interexchange and
13 should be carried by the CMRS carrier in its role as an IXC or contracted to
14 another IXC and measured and billed consistent with the principles set forth in
15 my testimony.

16 Q. IF TERMINATING CALLS ARE HANDLED IN THE MANNER YOU
17 DESCRIBED, WHAT TRAFFIC TYPES WILL NOT BE SWBT's FINANCIAL
18 RESPONSIBILITY?

19 A. SWBT is not being asked to pay for traffic that is not its responsibility unless it
20 fails to perform the functions that are its responsibility. The proposal and its
21 exceptions are simpler than SWBT attempts to portray.

22 SWBT will NOT be responsible for traffic properly characterized as the
23 interexchange traffic of another IXC. This assumes the other IXC is 1) correctly
24 interconnected with both SWBT and the STCG / MITG LECs and 2) where
25 SWBT is the LEC responsible to measure the traffic, SWBT will successfully

1 prepare and exchange the records for billing consistent with current OBF,
2 MECAB, and other industry standards.

3 SWBT will NOT be responsible for "local" traffic subject to local
4 interconnection and compensation. Such "local" traffic shall be characterized
5 pursuant to obligations defined by the 1996 Telecommunications Act. This
6 includes traffic properly classified as "local" and either 1) directly connected by
7 agreement of all parties or 2) indirectly connected, identified and billed by
8 agreement among all parties, e.g. through the use of CTUSRs.

9 SWBT will NOT be responsible for traffic that any STCG / MITG LEC
10 and SWBT and any other impacted party agrees to exclude from SWBT's
11 responsibility. This could include FGA terminating traffic or any other traffic
12 covered by a contract signed by all parties.

13 Q. IF TERMINATING CALLS ARE HANDLED IN THE MANNER YOU
14 DESCRIBED, WHAT TRAFFIC TYPES WILL BE SWBT's FINANCIAL
15 RESPONSIBILITY?

16 A. Again, the proposal is quite simple. At an STCG / MITG access tandem:
17 SWBT will be responsible for any traffic it originates or allows onto its
18 interexchange trunks terminating at an STCG / MITG access tandem. If SWBT
19 agrees to carry any other traffic, SWBT will then be financially responsible for
20 such traffic.

21 At an STCG / MITG end office subtending a SWBT access tandem:
22 SWBT will be responsible all traffic except traffic which is NOT its responsibility
23 as defined above. This responsibility will be calculated by subtracting from the

1 SCTG / MITG LEC's terminating traffic measurements all traffic agreed to and
2 identified as exceptions.

3 Q. ARE THERE SIGNIFICANT AMOUNTS OF TRAFFIC THAT ARE NOT
4 SWBT's FINANCIAL RESPONSIBILITY BUT THAT THE STCG / MITG
5 LECs WILL REQUIRE SWBT TO BECOME RESPONSIBLE?

6 A. No. In fact, SWBT will control its own financial liability, as it must. It will either
7 control or measure the traffic it allows onto its IXC network and for which it
8 maintains financial responsibility or it will accurately and diligently identify,
9 record and exchange the appropriate records necessary for a LEC subtending its
10 tandem to correctly bill the appropriate IXC. If it fails to record or control the
11 traffic, then SWBT should be held responsible for its traffic and/or its mistakes.

12 Q. HOW DOES NON-COMPENSATED TRAFFIC, LIKE MCA TRAFFIC, FIT
13 INTO THE PLAN?

14 A. As our plan states, either a mutually-acceptable surrogate factor that identifies
15 MCA traffic on SWBT's IXC trunks for exclusion or provisioning separate trunks
16 are appropriate. I believe Mr. Scharfenberg's concerns with the network
17 inefficiency of separate trunks are a minor and manageable concern.

18 Q. SPRINT WITNESS COWDREY STATES IN HIS REBUTTAL TESTIMONY
19 ON PAGES 5 AND 6 THAT HE IS TROUBLED THAT CLECs WOULD BE
20 REQUIRED TO CONNECT DIRECTLY WITH EVERY OTHER COMPANY
21 IN THE LATA IF IT DESIRED TO CARRY ITS OWN TRAFFIC. SHOULD
22 THE COMMISSION BE TROUBLED ABOUT THIS CONCERN?

1 A. Not at all. The CLEC in Mr. Cowdrey's example is an IXC. If the IXC desires to
2 carry its own interexchange traffic, it should carry its own interexchange traffic
3 like all other IXCs can carry theirs. If this is an inefficient choice, the CLEC can
4 contract with another IXC willing to carry and pay for the traffic.

5 Q. ON PAGE 7 OF HIS REBUTTAL TESTIMONY, MR COWDREY
6 EXPRESSES CONCERN ABOUT THE IXC BUSINESS RELATIONSHIP AS
7 PROPOSED BY MR. SCHOONMAKER IN HIS DIRECT TESTIMONY.
8 SHOULD THE COMMISSION BE TROUBLED ABOUT THESE
9 CONCERNS?

10 A. No. Mr. Cowdrey appears to misunderstand the point of Mr. Schoonmaker's
11 testimony. It is true that IXCs voluntarily offer resold services and I am unaware
12 of a rule or law that requires an IXC to offer resold service. That is not the point.
13 The point is that the IXC is responsible for its traffic.

14 His second concern that LECs cannot refuse to accept traffic also misses
15 the point. A LEC that originates interexchange traffic is an IXC. The traffic
16 should be handled as all other IXC traffic is required to be handled. I agree with
17 his next point. IXC traffic is meet-point traffic. If identified correctly by separate
18 trunks or with the creation of the proper IXC billing records, Sprint will not be
19 responsible for traffic that is not its responsibility.

20 Q. IS THE MITG ASKING SPRINT TO ACT AS A COLLECTION AGENT AS
21 MR. COWDREY CLAIMS ON PAGE 7?

22 A. No. It is unclear why Sprint is unable to correctly identify traffic from another
23 PTC if Sprint is measuring other IXC traffic correctly. Sprint should be able to

1 identify whatever traffic another IXC routes to it and prepare the proper billing
2 record to be passed to subtending end offices, or Sprint should be financially
3 responsible for its inability to perform its network obligations.

4 Q. WILL SCTG / MITG COMPANIES REQUIRE SPRINT TO BE
5 FINANCIALLY RESPONSIBLE FOR TRAFFIC THEY "SIMPLY CHOOSE
6 NOT TO BILL" AS MR. COWDREY CLAIMS ON PAGE 8 OF HIS
7 REBUTTAL TESTIMONY?

8 A. Not at all. If the Commission adopts our proposal, Sprint will be providing
9 appropriate records for IXC, CLEC and CMRS interexchange traffic. The SCTG/
10 MITG LECs will use the records to bill the responsible carrier and will subtract
11 such minutes from the total minutes for which Sprint will remain responsible. If,
12 in the unlikely event a STCG / MITG LEC chooses not to bill a carrier, of course
13 Sprint will not be billed. However, if Sprint is incapable of providing the correct
14 records, then Sprint will be billed for traffic by the terminating LEC.

15 Q. MR. COWDREY TESTIFIES ON PAGES 8 AND 9 THAT SMALL
16 COMPANIES DO NOT HAVE AN INCENTIVE TO IDENTIFY MINUTES
17 FOR WHICH SPRINT MIGHT BE HELD FINANCIALLY RESPONSIBLE.
18 DO YOU AGREE WITH HIS OPINION?

19 A. No. IXCs identify the jurisdiction of their traffic through the PIU percentages
20 they provide. As an IXC, Sprint and all other IXCs will identify the jurisdiction of
21 the minutes they terminate to the small companies. Again, if Sprint performs its
22 tasks correctly, all carriers will bill correctly. If Sprint fails, Sprint should be
23 financially responsible.

1 Q. DO YOU HAVE ANY COMMENT ON THE PERCEIVED FLAWS IN THE
2 PROPOSED BILLING ARRANGEMENT AS OUTLINED ON PAGE 9 AND
3 10 OF MR. COWDREY'S REBUTTAL TESTIMONY?

4 A. Yes. If Sprint cannot or does not measure the terminating SWBT traffic as IXC
5 traffic entering the LEC-to-LEC network in the same manner that Sprint would
6 measure a similar WorldCom call, Sprint can agree to use the originating record
7 created by SWBT as the Category 11 record equivalent. Sprint would then pass
8 its accounting of the SWBT records to Rockport as IXC traffic records that
9 Rockport will then use to bill the appropriate IXC (SWBT) and to subtract from
10 the total that for which Sprint remains financially responsible. The difference
11 between our position and Sprint's position is this – if Sprint fails to perform its
12 recording and record exchange function for SWBT IXC traffic, or WorldCom
13 IXC traffic for that matter, Sprint is responsible for its failure. It is Sprint's job to
14 perform the effort to get its billing systems right, not Rockport's. If SWBT errs in
15 passing records to Sprint, that is between SWBT and Sprint. Mr. Cowdery
16 advocates a system where Sprint can export its billing problems to Rockport, the
17 one carrier with no way of determining where Sprint or the IXC erred. Our plan
18 gives Sprint the incentive to do its job right.

19 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

20 A. Yes.