

Case No. TO-2001-391

***In the Matter of a Further Investigation of the Metropolitan Calling
Area Service After the Passage and Implementation of the
Telecommunications Act of 1996***

Status Report

of the

Industry Task Force

April 18, 2001

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INTRODUCTION

On January 18, 2001, the Missouri Public Service Commission (“Commission” or “MoPSC”) issued its Order Establishing New Case and Creating an Industry Task Force, Case No. TO-2001-391, *In the Matter of a Further Investigation of the Metropolitan Calling Area Service After the Passage and Implementation of the Telecommunications Act of 1996*, wherein the Commission instructed the task force to investigate three specific matters: (1) issues related to pricing of Metropolitan Calling Area (MCA) service, (2) the effects of an expanded MCA on pricing, and (3) whether the Local Exchange Routing Guide (the “LERG”) is the appropriate mechanism to identify the MCA NXX codes in the future. Additionally, the Commission asked the task force to bring to the Commission’s attention any other issues that may impact MCA service and its continued viability in the future. The Commission set April 18, 2001, as the date for the Commission’s Staff (“Staff”) to file a status report regarding the activities of the industry task force.

The industry task force held two workshops, one conference call, and communicated electronically throughout the months of February and March 2001. This status report conveys to the Commission the activities of these meetings, including what activities have been done, what activities are currently being worked on, and what activities the task force plans to complete at a later time. Section 1-Completed Activities discusses the completed activities of the task force and includes a summary of the issues discussed by the task force during the technical workshops and the documents the task force developed as a result of those workshops. Section 2-Activities in Process describes the analyses that the task force undertook to examine the monetary impacts of modifying the current MCA according to

Staff's proposed MCA2 plan. This section also discusses the proposal for posting a list of the NPA-NXXs that are in the MCA on the MoPSC's Web site. Section 3-Future Activities discusses the extensive work and resources that would be involved in analyzing scenarios for expanding and/or changing the current MCA plan and the effects this would have on pricing. Section 4-Next Steps concludes the report and informs the Commission about future activities of the task force.

1. COMPLETED ACTIVITIES

1.1 Task force established and workshops convened

Pursuant to the Commission's January 18, 2001, Order Establishing New Case, Staff convened two technical workshops for representatives of the incumbent and competitive local exchange carriers, ("ILECs" and "CLECs," respectively), and the Office of the Public Counsel ("OPC"). These workshops were held on February 1 and 27, 2001. The participating ILECs and CLECs (or their attorneys) included ALLTEL Missouri, Inc.; AT&T Communications of the Southwest, Inc. ("AT&T"); Birch Telecom of Missouri, Inc.; Cass County Telephone Company; Choctaw Telephone Company; ExOp of Missouri, Inc.; Gabriel Communications of Missouri ("Gabriel"); Lathrop Telephone Company; MCI WorldCom Communications, Inc. ("WorldCom"); McLeodUSA Telecommunications Services, Inc.; MoKan Dial, Inc.; Mpower Communications Central Corp. (formerly known as BroadSpan Communications, Inc., d/b/a Primary Network Communications, Inc.); Orchard Farm Telephone Company; Southwestern Bell Telephone Company ("SWBT"); Spectra Communications Group, LLC; Sprint Missouri, Inc., d/b/a Sprint; and Verizon Midwest (formerly known as GTE Midwest Incorporated).

1.2 General issues discussed at the technical workshops

Prior to the first workshop meeting, Staff queried the ILECs and CLECs regarding the issues they wanted to discuss. The following is a synopsis of the issues discussed.

1.2.1 Neustar's denial of MCA codes to AT&T

AT&T explained that Neustar had denied its request for a second MCA code because AT&T's utilization rate was below sixty percent (60%). AT&T wanted to know if other companies were having the same problem. The OPC commented that Neustar may question why Missouri uses so many NXX codes, and they may want Missouri to find a better way of utilizing codes for the MCA service. Task force members said that Neustar doesn't recognize or understand the need for the second, separate code for an MCA designation. According to AT&T's representative, Neustar suggested that AT&T might try to enlist the support of the MoPSC and request a waiver stating that the public interest is at stake. There was consensus from all the task force members that they were supportive of AT&T's intent to request a waiver. It was suggested that a Joint Motion might be the appropriate vehicle to address this matter, not just for AT&T, but also for all competitive carriers in Missouri who might be requesting NXXs now and in the future. It was felt a Joint Motion should be filed with the Commission because this is an industry problem for Missouri that requires prompt attention, and the FCC has determined that the state commissions have authority to grant such waivers. AT&T will continue to confer with the industry task force on how to handle this situation.

1.2.2 To what extent are wireless providers "included in the MCA?"

There was some disagreement and questions as to whether the wireless carriers were included as participants in the MCA plan. Some task force members said that wireless

carriers located in the mandatory MCA zone were included in the MCA, but they were not part of the MCA if they were in the optional tiers. Other task force members stated that wireless carriers are not considered MCA providers because wireless carriers are neither certified to provide basic local telecommunications service by the Commission, nor do they file tariffs for the MCA service. These two criteria are set forth in the Commission's Report and Order in Case No. TO-92-306.¹ The question was raised regarding how carriers could determine which NXXs belonged to wireless providers. The task force concluded that this issue should not be addressed at this time.

1.2.3 CLECs not notifying other carriers regarding their MCA codes

Concern was expressed about CLECs that did not report to the Commission which of their NPA-NXXs were designated as MCA codes (especially in the mandatory zones) pursuant to the Final Order issued in Case No. TO-99-483.² AT&T's representative, as well as some other task force members, expressed the view that the original MCA order required incumbent local exchange carriers to terminate all calls destined to the mandatory MCA areas as local calls pursuant to a bill-and-keep compensation mechanism. Moreover, AT&T opined that subsequent to Case No. TO-92-306, the incumbents processed calls to wireless carriers in the mandatory tiers as local calls and that calls to CLECs not participating in optional MCA should be treated no differently. The question of intercompany compensation was then raised: Do CLECs who choose not to participate in the optional MCA tiers pay reciprocal compensation or bill-and-keep on calls involving mandatory tier customers? The

¹ *In the Matter of the Establishment of a Plan for Expanded Calling Scopes in Metropolitan and Outstate Exchanges. Report and Order, Case No. TO-92-306, issued December 23, 1992.*

² *In the Matter of an Investigation for the Purpose of Clarifying and Determining Certain Aspects Surrounding the Provisioning of Metropolitan Calling Area Service After the Passage and Implementation of the Telecommunications Act of 1996. Report and Order, Case No. TO-99-483, issued September 7, 2000.*

response was that companies choosing not to participate in the optional MCA tiers must pay reciprocal compensation according to their interconnection agreement; but if they do want to participate in the MCA plan, then they must agree to bill-and-keep for compensation. It was suggested that the companies could draw up a Letter of Agreement to resolve this matter. As discussed further in this Report under the section "Future Activities", this matter is scheduled for discussion in a conference call the week of April 23, 2001.

To address the issue of CLECs not sending out notifications of their MCA codes, the task force agreed it would be in the public interest to put a listing of the NPA-NXXs located within the boundaries of the MCA calling scope areas on the MoPSC Web site. While preparing this listing of codes, the OPC and Staff discovered a number of companies had not sent letters identifying their MCA NXXs. Staff informed the companies that all MCA NXXs located in the mandatory tiers of the MCA would be designated as MCA NXXs, unless the companies specifically sent notification opposing this. Among the respondents, two WorldCom companies, Brooks Fiber Communications and WorldCom Technologies, Inc., were the only CLECs that specifically identified their NPA-NXXs in the mandatory tiers as non-MCA codes.

One ILEC representative voiced concerns about this proposal in an email to Staff: "If we put all of the mandatory tier NXXs from CLECs in as MCA without specific direction from [the MoPSC], we could create compensation problems with the CLECs. Also, making changes in our switch programming to add CLEC NXXs without letters [identifying MCA NXXs] in one month, and then taking them out later due to MCA policy changes, will only create more customer complaints, confusion and dissatisfaction as well as a lot of work for us.... The companies need some written clarification on how to code and handle CLEC

NXXs in the mandatory tier...” Task force members feel this problem needs to be addressed in future industry meetings.

1.2.4 Designation of optional versus mandatory MCA codes

Again, it was suggested that a listing of NPA-NXXs compiled from the LERG and data from Neustar could be used to designate MCA and non-MCA codes, however, inherent problems exist with the LERG. More is said on this in subsection 1.2.7.

1.2.5 Billing and records exchange and

1.2.6 CLECs provisioning of some customers by dial tone from own switch and some customers on a UNE-P basis

Issues 1.2.5 and 1.2.6 were discussed together. These issues brought up the problem of exchanging records and billing information between the carriers. To demonstrate this problem, Gabriel’s representative presented the task force with an illustration of how they handle MCA and non-MCA calls that originate on their own switch versus how they handle calls that are UNE-P based calls. In the first instance, regarding the non-MCA traffic, Gabriel informed the group that they want to send records that are based on the standard industry record—Category 11 records—back to the other companies. In the case of the UNE-P based calls, the terminating compensation for the non-MCA calls go to the interexchange carrier, so the CLEC does not exchange any records. And no records are exchanged at all for the MCA calls, which are treated as local calls. The fact that the CLEC exchanges no records for non-MCA calls causes some concern for companies; particularly small LECs that need the access records to determine non-MCA call volumes and terminating compensation. Gabriel proposed exchanging Category 11 records because they include basic billing information, such as call destination, call duration, time of day, etc.

Some parties believe Category 92 records should be exchanged. For calls originated by UNE-P companies, they are responsible for providing records to other companies. The Commission's September 7, 2000 Report and Order addressed this issue in its discussion regarding the tracking and recording of MCA traffic:

...If the CLECs choose to participate in the Commission's MCA service, then the CLECs must create the necessary records that will allow Missouri's small ILECs to distinguish between MCA and non-MCA traffic sent by the CLEC to the small ILEC.... Therefore, CLECs must: (1) separately track and record MCA and non-MCA traffic, and (2) send reports to the small ILECs for all non-MCA traffic. Alternatively, the CLECs may choose to separately trunk their MCA traffic. Either of these alternatives will help to assure that Missouri's small ILECs are compensated for traffic that CLECs send to the small ILECs' non-MCA customers.³

Task force members see records exchange between CLECs and the small ILECs as an issue that deserves further attention.

1.2.7 Local Exchange Routing Guide (LERG) Administration

There was discussion about how the companies should use the LERG to identify MCA codes. The LERG currently identifies some MCA NXXs with a Special Service Code (SSC) of "J", which designates that a particular NXX has an extended or expanded local calling scope. However, not all companies are using the LERG consistently. In Missouri this "J" code is used to designate some NPA-NXXs that are in the MCA calling plan. SWBT stated that it prefers not to use the "J" code for all its codes in the mandatory zones because of system problems and because SWBT uses the "J" code as a billing code for the MCA additive. It is understood by the industry that MCA codes in the mandatory zones of St. Louis, Kansas City and Springfield are not identified with a "J" code in the LERG. The task force members proposed using and maintaining the "J" code in the LERG for MCA NXXs in

³ Ibid, TO-99-483, pp. 24-25.

the optional tiers only. Many expressed concern that the “J” code is not being used consistently and uniformly by the industry in Missouri and the LERG is not updated as often as it could be. This problem needs to be addressed as an industry if the LERG is going to be used to identify MCA NXXs in the optional tiers. Some members even expressed a desire to have the Commission issue an order mandating that carriers use the “J” code for MCA NXX designations. As stated earlier, the task force agreed it would be in the public interest to post a listing of the NPA-NXXs that are in the MCA on the MoPSC’s Web site so that the industry and the general public would know which NXXs are in the MCA. It was also suggested that instructions on how to use the LERG could be disseminated (see subsection 2.1).

1.3 Specific issues from the Commission’s Order Establishing New Case

Before the task force discussed the three specific issues related to investigating further the current MCA plan, Staff posed an informal question to gauge how the companies felt about expansion of the MCA. One question asked if any of them favored expanding the geographic boundaries of the MCA beyond the current outer boundaries. Only the OPC favored this type of expansion. The second question asked if any of the companies would consider expanding the MCA calling scopes within the boundaries of the current MCA. Some of the companies would favor this latter option primarily because it would conserve NXX codes and eliminate some of the current problems, depending on how the calling scopes were modified. The problems that a modified one-way calling plan would resolve include eliminating the need to use designated NXX codes due to the current practice of (1) assigning NXXs to each individual rate center, (2) assigning NXXs in blocks of 10,000

numbers, and (3) segregating MCA NXXs and non-MCA NXXs.⁴ But the companies emphasized that analyzing any proposed modifications to the MCA would not be a simple task, particularly when having to look at the financial impacts on all the companies and develop prices for a modified service.

1.3.1 Pricing of MCA service

The task force agreed that pricing would be a big issue if the MCA plan is modified, especially as described in Staff's MCA2 proposal where all subscribers would have the same calling scope. The concern was that this would entail a detailed analysis to see how to change the current three-tiered pricing structure to accommodate such an outbound, geographic-based calling plan where all subscribers could call toll-free anywhere within the boundaries of the MCA. Since all subscribers would essentially receive the same calling scope, a determination must be made as to how to establish fair prices. The task force decided they would attempt to determine the monetary impacts of Staff's proposed MCA2 plan as a starting point for their examination of the implications of a modified MCA. Once the monetary impacts of MCA2 are known, the companies can then work on other (different) modification scenarios (see Sections 2 and 3). The CLECs also expressed concern about the ILECs being able to recover revenue losses by possibly changing MCA prices and what prices the CLECs should then be allowed to charge for the service.

1.3.2 The effects of an expanded MCA on pricing

Concern was expressed about getting originating and terminating traffic information from the interexchange carriers (IXCs). Comments were made that the ILECs have to ask

⁴ Although number conservation methods are being utilized in some circumstances, most local exchange carriers have yet to implement 1,000 block number pooling and rate center consolidation.

the CLECs for this information because the ILECs don't know what kind of calls originate or terminate from the IXCs; they only know that a particular call came from an IXC. Another concern was that toll providers would have to look at other toll providers' confidential records. This concern has been addressed with the issuance of the Commission's March 21, 2001, Order Granting Protective Order in this case. The ILECs have devised a method of estimating the IXC traffic in order to analyze Staff's MCA2 proposal, but are still working on the problem of exchanging traffic and billing records.

1.3.3 The LERG as a mechanism for identifying MCA codes

As previously mentioned, the companies recognize the shortcomings of the LERG. While they feel the LERG, in its present form, is not a perfect method for identifying MCA codes, it is the method that they are left with at this time. A suggestion was made that the Commission should require that telecommunications carriers in Missouri only use the "J" code to designate MCA NXX codes (in the optional tiers only—not in the mandatory zones). This suggestion generated a concern regarding those carriers that develop their own expanded optional calling plan that is different from the MCA plan and call it something else. The task force also suggested that instructions be written on how to use the LERG and how to identify MCA codes for better clarification to users such as PBX owners and others who need to program their systems. Again, it was agreed that this information could be put on the MoPSC's Web site where it could be monitored for six months or as otherwise determined by the industry task force.

1.3.4 Other issues that may impact the viability of MCA service

Three issues were identified as having possible future impacts on the continued viability of the MCA service. These three issues are: (1) whether the customers of wireless

carriers are to be considered MCA subscribers pursuant to the Commission's MCA order in Case No. TO-92-306, (2) how to handle the problem of Neustar's refusal to assign additional codes to carriers who need them for MCA NXXs, and (3) the extensive utilization of numbering resources that the current MCA plan requires and the potential for even further need if the MCA is modified or expanded. This issue needs to be addressed given the current scarcity of numbering resources in Missouri.

2. ACTIVITIES IN PROCESS

The OPC, Staff, and the task force members are collaborating to develop a listing of NPA-NXX codes that are located within the boundaries of the current MCA. The ILECs, with Staff's assistance, are continuing to gather traffic information and compile their calculations for quantifying the monetary impacts of expanding the MCA within its current boundaries.

2.1 Developing a list of NPA-NXXs that are in the MCA

During the month of March, the OPC, Staff, and task force members assembled a listing of all the Missouri (and Kansas) NPA-NXXs located in MCA-designated areas. These areas include the metropolitan areas (consisting of the principal zone, tiers 1 and 2 in St. Louis and Kansas City, the principal zone and tier 1 in Springfield); optional tiers 3, 4 and 5 in St. Louis and Kansas City; and optional tier 2 in Springfield. The listing was compiled from data obtained from Neustar and the LERG and includes the following information:

- the NPA-NXXs
- the Operating Company Numbers (OCNs)
- the company's name that the code belongs to

- the rate centers
- the switches
- the MCA areas
- whether the code is an MCA-NXX or non-MCA NXX
- whether the code is in the LERG
- whether the NPA-NXX is identified with a “J” code in the LERG

These are the items the companies identified that would help in determining which codes were MCA and non-MCA for programming their switches and collecting traffic information. The list can also be used as a reference source for the general public seeking information about MCA codes. The last two items regarding the LERG will be deleted from the listing after the companies complete their review of the list. Once the list has been reviewed and revised and is ready to be used, it will be posted on the MoPSC’s Web site.

Although Staff agreed this listing should be posted on the MoPSC’s Web site, the logistics of administering it have not been established. For instance, there are still questions such as: (1) How long will Staff be responsible for monitoring the information? (2) What will be done about CLECs’ NXXs in the mandatory zones that are not in the LERG, have not been identified by a letter from the CLECs as MCA or non-MCA NXXs, and are not included in the list developed by the OPC and Staff? Appendices A1 and A2 are drafts of the Missouri and Kansas NPA-NXX listings.

2.2 Determining monetary impacts of modifying the MCA

The ILECs drafted a set of thirteen (13) data requirements that would need to be compiled in order to quantify the financial impacts to the ILECs if the MCA is modified. The ILECs decided to focus on quantifying the monetary impacts of Staff’s proposed MCA2

plan before proceeding on to consider other possible ways of changing the MCA. The monetary impacts would primarily include reductions in toll revenues and originating and terminating access revenue. If an ILEC is the billing agent for IXCs, some reductions in billing and collection revenues may also take place due to the elimination of some toll calling. Appendix A3 describes each of these thirteen data items. After the ILECs have compiled these data and performed the necessary calculations to arrive at their monetary impacts, this information will be forwarded to Staff on a summary sheet for each of the ILEC's regions (see Appendix A4). Most importantly, the monetary impacts information will be used for the next step in analyzing the effects of modifying the MCA: namely, pricing the service and determining the benefits and costs to consumers and the companies.

3. FUTURE ACTIVITIES

The industry task force not only continues to quantify the monetary impacts of the Staff's proposed MCA2 plan, but the members are also compiling data that can be used to assess other scenarios for modifying the MCA. One of these scenarios could involve making one or more tiers mandatory, such as tier 3 in St. Louis and Kansas City. But further work needs to be done in this area, and because it is time consuming and involves many hours of data gathering and number crunching, the task force members will report back to the Commission regarding pricing in another report. The activities that have yet to be performed entail an analysis of the monetary impacts along with a determination of the effects of a modified MCA on prices. These analyses would also present and discuss the benefits and costs of a modified MCA for both consumers and the companies. This benefit-cost analysis would provide the Commission with additional information to help in its decision-making

process regarding the MCA. The task force would first like to inform the Commission about the monetary impacts on all the ILECs, and, in addition, clarify how much work will be involved in gathering, compiling, analyzing, and disseminating all this information. The Commission could then advise the task force whether it should continue with determining the pricing effects and the benefits and costs of making modifications to the MCA.

4. NEXT STEPS

The task force may have to meet again to further discuss and finalize the MCA NXX listing. Staff will then confer with the MoPSC's Information Systems Department about posting the list on the Web site. A conference call will take place the week of April 23, 2001 with all the parties to this case. The topic of discussion for the conference call is non-participation of CLECs in the Commission's MCA plan and CLECs' designation of non-MCA NXXs in the mandatory tiers. The ILECs are scheduled to have the necessary data pulled to do the monetary impacts calculations by May 1, 2001, and the companies will have the impact figures summarized and sent to Staff by July 1, 2001.