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Robert W. Hedrick
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February 20, 2004

Mr. Dale Roberts
Executive Secretary
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, MO 65101

Re: Consolidated Case No. TC-2002-57


FILED²
FEB 20 2004
Missouri Public
Service Commission

Dear Judge Roberts:

Enclosed please find for filing the original and eight copies of the Rebuttal Testimony of Jim Naumann on behalf of United States Cellular Corporation in the above-referenced case.

I have caused copies of the enclosed document to be served on all parties of record by United States mail, postage prepaid.

Very truly yours,


Paul H. Gardner

PHG:kn
Enclosures
cc: All Parties of Record (w/enclosure)

Ex. No. _____
Issue: InterMTA and IntraMTA Traffic
Witness: Jim Naumann
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: United States Cellular
Case No. TC-2002-57
Date: February 20, 2004

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

Northeast Missouri Rural Telephone)
Company, et al.)
)
Petitioners,)
)
vs.)
)
Southwestern Bell Telephone)
Company, et al.)
)
Respondents)

Case No. TC-2002-57

FILED²
FEB 20 2004
Missouri Public
Service Commission

REBUTTAL TESTIMONY

Of

JIM NAUMANN

On Behalf Of

UNITED STATES CELLULAR CORPORATION

February 20, 2004

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

2 A. Jim Naumann. I am the Senior Director - National Networks for U.S. Cellular
3 Corporation, 8410 W. Bryn Mawr, Suite 700, Chicago, Illinois, 60631.

4 **Q. On whose behalf are you testifying?**

5 A. United States Cellular Corporation ("U.S. Cellular")

6 **Q. Describe your background in traffic compensation issues, particularly the**
7 **traffic compensation at issue in this proceeding.**

8 A. I have been responsible for negotiating all LEC and IXC interconnection
9 agreements and contracts for U.S. Cellular since the Telecommunications Act of 1996. I
10 have also been monitoring the proceedings in Missouri and we are currently paying the
11 LEC tariff rates for those LECs that filed tariffs. Although U.S. Cellular believes that
12 the tariffs are inappropriate, U.S. Cellular is willing to negotiate an interconnection
13 agreement rather than using the tariffs. Although I have attempted to negotiate
14 interconnection agreements with the LECs represented by Mr. Craig Johnson, he has
15 communicated to me that they are not interested. Mr. Johnson has been willing to
16 negotiate the interMTA factor with U.S. Cellular which we have been working on for
17 several months.

18 **Q. What do you believe is the appropriate methodology for determining inter**
19 **and intraMTA factors in this case?**

20 A. I believe the most appropriate methodology for determining the inter and
21 intraMTA factors in this case or any other location is counting the number of towers off
22 the appropriate serving Mobile Switching Center (MSC) located inside and

1 outside the MTA. In this instance the appropriate MSC would be our Columbia,
2 Missouri, MSC.

3 **Q. Why do you believe cell tower counts are the appropriate methodology?**

4 A. Several methodologies are used to determine the intra and interMTA
5 factors, including: measuring actual traffic that originates inside and outside the
6 MTA; using an average factor (U.S. Cellular has used 1% -2% in other jurisdictions);
7 using the number of towers located inside and outside the MTA; or using the amount
8 of land mass covered by towers inside and outside the MTA.

9 I believe that using the tower counts is the appropriate methodology because
10 U.S. Cellular does not route calls to the PSTN in our MSCs based on which tower
11 the call originated from. In other words, we do not measure actual traffic originating
12 inside and outside the MTA boundary. All originating calls to any given NPA-NXX
13 from any home or roamer customer on any of the towers served by a particular MSC
14 are translated and routed to the same PSTN trunk group.

15 U.S. Cellular would be willing to use an average factor; however, this methodology
16 is not as accurate as using tower counts. We would also be willing to use the amount
17 of land mass covered by towers inside and outside the MTA, but this methodology is
18 more complicated than using tower counts and most likely will give the same factors
19 as using the number of towers.

20 **Q. Has U.S. Cellular used the tower-count methodology in other jurisdictions**
21 **or agreements with other carriers?**

22 A. Yes. We have used the tower-count methodology in almost all negotiated

1 interconnection agreements, with a few exceptions where we used an agreed upon
2 average factor.

3 **Q. How frequently does U.S. Cellular use the tower-count methodology?**

4 A. This methodology has been used with the majority of the LECs with which we
5 have negotiated interconnection agreements in our 26-state territory including, but
6 not limited to, Sprint, SBC, Bellsouth and Verizon. This methodology has also been
7 negotiated with smaller LECs in U.S. Cellular's service territory. The other method
8 has been to use an agreed upon average factor.

9 **Q. In this case, is it necessary to make any adjustments to the results of cell
10 tower counts?**

11 A. Yes. U.S. Cellular sends a portion of the calls to Northeast Missouri Telephone
12 Company and Chariton Valley Telephone Company and all of the calls to Mid-
13 Missouri Telephone Company to our IXC carriers. That traffic should not be included
14 because these LECs are currently receiving terminating access charges for these calls.
15 In addition, the MTA factor should be reduced to reflect the fact that Northeast
16 Missouri's and Chariton Valley's service areas cross MTA boundaries.

17 **Q. Based on the tower-count methodology with the necessary adjustments,
18 what are the appropriate interMTA factors?**

19 A. Factors for Mid-Missouri Telephone Company are unnecessary because we send
20 all the traffic to that company via IXC carriers. In addition, Alma, Choctaw and MoKan
21 have stipulated, for the purpose of this proceeding, that the interMTA factor is 0%.

22 As for the remaining companies, Chariton Valley and Northeast Missouri, we

1 have 13 cell sites outside the MTA and 94 within the MTA, so the interMTA factor
2 would be 12%.

3 **Q. The MITG witness discuss “guidance” from the FCC in the form of three**
4 **methods for determining interMTA factors. How does U.S. Cellular’s proposed**
5 **approach fit into this framework?**

6 A. U.S. Cellular’s approach is a better fit than that urged by MITG. First, let me
7 reiterate that U.S. Cellular’s approach of counting the number of cell sites in each
8 MTA served by a particular MSC has been used throughout our service territory. No
9 public utility commission in those states has rejected U.S. Cellular’s approach.

10 Second, MITG asserts that it is applying the “Second Method” (except in the
11 case of U.S. Cellular, an issue I will address below). See, e.g., Godfrey Direct at 5.
12 The “Second Method” as MITG describes it looks at the location of the originating
13 cell site to determine whether or not the call originated in the same MTA where it was
14 terminated. However, the methodology actually used by the MITG witnesses does
15 not use cell sites at all. Instead, it uses the calling party NPA-NXX from the signaling
16 data. See, e.g., Godfrey Direct at 9. This methodology is nothing like any of the three
17 FCC methods.

18 U.S. Cellular’s approach, on the other hand, uses the ratio of cell sites in an
19 MTA from which a call could originate as a proxy for the ratio of calls which actually
20 do originate on cell sites in the MTA. This is considerably more faithful to the
21 FCC’s “Second Method” than the approach used by MITG.

22 **Q. Does the MITG approach cause inaccuracies in the results?**

1 A. Absolutely. The MITG witnesses concede as much. See e.g., Godfrey Direct
2 at 10-11. They attempt to minimize the impact by claiming that inaccuracies
3 “tend to be offsetting” although they admit they have no evidence to that effect.
4 It is my opinion that the inaccuracies will not be offsetting and will seriously
5 prejudice the wireless companies.

6 The key inaccuracy in the MITG method is that it captures roaming traffic as
7 interMTA traffic, even when the specific call originates and terminates in a single
8 MTA and therefore meets the FCC’s definition of a local call. See FCC First Report
9 and Order, Docket No. 36-325, ¶ 1036 (“[T]raffic to or from a CMRS network that
10 originates and terminates within the same MTA is subject to transport and termination
11 rates under section 251(b)(5), rather than interstate and intrastate access charges.”)
12 For example, if a caller from Colorado is driving across the country and enters
13 Missouri, and places a wireless call from the Kansas City MTA to a customer of
14 one of the MITG members who lives in the Kansas City MTA, which roams
15 on the U.S. Cellular network, the call looked at under the FCC “Second Method”
16 would correctly show as an intraMTA call. Using MITG’s method, however, the
17 NPA-NXX would place the point of origin in Colorado, erroneously converting it into
18 an interMTA call. This may represent a significant overcounting of the interMTA
19 traffic.

20 **Q. You mentioned above that MITG did not use its proposed methodology**
21 **with respect to U.S. Cellular. What did MITG propose with respect to U.S.**
22 **Cellular?**

1 A. MITG has proposed that U.S. Cellular be presumed to have 100% interMTA
2 traffic. This is an improper and unacceptable result for several reasons. First, U.S.
3 Cellular has proposed a fair and accurate method that has been widely used and allows
4 for approximating the interMTA factor. Our results show that result is an interMTA
5 factor of 12%, not the 100% used by MITG.

6 Second, the 100% interMTA factor is also unfair and improper because the
7 lack of calling party NPA-NXX information (i.e. ANI) is not entirely within U.S.
8 Cellular's control. Our switches "push" the ANI information. Subsequent trunks and
9 switches on the PSTN may or may not transmit (or transmit accurately) that information.

10 Either way, MITG's suggestion that U.S. Cellular be charged at the highest
11 rate for all of its traffic is not credible and is openly punitive. It further demonstrates
12 one of the problems driving the long-running wireless-small LEC disputes: the LECs
13 are inflexible on maintaining the maximum access revenue.

14 **Q. Have there been other relevant developments since the Commission**
15 **hearing?**

16 A. Yes. As I mentioned above, one of the problems in resolving this matter and
17 its predecessors is that the MITG companies insist on their entitlement to premium
18 access rates. Some of the MITG companies' access rates are as high as 17-cents a
19 minute – many times over what a wireless end-user customer pays for the same
20 minute. Obviously, the economics of that do not work.

21 As this Commission may be aware, there is a clear trend toward ever-lower
22 transport and termination rates. A recent regulatory ruling on this issue is from

1 the Nebraska PSC in "In re Great Plains Communications Arbitration with WW C
2 license LLC, No. C-2872, Order Approving Interconnection Agreement as Modified"
3 (NE PSC 9123103). This arbitration involved an agreement between a wireless
4 carrier and an independent LEC which set a compensation rate of 2.08-cents per minute
5 (and this was an increase from the arbitrator's proposed rate of 6/10s of a cent per
6 minute.) In Iowa, Midwest Wireless and CenturyTel just filed a negotiated agreement
7 at 1.8-cents per minute in "CenturyTel and Midwest Wireless Iowa LLC Interconnection
8 and Reciprocal Compensation Agreement, Docket No. N1A-04-4, filed 2/02/04 (order
9 pending). The agreements U.S. Cellular has entered in the past year in the mid west
10 and upper-midwest, in rural states, have all been under 3-cents per minute. I believe a
11 significant barrier to resolving this dispute is that the MITG companies continue to
12 seek compensation at rates in excess of 10-cents per minute.

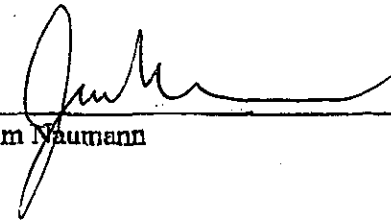
13 **Q. Does this conclude your rebuttal testimony?**

14 A. Yes.

AFFIDAVIT OF JIM NAUMANN

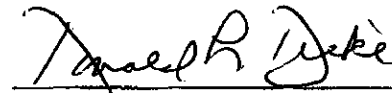
STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

Jim Naumann, of lawful age, on my oath states, that I have participated in the preparation of the foregoing rebuttal testimony in question and answer form, consisting of 7 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.



Jim Naumann

Subscribed and sworn to before me this 19th day of FEBRUARY, 2004.



Notary Public

My Commission expires: 8/23/07

