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May 7, 2004

Marlene Dortch
Secretary
Federal Communications Commission
445 12 St., S.W.
Washington, D.C. 20554

Re: Ex Parte, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128.

Dear Ms. Dortch:

At the April 13, 2004 meeting with Denise Coca, Darryl Cooper and William Dever of the Wireline Competition Bureau, MCI was asked to estimate the costs of providing incomplete call data in quarterly reports to payphone service providers, and to further elaborate on its explanation that this additional data would not reduce the need for further inquiries and special studies. Please find the attached declaration by Dianne Moore, Senior Manager of Network Financial Systems Management and Payphone Compensation Management at MCI, in response to staff's request.

Sincerely,

/s/ Larry Fenster

Larry Fenster

cc: Denise Coca
Darryl Cooper
William Dever

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
The Pay Telephone Reclassification and)	CC Docket No. 96-128
Compensation Provisions of the)	
Telecommunications Act of 1996)	

DECLARATION OF DIANNE MOORE

1. My name is Dianne Moore. I am Senior Manager of Network Financial Systems Management and Payphone Compensation Management. I have been responsible for MCI's payphone compensation since 1998.

2. I am providing this declaration in response to issues raised by the American Public Communications Council ("APCC") in its Petition for Clarification/Partial Reconsideration of the Commission's *Report and Order*¹ in this docket and in response to questions raised by the FCC in our meeting on April 13, 2004... In the *Report and Order*, the Commission adopted new payphone compensation rules that place responsibility on "Completing Carriers" to compensate payphone service providers ("PSPs") for payphone-originated calls that are completed on that carrier's network.

¹ *In the Matter of The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Report and Order, FCC 03-235, released October 3, 2003 ("*Report and Order*").

3. In order for MCI to qualify to compensate PSPs on a per-call basis, it is required to file a report completed by an independent third party auditor who attests that MCI: a) has a payphone compensation system based on an accurate understanding of the Commission's rules, b) has persons responsible for tracking, compensating, and resolving disputes concerning completed calls; c) has effective procedures to monitor trends in compensable payphone calls, identify fraudulent payphone calls, and the ability to identify excluded calls; d) ensures that software, personnel or network changes do not adversely affect its ability to track payphone calls; e) has procedures that match call detail records against payphone identifiers to create a compensable payphone call file; f) has procedures in place that incorporate call data into reports required by the Commission; g) has implemented procedures and controls needed to resolve disputes; h) has an independent third-party auditor test critical controls and procedures; and i) has adequate and effective business rules for implementing and paying payphone compensation.

4. MCI has prided itself on the reliability of its payphone compensation system. When the First Payphone Order was released in 1996 MCI took immediate and significant actions to develop systems and processes to comply with this requirement. Between 1996 and 1998 MCI spent approximately \$20 million developing accurate call tracking, call blocking, compensation, and surcharge recovery systems. MCI has since spent approximately \$1.5 million each year on modifications to its payphone compensation system to comply with subsequent FCC rulings and to adapt to MCI internal changes, e.g. product changes, integration with WorldCom facilities, etc. These costs include system development efforts and do not include additional system maintenance costs, staffing, or operational costs associated with using a clearinghouse. These expenses add an additional \$2.5M per year.

5. MCI has undertaken a review of its payphone compensation system by an independent auditor on three different occasions in the past. The initial attestation was performed to comply with the First Payphone Order (September 1996). MCI went beyond the stated requirements and engaged an independent auditor for attestations in 1999 and 2001. By dedicating such substantial sums to develop and maintain an accurate payphone compensation system, MCI has been able to provide accurate payphone compensation payments.

6. MCI's payphone compensation system has been designed to identify and store potentially compensable calls and the data elements needed to provide reports in compliance with the Commission's Orders. Consequently, MCI's payphone compensation system does not receive all calls originated on its network and does not store all data elements from the call detail record ("CDR"). Doing this would be drastically inefficient, and exponentially increase the costs of managing our payphone compensation system. A call that originates on the MCI network is potentially compensable and stored in its payphone compensation system if it has a payphone-specific info digit (27, 29 or 70) and/or originates from a telephone number that is on the quarterly payphone list from the National Payphone Clearinghouse ("NPC") prior to validation (i.e. all telephone numbers claimed by PSPs and reported by local exchange carriers); is a dial-around product; and is completed as evidenced by the receipt of answer supervision from the terminating local exchange carrier ("LEC"). While the call tracking process distinguishes between complete and incomplete calls in order to identify which calls are potentially compensable, incomplete calls are not retained during processing and are not stored in MCI's payphone compensation system.

7. MCI is investing substantial time and money modifying its payphone compensation system in order to comply with the new rules for both Intermediate Carriers and Completing

Carriers. The development is being implemented in phases throughout 2004 and will cost over \$1,000,000. Development of the first phase of modifications began after the most recent *Report and Order*. In the first phase, which will be implemented prior to July 1, 2004, MCI will modify its payphone compensation system to add new data elements needed to meet the revised reporting requirements. System changes are being made in order to allow the time and date that each call was made to be added to our payphone compensation tracking database. These data elements were not previously required. These data will be provided to PSPs upon request.

8. A new process is being created to receive and store the appropriate payphone compensation-specific contact information for our reseller customers, both those who will pay directly and those who direct MCI to pay on their behalf. MCI is anticipating that the Commission will rule favorably on AT&T's petition to allow Intermediate Carriers to pay on behalf of switch-based reseller ("SBR") customers for 100% of the payphone-originated calls delivered to them, and is offering this option to our customers. MCI will not accept call records from SBR customers to determine call completion once the new rules become effective.

We are scaling up our payphone compensation system's current hardware platform to accommodate the additional processing volumes and data storage requirements for all payphone data reporting and analysis activities. We anticipate that the database will effectively be doubled due to the new data elements.

9. In addition, current monitoring reports and controls are being revised to reflect all the changes made to the system as result of this data expansion project, and to allow proper monitoring of the system to assure data and system integrity. Our clearinghouse agent is modifying reports to the PSPs to ensure that all required information is communicated

appropriately along with the payment. This development includes the creation of the new reports MCI is required to provide as an Intermediate Carrier regarding calls sent to its SBRs.

10. MCI is currently undergoing a system audit to comply with the Commission's *Report and Order*. MCI has engaged an independent auditor to review its payphone compensation system and operations. MCI will spend over \$500,000 for this attestation, which in addition to the independent audit team will involve the entire payphone compensation management team and multiple IT organizations. Moreover, MCI anticipates substantial auditing costs every year in the future. While future audit costs are not known, I anticipate that the cost for the 2005 audit will also be substantial due to the need to audit the 2004 development changes.

11. APCC has requested that the Commission require carriers to provide PSPs with information beyond what was originally required in the *Report and Order*. Specifically, APCC is asking the Commission to require Completing Carriers to report data on uncompleted calls on a quarterly basis. APCC justifies the need for this additional data on the grounds that audited Completing Carriers do not accurately identify and track payphone calls, even though they have been verified by an independent third party as having this capability, and have a company officer sign a statement attesting that payments are accurate and are based on 100% of completed calls that originate from payphones. APCC's request for this additional data is built on the existence of conditions that the *Report and Order* has taken great pains to eliminate.

12. If required, MCI would be able to modify its process to receive and store the incomplete payphone calls and estimates that this could potentially be accomplished by July 2005.

However, I believe that this would add a large amount of data at a significant cost to all Completing Carriers and does not address the root cause of the PSP's perception of being underpaid. Even with the additional data, PSPs will need to work directly with Completing

Carriers to understand why certain calls were excluded from payment. If there is a difference in understanding between the PSP and a Completing Carrier about whether a call is complete and compensable or not, a mutual investigation or call study will still be required.

13. A more efficient process would be for the PSP and Carrier to devise a study to examine the calls paid versus expected calls. If a recent period (or future period) is selected for study, the Completing Carrier should be able to obtain the incomplete call records for analysis of the specific problem and not need to have all incomplete payphone call records stored in its system and be prepared and delivered to every PSP, on the chance that it will get asked about them. The data collection process to resolve the dispute in this fashion enables the Completing Carrier to make use of data stored elsewhere within the company on an “as needed” basis rather than replicate, process, and deliver data for a future “what if” need. A study of this nature is not fast or easy for either party, but I believe that the business impact to each party is less than the impact of working with the extra incomplete call data on a regular basis.

14. The cost of APCC’s request would add several hundred thousand dollars of unnecessary development work and impact ongoing operations. I estimate that the increase in the amount of data stored will add five calendar days to the compensable call processing that we run each quarter. (Note: this estimate takes into account the time savings of performing some activities concurrently.) Presently we have 16 calendar days from the time that we receive the PSP claimed ANI / LEC reported ANI list from the NPC to the date that we must submit the calls to NPC for the processing that they perform on our behalf. Losing five calendar days in the schedule leaves very little time to handle any delays that may occur.

15. Since publication of the *Report and Order*, MCI has notified its SBR customers of the requirements contained in that order and of the options that are available to them for

compensating PSPs. At the end of my declaration, I have attached a copy of the letter sent to our SBRs. The notification informs SBRs they may choose to direct MCI to pay PSPs on their behalf according to 100% of payphone originated calls MCI delivers to them. The letter informs SBRs choosing this option that SBRs who do not undergo a system audit must obtain PSPs' agreement to be compensated in this manner. MCI will request such agreement on behalf of SBRs choosing this option, but does not assume responsibility for obtaining such agreement and does not assume responsibility for any disputed payments for customers choosing this option. The letter also informs SBRs that it will no longer accept call completion data from them, and that if they do not choose to direct MCI to pay PSPs based on 100% of payphone originated calls sent to them, MCI presumes they have made arrangements to directly compensate PSPs.

16. In conclusion, MCI has spent a substantial amount of time and expense to develop an accurate and reliable payphone compensation system capable of efficiently resolving disputes. I estimate it would cost several hundred thousand dollars to modify MCI's payphone compensation system to track and report uncompleted payphone calls on a quarterly basis as requested by APCC. APCC's request would add ongoing operating and system management burdens, and would not help resolve disputes. Special studies will always be required to settle disputes, and the ability to resolve disputes is specifically included in the attestation Completing Carriers must obtain in order to directly compensate PSPs. The Commission should therefore deny APCC's request for quarterly reports on incomplete calls.

Statement of Verification

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed on May 7, 2004

/s/Dianne Moore
Dianne Moore



DATE

Customer Name (Company)

Attn:

Address

City, ST ZIP

Dear Customer:

In response to the Report and Order in FCC Docket No. 96-128, released October 3, 2003 (the "Order"), MCI WORLDCOM Network Services, Inc. ("MCI") is implementing new payphone surcharge policies for all calls that originate from a payphone that are delivered for completion to a Facility Based Reseller ("FBR") (i.e., an entity that has its own switch/platform). The FCC has adopted rules holding all FBRs responsible for compensating Payphone Service Providers (PSPs) for payphone-originated calls that are completed on those FBRs' platforms. **These rules are to be effective July 1, 2004.**

Under the rules, FBRs may directly compensate PSPs at the default compensation rate provided they have filed with the FCC and each PSP for which it completes calls a system audit with the FCC and attested to the accuracy of their payphone compensation tracking systems by the effective date of the rules. FBRs who have not filed a system audit of their payphone compensation tracking systems by the effective date may negotiate other mechanisms for payment. The only option being offered by MCI is MCI's "Opt-In 100% Option", provided PSPs agree to be compensated in this manner. (See paragraph 48 of the Order). While MCI hopes that PSPs will not dispute this payment method, MCI can not guarantee this outcome. Therefore, in the event you select the Opt-In 100% Option you also agree to indemnify and hold harmless MCI from and against any claims made by a PSP relating to the compensation, if any, due such PSP. Along with MCI's payment to each PSP, MCI will request that the PSP acknowledge that compensation for 100% of the calls sent by MCI to your platform is an acceptable compensation arrangement. Further, in the event a PSP disputes this payment arrangement, MCI agrees to provide you with data documenting the payphone calls sent to your platform

Please note that the Order does not impact "switchless" resellers. MCI will continue to assess the payphone surcharge and compensate PSPs according to current policies and procedures.

Beginning July 1, 2004, if you choose not to compensate the PSPs directly, you may agree to deem 100% of all of your payphone-originated calls as being completed to the dialed party ("Opt-In 100% Option") and MCI will compensate the PSPs on your behalf. Even if you have previously elected the Opt-In 100% Option in the past, you **MUST** re-affirm your election at this

time. **MCI must receive your election on or before June 1, 2004.** No retroactive elections will be accepted.

If you choose the Opt-In 100% Option, please initial the box below, complete the customer information and forward this signed response via facsimile to:

MCI Wholesale Contract Management
Fax: 918-590-0458

PLEASE INITIAL: _____ Opt-In (100%)

Customer (Company Name) _____

Authorized Representative (Name) _____

SIGNATURE _____

Date _____

PLEASE NOTE: The Order also requires that MCI, as an “Intermediate Carrier” maintain, and provide to PSPs with each quarterly payment, company contact information on its FBRs. Therefore, please provide the following information for the individual who should be contacted regarding payphone compensation issues. MCI needs this information regardless of whether you elect the Opt-In 100% Option. Please fax to:

MCI Wholesale Contract Management
Fax: 918-590-0458

Customer (Company Name) _____

Contact Person’s Name _____

STREET ADDRESS _____

E-Mail Address _____

Phone Number (____) ____-____

In absence of a returned letter by June 1, 2004 indicating the Opt-In 100% Option, MCI will assume your company will compensate the PSPs on its own behalf. In such case, beginning July 1, 2004, MCI will no longer assess a payphone surcharge on each call MCI originates from a payphone and delivers to your switch/platform for termination.

All FBRs who previously elected to provide MCI with FBR Payphone Records to determine the Payphone Reduction Amount or "PRA" must have their final FBR Payphone Records for Service through June 30, 2004, submitted to MCI on or before July 20, 2004. After this date, MCI will no longer accept ANY FBR Payphone Records.

Important Dates to Remember	
June 1, 2004	Deadline to return letter indicating Opt-In 100% Option (if applicable)
July 1, 2004	FCC's new FBR compensation rules become effective. FBRs will compensate PSPs on their own behalf.
July 20, 2004	All FBR Payphone records for service through June 30, 2004 must be submitted to MCI.

Sincerely,

Kay Wulf
Vice President, Business Operations