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February 20, 1996

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Tallahassee

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
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Re: Resolution of Petition to Establish Non-Discriminatory Rates, Terms, and Conditions for Interconnection Involving Local Exchange Companies and Alternative Local Exchange Companies pursuant to Section 364.162, Florida Statutes; Docket No. 950985-TP

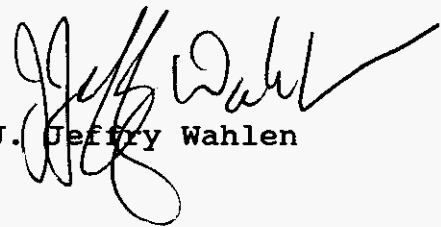
Dear Ms. Bayo:

Enclosed for filing are the original and fifteen (15) copies of Sprint United/Centel's Rebuttal Testimony of F. Ben Poag in the above styled docket.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,


J. Jeffrey Wahlen

- BCK
- AFA
- APP
- CAF
- CMU *Chuse*
- CTR
- EAG
- LEG
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Enclosures

cc: All Parties of Record (w/encls.)

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Docket No. 950985-TP

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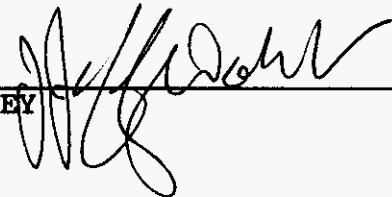
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ATTORNEY



1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REBUTTAL TESTIMONY

3 OF

4 F. BEN POAG

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5
6 Q. Please state your name, business address and title.

7
8 A. My name is F. Ben Poag. I am employed as Director-Tariff
9 and Regulatory Management for United Telephone Company of
10 Florida ("United"). My business mailing address is Post
11 Office Box 165000, Altamonte Springs, Florida 32716-5000.
12 I am responsible for state regulatory matters for United
13 and its affiliate, Central Telephone Company of Florida.

14
15 Q. Have you previously filed testimony in this proceeding?

16
17 A. Yes, I filed prepared direct testimony and rebuttal
18 testimony addressing the FCTA and AT&T's witnesses, Mr.
19 Cresse and Mr. Guedel, respectively in this proceeding.

20
21 Q. What is the purpose of this testimony?

22
23 A. This testimony is being filed to respond to the testimony
24 filed by Mr. Devine for MFS-FL and Dr. Cornell and Mr.
25 Price for MCI Metro and additional testimony filed by Mr.

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Guedel.

Q. On Page 18, beginning on line 13, Mr. Devine proposes that MFS-FL would have the right to extend its own facilities or to lease dark fiber facilities from Sprint-United/Centel or a third party. Further, he maintains that MFS-FL would designate the appropriate junction point. Would Sprint-United/Centel agree to such terms?

A. No. Sprint-United/Centel does not lease dark fiber and does not allow direct interconnection of third party facilities via Sprint-United/Centel's collocation arrangements. Expanded interconnection tariffs were filed for interconnection with Sprint-United/Centel, not between ALECs. Such interconnection arrangements will require some type of facility. To the extent they are on Sprint-United/Centel premises they should be installed and maintained by Sprint United/Centel.

Sprint-United/Centel with MFS-FL should jointly determine where facilities will be interconnected, it should not be a unilateral decision of MFS-FL as suggested by Mr. Devine. The decision needs to be a cooperative decision which does not create any unnecessary costs or inefficiencies for either carrier. Sprint-United/Centel will interconnect

1 where technically and economically feasible.

2

3 Q. On page 19, beginning on line 1, Mr. Devine proposes that
4 MFS-FL should have the right to lease such facilities under
5 the most favorable tariff or contract terms Sprint-
6 United/Centel offer. Is this acceptable to Sprint-
7 United/Centel?

8

9 A. No. Sprint-United/Centel will tariff its interconnection
10 rates and make services available per the tariffed terms
11 and conditions. To the extent that special non-tariff
12 arrangements are requested, they will be provided by
13 contract. Once a service has been provisioned under
14 contract, rates will not be changed because of different
15 rates in a subsequent situation which may take advantage of
16 different economic and/or competitive market situations.

17

18 Q. On page 19, beginning on line 4, Mr. Devine proposed that
19 incremental cross-connection charges should not be
20 applicable for interconnection via a collocation facility.
21 Do you agree?

22

23 A. No. The rates in the Companies' approved collocation
24 tariffs, i.e., expanded interconnection, would be
25 applicable. These tariffs are applicable to other

1 interconnectors and should also apply for ALECs.

2

3 Q. On page 26, beginning on line 11, Mr. Devine proposes bill
4 and keep as the ideal interim reciprocal compensation
5 arrangement until rates can be set at long run incremental
6 cost. Do you agree?

7

8 A. No. As stated in my direct testimony, I do not believe
9 that bill and keep meets the statutory requirement that the
10 interconnection charge cover its costs. Additionally, bill
11 and keep would not be as effective in encouraging network
12 infrastructure development.

13

14 Further, since local interconnection arrangements may be
15 used for terminating both local and toll calls, tying the
16 interconnection rate to access charges mitigates the impact
17 of arbitrage. As discussed in my direct testimony and the
18 rebuttal testimony of Mr. Michaelson, pricing at
19 incremental cost is inappropriate and creates additional
20 burdens for ILECs who already have universal service and
21 carrier of last resort requirements.

22

23 Sprint-United/Centel has proposed two alternative methods
24 for interconnection, a per port charge at the DS1 level or
25 a minute of use charge. Sprint-United/Centel prefers the

1 port charge as it is administratively simple, does not
2 require extensive measurement and billing, and provides a
3 rate structure which tracks the underlying cost structure.

4
5

6 Q. Do you agree that Sprint-United/Centel will need to provide
7 MSF-FL with trunk connections to its 911/E911 selective
8 routers/911 tandems for the provision of 911/E911 services
9 and for access to all sub-tending Public Safety Answering
10 Points (PSAPs)?

11

12 A. Yes, where Sprint-United/Centel provide the selective
13 router, however, this will not always be the case. There
14 are situations that exist today where there is no selective
15 routing involving Sprint-United/Centel. There are
16 situations where a selective router may serve one or more
17 counties, as well as situations where the selective router
18 utilized by Sprint-United/Centel may be provided by either
19 another LEC or someone other than another LEC. For
20 example, while Sprint/United is involved in the
21 provisioning of E911 service in both Orange and Seminole
22 Counties, we do not provide the selective routing
23 information or the actual selective routing function.
24 Thus, Sprint-United/Centel, in this situation, cannot be
25 responsible for the ALEC selective routing functions since

1 we are not the service provider.

2

3 Q. Should Sprint-United/Centel be responsible for providing
4 MSF-FL with the Master Street Index Guide ("MSAG") so that
5 MSF-FL can ensure the accuracy of data transfers?

6

7 A. No. The MSAG is the property of the county and only the
8 county can provide the information. The provision of the
9 MSAG to MFS-FL would be dependent on the county and the
10 operation of the county 911/E911 system.

11

12 Q. Is there a need for Sprint-United/Centel to provide the
13 ten-digit POTS number of each PSAP to MSF-FL?

14

15 A. No. There should be no need for MFS-FL to use the ten-
16 digit number of the PSAP. In most cases, calls to the PSAP
17 must route via 911/E911 trunks. Dependent on the switch,
18 access to the PSAP obtained by dialing the ten-digit number
19 will be blocked to eliminate erroneous calls. These
20 numbers are not currently provided today, but are
21 programmed in the switch to handle call routing. Any
22 contact numbers required by MSF-FL should be obtained from
23 the appropriate 911/E911 coordinators or the agencies
24 themselves. Due to differences or potential differences in
25 local service areas, the ALECs are in the best position to

1 identify their customers geographic locations and the
2 appropriate 911/E911 requirements.

3

4 Q. Do you agree that it is the responsibility of Sprint-
5 United/Centel to provide a direct real-time electronic feed
6 or a daily or monthly magnetic tape listing the appropriate
7 billing listing and effective daily rate for each
8 information service by telephone number?

9

10 A. No. the current procedure, as supported by Tariff, is that
11 the information provider assumes responsibility of making
12 suitable arrangements with the appropriate telephone
13 company for the provisioning of service and billing of
14 charges for those calls to 976 numbers that originate
15 outside the Sprint-United/Centel service area. It is the
16 position of Sprint-United/Centel that MSF-FL would need to
17 block all calls to pay-per-call numbers until such time as
18 an information provider would provide the necessary billing
19 information to them. Conversely, any information provider
20 contracting for such a service with MSF-FL would be
21 responsible for contacting Sprint-United/Centel to provide
22 the information for call completion and billing, it would
23 not be the responsibility of MFS-FL to provide.

24

25 Q. Should Sprint-United/Centel be responsible for working with

1 MSF-FL to develop a LATA-wide NXX code(s) to use in
2 conjunction with this type of service?
3
4 A. No. Sprint-United/Centel is not the numbering plan manager
5 and therefore not in control of NXX assignment.
6
7 Q. What provisions should apply for the exchange of billing
8 information?
9
10 A. MFS-FL proposes that Sprint-United/Centel should employ the
11 calendar month billing period for meetpoint billing.
12 Sprint-United/Centel's billing system utilizes a bill cycle
13 basis. Bill cycles are established for several reasons.
14 First, due to the volume of third party billing in our
15 access billing system, the processing and administrative
16 functions need to be distributed evenly through the month.
17 Secondly, Sprint has negotiated specific bill cycles for
18 interexchange carriers which operate throughout the Sprint-
19 United/Centel system. In addition, Sprint-United/Centel
20 generally does not coincide its third party billing with
21 other connecting companies.
22
23 Q. How should billing to third parties be accomplished?
24
25 A. MFS-FL states that initial billing to third parties for

1 jointly provided switched access service between MFS-FL and
2 Sprint-United/Centel should be accomplished through single
3 bill/multiple tariff. Sprint-United/Centel's access
4 billing system cannot support this type of billing
5 methodology.

6
7 MFS-FL asserts that the meetpoint billing arrangement shall
8 be at the preference of MFS-FL. Sprint-United/Centel's
9 access tariffs state that the Exchange Telephone Companies
10 involved in the provision of jointly provided service must
11 agree to the meetpoint billing methodology. Also, it is
12 common in the industry for companies to agree upon the
13 appropriate meetpoint arrangement.

14
15 Other meetpoint billing arrangements which were mentioned
16 were single bill/single tariff, single bill/multiple
17 tariff, multiple bill/single tariff and multiple
18 bill/multiple tariff. Sprint can no longer advocate single
19 bill/single tariff method of meetpoint billing. Sprint
20 takes this position due to differing pricing and structural
21 initiatives being introduced across the industry which are
22 producing an environment that may compromise billing
23 accuracy for our carrier customers.

24
25 The multiple bill/single tariff could not apply in jointly

1 provided services between Sprint-United/Centel and MFS-FL
2 unless MFS-FL concurred with Sprint-United/Centel's
3 tariffs. In addition, multiple bill/single tariff is
4 rarely, if ever, the meetpoint arrangement between LECs.

5
6 Considering the reasons identified above, Sprint-
7 United/Centel recommends multiple bill/multiple tariff.
8 Each company renders billing under its rates, terms and
9 conditions for the portion of the service it provides.
10 Multiple bill/multiple tariff better fits a changing and
11 competitive environment. Multiple bill/multiple tariff
12 creates more separation and no longer requires the close
13 coordination of rate levels and rate structure between the
14 connecting companies.

15
16 Q. On page 16, beginning on line 10, Mr. Devine proposes that
17 the interconnection charge (RIC) go to the end office
18 provider rather than the access tandem provider, do you
19 agree?

20
21 A. No, the RIC rate was developed based on 80% of the access
22 tandem revenue shortfall and the interoffice transport
23 revenue shortfall. Given the above makeup of the RIC rate,
24 the carrier providing the access tandem switching function
25 should receive the RIC revenues. Further, to the extent

1 that these revenues have been identified as contribution,
2 they are contribution to shared and overhead costs and
3 should be retained by the carrier with universal service
4 and carrier of last resort requirements.

5

6 Q. How does MFS-FL's D-NIP proposal maximize the efficiency of
7 the network?

8

9 A. Sprint-United/Centel agrees with MFS-FL's opposition to any
10 interconnection plan which mandates too specifically where
11 interconnection should take place. Sprint-United/Centel
12 offers interconnection with alternative local exchange
13 companies on a meetpoint or virtual collocation at the end
14 office or access tandem basis.

15

16 Q. Mr. Devine, on page 45, beginning on line 15, proposes that
17 Sprint-United/Centel should implement a commission program
18 whereby MFS-FL may act as a sales billing and collection
19 agent for Yellow Pages. Do you agree?

20

21 A. No, Sprint-United/Centel does not provide yellow pages.
22 Yellow page directories are provided by Sprint Publishing
23 and Advertising, Inc., Centel Directory, the Reuben H.
24 Donnelley Corp. and UniDon. Thus, MFS-FL would need to
25 deal directly with the publishing company(ies) for any

1 yellow page advertising agreements.

2

3 Q. On page 48, beginning on line 12, Mr. Devine states that
4 the ALEC should receive the access revenues associated with
5 a toll call terminated to MFS-FL via a ported number. Do
6 you agree?

7

8 A. No. First, Sprint-United/Centel will be providing the
9 tandem switching and transport function for an MFS-FL end
10 office subtending a Sprint-United/Centel tandem. Under a
11 meet point billing arrangement MFS-FL would not be entitled
12 to all of the terminating access revenues. That is, MFS-FL
13 should receive the CCL, line termination, local switching
14 and a portion of the transport; Sprint-United/Centel should
15 receive the tandem switching, the other portion of
16 transport and the RIC. With a call delivered to MFS-FL via
17 a ported number, Sprint-United/Centel would still provide
18 the same terminating access functions, incur the associated
19 costs and should receive the revenues associated with the
20 access rate elements as split above.

21

22 In contrast to his testimony on page 48, on page 51,
23 beginning on line 1, Mr. Devine does propose that Sprint-
24 United/Centel should compensate MFS-FL "except that certain
25 transport elements should not be paid to MFS-FL." However,

1 he does not include the RIC as one of the elements that
2 should be retained by Sprint-United/Centel. As stated
3 earlier, the RIC rate element includes 80% of the tandem
4 switching revenue shortfall and the shortfall from local
5 transport restructure, clearly the provider of tandem
6 switching and a portion of the transport, i.e., Sprint-
7 United/Centel should retain the RIC revenues.
8

9 Q. Mr. Guedel states that there is no underlying cost
10 associated with the RIC rate element, is that true for
11 Sprint-United/Centel?
12

13 A. No, the RIC, or residual interconnection charge was
14 developed based on the shortfall of revenue requirements
15 cost formerly recovered through the access charge transport
16 rate element. With local transport restructure, 20% of the
17 access tandem switching cost was recovered in the tandem
18 switching rate element, the remaining 80% of the former
19 transport revenue requirement was included in the RIC rate
20 element. While most of the costs associated with the RIC
21 are not direct costs, they are considered contribution to
22 shared and overhead costs. The recovery of these costs in
23 this manner has contributed to the universal service
24 objective by keeping basic residential service rates lower
25 than they would otherwise be, especially in rural high cost

1 areas. There is no justification whatever for these
2 contributions to universal service to go to the ALECs.
3

4 Q. On page 5 of his testimony Mr. Price claims that Sprint has
5 no basis to claim a right to any terminating access charges
6 because the rates established for temporary number
7 portability were above economic costs of providing RCF. Is
8 this correct?
9

10 A. No, Mr. Price is mixing apples and oranges. Terminating
11 access costs were not included in Sprint United/Centel's
12 cost for RCF.
13

14 Q. Mr. Price states that the ILECs should be required to
15 implement automated systems for interconnection (unbundling
16 order processing within a year). Is this a reasonable
17 request?
18

19 A. No, it is totally unreasonable. Even if it were possible
20 to develop a system for MCI, it would be inappropriate to
21 offer if other ALECs could not use same systems.
22

23 Q. Are the systems that Sprint uses to order and provision its
24 retail services automated?
25

1 A. Sprint uses a variety of systems to submit orders and
2 provision its retail services. Some of the processes are
3 more automated than others, many require manual
4 intervention.
5

6 Q. Should Sprint provide the system interfaces demanded by
7 ALECs?
8

9 A. It certainly makes sense to provide interfaces where it is
10 practical and economically efficient for all the parties
11 involved. However, developing such systems will require
12 input from ALECs to determine needs, standards and
13 appropriate interfaces.
14

15 Q. What are some of the problems with providing the requested
16 interfaces?
17

18 A. First, there are no standards agreed to by the industry.
19 Standards are very important, minimizing the cost to each
20 company, and ultimately the consumer. Second, no one
21 really knows the total cost of these interfaces. Our
22 legacy systems do not have the type of security that would
23 be required to keep one company from accessing another
24 company's data. Sprint has had some discussions with
25 interexchange carriers at the corporate level discussing

1 electronic bonding. It is expected that such system
2 modifications will cost millions of dollars to provide.
3 These discussions do not encompass all the systems involved
4 for local interconnection. Once the requirements and costs
5 are determined, cost recovery must also be established. In
6 today's environment, interexchange carriers pay for those
7 programming changes that are not industry standard that
8 they specifically request.

9
10 Q. Is the industry developing standards?

11
12 A. The industry Ordering and Billing Forum (OBF) is working to
13 develop national standards for the local competitive
14 business. They have been doing this for the access
15 environment for the past several years with success. It is
16 not practical to spend significant sums on interfaces until
17 these standards are developed.

18
19 Q. What is your recommendation regarding the request to
20 develop order processing arrangements within one year?

21
22 A. Before we can build, we need to know what to build.
23 Without standards and cost quantification it is
24 inappropriate to proceed. As the industry develops
25 standards, priorities will be established and those

1 interfaces that make the most economic sense will be
2 implemented. This will not happen overnight, but when
3 accomplished, if done properly will benefit all competitors
4 by increasing productivity and, in the long run, reducing
5 the cost to serve customers.
6

7 Q. On page 14, beginning on line 8, Dr. Cornell states that
8 "it is virtually certain that the amount of compensation
9 between networks will be 'exactly' offset." Do you agree?
10

11
12 A. No. As shown in my direct testimony, traffic is not in
13 balance on the EAS routes that Sprint-United/Centel have
14 with other ILECs.
15

16 Q. On page 14, line 11, Dr. Cornell states that Sprint/GTEFL
17 has the incentive to be inefficient to pass higher cost on
18 to its competitors for call termination. Do you agree?
19

20 A. No. As with most, if not all, of her testimony, Dr.
21 Cornell's statement is based on underlying assumptions.
22 Her assumptions do not properly reflect Sprint's testimony
23 in this docket. First, Sprint has proposed mutual
24 reciprocal compensation. Thus, there would be no assured
25 benefit to Sprint of a price increase if there is a

1 corresponding increase in the rates charged to Sprint for
2 terminating its traffic to the ALEC. Secondly, Sprint has
3 proposed that its access charge rates, less the RIC and
4 CCL, be the basis of local interconnection. By statute,
5 the companies are required annually to reduce access
6 charge rates by 5% annually until the rates are at the
7 December 31, 1994, interstate rate level. Third, as
8 previously stated, Sprint-United/Centel's preferred method
9 of compensation is port charges which would require very
10 limited additional billing costs.

11

12 A. On page 16 of her testimony, beginning on line 2, Dr.
13 Cornell states that under mutual traffic exchange, Sprint
14 cannot impose costs on its rivals through how it provides
15 or bills for compensation. Dr. Cornell goes on to state
16 that under any measurement mechanism which is unnecessarily
17 costly, Sprint could seek to pass that cost along to its
18 rivals. Please respond to Dr. Cornell's concerns.

19

20 A. Sprint's position has been from the start of these
21 proceedings that port charges are the appropriate mutual
22 compensation arrangement because it is not unnecessarily
23 costly. Sprint-United/Centel has not made any reference to
24 passing any billing costs on to its ALECs. In fact, it was
25 not until Sprint-United/Centel began negotiations and

1 realized that several ALECs apparently preferred a minute
2 of use charge over the port charge arrangements that
3 Sprint-United/Centel included a per minute of use
4 alternative. Again by statute, the Companies are required
5 to reduce access charges by 5% annually, this will ensure
6 that costs are not passed along to ALECs.

7

8 Q. Beginning at the bottom of page 16, Dr. Cornell suggests
9 that mutual traffic exchange will create at least some
10 incentive for the incumbent LECs to cooperate in the
11 development of true number portability. Do you agree?

12

13 A. No, I do not understand her logic. For some reason, Dr.
14 Cornell does not include residence customers in her
15 analysis and seems to forget that with number portability
16 the LECs are terminating traffic to the ALECs that would
17 not occur with true number portability. Thus, Sprint-
18 United/Centel would have an incentive to move to true
19 number portability to avoid compensating the ALECs for
20 terminating ported traffic. Additionally, in the long
21 term, Sprint-United/Centel will benefit from true number
22 portability as the companies compete for the ALECs'
23 customers that have ALEC telephone numbers.

24

25 Q. Dr. Cornell states that the best compensation arrangement

1 is payment in kind, do you agree?

2

3 A. No. A major assumption underlying Dr. Cornell's rationale
4 for supporting the in kind compensation is the assumption
5 that traffic will be in balance (page 17, line 20).

6

7 With regard to this assumption, Dr. Cornell provides no
8 evidence to support her conclusion. However, Mr. Devine's
9 direct testimony (page 30, lines 13-19) indicates that
10 there is an imbalance between MFS and NYNEX in New York.
11 Additionally, there can be a significant imbalance even
12 between ILECs, especially where there are differences in
13 the ratio of business to residence customers served. One
14 such example is between Vista United and United. There is
15 no reason to believe these same relationships will not
16 exist with ALECs and especially niche market competitors.
17 In these instances, the imbalance could be even greater.
18 Another example is cellular traffic, where the ratio of
19 mobile to land is approximately five times the land to
20 mobile traffic. If the traffic is not in balance and the
21 LEC is terminating more traffic from ALECs than it is
22 terminating to them, then in kind compensation clearly does
23 not meet the statutory requirement that interconnection
24 changes cover costs.

25

1 In addition to the above reasons, since local
2 interconnection arrangements may be used to terminate both
3 toll and local services, compensation is necessary to
4 mitigate the potential for arbitrage. Further, to the
5 extent a compensation mechanism is in place, it will
6 provide an incentive for infrastructure development. Both
7 ALECs and ILECs will have an incentive to provide direct
8 termination of traffic to customers of each other who have
9 high volumes of incoming traffic. This is similar to the
10 use of dedicated special access facilities by IXC's to avoid
11 switched access charges

12
13 Q. Would there be other circumstances where in kind
14 compensation would not meet the statutory requirement that
15 interconnection charges cover costs?

16
17 A. Yes. Where the LEC provides additional services that the
18 ALEC does not provide. If the payment is in kind, but the
19 LEC's cost to terminate traffic is higher than the ALEC's
20 cost, the LEC is incurring more cost than the value of the
21 in kind compensation, and thus not recovering its costs.

22
23 Q. Dr. Cornell argues that Sprint is using interconnection
24 costs to create an entry barrier. Do you agree?

25

1 A. No. In fact, Sprint-United/Centel has proposed port
2 charges as an alternative to minute of use charges to
3 minimize cost yet meet the statutory obligation.
4 Additionally, Sprint-United/Centel has not imposed any
5 restriction on the physical form of interconnection. That
6 is, interconnection may be via collocation, point of
7 presence, or meet point.

8
9 Sprint-United/Centel has only proposed that it be
10 compensated in the same manner as this Commission has
11 already approved in the Cellular and Local Transport
12 Restructure dockets. In both of these dockets the
13 Commission approved access and cellular interconnection
14 rates which reflected the underlying cost characteristics
15 of the services being provided and included contribution to
16 the companies' shared costs. There is no reason in this
17 proceeding to change from the basic rate structure rate
18 philosophy already approved by the Commission.

19
20 Q. Do you agree with Dr. Cornell's supposition that developing
21 such a measurement and billing system could more than
22 double the cost of the switching function for terminating
23 traffic?

24
25 A. If developing and deploying specifically for local

1 interconnection measurement and billing, I would not
2 disagree. However, I need to clarify that most of the
3 software is or will already be in place for generating the
4 billing records required for local interconnection.
5 Terminating usage at the end office and access tandem
6 switches can be measured using the same capabilities which
7 are used to measure and record interexchange access usage.
8 For intermediary switching, additional software is being
9 added at the access tandem to record this traffic.
10 However, this software was ordered to provide for cellular
11 carriers, and thus, is shared cost rather than incremental
12 cost for local interconnection. This is not to say that
13 there are not additional costs associated with measuring
14 and billing. Sprint-United/Centel's preferred method is to
15 bill based on port charges to minimize costs and yet meet
16 the statutory requirement that the charge for
17 interconnection cover cost.

18

19 Q. On page 22 of her testimony, Dr. Cornell indicates that the
20 use of switched access rates create an intolerable price
21 squeeze. Is this a valid real world concern?

22

23 A. Obviously not, numerous ALECs have already signed
24 stipulations based on the use of switched access rates for
25 local interconnection.

1 Q. Why does the use of switched access rates not create a
2 price squeeze as explained by Dr. Cornell?
3
4 A. Using Dr. Cornell's assumption of traffic being in balance
5 as long as each party is compensating the other, only the
6 differential between what the interconnectors pay each
7 other is at issue. Secondly, to the extent that the
8 differential is based on additional facilities that one
9 party, i.e., the ILEC, must use to terminate the ALEC's
10 usage, the differential would need to be reduced by the
11 ILEC's internal cost and adjusted further to reflect the
12 ratio of traffic originated and terminated on the ALEC's
13 network. For example, using the rates from the BellSouth
14 Stipulation and Agreement, since it has already been
15 accepted by a number of ALECs, the differential between
16 tandem and end office switching is \$.00114. Assuming that
17 the ILEC's incremental cost is one-half of the \$.00114, the
18 net differential to the ALEC is \$.00057. Assuming 500
19 monthly minutes of use (MOU) for each residential customer,
20 the net impact is \$.285 per residential customer. Given
21 that the areas where ALECs have requested interconnection,
22 revenues are higher and costs lower per customer than in
23 the rural exchanges, where not one ALEC has requested
24 interconnection, the \$.285 per customer does not even come
25 close to a price squeeze. Further, the \$.285 is overstated

1 to the extent that as ALECs increase market share they will
2 interconnect at ILEC's end office switches, reducing the
3 per customer differential. The differential is also
4 reduced by the fact that some of the traffic terminates on
5 the ALEC's own network.

6

7 Q. But what if traffic is not in balance?

8

9 A. If traffic is not in balance, the net compensation paid
10 will go up or down depending upon the direction of
11 imbalance. However, both parties have the capability and
12 incentive to reconfigure their networks and to directly
13 connect to end user customers, other ALECs and other ILECs
14 to enhance their position in the market.

15

16 Q. Should this Commission be concerned about a price squeeze
17 for local service?

18

19 A. No, as shown above, not only do the numbers do not support
20 theory, but ALECs have already agreed to a compensation
21 mechanism using switched access rates. Further, because of
22 the legislative constraints on LECs' pricing of basic
23 services and the current revenue/cost relationships of
24 LECs' services resulting from years of social pricing, any
25 price squeeze analysis must include total revenues to total

1 costs and imputed costs. The biggest driver creating the
2 competitive entry opportunity is the mismatch of revenues
3 and costs for LECs' existing services. Because of this
4 mismatch, which can be linked to LECs' universal service
5 and carrier of last resort requirements, new entrants that
6 do not have the US/COLR responsibilities, have an
7 incredible market advantage.

8
9 Q. On page 31, beginning on line 14, and on page 32, line 5,
10 Dr. Cornell discusses tandem and end office connections.
11 Do you agree with her conclusions?

12
13 A. No. In my direct testimony I stated that special software
14 was required for "recording" usage, and would be installed
15 at the access tandem. We can measure total usage without
16 the software, however, the software is required to record
17 the different types of usage, ALEC to ALEC, ALEC to IXC,
18 ALEC to other LEC, for billing purposes.

19
20 Q. On page 34, lines 23 to 25, Dr. Cornell addresses the needs
21 of entrants to keep its cost as low as possible, is this
22 unique to entrants?

23
24 A. Obviously not. Contrary to Dr. Cornell's allegations that
25 ILECs want to increase costs, ILECs have and are continuing

1 to reduce costs to be more competitive. This is evidenced
2 by the many announced force reductions by ILECs. What is
3 unique about Dr. Cornell's position is that she would
4 minimize her client's cost by requiring all shared and
5 overhead costs be borne by the ILECs to drive up the prices
6 of ILECs' services (or forego earnings) so that her client
7 will have additional market advantages.

8

9 Q. Does this conclude your rebuttal testimony?

10

11 A. Yes.