

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**IN THE MATTER OF SPRINT )  
COMMUNICATIONS COMPANY L.P. )  
PETITION FOR ARBITRATION OF )     ARB 830  
AN INTERCONNECTION AGREEMENT )  
WITH CENTURYTEL OF OREGON, INC. )**

**Reply Testimony of**

**James R. Burt**

**On Behalf of**

**Sprint Communications Company L.P.**

**June 4, 2008**

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

2 A. My name is James R. Burt. My business address is 6450 Sprint Parkway,  
3 Overland Park, KS 66251. I am employed as Director – Policy for Sprint Nextel.

4

5 **Q. Are you the same James R. Burt that filed Opening Testimony in this**  
6 **proceeding on May 5, 2008?**

7 A. Yes.

8

9 **Q. What is the purpose of your Rebuttal Testimony?**

10 A. The purpose of my testimony is to rebut the Opening Testimony of CenturyTel  
11 witnesses Guy E. Miller, III and Steven E. Watkins.

12

13 **Q. What is the scope of your testimony?**

14 A. I will be providing Rebuttal Testimony on Issues 1, 2, 4, 5, 6, 7, 8, 9, 10, 12, 15,  
15 and 16. Sprint witness, Mr. Randy G. Farrar, will address Issues 13 and 14. It is  
16 my understanding that Issues No. 3 and 11 have been resolved.

17

18 **Issue No. 1**

19

20 Should disputes under the interconnection agreement be submitted to the Commission  
21 or to commercial arbitration?

22

23

24 **Q. Please describe Issue No. 1.**

1 A. Initially Issue No. 1 related to whether the Parties should come back to the  
2 Commission or enter into commercial arbitration to resolve disputes that arise  
3 under the Interconnection Agreement that will result from this arbitration.  
4 CenturyTel has proposed new language from what was included in Sprint's  
5 Petition, Disputed Points List ("DPL") and proposed interconnection agreement  
6 ("ICA"). It appears that CenturyTel has agreed that disputes that arise under the  
7 interconnection agreement should be submitted to the Commission for resolution.  
8 Based on Mr. Miller's testimony on page 10 whereby he refers to a newly  
9 proposed Section 20.3.1 in which he highlights the phrase "shall be submitted to  
10 Commission for resolution" and my comments below, I believe the remaining  
11 issue in dispute is whether commercial arbitration should be mandatory or  
12 mutually agreeable if the Commission chooses not to address disputes through  
13 its dispute resolution process.

14  
15 **Q. Does CenturyTel's revised language address Sprint's original concerns?**

16 A. No. However, Sprint is willing to accept some of the revised language  
17 CenturyTel has proposed. Overall, CenturyTel has modified its original position  
18 that proposed commercial arbitration as the primary dispute resolution procedure  
19 to only require commercial arbitration in specific situations.

20  
21 **Q. Please address CenturyTel's revisions to its proposal.**

1 A. First, CenturyTel proposed a new section, numbered 20.1.2. Sprint does not  
2 oppose this new section. Second, CenturyTel proposed a revision to the  
3 previously agreed to section 20.2. Sprint does not oppose this new language so  
4 long as Sprint's proposed language that Sprint numbered 20.3 is also accepted.  
5 CenturyTel's language in Section 20.2 provides that arbitration or other  
6 appropriate procedures cannot be invoked earlier than thirty days after the  
7 dispute notice. Sprint's language in 20.3 includes the ability to immediately seek  
8 a remedy if the dispute arises from a service affecting issue. If there is a service-  
9 affecting issue, a delay of thirty days may result in service quality issues or an  
10 interruption in end-user services. Third, CenturyTel deleted language it  
11 previously proposed outlining a commercial arbitration process for resolving  
12 disputes that arise under the interconnection agreement, including deletion of its  
13 previously proposed Section 20.4. Sprint accepts these deletions. Fourth,  
14 CenturyTel proposes new language it numbered 20.3.1 and 20.3.2 in a section  
15 entitled "Formal Dispute Resolution." Sprint is willing to accept the new proposed  
16 Section 20.3.1 although the language indicates that some disputes may not be  
17 subject to arbitration and it is my understanding that all issues included in the  
18 Interconnection Agreement are subject to resolution by the Commission.<sup>1</sup>  
19 CenturyTel's proposed Section 20.3.2 proposes two situations that would require  
20 commercial arbitration. CenturyTel suggests that the Commission may not have

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<sup>1</sup> The proposed change to 20.3.1 was not included in the Revised DPL filed by CenturyTel. The change was made in the Opening Testimony of Guy E. Miller. Mr. Miller made it a requirement to take disputed issues to the Commission rather than an option as portrayed in the Revised DPL. My Opening Testimony was based on the Revised DPL filed by CenturyTel.

1 jurisdiction over certain disputes arising under the interconnection agreement,  
2 Sprint disagrees. CenturyTel also proposes that if the Commission declines  
3 jurisdiction the parties would be required to pursue commercial arbitration.  
4 However, under § 252(e)(5) of the Telecommunications Act of 1996 (“Act”), if the  
5 Commission declines jurisdiction a party may seek resolution before the FCC.  
6 Sprint is willing to include a provision that provides for commercial arbitration only  
7 if the parties agree to that process for a specific dispute. Sprint is opposed to a  
8 provision that requires commercial arbitration in specific situations. Fifth, Sprint  
9 does not accept CenturyTel’s deletion of the previously agreed to language in  
10 20.5. Section 20.5 should read as follows,

11           20.5 Costs. Each Party shall bear its own costs of these procedures. A  
12           Party seeking discovery shall reimburse the responding Party the  
13           reasonable costs of production of documents (including search time  
14           and reproduction costs).  
15

16 **Q. What is Sprint’s position on Issue No. 1?**

17 A. Sprint’s position on Issue No. 1 is that the Parties to the Interconnection  
18 Agreement resulting from this arbitration should return to the Commission for  
19 resolution of disputed issues. If not the Commission, pursuant to Section  
20 252(e)(5) of the Act, Sprint would prefer to take issues to the FCC or pursue any  
21 other remedy available as stated in Section 20.3. Again, Sprint would accept  
22 commercial arbitration so long as it is mutually agreeable between the Parties.  
23 Generally, decisions rendered through the legal or regulatory process are subject  
24 to appeal. Commercial arbitration, by its nature, is not. Therefore, a party

1 voluntarily entering into commercial arbitration understands this in advance and,  
2 in effect, agrees to these terms. A party should not be forced into a dispute  
3 resolution process that does not have an appeals process, such as commercial  
4 arbitration, because it would be forced to give up its right to appeal.  
5

6 **Q. Why does Sprint think the Commission is best suited to resolve disputed**  
7 **issues between Sprint and CenturyTel?**

8 A. The Commission is best suited to resolve disputed issues between Sprint and  
9 CenturyTel because it is the “expert” agency that has been delegated the  
10 responsibility by Congress. Section 252 of the Act gives state commissions the  
11 responsibility to mediate, arbitrate and approve agreements between incumbent  
12 local exchange carriers and requesting carriers. This delegated authority has  
13 been further clarified to include jurisdiction to address any disputes that arise  
14 under the interconnection agreement.<sup>2</sup> Furthermore, this Commission is familiar  
15 with the issues contained in interconnection agreements and will be particularly  
16 familiar with the Interconnection Agreement between Sprint and CenturyTel as a  
17 result of this arbitration.  
18

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<sup>2</sup> *Starpower Communications, LLC*, 15 FCC Rcd 11277 (“In applying Section 252(e)(5), we must first determine whether a dispute arising from interconnection agreements and seeking interpretation and enforcement of those agreements is within the states’ “responsibility” under section 252. We conclude that it is. In reaching this conclusion, we find federal court precedent to be instructive. Specifically, at least two federal courts of appeal have held that inherent in state commissions’ express authority to mediate, arbitrate, and approve interconnection agreements under section 252 is the authority to interpret and enforce previously approved agreements.”)

1 **Q. Is it possible for a third-party commercial arbitrator to misinterpret an**  
2 **arbitration decision by this Commission and as a result render a decision**  
3 **that is inconsistent with the intent of this Commission?**

4 A. Yes. A third-party commercial arbitrator could very easily misinterpret a decision  
5 rendered by this Commission. The outcome of such a misinterpretation would  
6 then be contrary to the intent of the Commission.

7  
8 **Q. Is there a compelling reason for a commercial arbitrator to decide disputes**  
9 **between Sprint and CenturyTel rather than the Commission?**

10 A. I am not aware of any.

11  
12 **Q. What happens if the Commission does not have jurisdiction over a specific**  
13 **dispute or the Commission declines to take jurisdiction?**

14 A. It is unlikely that the Commission would not have jurisdiction over a dispute  
15 arising under the interconnection agreement. As the FCC stated in the  
16 Starpower case cited above, federal Courts have found that states have the  
17 authority to not only approve interconnection agreements under Section 252 of  
18 the Act, but also to adjudicate disputes raised under those interconnection  
19 agreements. Therefore, if the Commission determines it does not have  
20 jurisdiction or declines to exercise jurisdiction either party could pursue resolution



1 at the FCC.<sup>3</sup> However, in such situations the parties could agree to submit the  
2 issue to commercial arbitration for resolution.

3  
4 **Q. What is Sprint's desired outcome for Issue No. 1?**

5 A. Sprint's desired outcome for Issue No. 1 is to ensure that the Commission is  
6 determined to be the best and most appropriate place to resolve disputes  
7 between the Parties. The Commission will have conducted the arbitration  
8 proceeding and approved the final Interconnection Agreement. Sprint also asks  
9 the Commission to make commercial arbitration the venue for dispute resolution  
10 only when the Parties mutually agree. In addition to what I have stated above,  
11 Sprint asks the Commission to adopt Sprint's proposed language for Article III,  
12 Section 20.3 and reject CenturyTel's proposed language for Article III, Section  
13 20.3. Sprint's language is as follows.

14 20.3 Arbitration. If negotiations do not resolve the dispute, then either  
15 party may proceed with any remedy available to it pursuant to law,  
16 equity, or agency mechanisms. Notwithstanding the above  
17 provisions, if the dispute arises from a service affecting issue, either  
18 Party may immediately seek any available remedy.  
19  
20

21 **Issue No. 2:**

22 What are the appropriate terms for indemnification and limitation of liability?  
23  
24  
25

---

<sup>3</sup> 47 USC 252(e)(5)

1 **Q. Please summarize where you think the Parties are on Issue 2 and what**  
2 **Sprint's desired outcome is for Issue No. 2.**

3 A. As I stated in my Opening Testimony, the parties have resolved all issues related  
4 to Limitation of Liability. While the Parties have made progress on  
5 Indemnification, there is still disagreement on the language in Article III, Section  
6 30.1(ix). It is Sprint's position that Section 30.1(ix) should be deleted from  
7 CenturyTel's proposed language.

8  
9 **Q. What is the essence of the disagreement between Sprint and CenturyTel on**  
10 **Issue No. 2?**

11 A. Sprint and CenturyTel disagree on whether indemnification is appropriate for the  
12 content transmitted the other Party's end users or the retail end users of  
13 Millennium Digital Media (Millennium). CenturyTel's position as stated by Mr.  
14 Miller on page 13 of his Opening Testimony is that the Party's should indemnify  
15 each other for end user content. Sprint disagrees.

16  
17 **Q. On page 13 and 14, Mr. Miller refers to language in Sprint's tariffs that he**  
18 **claims is comparable to the language CenturyTel is seeking with Sprint.**  
19 **How do you respond?**

20 A. Sprint disagrees with CenturyTel's characterization of the tariffs and agreement  
21 terms. Sprint recognizes that Sprint end user tariffs may include such provisions,  
22 however in those cases the end user is the party responsible for the content and

1 should be held responsible for the content he or she transmits over the services  
2 provided by Sprint. Although such language may be appropriate in those  
3 instances, this situation is significantly different. CenturyTel also cites to Sprint's  
4 access tariff to support its position, however, CenturyTel fails to note that the tariff  
5 specifically states that "[t]his obligation to indemnify, defend and hold harmless  
6 shall attach to the customer or the End User separately, and each shall be  
7 responsible for its own acts and omissions." Consistent with these tariff  
8 provisions, Sprint should not be held liable as to CenturyTel (and CenturyTel as  
9 to Sprint) for what its end users transmit over the provided services. In this case  
10 the 'services' covered by the interconnection agreement are only interconnection  
11 and limited related services and not similar end-to-end customer services.

12  
13 **Q. Do you agree that the language should be included in the CenturyTel**  
14 **agreement because Sprint agreed to similar language in the SBC-13 State**  
15 **agreement?**

16 A. No. CenturyTel attached the SBC-13 State interconnection agreement to support  
17 its position. However, CenturyTel did not explain that Sprint has filed  
18 proceedings in the relevant states to replace that 2001 interconnection  
19 agreement with another interconnection agreement that does not contain similar  
20 indemnification terms for libel, slander and invasion of privacy.<sup>4</sup>

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<sup>4</sup> See e.g. In the Matter of the Carrier-to-Carrier Complaint and Request for Expedited Ruling of Sprint Communications Company L.P., Sprint Spectrum L.P., Nextel West Corp. and MPCR, Inc., v The Ohio Bell Telephone Company d/b/a AT&T of Ohio, Case No. 07-1136-TP-CSS.

1 **Q. CenturyTel also references Sprint’s relationship with its customer as a**  
2 **wholesale provider as a rational for including the disputed language. Do**  
3 **you agree with Mr. Miller’s rational?**

4 A. No. The parties negotiated extensive language to govern the parties’ rights and  
5 obligations in relation to Sprint arrangement with its wholesale customer.  
6 CenturyTel is now raising that relationship as a reason to add additional  
7 language without regard to the language that specifically addresses the  
8 obligations of Sprint under the agreement as to the third party. Such language is  
9 unnecessary.

10  
11 **Q. On page 16 and 17, Mr. Miller suggests that Sprint is seeking a “pass” with**  
12 **respect to typical indemnification obligations because of the business**  
13 **model that Sprint has entered into with Millennium. Do you agree with Mr.**  
14 **Miller’s “opinion?”**

15 A. No. Sprint’s position on this issue does not hinge on whether the end user is  
16 Sprint’s or Millennium’s. The terms of the agreement make clear that the end  
17 users served under the business arrangement with the third party provider are  
18 treated as Sprint’s end users for purposes of the interconnection agreement.<sup>5</sup>

19  
20 **Q. How does Sprint want the Commission to resolve this issue?**

---

<sup>5</sup> See Article I, Sections 1 and 2, Article II, section 2.41.

1 A. While the Parties have made progress on Indemnification, the language in Article  
2 III, Section 30.1(ix) remains in dispute. Sprint requests that Section 30.1(ix) be  
3 deleted from CenturyTel's proposed language.

4 **Issue No. 4:**

5  
6 What Direct Interconnection Terms should be included in the Interconnection  
7 Agreement?  
8

9 **Q. What is the current status of Issue No. 4?**

10 A. As I stated in my Opening Testimony, the Party's have made progress on Issue  
11 No. 4 but there is still disagreement related to the number of POIs Sprint must  
12 establish with CenturyTel. Sprint's position is that it is only required to establish  
13 a single POI within the LATA. CenturyTel's position is that Sprint would be  
14 required to establish multiple POIs under certain circumstances.  
15

16 **Q. On page 6 and 12, Mr. Watkins discusses the term "technically feasible" as**  
17 **it relates to the number of POIs Sprint may be required to establish. How**  
18 **does the FCC view technical feasibility?**

19 A. As I stated in my Opening Testimony, the FCC has clearly stated that the term  
20 technically feasible refers solely to technical or operational concerns, rather than  
21 economic or cost considerations.<sup>6</sup> The FCC clearly attempted to limit the  
22 application of this term such that it excluded economic or cost concerns not  
23 become the focus. In fact, the FCC placed the burden on incumbent LECs,

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<sup>6</sup> *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-324, August 8, 1996, para. 198.

1 including rural LECs, to prove to the state commission that interconnection at a  
2 chosen point is not technically feasible.<sup>7</sup>

3  
4 **Q. The nature of the dispute between the Party's relates to the number of POIs**  
5 **rather than the location of the POI. Does that suggest the dispute between**  
6 **the Party's is not related to technical feasibility?**

7 A. Yes. I do not think the issue in dispute between the Parties is related to technical  
8 feasibility as that issue pertains to local interconnection. The issue relates to the  
9 number of POIs Sprint must establish, not whether a chosen POI is technically  
10 feasible.

11  
12 **Q. On page 8, Mr. Watkins states that CenturyTel's proposed language related**  
13 **to fiber meet facilities "must remain." Is that your understanding?**

14 A. No. It is my understanding that the language related to fiber meet points  
15 included in Section 2.3.2.4. was deleted in the DPL and proposed agreement  
16 attached to CenturyTel's response to Sprint's Petition. I do not believe Mr.  
17 Watkins' testimony is accurate.

18  
19 **Q. Mr. Watkins suggests on page 6-7 and again on pages 12-13 that the**  
20 **concept of the LATA only applies to Bell Operating Companies ("BOC") and**  
21 **not to a non-BOC such as CenturyTel. Is there any basis for distinguishing**

---

<sup>7</sup> *Id.* para. 205.

1           **between a BOC and an independent ILEC (incumbent local exchange**  
2           **carrier) in how these rules are interpreted or applied?**

3    A.    Not in the instant case. The only exception to how the interconnection rules  
4           would apply to an independent ILEC such as CenturyTel would be through a  
5           successful 251(f)(1) or 251(f)(2) showing by the ILEC. CenturyTel has made no  
6           such claims in this proceeding. In addition, the Iowa and Indiana proceedings I  
7           mentioned in my Opening Testimony on pages 23 and 24 did not involve a Bell  
8           Operating Company.

9  
10   **Q.    Is Mr. Watkin's suggestion that LATAs are not relevant to CenturyTel**  
11           **because it is not a BOC inconsistent with language CenturyTel has agreed**  
12           **to in the Interconnection Agreement being negotiated between the Parties?**

13   A.    Not surprisingly, yes. The following cites from sections in the Interconnection  
14           Agreement make specific references to LATA's. It is obvious that LATAs are a  
15           fact of life for CenturyTel. The cites include: Article II, Section 2.129; and Article  
16           IV, Sections 2.2.1, 3.2.2, 4.2.1, 4.5.2.2 and 4.5.4.2.

17  
18   **Q.    On page 14 of Mr. Watkins' testimony, he states that Sprint's position with**  
19           **respect to the FCC's requirement for only one POI per LATA is an**  
20           **exaggeration. How do you respond?**

21   A.    Sprint's position that the FCC only requires one POI per LATA is not an  
22           exaggeration. Mr. Watkins discusses his interpretation of the First Report and

1 Order, but he can not refute the cites made in my testimony. It is my opinion that  
2 Mr. Watkins relies on generalizations and incorrect interpretations rather than  
3 addressing the facts. For example, the cite in my Opening Testimony on page 23  
4 to paragraph 87 of the FCC's Further Notice of Proposed Rulemaking in the  
5 intercarrier compensation proceeding, CC Docket No. 01-92, is real. Mr. Watkins  
6 also tries to characterize this citation as not a rule since the quote is within the  
7 rulemaking. However, in the NPRM the FCC is restating the existing rule. Mr.  
8 Watkins also claims this rule has only been applied in arbitrations with RBOCs.  
9 However, as referenced above and stated in my Opening Testimony, the Iowa  
10 Utilities Board and the Indiana Commission acknowledged the right to one POI  
11 per LATA in the context of arbitrations with multiple rural LECs. Mr. Watkins fails  
12 to recognize the thousands of pages that have been written since the FCC issued  
13 the 700 page First Report and Order back in 1996.

14  
15 **Q. What is Sprint's desired outcome on Issue 4?**

16 A. Sprint is asking the Commission to allow Sprint to choose only one POI per  
17 LATA if Sprint chooses to directly interconnect with CenturyTel. This is  
18 consistent with the intent of the FCC in interpreting the Act and consistent with at  
19 least two other state commissions' decisions. Specifically, Sprint asks the  
20 Commission to adopt Sprint's version of the modified language for section  
21 2.3.2.1 as follows.

22 2.3.2.1 Fiber Meet Interconnection between CenturyTel and Sprint can  
23 occur at any technically feasible point(s) between a CenturyTel



1 End Office and Sprint's premises with the local calling area.  
2 Sprint shall request a Fiber Meet Point of Interconnection by  
3 submitting a BFR.  
4

5 **Issue No. 5:**  
6

7 Should Sprint and CenturyTel share the cost of the Interconnection Facility between  
8 their networks based on their respective percentages of originated traffic?  
9

10 **Q. On page 22, Mr. Watkins states that Sprint is trying to “shift its transport  
11 costs to CenturyTel.” How do you respond?**

12 A. Just the opposite. Sprint's position recognizes that each carrier has the  
13 obligation to pay to get its originating traffic to the terminating carrier. Sprint is  
14 not attempting to shift its costs to CenturyTel. Sprint's position is that it should  
15 pay the cost to get its originating traffic to CenturyTel and that CenturyTel should  
16 pay the cost to get its originating traffic to Sprint.  
17

18 **Q. On page 23, Mr. Watkins states that Sprint's proposal would allow Sprint to  
19 receive duplicate payment for transport and termination. How do you  
20 respond?**

21 A. Mr. Watkins is mistaken. Mr. Watkins is attempting to argue that the  
22 interconnection facilities, which he refers to as transport, is the transport portion  
23 of reciprocal compensation. The terminology used lends itself to this type of  
24 “misdirection,” but as I will explain below the transport and termination as it  
25 relates to reciprocal compensation should not be confused with the

1 interconnection facility. Reciprocal compensation is completely separate from  
2 the interconnection facility that is at issue in Issue No. 5.

3

4 **Q. Given the Parties have agreed to use Bill & Keep as the form of reciprocal**  
5 **compensation in Issue No. 3, please explain how this issue regarding the**  
6 **interconnection facility connecting the networks of the two Parties is**  
7 **distinct and separate from the reciprocal compensation arrangement.**

8 A. The Parties have agreed to a Bill & Keep arrangement for the reciprocal  
9 compensation. That being said, there is a separate issue regarding the actual  
10 facility that is used to connect the Sprint network to the CenturyTel network.  
11 These are referred to as the interconnection facilities. It is the responsibility of  
12 the originating carrier to provide the interconnection facility to the terminating  
13 carrier's network. This concept which I mentioned above is referred to as "Calling  
14 Party's Network Pays" ("CPNP") and applies to both direct interconnection and  
15 indirect interconnection. Indirect interconnection is addressed in Issues Nos. 7  
16 and 13.

17

18 Direct interconnection facility may take many forms such as leasing a facility from  
19 a third party, leasing a facility from multiple third parties, constructing a facility,  
20 the carriers interconnecting with each other have their own facility (e.g., a meet-  
21 point arrangement), one of the carriers has the entire facility, etc. I will try to keep

1 my discussion general in nature such that it applies to any form of facility the  
2 Parties select.

3  
4 The direct interconnection facility may consist of one-way trunks or two-way  
5 trunks. Two-way trunks are more often used because they are generally more  
6 efficient than one-way trunks. Two-way trunks allow traffic to pass in both  
7 directions between the interconnecting carriers. One-way trunks only allow traffic  
8 to flow in one direction from the originating carrier to the terminating carrier.  
9 When the CPNP concept is applied to two-way trunks, the two carriers pay for  
10 their portion of the two-way trunks (the interconnection facility) based on the  
11 proportionate share of traffic originated from the respective carrier's network as a  
12 percentage of the total facility cost. For example, if carrier A originates 55% of  
13 the total traffic exchanged between carrier A and B, it would pay 55% of the total  
14 facility cost. Carrier B would then pay 45% of the total facility cost. Article IV,  
15 Section 3.2.5 of the Interconnection Agreement addresses this concept.

16  
17 **Q. Now that you've explained the concept of the direct interconnection facility,**  
18 **please explain how § 251(a)(1) (Interconnection) and § 251(b)(5) (Reciprocal**  
19 **Compensation) of the Act work together to allow two carriers to mutually**  
20 **exchange traffic and compensate each other.**

21 A. § 251(a)(1) provides the duty for each carrier to interconnect its network to the  
22 other carrier's network. The FCC has explicitly defined interconnection to be for

1 the “mutual exchange of traffic.”<sup>8</sup> § 251(b)(5) provides the obligation for the  
2 originating carrier to compensate the terminating carrier for the latter’s network  
3 cost (i.e., reciprocal compensation).

4  
5 The FCC Rules provide specific definitions of Reciprocal Compensation and  
6 Interconnection.

7  
8 **Q. Please define the term Interconnection.**

9 A. 47 C.F.R. § 51.5 defines Interconnection as follows:

10 *Interconnection* is the linking of two networks **for the mutual exchange of**  
11 **traffic.** This term does not include the transport and termination of traffic.  
12 (Emphasis added)  
13

14 Thus, the FCC’s definition of Interconnection explicitly includes the “mutual  
15 exchange of traffic.” In addition, the definition of Interconnection specifically  
16 excludes the compensation for transport and termination, i.e. the two components  
17 of Reciprocal Compensation.

18  
19 **Q. Please define the term Reciprocal Compensation.**

20 A. Under § 251(b)(5) of the Act, LECs must “establish reciprocal compensation  
21 arrangements for the transport and termination of telecommunications.”  
22

---

<sup>8</sup> 47 C.F.R. § 51.5, Interconnection.

1 47 C.F.R. § 51.701(e) defines Reciprocal Compensation as the compensation for  
2 the transport and termination of traffic. Specifically,

3 (e) *Reciprocal compensation.* For purposes of this subpart, a reciprocal  
4 compensation arrangement between two carriers is one in which each of the  
5 two carriers receives compensation from the other carrier for the transport  
6 and termination **on each carrier's network** facilities of telecommunications  
7 traffic that originates on the network facilities of the other carrier. (Emphasis  
8 added)  
9

10 **Q. Please define the terms Transport and Termination as they relate to**  
11 **reciprocal compensation.**

12 A. 47 C.F.R. § 51.701(c) defines Transport as tandem switching and transmission  
13 from the tandem switch to the end office switch. Specifically,

14 (c) *Transport.* For purposes of this subpart, transport is the transmission and  
15 any necessary tandem switching of telecommunications traffic subject to  
16 section 251(b)(5) of the Act **from the interconnection point between the**  
17 **two carriers** to the terminating carrier's end office switch that directly serves  
18 the called party, or equivalent facility provided by a carrier other than an  
19 incumbent LEC. (Emphasis added)  
20

21 47 C.F.R. § 51.701(d) defines Termination as end office switching. Specifically,

22 (d) *Termination.* For purposes of this subpart, termination is the switching of  
23 telecommunications traffic at the terminating carrier's end office switch, or  
24 equivalent facility, and delivery of such traffic to the called party's premises.  
25

26 Thus, Reciprocal Compensation consists of mutual compensation for the following  
27 functions:

- 28 1. Transport, which in turn consists of
  - 29 a. Tandem Switching, and
  - 30 b. Transport from the tandem switch to the end office switch, and

- 1           2. Termination, which in turn consists of
- 2                   a. End Office Switching, and
- 3                   b. Transport beyond the end office (to a remote switch).
- 4

5 **Q. How is the cost of interconnection to be compensated for between the two**

6 **interconnecting carriers?**

7 A. Consistent with 47 C.F.R. § 51.709(b), the cost of the interconnection facility

8 should be shared between the two interconnecting carriers based on proportionate

9 use of the facility. Specifically, 47 C.F.R. § 51.709(b) states,

10           The rate of a carrier providing transmission facilities dedicated to the

11           transmission of traffic **between two carriers' networks** shall recover only the

12           costs of the proportion of that trunk capacity used by the interconnecting

13           carrier to send traffic that will terminate on the providing carrier's network.

14           Such proportions may be measured during peak periods. (Emphasis added)

15

16 **Q. May Sprint and CenturyTel choose to interconnect with each other either**

17 **directly or indirectly?**

18 A. Yes. Under § 251(a)(1) of the Act, any carrier may choose to interconnect either

19 directly or indirectly with any other carrier. Specifically, § 251(a)(1) states,

20           Each telecommunications carrier has the duty to interconnect directly or

21           indirectly with the facilities and equipment of other telecommunications

22           carriers.

23

24 **Q. What is indirect interconnection?**

1 A. According to the FCC, "Carriers are said to be indirectly interconnected to the  
2 extent they use transit services to exchange traffic."<sup>9</sup> Thus, Indirect  
3 Interconnection is the use of a third-party transit provider to link the two carriers.

4  
5 **Q. How do Interconnection and Reciprocal Compensation work together to**  
6 **allow two telecommunications carriers to exchange traffic and compensate**  
7 **one another?**

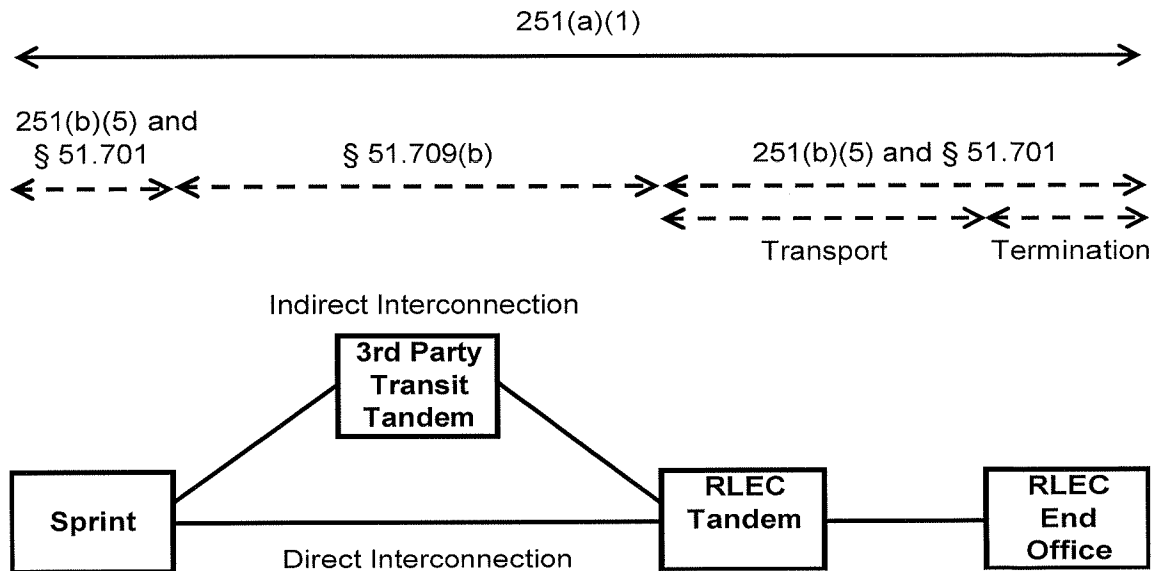
8 A. As discussed above, first, the FCC has defined Interconnection to include the  
9 "mutual exchange of traffic." Second, the FCC has defined Reciprocal  
10 Compensation as the compensation for Transport and Termination. Third, the  
11 FCC has determined that the cost of the interconnection facility should be shared  
12 based on proportionate use. The following diagram illustrates the relationships  
13 between the various terms.

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<sup>9</sup> *In the Matter of the Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration, et. al., FCC, CC Docket No. 00-218, et. al., Released July 17, 2002, paragraph 218. [FCC VA Arbitration Order.]*

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**Diagram 1**  
**Mutual Exchange of Traffic Between Two Carriers**



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Note that this Diagram illustrates the Direct Interconnection facility as passing directly between the Sprint's network and the RLEC's network. In reality, it is unlikely that there would be fiber optic cables running directly between Sprint's network and the RLEC's network. The physical path may, in fact, pass through the actual building housing the Third Party Transit Tandem. However, this Direct Interconnection facility would be dedicated to traffic carried between Sprint and the RLEC, and the traffic on this Direct Interconnection facility would not "touch" the Third Party Transit Provider's network and would not be switched by the Third Party Transit Tandem. In this case, CenturyTel does not have a tandem. CenturyTel has a host in Gleneden Beach that subtends a Qwest tandem in Portland. As a result, there would be no RLEC transport, i.e., tandem switching and transport to the end office.



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**Q. Please summarize each carrier’s responsibility under §§ 251(a)(1) and 251(b)(5) of the Act.**

A. Sprint has a duty to deliver its originating traffic to CenturyTel, and CenturyTel has a duty to deliver its originating traffic to Sprint. How Sprint chooses to route its originating traffic is Sprint’s responsibility, and how CenturyTel chooses to route its originating traffic is CenturyTel’s responsibility. Sprint has no authority to dictate to CenturyTel how to route CenturyTel’s traffic, and CenturyTel has no authority to dictate to Sprint how to route Sprint’s traffic.

Sprint believes it is most efficient for both carriers to share a two-way direct interconnection facility, if that is the form of interconnection chosen by Sprint, and to share the cost of that two-way facility based on the proportionate usage of that facility, consistent with 47 C.F.R. § 51.709(b). However, CenturyTel is under no obligation to do so. CenturyTel may choose to deliver its originating traffic indirectly through a third-party transit provider or it may choose to provision one-way facilities. In the case of indirect, CenturyTel would be responsible for the transit charges assessed by the third-party transit provider and in the case of direct, CenturyTel would be responsible for the cost of the one-way facility to deliver its traffic to Sprint. If either is the case, Sprint would establish one-way direct facilities to deliver its originating traffic to CenturyTel or use indirect and pay the transit charges for its originated traffic.

1 **Q. Is there additional FCC support of Sprint's position that the originating**  
2 **carrier pay for its originating traffic?**

3 A. Yes. Contrary to the arguments made by Mr. Watkins on page 31-32, 47 C.F.R.  
4 § 51.703(b) also supports Sprint's position that the originating carrier pay for its  
5 originating traffic. It states:

6 "a LEC may not assess charges on any other telecom carrier for the  
7 telecom traffic that originated on the LEC's network."  
8

9 **Q. On page 29, Mr. Watkins mentions that Sprint's switch may be located in**  
10 **Kansas City or San Francisco and that CenturyTel might have an obligation**  
11 **to pay for the facility to get its originating traffic to Sprint's switch wherever**  
12 **it is located. Has the FCC limited the distance over which an originating**  
13 **carrier is required to pay for transport to deliver its originating traffic to the**  
14 **terminating carrier's network?**

15 A. No. As I stated in my Opening Testimony, the FCC addressed this issue in the  
16 Verizon Virginia Arbitration Order. The order states:

17 At paragraph 66 "We also will not prohibit distance-sensitive rates when  
18 Verizon uses petitioners' facilities to transport traffic originating on its  
19 network to petitioners' networks."  
20

21 At paragraph 68 "recognizing that because the rules allow the competing  
22 carrier to choose the POI between the two carriers networks, the ILEC  
23 "cannot control the distance over which it may be required to purchase  
24 transport."  
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26 However, Sprint has offered a compromise and will designate its point of  
27 presence in the LATA to limit CenturyTel's responsibility.

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**Q. Please summarize the testimony you have provided above regarding the differences between interconnection and reciprocal compensation and how Mr. Watkins' portrayal of the rules is incorrect.**

A. A simple summary of what I have explained above in my testimony is as follows:

- 1. The interconnection facility is separate from reciprocal compensation.
  - a. The interconnection facility runs between the networks of two interconnecting parties.
  - b. Reciprocal compensation provides for the recovery of terminating costs on a carrier's network.
- 2. Interconnecting parties are financially responsible for their respective share of the interconnection facility.

**Q. On page 32, Mr. Watkins makes a reference to EAS interconnection arrangements suggesting that since CenturyTel does not transport calls "to distant points" for EAS therefore, they should not be required to do so for Section 251 interconnection. Are EAS interconnection and 251 interconnection terms comparable?**

A. The circumstances applicable to implementing the two situations are different. Generally, EAS is a revenue neutral transaction for ILECs considering all aspects of moving from toll to flat-rate or measured EAS rates. This revenue neutral requirement also takes into account the interconnection expenses between

1 connecting ILECs. The Act and the subsequent rules do not provide for ILEC  
2 revenue neutrality. Competition, by definition, implies the ILEC will experience a  
3 net loss in customer count, an increase in expenses, etc. The intent of the Act  
4 was to create an environment conducive to competition and in the public interest.  
5 The introduction of competition has “cost” the ILECs in many respects, including  
6 the cost of interconnection with their competitors. Further, as Mr. Watkins points  
7 out the interconnection arrangement for EAS is between “neighboring LECs” and  
8 in relation to traffic transported by each carrier for an “immediate[ly] neighboring  
9 area.” In that case sharing cost to the exchange boundary may be appropriate  
10 and reasonable for both carriers given the neighboring networks. In the case of a  
11 competing carrier the facts are significantly different and what is appropriate for  
12 cost sharing should be based on the 1996 Act and the specific networks for the  
13 two carriers.

14  
15 **Q. On pages 33-34, Mr. Watkins suggests the Act does not support Sprint’s**  
16 **positions with respect to interconnection. How do you respond?**

17 A. The Act went into effect over 12 years ago. There have been numerous  
18 interpretations and orders by the FCC, the courts and state commissions. In my  
19 opinion, it is difficult to lift a statement from the Act and apply it to specific issues  
20 without considering the subsequent interpretations. The provisions of the Act  
21 have been the subject of multiple court reviews and state arbitrations. While  
22 based on the principles of the Act, Sprint’s positions are more representative of

1 the subsequent history as evidenced by the multitude of cites Sprint provides.  
2 Contrary to the suggestions of Mr. Watkins, Sprint's cites do not differentiate  
3 between BOC and non-BOC ILECs. As I've stated elsewhere, if CenturyTel  
4 wished to be treated in a manner that is outside the general requirements of all  
5 ILECs, it must do so through successful rural exemption claims. CenturyTel has  
6 not done that and as a result, the rules apply no differently to CenturyTel than  
7 they would be applied to a BOC.

8  
9 **Q. On page 34, Mr. Watkins states that the "equal in quality" requirement**  
10 **should be interpreted such that CenturyTel should not be responsible for**  
11 **the cost of the facilities to Sprint's network. Is his interpretation accurate?**

12 A. No. Mr. Watkins is attempting to apply specific standards related to service  
13 quality to the cost of the interconnection arrangement. Sprint is not asking for  
14 interconnection or related services that are of a quality higher than CenturyTel  
15 provides for itself and its end users. Sprint is asking for interconnection  
16 consistent with the 1996 Act, rules and orders. As I stated above, the Act, rules  
17 and implementing orders contemplate that there may be a cost for  
18 interconnection that carriers must bear to meet their obligations as to their end  
19 user traffic.

20

1 **Q. Mr. Watkins' testimony suggests there are distinct limits to an ILEC's**  
2 **interconnection obligations that are inconsistent with Sprint's positions on**  
3 **interconnection. How do you respond?**

4 A. An ILEC's limits are determined by the rules. To the extent the rules require the  
5 ILEC to incur costs, then they must incur costs. The Act and subsequent rules  
6 obligate ILECs to certain things for the benefit of new entrants. The purpose was  
7 to create a pro-competitive environment that advantaged those seeking to bring  
8 competition to the marketplace. The idea that an ILEC should not incur any cost  
9 to modify its network or to purchase the facility to deliver its originating traffic to  
10 the competing carrier as Mr. Watkins suggests is misplaced. Compliance with  
11 the rules will cause the ILEC to incur costs they may not have had prior to a  
12 competitor entering its market.

13  
14 **Q. On pages 36-38, Mr. Watkins suggests that the issues addressed in the**  
15 **FCC's Verizon Virginia arbitration do not apply to CenturyTel. Do you**  
16 **agree?**

17 A. No. Mr. Watkins is suggesting that the FCC's Verizon Virginia Order was based  
18 solely on specific facts in that case. While it is certain there were Virginia-  
19 specific facts in play, the decisions made by the FCC were based on the  
20 governing rules that apply throughout the United States in the eyes of the FCC.  
21 I'm certain the FCC would not change the CPNP principle because Verizon's  
22 network is configured in one way in Virginia and a different way in New York or

1 any other state. Nor do I believe the FCC would alter the CPNP principle for  
2 CenturyTel in Oregon. The Oregon Public Utility Commission website identifies  
3 34 ILECs. To base arbitration decisions and interpret the national rules specific  
4 to the network-specific facts for each of these entities would be an incredibly  
5 difficult and nonsensical task for the Commission. While I don't know for sure, I  
6 would suspect that CenturyTel would expect two separate evaluations for the two  
7 CenturyTel entities. Layer on top of that the diversity of networks from  
8 requesting carriers such as Sprint. Mr. Watkins' suggestion would make  
9 interconnection exponentially more difficult than it is today. Furthermore, the  
10 Verizon Virginia Order states very clearly that the Commission applied current  
11 FCC rules and precedents and took into consideration court decisions relating to  
12 the Commission's applicable rules and precedent when deciding the disputed  
13 issues.<sup>10</sup> This is completely contrary to Mr. Watkins' assertion that the decisions  
14 were unique to Virginia.

15  
16 **Q. On page 38, Mr. Watkins states that CenturyTel "must compensate Sprint"**  
17 **for facilities that Sprint chooses to provision and "The result of Sprint's**  
18 **approach would be to assign a disproportionate amount of facilities costs**  
19 **to CenturyTel" and "Sprint's approach would provide to it a double**  
20 **recovery for those facilities provisioned by Sprint." How do you respond?**

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<sup>10</sup> *In the Matter of the Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration, et. al., FCC, CC Docket No. 00-218, et. al., Released July 17, 2002, paragraph 3-4. [Verizon Virginia Order.]*

1 A. All three of Mr. Watkins' statements are wrong. Consistent with FCC rules,  
2 Sprint's position is that each Party is responsible for the facility required to carrier  
3 its originating traffic to the network of the terminating carrier. Therefore,  
4 CenturyTel will not be compensating Sprint for any facilities. It will merely be  
5 paying for the facilities necessary to carry its own originating traffic. Conversely,  
6 Sprint will be paying for the facilities necessary to carry its own originating traffic.  
7 Contrary to Mr. Watkins' statements, each Party is paying for their own facilities  
8 which is a "proportionate" sharing of the facilities cost, not a disproportionate  
9 sharing of costs. With respect to Mr. Watkins' "double recovery" theory, he is  
10 once again combining reciprocal compensation with the interconnection facility.  
11 As I stated previously, these are separate issues. Therefore, there is no "double  
12 recovery." Finally, the facilities Mr. Watkins refers to are not Sprint's facilities. In  
13 all likelihood, the facility connecting the Parties will be owned partially by  
14 CenturyTel and partially one or more third parties, e.g., Embarq and/or Qwest, in  
15 the form of a dedicated circuit between Salem where Sprint's POP is located and  
16 CenturyTel's Gleneden Beach exchange.

17  
18 **Q. On page 39, Mr. Watkins states that Sprint's network design limits the**  
19 **deployment of switches and utilizes long haul transport facilities and that**  
20 **the ramifications of this design should not be imposed upon CenturyTel.**  
21 **How do you respond?**



1 A. Sprint's network like CenturyTel's and like every other carrier's network takes into  
2 account the tradeoffs of switching costs and transport costs. The nature of  
3 Sprint's business suggests it will have fewer switches per unit of geographic area  
4 compared to CenturyTel. This is consistent with modifications made by ILECs  
5 over the last several years as well. ILECs are utilizing more remote type devices  
6 to displace what were host switches in the past. Generally, ILECs with large  
7 networks have fewer switches today than they did in the past. What Mr. Watkins  
8 is suggesting is that this is in some way wrong when in fact that is how  
9 CenturyTel has designed its own network and how carriers generally design their  
10 networks. Traffic is aggregated and handed off to other carriers at the points of  
11 aggregation. ILECs certainly don't require each other to directly interconnect at  
12 each of the end offices. They identify the aggregation points, e.g., host offices or  
13 tandems, and interconnect there. Each ILEC is then responsible for carrying  
14 traffic to and from the aggregation point. In this case, Sprint's aggregation point  
15 will be at its POP in Salem and will interconnect with CenturyTel at its  
16 aggregation point in Gleneden Beach, assuming Sprint uses direct  
17 interconnection. Mr. Watkins' suggestion that it is somehow improper to haul  
18 traffic to and from a distant point is wrong. It is exactly what CenturyTel and  
19 every other LEC does. Mr. Watkins is suggesting CenturyTel not be responsible  
20 for hauling its originating traffic to Sprint – this is also wrong.

21

22 **Q. How is Sprint asking the Commission to resolve Issue No. 5?**

1 A. Sprint is asking the Commission to resolve Issue No. 5 consistent with Sprint's  
2 interpretation of the interconnection requirement that each carrier is responsible  
3 for the cost of facilities necessary to carry its originating traffic to the terminating  
4 carrier's network. In this case, Sprint's position is that Sprint is responsible for  
5 the facility cost from its POP in Salem to CenturyTel's Gleneden exchange to  
6 carry its originated traffic. Conversely, CenturyTel would be responsible for the  
7 facility cost from the Gleneden exchange to Sprint's POP in Salem to carry its  
8 originated traffic. Sprint is not dictating how CenturyTel gets its traffic to POP.

9

10 **Issue No. 6:**

11

12 What are the appropriate rates for direct interconnection facilities?

13

14 **Q. On pages 41-42, Mr. Watkins is characterizing interconnection facilities as**  
15 **unbundled network elements and as a result are not subject to cost-based**  
16 **rates. Is that accurate?**

17 A. No. Mr. Watkins' analysis of this issue is wrong. This issue focuses on the rates  
18 CenturyTel can charge for facilities it provisions to Sprint in a direct  
19 interconnection arrangement. The issue arises because Sprint may lease a one-  
20 way direct trunk, or a portion of that trunk, from CenturyTel. It will also arise  
21 when the parties agree to share the costs of a two-way direct interconnection  
22 facility if Sprint leases that facility or a portion of that facility from CenturyTel. In  
23 both instances, the charges to Sprint must reflect CenturyTel's forward-looking  
24 economic costs (i.e., TELRIC).

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Congress and the FCC recognized the importance of cost-based interconnection.

The FCC stated the following:

We conclude, as a general rule, that incumbent LECs' rates for interconnection and unbundled elements must recover costs in a manner that reflects the way they are incurred. This will conform to the 1996 Act's requirement that rates be cost-based, ensure requesting carriers have the right incentives to construct and use public network facilities efficiently, and prevent incumbent LECs from inefficiently raising costs in order to deter entry.<sup>11</sup>

In addition, the rules are clear that the TELRIC pricing standards in 47

C.F.R. § 51.505 apply to interconnection. Section 51.501 states,

(a) The rules in this subpart apply to the pricing of network elements, **interconnection**, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation.

(b) As used in this subpart, the term "element" includes network elements, **interconnection**, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation<sup>12</sup>

Section 51.5 of the FCC's rules defines Interconnection as "the linking of two networks for the mutual exchange of traffic." This term does not include the transport and termination of traffic. The transport and termination of traffic is the reciprocal compensation piece within the carrier's network.

Mr. Watkins' reference to the FCC's description of entrance facilities in the Triennial Review Remand Order (TRRO) is apparently an attempt to confuse the

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<sup>11</sup> *Local Interconnection Order* at para. 743.

<sup>12</sup> 47 C.F.R. § 51.501 (emphasis added).

1 issue. The TRRO modified the obligations relating to the provision of UNEs.  
2 Sprint is not seeking UNEs from CenturyTel. In addition, and in direct  
3 contradiction of Mr. Watkins' testimony, the FCC was clear in the TRRO that  
4 ILEC obligations relating to interconnection were not changed in its modifications  
5 to the UNE rules. The FCC stated the following:

6 We note in addition that our finding of non-impairment with  
7 respect to entrance facilities does not alter the right of  
8 competitive LECs to obtain interconnection facilities pursuant  
9 to section 251(c)(2) for the transmission and routing of  
10 telephone exchange service and exchange access service.  
11 **Thus competitive LECs will have access to these**  
12 **facilities at cost-based rates to the extent they require**  
13 **them to interconnect with the incumbent LEC's**  
14 **network.**<sup>13</sup>  
15  
16

17 **Q. Does the Agreement being negotiated include terms and conditions**  
18 **for unbundled network elements?**

19 A. No. In fact, the agreement specifically states that the terms do not apply  
20 to unbundled network elements as stated in Article I, Section 1.0 below.  
21 The fact that this Interconnection Agreement includes interconnection  
22 facilities and does not include UNEs validates Mr. Watkins' misplaced  
23 UNE argument on this issue.

#### 24 **1.0 PURPOSE OF THE AGREEMENT**

25 Pursuant to this Agreement, the Parties will extend certain  
26 arrangements to one another within each area in which they both  
27 operate within the State for purposes of interconnection and the

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<sup>13</sup> *In the Matter of Unbundled Access to Network Elements*, WC Docket No. 04-313, Order on Remand, 20 FCC Rcd 2533 at para. 140 (2005) (TRRO)(emphasis added).

1 exchange of Local Traffic between End User Customers, as such  
2 term is defined in section 2.41 of Article II and for providing  
3 reciprocal access to poles, ducts, conduits and rights-of-way. This  
4 Agreement will be submitted to the State Public Service or Public  
5 Utilities Commission, as applicable (the "Commission") for  
6 approval. The Parties agree that their entry into this Agreement is  
7 without prejudice to and does not waive any positions they may  
8 have taken previously, or may take in the future, in any legislative,  
9 regulatory, judicial or other public forum addressing any matters,  
10 including matters related to the same types of arrangements and/or  
11 matters related to CenturyTel's rates and cost recovery that may be  
12 covered in this Agreement.

13 In addition, each of CenturyTel and Sprint acknowledge and agree  
14 that this Agreement shall apply only to and for the specific  
15 purposes described in the immediately preceding paragraph. In no  
16 event shall any provision of this Agreement be applied to, or be  
17 interpreted as applying to, any context, arrangement or transaction  
18 other than the specific agreement described herein between  
19 CenturyTel and Sprint for the exchange of Local Traffic between  
20 End User Customers. *Each of CenturyTel and Sprint further*  
21 *acknowledge and agree that neither this Agreement in its entirety,*  
22 *nor any one or more provisions of this Agreement, shall apply to*  
23 *any unbundled network element, operations support system or any*  
24 *other service, facility or benefit not expressly required by this*  
25 *Agreement to be provided by CenturyTel. (emphasis added)*  
26

27 **Q. Have other state commissions agreed that that interconnection**  
28 **facilities should be TELRIC priced?**

29 A. Yes. Several states have correctly concluded that interconnection  
30 facilities should be TELRIC priced.

31 The Public Service Commission of Maryland

32 As noted above, the issue here is interconnection, and interconnection must  
33 be priced at TELRIC, like unbundled network elements, pursuant to the Act  
34 and the *Local Competition Order*. Therefore, the TELRIC rate previously

1 established by this Commission for unbundled dedicated transport is also the  
2 correct rate to be charged for this interconnection.<sup>14</sup>  
3

4 Michigan Arbitration Panel

5 MCIIm argues that the parties have agreed that one method of interconnection  
6 involves MCIIm leasing transport facilities from SBC Michigan. It argues that  
7 these facilities must be based on TELRIC pricing, not the special access tariff.  
8 It argues that prior Commission decisions are consistent with its position.  
9

10 The Panel concluded that MCIIm's position on this issue should be adopted.  
11 Previous Commission orders cited by MCIIm in its PDAP reflect that the  
12 Commission has already determined that transport facilities leased from SBC  
13 Michigan for network interconnection must be priced at UNE rates.<sup>15</sup>  
14

15  
16 The Michigan Public Service Commission

17 The Commission is persuaded that the decision of the arbitration panel  
18 should be affirmed on this issue for the reasons stated in the DAP.<sup>16</sup>  
19

20  
21 The Vermont Public Service Board

22 ... Interconnection trunks between a Verizon wire center and a CLEC wire  
23 center should be provided at TELRIC rates.<sup>17</sup>  
24  
25

26 **Q. Does the Commission apply TELRIC pricing to interconnection facilities purchased**  
27 **from an ILEC?**

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<sup>14</sup> *In the Matter of the Petition of AT&T Communications of Maryland, Inc. for Arbitration Pursuant to 47 U.S.C. § 252(b) Concerning Interconnection Rates, Terms and Conditions*, Public Service Commission of Maryland Order No. 79250 entered July 7, 2007, pages 22-23.

<sup>15</sup> *Michigan Bell Telephone Company d/b/a SBC Michigan's Petition for Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements with MCImetro Access Transmission Service, LLC Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Michigan Public Service Commission, Opinion and Order, Case No. U-13758, August 18, 2003 ("Michigan Order") page 40.

<sup>16</sup> *Michigan Order at p. 44.*

<sup>17</sup> *Petition of Verizon New England, Inc., d/b/a Verizon Vermont, for Arbitration of an Amendment to Interconnection Agreements with Competitive Local Exchange Carriers and Commercial Mobile Radio Service Providers in Vermont, Pursuant to Section 252 of the Communications Act, as amended, and the Triennial Review Order*, Vermont Public Service Board, Order entered February 27, 2006, page 178.

1 A. Yes, the Commission follows the FCC and has stated that CLEC's should pay TELRIC  
2 prices for interconnection in Order 07-098 in ARB 665.

3

4 **Q. How should the Commission resolve Issue No. 6?**

5 A. Consistent with the FCC's rules and orders, the Commission should require  
6 CenturyTel to provide direct interconnection facilities to Sprint at TELRIC prices.

7

8 **Issue No. 7:**

9

10 Should the Interconnection Agreement contain provisions limiting indirect  
11 interconnection?

12

13 **Q. On pages 43, 45, 47 and 48, Mr. Watkins states that Sprint is attempting to**  
14 **“demand that CenturyTel be forced to obtain services from, and rely on, a**  
15 **third party carrier” or dictating to CenturyTel how it should deliver its**  
16 **originating traffic to Sprint. Is this what Sprint is attempting to do?**

17 A. No. Sprint is not demanding how CenturyTel delivers its originating traffic to  
18 Sprint. If CenturyTel wants to deliver its originating traffic directly to Sprint and  
19 not use a third-party transit provider, it can do so. Consistent with Sprint's  
20 position and stated elsewhere, the originating carrier is responsible for delivering  
21 its traffic to the terminating carrier. Not only is Sprint not demanding anything  
22 with respect to how CenturyTel delivers its originating traffic to Sprint, Sprint can't  
23 place such a demand on CenturyTel. That being said, CenturyTel is responsible  
24 for the cost to deliver its traffic to Sprint regardless of how it chooses to deliver it.

1

2 **Q. Is CenturyTel's use of a traffic volume threshold an attempt to dictate how**  
3 **Sprint chooses to deliver Sprint-originated traffic to CenturyTel, a demand**  
4 **that contradicts the testimony of Mr. Watkins?**

5 A. Yes. Mr. Watkins' testimony seems to contradict the essence of the dispute on  
6 this issue. On the one hand, he is saying Sprint cannot dictate how CenturyTel  
7 fulfills its obligation to deliver its traffic to Sprint and on the other hand CenturyTel  
8 is attempting to dictate how Sprint delivers its traffic to CenturyTel by limiting  
9 Sprint's ability to utilize indirect interconnection to volumes of less than a DS1  
10 level. Sprint's right to directly or indirectly interconnect with CenturyTel should  
11 not be based on an arbitrary volume of traffic. As I have stated, the decision to  
12 directly or indirectly interconnect is based on a multitude of issues that do not  
13 necessarily suggest that direct interconnection is appropriate when a certain  
14 volume of traffic is reached, e.g., a DS1 level.

15

16 **Q. Is CenturyTel's DS1 threshold based on any known engineering principles?**

17 A. No. I am not aware of any engineering principle that would suggest direct  
18 interconnection is preferable to indirect interconnection because traffic has  
19 reached a DS1 level. As I have stated, the DS1 threshold is an arbitrary number.

20

21 **Q. Is the indirect interconnection arrangement comparable to switched access**  
22 **arrangements?**



1 A. Yes. Indirect interconnection arrangements are comparable to switched access  
2 arrangements whereby a carrier seeking to terminate toll traffic via access trunks  
3 may choose to interconnect at the tandem or the end office. In many instances  
4 the tandems are owned by larger ILECs such as Qwest and ILECs such as  
5 CenturyTel subtend these tandems. The IXC purchasing switched access  
6 service from the ILECs chooses whether to interconnect at the tandem or end  
7 office based on its own decision criteria. Access tariffs do not dictate tandem or  
8 end office interconnection based on an arbitrary traffic volume such as what  
9 CenturyTel is attempting to impose on Sprint.

10

11 **Q. Has Sprint analyzed the costs of direct versus indirect local**

12 **interconnection, the issue in dispute between Sprint and CenturyTel?**

13 A. Yes. Sprint has analyzed the costs of direct versus indirect interconnection using  
14 three scenarios. Additional detail of this analysis can be found in Sprint Exhibit  
15 JRB-3.

16 1. Indirect interconnection via the Qwest tandem in Portland whereby  
17 each party pays for the delivery and switching of its originated local  
18 traffic at the tandem pursuant to agreed to language at Article IV,  
19 Section 3.3.1.2. Total estimated cost to Sprint of \$4,893.83 per year.  
20 This represents Sprint's position regarding indirect interconnection.

21 2. Direct interconnection to CenturyTel's host in Gleneden Beach  
22 whereby Sprint pays 100% of the facility cost between Sprint's POP in

1 Salem and Gleneden Beach. Total estimated cost to Sprint of  
2 \$24,712.90 per year. This represents CenturyTel's position regarding  
3 direct interconnection.

4 3. Direct interconnection to CenturyTel's host in Gleneden Beach  
5 whereby Sprint pays 50% of the facility cost between Sprint's POP in  
6 Salem and Gleneden Beach. Total estimated cost to Sprint of  
7 \$12,356.45 per year. This represents Sprint's position regarding direct  
8 interconnection.

9 The assumed customer count is 250. This is an estimate of the number of  
10 subscribers to the Sprint/Millennium service. 250 subscribers would require  
11 more than a DS1 so the cost of two DS1s was used in the calculations. Given  
12 this assumption Sprint would be exceeding the DS1 threshold proposed by  
13 CenturyTel requiring Sprint to directly interconnect at Gleneden, the higher cost  
14 scenario. Special access rates were used because CenturyTel does not agree  
15 TELRIC rates are applicable. TELRIC rates would shift the total costs lower, but  
16 would not change the outcome, i.e., indirect interconnection is more economical.

17

18 **Q. Given the different scenarios above, are interconnection costs a barrier to**  
19 **entry for the Depoe Bay market?**

20 A. Yes. Given the size of the market and the estimated number of subscribers, the  
21 cost of interconnection certainly can be a barrier to entry. CenturyTel's positions,  
22 Sprint would incur an annual interconnection cost of nearly \$25,000. If one were

1 to assume a retail rate of \$30 interconnection costs would consume a significant  
2 portion of the gross revenue. This suggests market entry may not be justified  
3 based on this level of interconnection cost.

4 250 subscribers at \$30 yields total annual revenue of \$90,000

5 \$25,000 interconnection cost divided by \$90,000 revenue equals 28%

6  
7 **Q. What is Sprint asking the Commission to decide with respect to Issue No.**  
8 **7?**

9 A. If Sprint wishes to use indirect interconnection, it should be allowed to do so. An  
10 arbitrary traffic volume, such as a DS1, is not the appropriate way to decide  
11 direct versus indirect interconnection. To expand on my Opening Testimony, the  
12 decision criteria must take all issues and costs into consideration, e.g., the direct  
13 fixed (nonrecurring charges) and variable (transport and switching) costs  
14 associated with the two alternatives, manpower considerations, payback period,  
15 etc. In other words, the costing information I provided above is one aspect of the  
16 entire analysis that would take place even though it is quite clear that the  
17 interconnection costs alone show indirect interconnection is considerably more  
18 economical. Sprint is asking the Commission to conclude that a carrier has the  
19 right to determine how it fulfills its obligation to deliver its originating traffic to the  
20 terminating carrier by using either direct or indirect interconnection. Furthermore,  
21 new entrants should have the opportunity to enter a market as economically as  
22 possible.

1

2 **Issue No. 8:**

3

4 Should Sprint be required to reimburse CenturyTel when CenturyTel is acting as a  
5 transit provider if CenturyTel compensates third parties for the termination of Sprint-  
6 originated traffic?  
7

8 **Q. Do you agree with how CenturyTel has re-characterized Issue No. 8 as**  
9 **stated in Mr. Miller's testimony on page 19?**

10 A. No. I think CenturyTel is attempting to make its arguments based on how it is  
11 restating the issues, but that does not change the essence of the issue, which is  
12 whether Sprint should reimburse CenturyTel if it compensates third parties for the  
13 termination of Sprint-originated traffic. That being said, CenturyTel's re-  
14 characterization has not changed the essence of the issue.

15 **Q. On pages 19-21, Mr. Miller discusses the obligations of originating carriers**  
16 **to compensate the terminating carrier for traffic termination. Does Sprint**  
17 **agree with this principle?**

18 A. Yes. As stated throughout my testimony, Sprint understands and agrees with the  
19 principle that the originating carrier is responsible for compensating the  
20 terminating carrier. This is the basis for Sprint's position on this issue. The  
21 compensation between Sprint and any terminating carrier that subtends a  
22 CenturyTel tandem is between Sprint and that carrier. CenturyTel is a third party  
23 to that relationship and should not intervene. It seems clear to me that both  
24 CenturyTel and Sprint agree that the originating carrier is responsible for any

1 compensation to the terminating carrier. However, CenturyTel's solution is  
2 wrong. Furthermore, if CenturyTel has the means to identify Sprint's traffic such  
3 that it could accurately hold Sprint accountable, as it is intending, then the proper  
4 solution would be for CenturyTel to enable the terminating carrier to use this  
5 information to deal directly with Sprint and stay out of the middle.

6  
7 **Q. On page 21, Mr. Miller states that as a consequence of Sprint's "failure to**  
8 **properly compensate a carrier to which the Sprint-originated traffic is**  
9 **terminated" is that it should be obligated to indemnify CenturyTel for any**  
10 **payments CenturyTel makes to a third party. If that is CenturyTel's**  
11 **position, then it also stands to reason that if Sprint does accept**  
12 **responsibility for its originating traffic terminated to third parties, it should**  
13 **not be required to indemnify CenturyTel. Do you agree?**

14 **A.** Yes. If Sprint accepts its responsibility, which it does, for its originating traffic  
15 terminated to third parties, it should not be required to indemnify CenturyTel.  
16 The basis of CenturyTel's position seems to be the incorrect understanding that  
17 Sprint does not accept responsibility for its originating traffic. My testimony  
18 couldn't make that point any clearer. I have stated multiple times that the  
19 originating carrier is responsible for its traffic terminated to another carrier.

20

1 **Q. Does the wholesale business model Sprint is deploying with Millennium**  
2 **play a part in Sprint's position regarding CenturyTel's position that Sprint**  
3 **is required to have agreements with third parties regarding termination of**  
4 **transit traffic as suggested by Mr. Miller on page 22-23?**

5 A. No. The parties negotiated extensive language to address the wholesale  
6 business model and each party's responsibilities. For example, Article I, Sections  
7 2 and 3 acknowledge that Sprint is a wholesale provider. The definition of End  
8 User Customer at Section 2.41 includes individuals that subscribe to services  
9 jointly provided by Sprint and a Sprint Third Party Provider. Therefore, traffic  
10 from an End User Customer under the wholesale business model is treated as  
11 Sprint traffic, and Sprint is responsible for the exchange of traffic and  
12 compensation for such traffic. Mr. Miller is attempting to cloud or expand this  
13 issue beyond the scope of the dispute between the parties. The fact of the  
14 matter as it pertains to this issue is intercarrier compensation only, and there  
15 should be no doubt that Sprint is responsible for all intercarrier compensation  
16 related to any traffic originated or terminated as a result of its relationship with  
17 Millennium. Each of the allegations raised by Mr. Miller is an attempt to distract  
18 from the real issue being disputed. That being said, CenturyTel seems to suggest  
19 that even though there is a clear understanding that Sprint is a wholesale  
20 provider and its cable partners are retail providers, Sprint should be responsible  
21 for all retail aspects of the service being provided. That clearly is not the case  
22 and it does not make sense for Sprint to be held responsible for the actions of its

1 wholesale customers. The wholesale/retail model being utilized by Sprint and  
2 Millennium is no different than other wholesale/retail models that are  
3 commonplace in the telecommunications industry. For example, slamming is  
4 clearly a retail issue between the cable company that sells the service, the end  
5 user and any impacted carrier. Just like in the reseller IXC market, the retail  
6 provider is responsible for slamming complaints, not the underlying wholesale  
7 provider. The same is true in this case. With regards to the claim that a cable  
8 company made disparaging remarks about CenturyTel's affiliate, clearly this is an  
9 issue between CenturyTel and the cable company. Sprint, in its wholesale role,  
10 does not control, nor should it, the actions of the cable companies. Again, one  
11 need only look at the longstanding IXC wholesale/retail relationships whereby the  
12 retail service provider has certain roles and responsibilities that are separable  
13 from that of an underlying wholesale provider. CenturyTel has also raised an  
14 issue related to the use of the Network Interface Device ("NID"). CenturyTel has  
15 not provided any facts specific to this issue as of the writing of this testimony.  
16 Sprint believes this issue is an attempt to call the Sprint/Millennium business  
17 model into question to support its positions on disputed issues. Sprint has  
18 contacted CenturyTel and agreed to assist CenturyTel to resolve issues it is  
19 having with any cable companies. This does not mean Sprint should be in the  
20 middle of these issues for the reasons I have stated previously.

21

1 **Q. On pages 26-27, Mr. Miller states that Sprint has agreed to language with**  
2 **SBC. How do you respond?**

3 A. This language has been problematic and Sprint is attempting to change it. Sprint  
4 is currently in a dispute with another ILEC that Mr. Miller didn't mention, Verizon,  
5 in Pennsylvania on this very issue. This dispute is still pending before the  
6 Pennsylvania Commission. Sprint is also attempting to change its agreements  
7 with SBC. Sprint is in proceedings in 22 states to adopt the BellSouth  
8 interconnection agreement pursuant to the AT&T/BellSouth Merger  
9 Commitments. Therefore, while it is true Sprint has such language, it is  
10 attempting to change those situations and does not want to perpetuate these  
11 problems with CenturyTel.

12  
13 **Q. Will Sprint negotiate with carriers it terminates traffic to?**

14 A. Yes it will.

15  
16 **Q. Does Sprint generally enter into agreements with third parties?**

17 A. No. Sprint generally does not enter into agreements with third parties. There are  
18 exceptions, but generally Sprint does not. The vast majority of this type of traffic  
19 is not subject to an agreement and is, in effect, bill & keep. The idea of entering  
20 into agreements with all third parties would increase the number of  
21 interconnection agreements by a large number. This is a tremendous increase in  
22 effort for Sprint, the carriers involved and the state commissions that have the



1 responsibility for resolving disputes and approving the agreements. Section  
2 251(b)(5) simply requires the establishment of reciprocal compensation  
3 arrangements and bill and keep is an acceptable reciprocal compensation  
4 arrangement.

5  
6 **Q. Will the existence of an agreement between Sprint and third parties**  
7 **necessarily resolve CenturyTel's concern?**

8 A. If I understand CenturyTel's intent, no. I think CenturyTel is attempting to force  
9 Sprint into agreements with third parties if those third parties charge CenturyTel  
10 for traffic originated by Sprint. If you presume the third party would charge  
11 CenturyTel because it isn't able to charge Sprint, then this is the industry wide  
12 "phantom traffic" issue that is currently before the FCC. There are two aspects of  
13 phantom traffic, not being able to identify the originating carrier and not having  
14 adequate records to properly rate the traffic. It would seem logical for the third-  
15 party carrier to bill the originating carrier if they knew who it was. And apparently  
16 in this situation, the third-party carrier does not know who the originating carrier is  
17 and that is why they would attempt to bill CenturyTel. As I stated previously,  
18 CenturyTel is concerned about getting billed instead of the true originating carrier  
19 and if CenturyTel knows who the originating carrier is, it seems like the solution  
20 would be for CenturyTel to inform the third-party carrier who the originator is so  
21 the third party can deal with the originating carrier directly as they should.  
22 CenturyTel must know the identify of the originating carrier, otherwise they would

1 not know which carrier to seek reimbursement from. The success of the  
2 terminating carrier getting compensated would be greater if they went to the  
3 originating carrier directly, in part, because I can't imagine why CenturyTel would  
4 ever pay the third party for traffic that originated from Sprint or any other carrier  
5 rather than from CenturyTel in the hopes of getting reimbursed. Of course, this is  
6 all based on an assumption that the third party has a right to bill Sprint. Sprint  
7 certainly shouldn't be obligated to reimburse CenturyTel when Sprint would not  
8 have an obligation to pay if it were billed directly. Neither should Sprint be  
9 obligated to pay whatever compensation CenturyTel pays to the third party when  
10 the third party bills a rate that is inappropriate.

11  
12 **Q. On page 25-26, Mr. Miller refers to language in a Sprint/United Telephone**  
13 **Company agreement in an effort to support CenturyTel's position that**  
14 **Sprint must enter into agreements with all third party carriers. Do you**  
15 **agree?**

16 **A.** No. I have provided the entire paragraph cited below for reference.

17 43.2 While the Parties agree that *it is the responsibility of CLEC to*  
18 *enter into arrangements with each third party carrier (ILECs or*  
19 *other CLECs) to deliver or receive transit traffic, Sprint*  
20 *acknowledges that such arrangements may not currently be in*  
21 *place and an interim arrangement will facilitate traffic completion*  
22 *on a interim basis. Accordingly, until the earlier of (i) the date on*  
23 *which either Party has entered into an arrangement with third-*  
24 *party carrier to exchange transit traffic to CLEC and (ii) the date*  
25 *transit traffic volumes exchanged by CLEC and third-party carrier*  
26 *exceed the volumes specified in Section 44.2.1.3, Sprint will*  
27 *provide CLEC with transit service. CLEC agrees to use*  
28 *reasonable efforts to enter into agreements with third-party*

1                    *carriers as soon as possible after the Effective Date.* Sprint may  
2                    require separate trunking for the delivery of such Transit Traffic in  
3                    order to accurately measure and bill it. Transit Traffic means the  
4                    deliver of Local Traffic or ISP-Bound Traffic by CLEC or Sprint  
5                    originated by the end user of one Party and terminated to a third  
6                    party LEC, ILEC, or CMRS provider over the local/intraLATA  
7                    interconnection trunks. (emphasis added)  
8

9                    Mr. Miller placed emphasis on the two italicized phrases of Section 43.2 in the  
10                    Sprint/United Telephone Company agreement. The first phrase located at the  
11                    beginning of the section states “it is the responsibility of CLEC to enter into  
12                    arrangements with each third party carrier (ILECs or other CLECs) to deliver or  
13                    receive transit traffic,” and the second phrase located at the end of the section  
14                    that states “CLEC agrees to use reasonable efforts to enter into agreements with  
15                    third-party carriers as soon as possible after the Effective Date.” The  
16                    construction of the sentence is such that the first phrase is controlling and states  
17                    that Sprint will make “arrangements” with each third party carrier. An  
18                    arrangement is not necessarily a contract. In fact, the arrangement is usually bill  
19                    and keep without a contract. The language cited by Mr. Miller supports Sprint’s  
20                    position on this issue, not CenturyTel’s position. In the majority of cases, Sprint  
21                    does not enter into agreements with third parties because there generally is no  
22                    need to do so given that bill and keep is an acceptable form of reciprocal  
23                    compensation. In fact, Sprint has not entered into contracts in OR with ILECs,  
24                    CLECs or wireless carriers subtending United Telephone as a result of the  
25                    Section 43.2 cited by Mr. Miller. That being said, Sprint is currently in

1 negotiations with United Telephone Company (now called Embarq) and is  
2 seeking language consistent with the positions Sprint is taking in this arbitration.  
3

4 **Q. What is Sprint's desired outcome on Issue 8?**

5 A. Sprint is asking the Commission to not allow CenturyTel to place itself in the  
6 middle of an issue that is really between Sprint and the third party to whom Sprint  
7 terminates traffic. The terms and conditions for the termination of traffic should  
8 be dictated by the arrangements between the originating and the terminating  
9 party. To this point, Sprint asks the Commission to adopt Sprint's proposed  
10 language for Article IV, Sections 3.3.1.3 and 4.6.4.2. This language does include  
11 a statement that CenturyTel has no obligation to pay charges levied by such  
12 third-party carriers, as consistent with at least one state commission order: the  
13 Arkansas Commission has previously found that the transit service provider is not  
14 obligated to pay terminating compensation for traffic it transits.<sup>18</sup>  
15

16 **Issue No. 9:**

17  
18 Should the Interconnection Agreement permit the Parties to combine traffic subject to  
19 reciprocal compensation charges and traffic subject to access charges on the  
20 interconnection trunks?  
21

22 **Q. Have the Parties made progress to resolve Issue No. 9?**

---

<sup>18</sup> *In the Matter of Telcove Investment, LLC's Petition for Arbitration*, Ark. Pub. Serv. Comm'n Docket No. 04-167-U, Order No. 10, p. 44 (Sept. 15, 2005).

1 A. Yes. It is my understanding that Issue No. 9 has been resolved. CenturyTel  
2 proposed revised language in section 3.3.2.8.3 and new language in section  
3 3.3.2.8.3. Each of these changes to the proposed Interconnection Agreement  
4 language made by CenturyTel is acceptable to Sprint. In addition, Sprint added a  
5 phrase in sections 3.3.2.8.1 and 3.3.2.8.3 that Sprint agrees can be removed.

6 Section 3.3.2.8.1 would read as follows.  
7

8 3.3.2.8.1 Each Party agrees to route traffic only over the  
9 proper jurisdictional trunk.

10 Section 3.3.2.8.3 would read as follows:

11 3.3.2.8.3 Initially, Sprint will not use this interconnection arrangement  
12 to exchange traffic subject to access charges. If Sprint intends to use this  
13 interconnection arrangement to exchange traffic subject to access, the  
14 Parties will work cooperatively to develop mutually agreed upon processes  
15 and terms necessary to affect such exchange. Such processes shall  
16 address, but not be limited to, the identification and measurement of traffic  
17 that goes over each trunk, the use of factors, auditing provisions, the type  
18 of traffic, the jurisdiction of traffic, and the amount or volume of traffic. If the  
19 Parties are unable to agree upon such terms and processes, the Dispute  
20 Resolution Procedures under Section 20 of Article III will be invoked. Until  
21 such time, neither Party shall route Switched Access Service traffic  
22 over local connection trunks or Local Traffic over Switched Access  
23 Service trunks.  
24

25 Sprint listed several sections related to percent local usage ("PLU") as under  
26 dispute for this Issue 9. CenturyTel has proposed a new issue 16 to address the  
27 disputed language related to PLU. Sprint will address Article IV, Sections 3.3.1.4  
28 and 4.5.2.2 and Article VII.D. under Issue 16. Sprint's proposed language in

1 Article IV, Sections 3.2.5.6, 3.3.2.1 and 4.5.1.3 would also be deleted. As stated,  
2 I believe this resolves all open issues with respect to Issue No. 9.

3  
4 **Q. What is Sprint's desired outcome on Issue 9?**

5 A. Sprint requests the Commission approve the modified language as addressed  
6 above that permits Sprint to combine traffic onto a common trunk at some point  
7 during the term of the agreement.

8  
9 **Issue No. 10:**

10 What terms for virtual NXX should be included in the Interconnection Agreement?  
11  
12

13 **Q. Did your Opening Testimony reflect the correct status of this issue?**

14 A. No. My Opening Testimony did not reflect the correct status of this issue. Nor  
15 do I believe the Opening Testimony of Mr. Miller reflect the correct status. While  
16 I can't speak for Mr. Miller, I think both of us based our testimony on the status of  
17 this issue in the states of Michigan, Arkansas and Colorado where Sprint and  
18 CenturyTel are arbitrating this same issue. Sprint has taken a different position  
19 in Oregon because there is prior precedent on virtual NXX traffic that Sprint is  
20 acknowledging.

21  
22 **Q. What prior precedent are you referring to?**

23 A. The Commission has issued an order with regard to the treatment of virtual NXX  
24 traffic, ARB 665, Order No. 07-098. This order determined that virtual NXX traffic

1 is not local traffic, originating access charges should apply and there should be  
2 no terminating compensation should apply at this time subject to true-up if and  
3 when the FCC determines a termination rate. While Sprint may not agree with  
4 the outcome of that order, Sprint is willing to abide by it. Sprint thinks a  
5 distinction should be made between what is termed virtual NXX traffic for dial-up  
6 ISP traffic and FX-like or virtual number traffic both of which are commonly used  
7 today and are effectively the same thing as virtual NXX. That being said, Sprint  
8 is not making those arguments in this arbitration.  
9

10 **Q. What is Sprint's position on Issue 10?**

11 A. As stated in Sprint's Petition and Sprint Exhibits B and C attached to Sprint's  
12 Petition, Sprint proposes that CenturyTel's proposed language in Article IV,  
13 Sections 4.2.2.2, 4.2.2.3, 4.2.2.4 and 4.2.2.5 be deleted.  
14

15 **Q. What is your understanding of CenturyTel's current position on Issue No.**  
16 **10?**

17 A. It is my understanding that CenturyTel has agreed to delete the original Sections  
18 4.2.2.2, 4.2.2.3, 4.2.2.4 and 4.2.2.5 as suggested by Sprint. However,  
19 CenturyTel wants to include a new Section 4.2.2.2 which states:

20 4.2.2.2 The Commission has historically prohibited VNXX arrangements in  
21 Oregon. In Order No. 07-098 the Commission created an  
22 exception in permitting assignment of YNXX numbers to ISP  
23 customers only upon certain conditions. Consistent with  
24 Commission Order 07-098 the Parties agree that Sprint will be

1 permitted to assign VNXX numbers to ISP customers only to  
2 facilitate the exchange of dial-up internet traffic and only to the extent  
3 that Sprint pays the applicable tariff rate for  
4 interexchange/interstate trunks used to transport VNXX-routed ISP-  
5 bound traffic from the Oregon local calling areas where ISP calls  
6 originate to Sprint's media gateway.  
7

8 **Q. What is Sprint's position with regard to the new Section 4.2.2.2 proposed**  
9 **by CenturyTel?**

10 A. Sprint does not think the newly proposed Section 4.2.2.2 is necessary and does  
11 not want it included in the agreement. Sprint does not currently provide service  
12 to ISPs and has no plans to do so in the future. At one time Sprint did provide  
13 this type of service, but exited that market a few years ago. An interconnection  
14 agreement is no place to simply state the outcome of a previous Commission  
15 order just for the sake of doing so. The order applies regardless of whether its  
16 restatement is included in the Interconnection Agreement between Sprint and  
17 CenturyTel.  
18

19 **Issue No. 12:**

20  
21 Should terms be included that provide for the opportunity of refunds and the ability to  
22 pursue dispute resolution if appropriate remedies are not agreed to when performance  
23 is not adequate?  
24

25 **Q. What is the current status of Issue No. 12?**

26 A. The Parties have continued to negotiate Issue No. 12. As stated in my Opening  
27 Testimony Sprint is willing to delete its proposed language in Article VI, Section



1 5.0 and insert additional language in Article III, Section 9.4 to ensure that a  
2 dispute regarding performance issues may include refunds.

3  
4 **Issue No. 15:**

5  
6 If CenturyTel sells, assigns or otherwise transfers its territory or certain exchanges  
7 should CenturyTel be permitted to terminate the agreement in those areas?  
8

9 **Q. On pages 44-45, Mr. Miller changes the wording of Issue No. 15. How do**  
10 **you respond?**

11 A. Mr. Miller did change the wording of the issue in an attempt to re-characterize the  
12 issue. The issue in dispute, regardless of how it is worded, is how can there be  
13 assurance that service is continued to Sprint and ultimately its end users in the  
14 event CenturyTel sells, assigns or transfers portions of its territory. Sprint thinks  
15 that its proposed language best meets that objective.

16  
17 **Q. On page 46, Mr. Miller acknowledges the identification of issues that could**  
18 **arise during the course of a property sale. Why did you identify some of**  
19 **the possible risks?**

20 A. I identified some of the risks or consequences resulting from the lack of certainty  
21 that an interconnection agreement be in place at the point of property ownership  
22 transfer. The risks I identified related to the ability to exchange telephone calls  
23 with the new owner and the ability to keep and acquire telephone numbers are

1 real if there is no certainty an interconnection agreement will be in place. Sprint  
2 believes its language is necessary to ensure there is an agreement.

3

4 **Q. On pages 46-50, Mr. Miller discusses several reasons why CenturyTel is not**  
5 **willing to accept Sprint's language. Please comment.**

6 A. I will not comment on all of the reasons Mr. Miller states as to why it will not  
7 accept Sprint's language because some of them appear to be legal argument  
8 and I am not an attorney.

9

10 Mr. Miller is concerned that the Interconnection Agreement with Sprint will  
11 impede CenturyTel's ability to sell its property. The Interconnection Agreement  
12 will be a reflection of agreed upon items and disputed items that this Commission  
13 will decide. To the extent the eventual agreement is a liability to CenturyTel, then  
14 so be it. The fact that this Commission will decide the most significant issues  
15 that are likely to be a concern to CenturyTel suggests that the party acquiring  
16 CenturyTel's property would likely have those same obligations anyway. The risk  
17 is created when there is no continuity of an interconnection agreement and it  
18 could take a year or more to get one in place. Furthermore, the Interconnection  
19 Agreement, if considered by CenturyTel to be a liability, can no more be brushed  
20 under the rug than any other accounting liabilities or regulatory obligations that  
21 must be considered in a property sale.

22

1 **Q. On page 50, Mr. Miller suggest that Sprint should not be concerned about**  
2 **the acquiring company fulfilling its obligations to negotiate and**  
3 **interconnect with Sprint. How do you respond?**

4 A. I certainly agree that the acquiring company would have those obligations, but it's  
5 the time it could potentially take to enforce them. I appreciate Mr. Miller's opinion  
6 that another carrier may be more willing to quickly enter into an agreement with  
7 Sprint. However, Mr. Miller cannot speak for an acquiring carrier. The acquiring  
8 carrier may resist Sprint and Millennium's competitive entry just as ardently as  
9 CenturyTel itself. Furthermore, the likelihood of such resistance may be  
10 proportional to the extent CenturyTel considers the Interconnection Agreement a  
11 liability. In addition, with all the other activities necessary to complete such a  
12 transaction the acquiring company may not have the resources to dedicate to  
13 negotiating interconnection agreements to coincide with the closing, agreements  
14 it may not even want.

15  
16 **Q. Assuming the Commission were to agree Sprint's proposed language is**  
17 **appropriate and an acquiring company is required to operate under the**  
18 **terms of the Sprint/CenturyTel Interconnection Agreement, is the acquiring**  
19 **company obligated to operate under the terms and conditions forever?**

20 A. No. The term of the Interconnection Agreement is only two years. The acquiring  
21 carrier's obligations under the assigned agreement would be something less than

1 the two year term depending on when such a sale occurred. The acquiring  
2 company could then seek new terms for a replacement agreement if it chooses.

3

4 **Q. How should the Commission resolve this issue?**

5 A. The Commission should accept Sprint's proposed language for Article III, Section  
6 2.7. The idea that an acquiring carrier must operate under the terms of an  
7 agreement arbitrated and eventually approved by this Commission does not  
8 seem to be too much to ask to ensure there are no actual or potential disruptions  
9 in end user service.

10

11 **Issue No. 16:**

12

13 Do terms need to be included when Sprint utilizes indirect interconnection, and  
14 CenturyTel is not provided detailed records, nor is CenturyTel able to identify and bill  
15 calls based upon their proper jurisdiction?

16

17 **Q. What is the essence of Issue 16?**

18 A. The essence of Issue 16 is that CenturyTel is attempting to shift the burden to  
19 Sprint so that CenturyTel can bill Sprint originating traffic that transits a third party  
20 by requiring Sprint to provide a PLU factor.

21

22 **Q. What is Sprint's position on providing a PLU factor?**

23 A. As I stated in my Opening Testimony, Sprint does not think it should be forced to  
24 create a factor it currently does not create to accommodate any shortcomings in

1 CenturyTel's billing system or its arrangements with transit providers so long as  
2 Sprint utilizes industry standard signaling, which it does.

3

4 **Q. On page 62, Mr. Watkins expresses his opinion that indirect**  
5 **interconnection arrangements are inferior because of concerns about**  
6 **network management, traffic management and proper compensation. How**  
7 **do you respond?**

8 A. The so-called inferior indirect interconnection arrangements Mr. Watkins dislikes  
9 are a fact of life within the telecommunications industry. They exist virtually  
10 everywhere and with virtually every carrier. One could only imagine the  
11 increased expense that would result from every carrier having to interconnect  
12 directly with every other carrier. This approach would be an incredibly inefficient.  
13 In addition, Mr. Watkins states three reasons for his concerns which in the  
14 context of the dispute between Sprint and CenturyTel are all the same.  
15 CenturyTel's concern is its ability to properly bill traffic.

16

17 **Q. Mr. Watkins is suggesting that a factor is the solution to CenturyTel's**  
18 **billing concerns. Do you agree?**

19 A. No. CenturyTel's proposed Section 3.3.1.4 which I've included below states that  
20 factors CenturyTel wants is based on Calling Party Number (CPN). Since Sprint  
21 already provides CPN in its signaling, it shouldn't also have to provide a factor.  
22 CenturyTel, the Party concerned with being able to bill accurately, is attempting

1 to pass its responsibility to Sprint. Rather than relying on Sprint to resolve its  
2 billing shortcomings, CenturyTel should ensure it has arrangements in place with  
3 any transiting provider to get the records it needs or it should put in place the  
4 mechanisms to bill other carriers based on the information available to it. To put  
5 it bluntly, if CenturyTel wants to bill Sprint, it should accept the responsibility for  
6 acquiring the information necessary to do so.

7 3.3.1.4 To the extent a Party combines Local Traffic and Jointly-Provided  
8 Switched Access Traffic on a single trunk group for indirect  
9 delivery through a tandem, the originating Party, at the terminating  
10 Party's request, will declare quarterly Percentages of Local Use  
11 (PLUs). Such PLUs will be verifiable with either call summary  
12 records utilizing Calling Party Number (CPN) information for  
13 jurisdictionalization of traffic or call detail samples. Call detail or  
14 direct jurisdictionalization using CPN information may be  
15 exchanged in lieu of PLU, if it is available. The terminating Party  
16 should apportion per minute of use (MOU) charges appropriately.  
17

18  
19 **Q. CenturyTel has also proposed Section 4.5.2.2, how does it relate to Section**  
20 **4.5.2.1, language the Parties have agreed to?**

21 A. I have provided Section 4.5.2.1 that the Parties have agreed to and CenturyTel's  
22 proposed Section 4.5.2.2 below. Section 4.5.2.1 makes it clear that the Parties  
23 will utilize records from the transit provider for billing purposes. What CenturyTel  
24 is attempting to do is undo what it has already agreed to in Section 4.5.2.1 with  
25 the language in 4.5.2.2. CenturyTel obviously recognizes it should either utilize  
26 its own records to bill or get the necessary records from the transit provider. This  
27 is exactly Sprint's position on this issue.

1           4.5.2 Indirect Interconnection

2  
3           4.5.2.1 For any traffic exchanged between the Parties via third party  
4           tandems, or to the extent the terminating party has the accurate  
5           measurement capability, its own records, each Party shall utilize  
6           records provided by the tandem operator to invoice for traffic  
7           terminating on its network. The Parties agree to accept the billing  
8           records from the tandem operator as representative of the traffic  
9           exchanged between the Parties.

10  
11          4.5.2.2 To calculate intrastate toll access charges, each Party shall  
12          provide to the other, within twenty (20) calendar days after the end  
13          of each quarter (commencing with the first full quarter after the  
14          effective date of this Agreement), a PLU (Percent Local Usage)  
15          factor. Each company should calculate the PLU factor on a LATA  
16          basis using their originating IntraLATA minutes of use. The Parties  
17          shall provide a separate PLU for each CenturyTel operating  
18          company covered under this Agreement. The percentage of  
19          originating Local Traffic plus ISP-Bound Traffic to total intrastate  
20          (Local Traffic, ISP-Bound Traffic, and intraLATA toll) originating  
21          traffic would represent the PLU factor.  
22

23   **Q.     Given CenturyTel's acknowledgement that it should use its own records or**  
24   **records received from the transit provider, isn't CenturyTel attempting to**  
25   **pass its responsibilities on to Sprint for traffic it wants to bill?**

26   A.     Yes. Sprint urges the Commission to see through CenturyTel's attempt to pass  
27   its burden to Sprint. Sprint asks the Commission to reject CenturyTel's proposed  
28   Sections 3.3.1.4 and 4.5.2.2.

29  
30   **Q.     Does this conclude your Rebuttal Testimony?**

31   A.     Yes.

SPRINT/5  
BURT/64

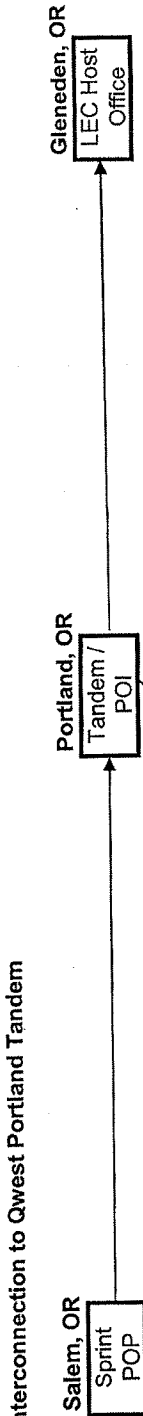
**SPRINT EXHIBIT JRB-3**



Network Diagram - Annual Expense OREGON  
Centurytel of Oregon

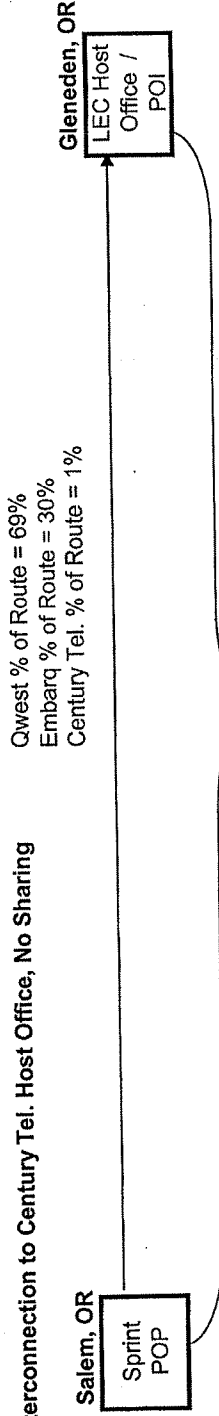
Total Annual Expense

- 1) \$ 4,893.83



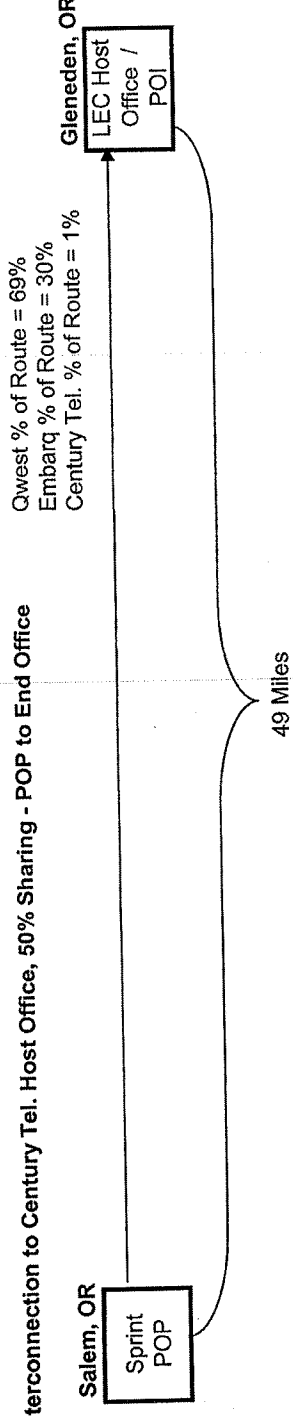
45 Miles  
Facilities: DS-3 \$ 3,995.71  
Transit One-Way \$ 1,468.94

- 2) \$ 24,712.90



49 Miles  
Facilities: 2 DS-1s \$ 24,712.90  
Qwest % of Route = 69%  
Embarq % of Route = 30%  
Century Tel. % of Route = 1%

- 3) \$ 12,356.45



49 Miles  
Facilities: 2 DS-1s \$ 12,356.45  
Qwest % of Route = 69%  
Embarq % of Route = 30%  
Century Tel. % of Route = 1%

Assumptions:

250 Subscribers

\$0.000690 Qwest Transit Rate

DS 1 Rates		DS 3 Rates	
Carrier	EFC	Carrier	EFC
Century Tel	n/a	Century Tel	n/a
Qwest	19.17	Qwest	505.21
Embarq	n/a	Embarq	n/a

Var. Mileage Termination	
Carrier	Var. Mileage Termination
Century Tel	17.00
Qwest	12.48
Embarq	18.50

Termination	
Carrier	Termination
Century Tel	120.00
Qwest	71.76
Embarq	167.00

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

IN THE MATTER OF SPRINT )  
COMMUNICATIONS COMPANY L.P. )  
PETITION FOR ARBITRATION OF ) **ARB 830**  
AN INTERCONNECTION AGREEMENT )  
WITH CENTURYTEL OF OREGON, INC. )

**Rebuttal Testimony of**  
**Randy G. Farrar**  
**On Behalf of**  
**Sprint Communications Company L.P.**

**June 4, 2008**

**CONFIDENTIAL VERSION**

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1  
2  
3 **REPLY TESTIMONY**

SPRINT/6  
FARRAR/3

4  
5 **I. INTRODUCTION**

6 **Q. Please state your name, occupation, and business address.**

7 A. My name is Randy G. Farrar. My title is Senior Manager – Interconnection  
8 Support for Sprint United Management Company, the management  
9 subsidiary of Sprint Nextel Corporation. My business address is 6450 Sprint  
10 Parkway, Overland Park, Kansas 66251.

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

12 A. I am testifying on behalf of Sprint Communications Company L.P. (“Sprint”).  
13

14 **Q. What is your educational background?**

15 A. I received a Bachelor of Arts degree from The Ohio State University,  
16 Columbus, Ohio, with a major in history. Simultaneously, I completed a  
17 program for a major in economics. Subsequently, I received a Master of  
18 Business Administration degree, with an emphasis on market research, also  
19 from The Ohio State University.  
20

21 **Q. Please summarize your work experience.**

22 A. I have worked for a subsidiary of Sprint Nextel (or of its Sprint predecessor  
23 in interest) since 1983 in the following capacities:

- 1 - 2005 to present: Senior Manager – Interconnection Support. I provide  
2 financial, economic, and policy analysis concerning, among other  
3 things, interconnection and reciprocal compensation issues.
- 4 - 1997 to 2005: Senior Manager – Network Costs. I was an instructor  
5 for numerous training sessions designed to support corporate policy on  
6 pricing and costing theory, and to educate and support the use of  
7 various costing models. I was responsible for the development and  
8 support of switching, transport, and financial cost models concerning  
9 reciprocal compensation, unbundled network elements, and wholesale  
10 discounts.
- 11 - 1992 to 1997: Manager - Network Costing and Pricing. I performed  
12 financial analyses for various business cases, analyzing the profitability  
13 of entering new markets and expanding existing markets, including  
14 Custom Calling, Centrex, CLASS and Advanced Intelligent Network  
15 features, CPE products, Public Telephone and COCOT, and intraLATA  
16 toll. Within this time frame, I was a member of the USTA's Economic  
17 Analysis Training Work Group (1994 to 1995).
- 18 - 1987 to 1992: Manager - Local Exchange Costing. Within this time  
19 frame I was a member of the United States Telephone Association's  
20 (USTA) New Services and Technologies Issues Subcommittee (1989  
21 to 1992).
- 22 - 1986 to 1987: Manager - Local Exchange Pricing. I investigated  
23 alternate forms of pricing and rate design, including usage sensitive

1 rates, extended area service alternatives, intraLATA toll pricing, and  
2 lifeline rates.

3 - 1983 to 1986: Manager - Rate of Return, which included presentation  
4 of written and/or oral testimony before state public utilities  
5 commissions in Iowa, Nebraska, South Carolina, and Oregon.

6  
7 I was employed by the Public Utilities Commission of Ohio from 1978 to  
8 1983. My positions were Financial Analyst (1978 - 1980) and Senior  
9 Financial Analyst (1980-1983). My duties included the preparation of Staff  
10 Reports of Investigation concerning rate of return and cost of capital. I also  
11 designed rate structures, evaluated construction works in progress,  
12 measured productivity, evaluated treatment of canceled plant, and  
13 performed financial analyses for electric, gas, telephone, and water utilities.  
14 I presented written and oral testimony on behalf of the Commission Staff in  
15 over twenty rate cases.

16  
17 **Q. What are your responsibilities in your current position?**

18 A. I provide financial, economic and policy analysis concerning interconnection  
19 and reciprocal compensation issues. Such analysis is provided in the  
20 context of supporting negotiations by Sprint Nextel entities to obtain  
21 interconnection agreements with other telecommunications carriers and,  
22 where necessary, I provide expert witness testimony. In the performance  
23 of my responsibilities, I must maintain a working understanding of the

1 interconnection and reciprocal compensation provisions of the  
2 Communications Act of 1934 as amended by the Telecommunications Act  
3 of 1996 ("the Act" or "the 1996 Act") and the resulting rules and regulations  
4 of the Federal Communications Commission ("FCC").  
5

6 **Q. Have you provided testimony before other regulatory agencies?**

7 A. Yes. In addition to my previously referenced testifying experience, since  
8 1995 I have presented written or oral testimony before the following twenty  
9 state regulatory agencies: Illinois, Pennsylvania, New Jersey, Florida, North  
10 Carolina, Nevada, Texas, Georgia, Arizona, New York, Oklahoma, Missouri,  
11 Virginia, Iowa, Kentucky, Ohio, South Dakota, Tennessee, Minnesota and  
12 Arkansas; and the Federal Communications Commission on  
13 interconnection, reciprocal compensation, unbundled network elements,  
14 resale, special and switched access, universal service, and local  
15 competition issues.  
16

17 **II. PURPOSE AND SCOPE OF TESTIMONY**  
18

19 **Q. What is the scope and purpose of your Rebuttal Testimony?**

20 A. I am testifying on behalf of Sprint. I will provide input to the Oregon Public  
21 Utility Commission ("Commission") concerning Sprint's Arbitration against  
22 CenturyTel of Oregon, Inc. ("CenturyTel"). I will respond to the Opening

1 Testimony of Messrs. Ted M. Hankins and Steven E. Watkins testifying on  
2 behalf of CenturyTel. My testimony will discuss the following:

- 3 1. CenturyTel, as the incumbent LEC, must provide transit service to  
4 Sprint and all other LECs; and transit must be priced at forward-  
5 looking economic costs (i.e. TELRIC).
- 6 2. CenturyTel has the burden of proof to demonstrate, through properly  
7 supported and documented cost studies, the reasonableness of its  
8 proposed rates.
- 9 3. CenturyTel's "cost study" is flawed and does not meet the burden of  
10 proof in attempting to cost justify its proposed rates.
- 11 4. Despite claims that its "cost study" is forward-looking, CenturyTel's  
12 "cost study" is in fact a fully distributed "cost study" based upon  
13 embedded costs and therefore cannot be classified as a forward-  
14 looking study.
- 15 5. As a result, all of CenturyTel's proposed rates are not forward-  
16 looking, and as such, should be rejected by the Commission.

17  
18 **Q. Do you have personal experience producing cost studies for**  
19 **incumbent local telephone companies?**

20 A. Yes. From 1996 through 2005, I was personally involved in producing  
21 forward-looking cost studies, including non-recurring cost studies, for the  
22 local telephone companies that made up the Sprint Nextel (or its



1 predecessors) local telephone division.<sup>1</sup> Sprint Nextel's local telephone  
2 division consisted of twenty-one local telephone companies serving  
3 operating territories in eighteen states. These service territories  
4 encompassed urban, suburban, and rural areas.

5  
6 As part of my duties, I regularly provided cost studies to various state  
7 regulatory commissions. These cost studies routinely included Excel files  
8 showing all calculations and inputs. It was of particular interest to Sprint to  
9 provide detailed support and documentation for each and every input and  
10 assumption for the cost study. If Sprint expected the commission to accept  
11 its cost study, Sprint believed that defending the validity of these inputs and  
12 assumptions was of paramount importance.

13  
14 **III. ISSUES**

15  
16 **A. Issue 13 – Transit Rate**

17 **What are the appropriate rates for Transit service?**

18  
19 **Q. What is CenturyTel's position on transit rates?**

20 **A.** CenturyTel's position is that it has no obligation to provide transit services,  
21 but that it is willing to provide transit service to Sprint at intrastate access

---

<sup>1</sup> In 2006, Sprint Nextel's local telephone division, which encompassed these local companies, was divested from Sprint Nextel and is now a separate company.

1 rates. CenturyTel did not provide a cost study of any sort to support its  
2 proposed transit rate.

3  
4 **Q. Why is an ILECs obligation to provide transit service at cost-based**  
5 **rates important?**

6 A. Section 251(a)(1) of the Act requires all telecommunications carriers to  
7 interconnect with other carriers either directly or indirectly, but does not  
8 dictate which method. Each carrier has the choice to interconnect directly  
9 or indirectly with any other carrier. Indirect interconnection is achievable  
10 only if transiting is available. Generally, only the incumbent LEC has  
11 ubiquitous interconnections throughout a specific geographic area to enable  
12 widespread indirect interconnection. If the incumbent LEC is not obligated  
13 to provide transit service, Section 251(a)(1) of the Act has little meaning.

14  
15 Likewise, if the incumbent LEC is obligated to provide transit services, but is  
16 free to charge whatever rate it wants, such as a self-defined "market rate" or  
17 another rate that is not based on the forward-looking economic cost of  
18 providing that service, other competing carriers are at a distinct competitive  
19 disadvantage when compared to the incumbent LEC, which is able to  
20 provide transit services to itself at economic costs.

21

1 Sprint believes that CenturyTel is obligated to provide transit service to  
2 Sprint, and those services must be priced at forward-looking economic  
3 costs, such as TELRIC.  
4  
5

6 **Q. Has the FCC noted the critical importance of transiting to all LECs?**

7 A. Yes. The FCC has noted the critical importance of transit service.

8 Specifically, the FCC stated:

9 ... the record suggests that the availability of transit service is  
10 increasingly critical to establishing indirect interconnection – a form of  
11 interconnection explicitly recognized and supported by the Act. It is  
12 evident that competitive LECs, CMRS carriers, and rural LECs often  
13 rely on transit service from the incumbent LECs to facilitate indirect  
14 interconnection with each other. Without the continued availability of  
15 transit service, carriers that are indirectly interconnected may have no  
16 efficient means by which to route traffic between their respective  
17 networks.<sup>2</sup>  
18

19 **Q. Have other state commissions also decided that ILECs such as**  
20 **CenturyTel are obligated to provide transit services?**

21 A. Yes, there appears to be wide consensus on this issue. At least seventeen  
22 other state commissions have explicitly concluded that ILECs such as  
23 CenturyTel must provide transiting services. These seventeen states are  
24 Alabama,<sup>3</sup> Arkansas,<sup>4</sup> California,<sup>5</sup> Connecticut,<sup>6</sup> Florida,<sup>7</sup> Illinois,<sup>8</sup> Indiana,<sup>9</sup>

---

<sup>2</sup> *In the Matter of Developing a Unified Intercarrier Compensation Regime*; CC Docket No. 01-92; Further Notice of Proposed Rulemaking; 20 FCC Rcd. 4685, P 125; Released March 3, 2005.

<sup>3</sup> *Petition for Arbitration of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Intermedia Communications Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996*; Docket No. 99-00948; Alabama Public Service Commission; 2000 Ala. PUC LEXIS 1924; Order dated July 11, 2000; page 122.

1 Kansas,<sup>10</sup> Kentucky,<sup>11</sup> Massachusetts,<sup>12</sup> Michigan,<sup>13</sup> Missouri,<sup>14</sup>  
2 Nebraska,<sup>15</sup> North Carolina,<sup>16</sup> Ohio,<sup>17</sup> Oklahoma,<sup>18</sup> and Texas.<sup>19</sup>

---

<sup>4</sup> *In the matter of Telcove Investment, LLC's Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996, and Applicable State Laws for Rates, Terms, and Conditions of Interconnection with Southwestern Bell Telephone, L.P. d/b/a SBC Arkansas*; Arkansas Public Service Commission Docket No. 04-167-U; Order No. 10; page 58; September 15, 2005.

<sup>5</sup> *Application by Pacific Bell Telephone Company d/b/a SBC California (U 1001 C) for Arbitration of an Interconnection Agreement with MCImetro Access Transmission Services LLC (U 5253 C) Pursuant to Section 252(b) of the Telecommunications Act of 1996*; California Public Utilities Commission Decision 06-08-029; Application 05-05-027; page 9; August 24, 2006, Dated.

<sup>6</sup> *Petition of Cox Connecticut Telecom, L.L.C. for Investigation of the Southern New England Telephone Company's Transit Service Cost Study and Rates*; State of Connecticut, Department of Public Utility Control Docket No. 02-01-23; Decision; dated January 15, 2003.

<sup>7</sup> *Joint petition by TDS Telecom d/b/a/ TDS Telecom/Quincy Telephone, et. al. objecting to and requesting suspension and cancellation of proposed transit traffic service tariff filed by BellSouth Telecommunications, Inc.*, Order on BellSouth Telecommunications, Inc.'s Transit Traffic Service Tariff, Florida Public Service Commission, Order No. PSC-06-0776-FOF-TP, Docket Nos. 05-0119-TP and 05-0125-TP, issued September 18, 2006, p. 17.

<sup>8</sup> Level 3 Communications, L.L.C Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996, and the Applicable State Laws for Rates, Terms, and Conditions of Interconnection with Illinois Bell Telephone Company (SBC Illinois).; Illinois Commerce Commission Docket No. 04-0428; Administrative Law Judge's Proposed Arbitration Decision; dated December 23, 2004. This docket was subsequently settled without a final commission order.

<sup>9</sup> *In the Matter of Level 3 Communications, LLC's Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as Amended by the Telecommunications Act of 1996, and Applicable State Laws for Rates, Terms, and Conditions of Interconnection with Indiana Bell Telephone Company d/b/a SBC Indiana*; Indiana Utility Regulatory Commission Cause No. 42663 INT-01; page 12; approved December 22, 2004. Vacated at request of parties who had negotiated 13-state ICA, March 16, 2005.

<sup>10</sup> *In the Matter of arbitration Between Level 3 Communications, LLC and SBC Communications, Inc., Pursuant to Section 252(b) of the Communications Act of 1934, as Amended by the Telecommunications Act of 1996, for Rates, Terms, and Conditions of Interconnection*; Kansas Corporation Commission Docket No. 04-L3CT-1046-ARB; page 283; February 4, 2005, Dated.

<sup>11</sup> *Joint Petition for Arbitration of NewSouth Communications Corp., NUVOX Communications, Inc., KMC Telecom V, Inc., KMC Telecom III LLC, and Xspedius Communications, LLC on Behalf of its Operating Subsidiaries Xspedius Management Co. Switched Services, LLC, Xspedius Management Co. of Lexington, LLC and Xspedius Management Co. of Louisville, LLC of an Interconnection Agreement with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Communications Act of 1934, as Amended*; Kentucky Public Service Commission Case No. 2004-00044; page 27; March 14, 2006.

<sup>12</sup> Petitions of MediaOne Telecommunications of Massachusetts, Inc. and New England Telephone and Telegraph Company d/b/a Bell Atlantic-Massachusetts for arbitration, pursuant to Section 252(b) of the Telecommunications Act of 1996 to establish an interconnection agreement, et al.; Massachusetts Department of Telecommunications and Energy Docket Nos. 99-42/43, 99-52; at page 122; August 25, 1999.

<sup>13</sup> *In the matter of the petition of Michigan Bell Telephone Company, d/b/a/ SBC Michigan, for arbitration of interconnection rates, terms, and conditions, and related arrangements with MCImetro Access transmission Services, LLC, pursuant to Section 252b of the*

1  
2  
3  
4  
5

**Q. Have any of these state commissions explicitly found that transit must be provided at TELRIC-based prices?**

A. Yes. At least eight of these states have concluded that transiting must be priced at TSLRIC or TELRIC.<sup>20</sup>

---

*Telecommunications Act of 1996; Michigan Public Service Commission Case No. U-13758; page 46; August 18, 2003.*

<sup>14</sup> *Petition of Socket Telecom, LLC for Compulsory Arbitration of Interconnection Agreements with CenturyTel of Missouri, LLC and Spectra Communications, LLC, pursuant to Section 251(b)(1) of the Telecommunications Act of 1996; Missouri Public Service Commission Case No. TO-2006-0299; page 47; June 27, 2006, Issued.*

<sup>15</sup> *In the Matter of the Application of Cox Nebraska Telcom, LLC, Omaha, seeking arbitration and approval of an interconnection agreement pursuant to Section 252 of the Telecommunications Act of 1996, with Qwest Corporation, Denver, Colorado; Nebraska Public Service Commission Application No. C-3796; Order Approving Agreement; Entered January 29, 2008.*

<sup>16</sup> *In the Matter of Joint Petition of NewSouth Communications Corp. et al. for Arbitration with BellSouth Telecommunications, Inc.; North Carolina Utilities Commission Docket No. P-772, Sub 8; Docket No. P-913, Sub 5; Docket No. P-989, Sub 3; Docket No. P-824, Sub 6; Docket No. P-1202, Sub 4; page 130; July 26, 2005.*

<sup>17</sup> *In the Matter of the Establishment of Carrier-to-Carrier Rules In the Matter of the Commission Ordered Investigation of the Existing Local Exchange Competition Guidelines In the Matter of the Commission Review of the Regulatory Framework for Competitive Telecommunications Services Under Chapter 4927, Revised Code; Public Utilities Commission of Ohio Case No. 06-1344-TP-ORD; Case No. 99-998-TP-COI; Case No. 99-563-TP-COI; page 52; November 21, 2006, Entered.*

<sup>18</sup> *Petition of CLEC Coalition for Arbitration Against Southwestern Bell Telephone, L.P. d/b/a SBC Oklahoma Under Section 252(b)(1) of the Telecommunications Act of 1996; Oklahoma Corporation Commission Cause Nos. PUD 200400497 and 200400496; Order No. 522119; Final Order; dated March 24, 2006.*

<sup>19</sup> *Arbitration of Non-Costing Issues for Successor Interconnection Agreements to the Texas 271 Agreement; Public Utility Commission of Texas P.U.C. Docket No. 28821; Arbitration Award – Track 1 Issues; page 23; February 22, 2005.*

<sup>20</sup> Texas, California, Kentucky, Missouri, North Carolina, Ohio, Connecticut, and Nebraska, *id.*

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**B. Issue 14 – Service Order Rates**

**What are the appropriate rates for services provided in the Agreement, including rates applicable to the processing of orders and number portability?**

**1. CenturyTel Cost Study Overview**

**Q. What is your overall impression of the service order “cost study” filed by CenturyTel as attached Schedules TMH-1 and TMH-2 to witness Hankins' Opening Testimony?**

A. Frankly, CenturyTel did not provide a cost study with its Opening Testimony. CenturyTel's “cost study” consists of Schedules TMH-1 and TMH-2, a grand total of six pages. Two of these pages consist of a total of only four numbers, and two other pages consist of only six numbers. This leaves only two of six pages which contain more than six numbers each.

What CenturyTel provided in support of its testimony cannot be considered a cost study. The lack of detail provided by CenturyTel is quite surprising, considering that CenturyTel wishes to have the Commission approve these rates. This is also surprising given Mr. Hankins' work experience, and CenturyTel's extensive experience as a regulated local telephone company in many states. Presumably, CenturyTel should know the characteristics of

1 a well-documented cost study. CenturyTel has the burden to cost justify its  
2 rates. Not only has CenturyTel failed to justify its rates with its testimony  
3 and attached "cost study", it did not even make a legitimate attempt.

4  
5 In addition, on May 2 CenturyTel proposed new rates, different from those  
6 provided during negotiations, just prior to filing its testimony on May 5.

7 Thus, Sprint was unable to ask for support for these new rates in the three  
8 days prior to the filing of CenturyTel's testimony.

9  
10 CenturyTel was fully aware that the timing between the filing of this "cost  
11 study" on May 5, and Sprint's reply testimony due on June 4, gives Sprint  
12 and the Commission Staff only 21 business days to analyze and respond to  
13 this "cost study." The short time window of this proceeding should have  
14 provided CenturyTel more incentive to provide a well-documented cost  
15 study in a timely manner.

16  
17 **Q. Is Sprint able to perform any meaningful analysis of the CenturyTel**  
18 **"cost study" submitted as attached Schedules TMH-1 and TMH-2 of**  
19 **witness Hankins' Opening Testimony?**

20 A. No. CenturyTel's testimony provides so little information that Sprint could  
21 not perform any meaningful analysis.

22

1 **Q. Please provide an example of the inability to perform any meaningful**  
2 **analysis.**

3 A. Consider the “Service Order Charge – Simple” rate of \$13.76, perhaps the  
4 most important rate element to Sprint. As shown on Table 1, the CenturyTel  
5 derivation of this rate element consists primarily of a “Labor Rate” multiplied  
6 by a “Time.” CenturyTel deliberately chose to provide absolutely no support  
7 or documentation for either input value.

8 **Table 1**  
9 **CenturyTel’s Derivation of the**  
10 **“Service Order Charge – Simple” Rate Element**

11 **[Begin CenturyTel Confidential]**

Description	Amount	Source
Customer Service & Billing Labor Rate Time Total Time	[REDACTED]	CenturyTel/11 - Hankins/17 CenturyTel/11 - Hankins/17 Row 2 * Row 3
System Cost & Maintenance		CenturyTel/11 - Hankins/16
Total for LSR	\$ 13.76	Row 4 + Row 6

12 **[End CenturyTel Confidential]**

13  
14 **Q. How important are these two input values to CenturyTel’s “cost**  
15 **study?”**

16 A. These two input values, the “Labor Rate” and “Time,” are critical to the  
17 rate/cost development of every service order rate element CenturyTel  
18 proposes to charge Sprint. In the development of the “Service Order  
19 Charge – Simple” rate element, these two unsupported and undocumented  
20  
21



1 input values account for **[Begin CenturyTel Confidential]** % **[End**  
2 **CenturyTel Confidential]** of the rate/cost.<sup>21</sup>

3  
4 The following Table 2 shows what percent of CenturyTel's proposed non-  
5 recurring rates/costs is directly due to these two unsupported and  
6 undocumented input values.

7 **Table 2**  
8  
9 **Percent of Proposed Rate/Cost Due to Only Two Input Values**

10 **[Begin CenturyTel Confidential]**

Non-Recurring Rate Element	Proposed Rate	% of Cost Due to Only Two Input Values
CLEC Account Establishment	\$ 254.68	%
Customer Record Search	8.58	%
Service Order Charge – Simple	13.76	%
Service Order Charge – Complex	64.48	%
Service Order Charge – Subsequent	13.76	%

11 **[End CenturyTel Confidential]**

12  
13  
14 Thus, just these two input values, on average, define more than **[Begin**  
15 **CenturyTel Confidential]** % **[End CenturyTel Confidential]** of the  
16 rates/costs that CenturyTel expects to charge Sprint. Yet, despite their  
17 critical importance, CenturyTel deliberately chose to provide not a single  
18 item of support or documentation for either the “Labor Rate” or the “Time”  
19 input values.

20  
21 **Q. Are there other unsupported and undocumented input values in the**  
22 **CenturyTel “cost study?”**

<sup>21</sup> **[Begin CenturyTel Confidential]** [REDACTED] **[End CenturyTel Confidential]**

1 A. Yes. The following input values are completely unsupported and  
2 undocumented in the CenturyTel "cost study."

3 **[Begin CenturyTel Confidential]**

- 4 • The "D-SET" investment of \$ [REDACTED].
- 5 • The "D-SET" depreciation rate of [REDACTED].
- 6 • The "D-SET" number of transactions of [REDACTED].
- 7 • The "Ensemble Billing System & CSM GUI" investment of  
8 \$ [REDACTED].
- 9 • The "Ensemble Billing System & CSM GUI" depreciation rate of  
10 [REDACTED].
- 11 • The "Ensemble Billing System & CSM GUI" number of transactions  
12 of [REDACTED].

13 **[End CenturyTel Confidential]**

14  
15 **Q. Do you have any specific concerns about these other undefined,**  
16 **unsupported, and undocumented input values?**

17 A. Yes. First, the "D-SET" and "Ensemble Billing System & CSM GUI"  
18 investments are completely undefined.

19  
20 Second, according to Mr. Hankins, the investment values are "relatively  
21 current."<sup>22</sup> Mr. Hankins does not define "relatively current," and he does not  
22 state the time period from which the values were derived. Regardless,

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<sup>22</sup> *Opening Testimony of Ted M. Hankins on Behalf of CenturyTel of Oregon*, page 8, lines 11 – 14. (Hankins Testimony)

1 these investment values are embedded, rather than current replacement  
2 costs, and, as such, are not forward-looking. The forward-looking cost of  
3 most electronic systems is decreasing.

4  
5 Finally, the transaction counts are also historic, rather than forward-  
6 looking.<sup>23</sup> In my experience with the telecommunications industry, most  
7 transaction counts are increasing. Thus a forward-looking cost study would  
8 project a growing number of transactions divided by systems costs, a  
9 proportion of which are fixed, thus reducing per unit costs.

10  
11 **Q. Subsequent to reviewing Mr. Hankins' May 5 Opening Testimony and**  
12 **attached "cost study," did Sprint make an attempt to obtain additional**  
13 **information from CenturyTel to lend support to its "cost study"?**

14 A. Yes. On May 9, Sprint served CenturyTel with its first set of discovery  
15 requests, some of which (Questions 21 through 25) requested that  
16 CenturyTel provide support for the "cost study" included in Mr. Hankins'  
17 Opening Testimony.

18  
19 **Q. Did CenturyTel respond to Sprint's discovery requests asking for**  
20 **support for its "cost study"?**

21 A. Yes. On May 23, Sprint received CenturyTel's response to those discovery  
22 requests in the form of Confidential Exhibit DR 21-1 (See Confidential

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<sup>23</sup> *Hankins' Testimony*, page 8, lines 5 – 8.

1 Exhibit RGF-1). This allowed only 7 business days to analyze and respond  
2 to information that should have been included in the May 5 Opening  
3 Testimony.

4  
5 **Q. Did CenturyTel's Confidential Exhibit DR 21-1 provide adequate**  
6 **information to allow Sprint to perform a meaningful analysis of**  
7 **CenturyTel's "cost study"?**

8 A. No. While Confidential Exhibit DR 21-1 did provide Sprint with several  
9 pages of detail supporting Schedules TMH-1 and TMH-2, such data was  
10 provided in a "pdf" format rather than in the form of an Excel spreadsheet.  
11 Thus, Sprint was forced to either attempt to re-create the logic utilized in  
12 Confidential Exhibit DR 21-1, or to make assumptions regarding the data.

13  
14 In addition, Confidential Exhibit DR 21-1 did not include any documentation  
15 in support of the data provided in CenturyTel's discovery response. Thus,  
16 Sprint is left with many unanswered questions concerning the "cost study."  
17 Had CenturyTel provided the information presented in Confidential Exhibit  
18 DR 21-1 as an attachment to its Opening Testimony on May 5, instead of in  
19 the form of a discovery request response on May 23, and if CenturyTel had  
20 provided the cost study in a format that could be manipulated (e.g. Excel  
21 spreadsheet) many of those questions may have been addressed in data  
22 requests and responses, which would have enabled Sprint to perform a  
23 more comprehensive analysis.

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**Q. You previously indicated that the loaded labor rate and time assumptions account for [Begin CenturyTel Confidential] ██████% [End CenturyTel Confidential] of the rates/costs that CenturyTel expects to charge Sprint. In addition to the loaded labor rate and time assumptions accounting for such a large percentage of the rate/costs, why is the forward-looking loaded labor rate so important in this proceeding?**

A. The purpose of the Act is to promote competition. The purpose of the FCC's forward-looking cost standard is to assure that incumbent LECs do not have a competitive advantage over CLECs. Applying the concept to service order charges, it is important not to allow the ILEC to impose greater costs on the CLEC than the ILEC experiences itself. If the ILEC is allowed to charge unreasonably excessive service order charges to the CLEC, the CLEC will be at a competitive disadvantage as compared to the ILEC.

**Q. Is CenturyTel's "fully loaded labor" rate for Customer Service Representatives reasonable?**


A. Based on my experience and my review of CenturyTel's Confidential Exhibit DR 21-1, it is not reasonable. CenturyTel's fully loaded labor rate of [Begin CenturyTel Confidential] \$ ██████ [End CenturyTel Confidential] is extremely high. Although I have developed and seen many loaded labor rates, this information is usually treated as confidential information, so direct

1 comparisons cannot be made in this proceeding. However, I am aware of a  
2 publicly available loaded labor rate in Michigan for a “communications  
3 technician” of \$33.93 per hour, which is consistent with my experience, and  
4 is a more reasonable rate than that proposed by CenturyTel.<sup>24</sup>

5  
6 **Q. How is a forward-looking “fully loaded labor” rate developed?**

7 A. Based on my experience, the salary or hourly rate is the starting point. This  
8 figure is then “loaded” with benefits, such as medical, vacation, retirement  
9 benefits. This figure is further adjusted for non-productive time, travel time,  
10 and first-level supervision.

11  
12 **Q. What is a reasonable “fully loaded labor” rate for a Customer Service  
13 Representative?**

14 A. Based on my analysis presented in Table 3 below, Sprint estimates that a  
15 reasonable “fully loaded labor rate” should be approximately \$32.23, or  
16 approximately **[Begin CenturyTel Confidential]**   
17 **[End CenturyTel Confidential]** the rate calculated by CenturyTel.

18  

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<sup>24</sup> *In the matter, on the Commission’s own motion, to review the costs of telecommunications services by SBC Michigan; Michigan Public Service Commission Case No. U-13531. Mr. Hankins uses this labor rate for both customer service and technician activity (Hankins Testimony, page 9, lines 3 – 4).*

**Table 3**  
**Customer Service Representative**  
**Salary Information**

**[Begin CenturyTel Confidential]**

Itemized Category	Public Information	Sprint Estimate	CenturyTel Calculation (1)	Difference Sprint vs CenturyTel
Direct Labor	16.59 (2)			
Payroll Benefits	4.95 (2)			
Payroll Taxes	1.30 (2)			
Departmental Overhead	2.56 (3)		(3)	
Supervision and Support	1.74 (2)		(2)	
Indirect Overhead	- (4)		(4)	
Total Labor Rate	<u>27.13</u>			
Productive Labor Rate (5)	<u>34.32</u>	32.23		

(1) - CenturyTel Confidential Exhibit DR 21-1, Page 12. Note, in the original, the labels for "Departmental Overhead" and "Supervision and Support" were reversed.

(2) - Per salary.com

(3) - 10.4% of direct expenses; per FCC's USF cost model proceedings.

(4) - Included in Departmental Overhead

(5) -

**[End CenturyTel Confidential]**

**Q. Why is the "fully loaded labor" in CenturyTel's calculation so far in excess of the rate estimated by Sprint?**

A. As shown in Table 3, CenturyTel's allocation of departmental overhead, supervision and support and indirect overhead appear to be grossly overstated.

**Q. Can you please elaborate?**

A. As indicated in Table 3, the public information utilized by Sprint to estimate direct labor, payroll benefits, and payroll taxes suggests those three hourly

1 labor rate elements should total approximately \$22.84<sup>25</sup> (\$16.59 direct labor  
2 + \$4.94 payroll benefits + \$1.30 payroll taxes = \$22.84). This \$22.84  
3 amount appears quite comparable to CenturyTel's calculation of the same  
4 rate elements which is [Begin CenturyTel Confidential] [REDACTED]

5 [REDACTED]. [End  
6 CenturyTel Confidential] Therefore, Sprint accepted the CenturyTel  
7 calculation for those labor rate elements in generating its estimate of a "fully  
8 loaded labor" rate.

9  
10 **Q. How does Sprint's estimate of Supervision and Support compare to**  
11 **CenturyTel's calculation for that rate element?**

12 A. Sprint's estimate of \$1.74 per hour is only about [Begin CenturyTel  
13 Confidential] [REDACTED] [End CenturyTel  
14 Confidential]. From public information obtained from a salary website,<sup>26</sup>  
15 Sprint estimated that a Customer Service Supervisor has a "fully loaded"  
16 salary of \$72,558 per year. Dividing \$72,558 by 2,080 hours per year, and  
17 assuming each supervisor oversees 20 customer service representatives,<sup>27</sup>

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<sup>25</sup> According to CenturyTel's responses to Sprint Data Request 4 (See Exhibit RGF-2), CenturyTel's port orders are processed by the CenturyTel Service Group, LLC, Provisioning Department, located in Madison, AL. According to the salary.com website, the median salary of a Customer Service Representative Level II (Mid-range of Customer Service Representatives I, II, and III) in Huntsville, AL, which is the nearest metropolitan area to Madison, is \$34,516, or \$16.59 per hour. Loaded with bonuses, Social Security, 401k/403b, disability, pension, and time off, the total compensation is \$52,143, or \$25.07 per hour base on 2,080 hours per year. The time off amount of \$2.21 for non-productive time was then subtracted from the rate to arrive at \$22.84.

<sup>26</sup> Salary.com

<sup>27</sup> Based on actual Sprint customer service data.




1 Sprint arrives at an hourly estimate for Supervision and Support of \$1.74  
2 (\$72,558 / 2,080 / 20 representatives = \$1.74).

3  
4 **Q. Based on Sprint's review of the data CenturyTel presented in**  
5 **Confidential Exhibit DR 21-1, why do you believe CenturyTel's**  
6 **calculation of Supervision and Support is so much higher than**  
7 **Sprint's estimate?**

8 A. It appears that CenturyTel assumes a far lower ratio of customer  
9 representatives per supervisor. In fact, in some instances it appears  
10 CenturyTel assumes a ratio of only 10 customer service representatives per  
11 supervisor.<sup>28</sup>

12  
13 **Q. How does Sprint's estimate of Departmental Overhead compare to**  
14 **CenturyTel's calculation for that rate element?**

15 A. Sprint's estimate of \$2.40 per hour is only about **[Begin CenturyTel**  
16 **Confidential]**   
17 **[End CenturyTel Confidential].**

18  
19 **Q. How does Sprint arrive at its estimate for the Departmental Overhead**  
20 **element of the "fully loaded labor" rate?**

21 A. As indicated footnote (3) of Table 3 above, Sprint estimates Departmental  
22 Overhead as 10.4% of the direct expenses which includes labor, payroll

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<sup>28</sup> CenturyTel Confidential Exhibit DR 21-1, pages 24 and 30.

1 benefits, payroll taxes and the allocated departmental overhead. Thus the  
2 calculation is  $[10.4\% * (15.28+4.62+1.44+1.74)] = \$2.40$ . The 10.4% for  
3 Departmental Overhead allocation is consistent with the FCC's position in  
4 USF cost model proceedings.<sup>29</sup>

5  
6 **Q. Based on your review of CenturyTel's Confidential Exhibit DR 21-1,**  
7 **why is CenturyTel's calculation of Departmental Overhead so grossly**  
8 **inflated?**

9 A. Simply stated, CenturyTel's calculation is a fully distributed cost calculation,  
10 and not a forward looking cost calculation. This was quite evident in  
11 reviewing CenturyTel's Confidential Exhibit DR 21-1. For example, on  
12 Pages 18 through 31 of Confidential Exhibit DR 21-1, there is a list of all  
13 expenses allocated to Departmental Overhead for CenturyTel's calculation  
14 of a "fully loaded labor" rate for various Service Centers. Included in that list  
15 of allocated expense are items such as; Travel Expense, Travel Expense  
16 Lodging, Travel Expense Airfare, Vehicle Operating Expenses, Advertising,  
17 Meals and Entertainment, Car Allocation Expense, Corporate Airplane,  
18 Sales Expense Allocation, and Marketing Expense. Obviously, none of  
19 these expense items have anything to do with the customer service  
20 operations Sprint requires from CenturyTel and should not be included in a

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<sup>29</sup> *In the Matter of Federal-State Joint Board on Universal Service, and Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*; CC Docket Nos. 96-45 and 97-160; FCC 99-304; Tenth Report and Order; Adopted October 21, 1999, Released November 2, 1999.

1 forward looking cost study. Including these fully distributed costs inflates  
2 CenturyTel's "fully loaded labor" rate.

3  
4 **Q. Based on your review of CenturyTel's Confidential Exhibit DR 21-1,**  
5 **does CenturyTel even include the Madison, AL Service Center in its**  
6 **calculation of the Departmental Overhead element of the rate?**

7 A. No. CenturyTel's calculation includes data for Shreveport, Wisconsin,  
8 Washington, San Marcos, and Montana, but not Madison, AL. This is quite  
9 puzzling considering the fact that CenturyTel lists the Madison, AL location  
10 as the facility where such activity will take place. (See Exhibit RGF-2)

11  
12 **Q. How does Sprint arrive at its estimate for the Indirect Overhead**  
13 **element of the "fully loaded labor" rate?**

14 A. Sprint does not include an estimate for Indirect Overhead, as the amount is  
15 captured in the 10.4% factor applied to direct costs in estimating  
16 Departmental Overhead.

17  
18 **Q. Based on Sprint's review of CenturyTel's Confidential Exhibit DR 21-1,**  
19 **how does CenturyTel arrive at a cost for the Indirect Overhead element**  
20 **of the "fully loaded labor" rate?**

21 A. On Page 13 of Confidential Exhibit 21-1, CenturyTel includes a single page  
22 that shows a simplistic calculation of an "Indirect Overhead" factor, which is  
23 the result of dividing Total Direct Overhead of **[Begin CenturyTel**

1 **Confidential]** \$ [REDACTED] by Net Operating Income of \$ [REDACTED] to  
2 arrive at an allocation factor of [REDACTED]%. **[End CenturyTel Confidential]**  
3 Each of the other rate elements (Direct Labor, Payroll Benefits, Payroll  
4 Taxes, Supervision and Support, and Departmental Overhead) are  
5 multiplied by this factor to arrive at an Indirect Overhead cost. What's  
6 interesting about this calculation is that the numerator, Total Direct  
7 Overhead, includes General Support and Corporate Operations which are  
8 exactly the costs allocated in CenturyTel's calculation of the Supervision  
9 and Support element. Thus, CenturyTel appears to be "double-dipping."

10  
11 **Q. Approximately how much of CenturyTel's estimated "fully loaded**  
12 **labor" rate is represented by loadings as opposed to direct labor?**

13 A. CenturyTel's estimated "fully loaded labor" rate includes **[Begin CenturyTel**  
14 **Confidential]** \$ [REDACTED] of direct labor, \$ [REDACTED] of benefits, and \$ [REDACTED] of payroll  
15 taxes, for a total labor cost of \$ [REDACTED]. CenturyTel's "fully loaded labor" rate of  
16 \$ [REDACTED] implies an additional loading of [REDACTED] on top of a labor  
17 rate of \$ [REDACTED] per hour. **[End CenturyTel Confidential]** Obviously with  
18 such an incredibly high loading factor, CenturyTel's "fully loaded labor" rate  
19 does not appear to be reasonable or consistent with forward-looking cost  
20 methodology.

21

1 **Q. On page 7, lines 12– 13, Mr. Hankins claims that CenturyTel’s “cost**  
2 **study” uses a “forward-looking cost-based methodology.” Is this**  
3 **correct?**

4 A. No. Based on the above analysis of the “fully loaded labor” rate, CenturyTel  
5 does not utilize a forward-looking cost methodology.

6  
7 **Q. Does CenturyTel’s response to Sprint Discovery Request 21 provide**  
8 **adequate support for its estimated labor hours?**

9 A. No. CenturyTel does provide a very brief description of the labor hours  
10 associated with some, but not all, rate elements. However, the descriptions  
11 are very brief. In addition, CenturyTel did not provide the time and motion  
12 studies mentioned in Mr. Hankins’ testimony.

13  
14 **2. Individual Rate Elements**

15  
16 **a. CLEC Account Establishment**

17  
18 **Q. What is the “CLEC Account Establishment” rate element?**

19 A. According to Mr. Hankins,

20 The CLEC Account Establishment Fee is a one-time charge applied  
21 the first time that a CLEC orders any service from this Agreement. It  
22 includes the cost of implementing the terms of the agreement, and  
23 consists primarily of introductory call(s), setting up the account(s), and  
24 establishing bill codes.<sup>30</sup>  
25

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<sup>30</sup> *Hankins Testimony*, page 11, line 1.

1 **Q. Has CenturyTel provided an adequate cost study for the “CLEC**  
2 **Account Establishment” rate of \$254.40?**

3 A. No. Consistent with the above discussion, the “cost study” for “CLEC  
4 Account Establishment” primarily consists two input values; the previously  
5 discussed “fully loaded labor” rate, and “Labor Hours” which accounts for  
6 **[Begin CenturyTel Confidential] ██████% [End CenturyTel Confidential]** of  
7 the total cost of this rate element.

8  
9 **Q. Is this rate element even reasonable or necessary?**

10 A. No. While there may be legitimate activities which CenturyTel must perform  
11 to set up an account with Sprint, CenturyTel is already doing business with  
12 Sprint. Given CenturyTel’s failure to provide any support or documentation,  
13 it is impossible to determine what, if any, additional activities are required to  
14 establish a CLEC account with Sprint.

15  
16 More importantly, Sprint must undertake the exact same activities to set up  
17 an account for CenturyTel. Thus, any such “Account Establishment Fee”  
18 would be mutually applicable to both parties. Allowing the incumbent LEC  
19 to bill this cost to the CLEC, but not allowing the CLEC to charge this cost to  
20 the incumbent LEC would be grossly anti-competitive.

21  
22 The “Account Establishment Fee” would be mutually applicable for both  
23 parties. Rather than have both parties bill the other for this mutual activity, it

1 would be more efficient to simply not have such a rate element. Therefore,  
2 the Commission should eliminate this useless and redundant rate element.

3  
4 **b. Customer Record Search**

5  
6 **Q. What is the “Customer Record Search” rate element?**

7 A. According to Mr. Hankins,

8 The customer record search rate is established to recover the cost  
9 associated with the customer service activity related to an order  
10 received from a CLEC (in this case Sprint) regarding account  
11 information.<sup>31</sup>  
12

13 **Q. Has CenturyTel provided an adequate cost study for the “Customer  
14 Record Search” rate of \$8.58?**

15 A. No. Consistent with the above discussion, the “cost study” for “Customer  
16 Record Search” primarily consists two input values; the previously  
17 discussed “fully loaded labor” rate, “Labor Hours” of , which accounts for  
18 **[Begin CenturyTel Confidential] ██████% [End CenturyTel Confidential]** of  
19 the total cost of this rate element.  
20

21 **Q. Will Sprint require a customer record search?**

22 A. Yes, Sprint has a need for a customer records search. However, in a letter  
23 dated May 1, 2008, CenturyTel notified all of its wholesale customers that it  
24 was introducing a new service, “EzLocal®,” which provides “an on-line, real-

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<sup>31</sup> *Hankins Testimony*, page 11, line 11.

1 time order entry, processing, and reporting system for submitting LSR.”  
2 Continuing, “EzLocal®” will provide “On-line Customer Service Record  
3 Requests (CSR’s) July 1, 2008.” (See Attachment RGF-3.) CenturyTel  
4 includes the D-SET investment associated with “EzLocal®” in its calculation  
5 of the Customer Records Search rate. However, CenturyTel still includes  
6 manual labor hours in its calculation of the Customer Records Search rate,  
7 which would seemingly disappear with the introduction of “EzLocal®” for the  
8 CSR’s on July 1, 2008. Nowhere does CenturyTel explain this incongruity.  
9  
10  
11

12 **c. Service Order Charge – Simple**  
13

14 **Q. What is the “Service Order Charge – Simple” rate element?**

15 A. Mr. Hankins never actually defines the “Service Order Charge – Simple”  
16 rate element, and what functions CenturyTel will actually perform for Sprint.  
17 According to CenturyTel’s proposed interconnection agreement, this is  
18 meant to recover number porting charges. However, Mr. Hankins never  
19 mentions number porting. Sprint would like this clarified, if possible.  
20 Regardless, as discussed in the Opening Testimony of Sprint witness Mr.  
21 James R. Burt, Sprint should not be responsible for CenturyTel’s number  
22 porting costs.  
23



1 **Q. Has CenturyTel provided an adequate cost study for the “Service**  
2 **Order Charge – Simple” rate of \$13.75?**

3 A. No. Consistent with the above discussion, the “cost study” for “Service  
4 Order Charge – Simple” primarily consists of two input values; the  
5 previously discussed “fully loaded labor” rate, and “Labor Hours” which  
6 accounts for **[Begin CenturyTel Confidential]** % **[End CenturyTel**  
7 **Confidential]** of the total cost of this rate element.

8  
9 In addition, as with the “Customer Record Search” rate element discussed  
10 above, CenturyTel makes no reference to the “EzLocal®” service, which  
11 was scheduled to be available for Local Service Requests (i.e Service  
12 Orders) on May 1, 2008. (See Exhibit RGF-3) According to CenturyTel,

13 EzLocal® will provide the following benefits:

- 14 • Streamline your ordering process.
  - 15 • Generation of all required LSR forms based on the type of  
16 service being ordered.
  - 17 • Electronic validation and error checking based on current  
18 LSOG requirements.
  - 19 • Electronic Confirmation that your orders have been  
20 received by CenturyTel.
  - 21 • Create, manage and view unlimited templates for use in  
22 future orders.
- 23

24 Again its calculation of “Service Order Charge – Simple”, CenturyTel  
25 includes the cost this electronic processing system, while still including the  
26 manual labor hours which will apparently disappear with the implementation  
27 of the new order entry system and will be completely eliminated after the

1 transition ends on January 1, 2009. Obviously this is not in line with  
2 forward-looking costing principles .

3  
4 **Q. Given your experience, what is generally included in an ILEC's Service**  
5 **Order Charge?**

6 A. ILEC Service Order Charges generally include the cost of initially providing  
7 service to a new customer, as well as the cost of eventually disconnecting  
8 that same customer. While it is not clear from "Description of Work"  
9 contained in CenturyTel's Confidential Exhibit DR 21-1, it is routine for  
10 ILECs to recover both the connect and disconnect costs in the initial Service  
11 Order Charge. This is because the ILEC cannot recover the costs of  
12 disconnect at the time of disconnect because the former customer is no  
13 longer a customer. That former customer may have been disconnected for  
14 failure to pay, or may have moved out of the service territory, leaving the  
15 ILEC little likelihood of collecting that hypothetical disconnect charge.

16  
17 When porting an ILEC's customer to Sprint, most of the ILEC Customer  
18 Service Representative's tasks are simply disconnecting the ILEC's  
19 customer. Although CenturyTel has provided little information as to what  
20 costs are recovered in its "Service Order Charge – Simple," it is likely that  
21 disconnect costs are included. Since the cost of disconnection has already  
22 been recovered through that customer's initial service order charge, it is

1 absolutely inappropriate for CenturyTel to recover this cost a second time  
2 from Sprint.

3  
4 **Q. What is an appropriate rate for “Service Order Charge – Simple?”**

5 A. As discussed in the Opening Testimony of James R. Burt, Sprint is not  
6 responsible for CenturyTel's number porting expenses. Also, as discussed  
7 above, Sprint should not be responsible for CenturyTel's customer  
8 disconnect expenses. Regardless, CenturyTel has not adequately defined  
9 this service, identified exactly what activities it will provide for this service, or  
10 even adequately justified its proposed rate. Mr. James R. Burt has already  
11 addressed Sprint's proposed rate for this service.

12  
13 **d. Service Order Charge – Subsequent**

14  
15 **Q. What is the “Service Order Charge – Subsequent” rate element?**

16 A. Mr. Hankins never attempts to define the “Service Order Charge –  
17 Subsequent ” rate element. Based on our experience, Sprint assumes this  
18 rate would apply if Sprint needs to modify a pending service order request.  
19 As discussed below, both Sprint and CenturyTel have agreed that there will  
20 not be a Subsequent Service Order charge.

21  
22 **Q. Has CenturyTel provided an adequate cost study for the “Service**  
23 **Order Charge – Subsequent” rate of \$13.75?**

1 A. No. Consistent with the language in the agreed-to interconnection  
2 agreement, CenturyTel's Schedules TMH-1 and TMH-2 do not mention  
3 "Service Order Charge – Subsequent." Instead, Mr. Hankins simply  
4 assumes a \$13.75 rate which is equal to the rate for "Service Order Charge  
5 – Simple." Apparently, Mr. Hankins would have CenturyTel apply the  
6 \$13.75 rate at least twice, once for the initial service order, and again for  
7 each subsequent modification.  
8

9 **Q. Does this seem reasonable?**

10 A. No. While CenturyTel does not even attempt to quantify the hours needed  
11 for an subsequent service order, it does not seem reasonable that a  
12 modification of a pending service order would require the same amount of  
13 effort as the initial service order request. For example, if Sprint is modifying  
14 the due date, simply changing one piece of information in a pending service  
15 order request should not require as much time as an initial new service  
16 order request.  
17

18 **Q. Have Sprint and CenturyTel previously agreed that there would be no**  
19 **"Service Order Charge – Subsequent " rate element?**

20 A. Yes. Sprint does not understand why Mr. Hankins proposes this rate  
21 element when both parties have agreed to the following language in the  
22 proposed interconnection agreement:

23 Article 2, Paragraph 2.114 Subsequent Service Order

1 An order submitted by Sprint to CenturyTel via requesting a  
2 change to a pending service order.

3  
4 Article VI, Paragraph 1.2.4

5 The Party receiving the LSR will bill the service order charge set  
6 forth in the Pricing Article for each LSR received. The Party will  
7 bill the service order charge for a LSR, regardless of whether that  
8 LSR is later supplemented, clarified or cancelled.

9 Notwithstanding the foregoing, **neither Party will bill an**  
10 **additional service order charge for supplements to any LSR**  
11 **submitted to clarify, correct, change or cancel a previously**  
12 **submitted LSR.** (Emphasis added.)  
13

14 Mr. Hankins' testimony on the "Service Order Charge – Subsequent " rate  
15 element is contradicted by the agreed-to interconnection agreement which  
16 states that there will be no Subsequent Service Order charge.

17  
18 **Q. What is an appropriate rate for "Service Order Charge – Subsequent?"**

19 A. Considering that both Sprint and CenturyTel have agreed that there would  
20 be no subsequent service order charge in the agreed-to interconnection  
21 agreement language, Mr. Hankins has provided conflicting testimony, and  
22 Mr. Hankins has provided absolutely no support for this proposed rate, the  
23 Commission should eliminate this rate element.

24  
25 **e. Service Order Charge – Complex**

26  
27 **Q. What is the "Service Order Charge – Complex" rate element?**

28 A. Like "Service Order Charge – Simple," Mr. Hankins never actually defines  
29 the "Service Order Charge – Complex" rate element, other than to say it

1 would apply if the local service request “is in excess of 10 or more  
2 numbers.”<sup>32</sup> Nor does Mr. Hankins describe what functions CenturyTel will  
3 actually perform for Sprint. Again, according to CenturyTel’s proposed  
4 interconnection agreement, this is meant to recover number porting  
5 charges. However, Mr. Hankins never mentions number porting. Sprint  
6 would like this clarified, if possible. Regardless, as discussed in the Initial  
7 Testimony of Sprint witness Mr. James R. Burt, Sprint should not be  
8 responsible for CenturyTel’s number porting costs.

9  
10 **Q. Has CenturyTel provided an adequate cost study for the “Service  
11 Order Charge – Complex” rate of \$13.75?**

12 A. No. Consistent with the above discussion, the “cost study” for “Service  
13 Order Charge – Complex” primarily consists two input values; the previously  
14 discussed “fully loaded labor” rate, and “Labor Hours” , which accounts for  
15 **[Begin CenturyTel Confidential] ██████% [End CenturyTel Confidential]** of  
16 the total cost of this rate element.

17  
18 **Q. Does this seem reasonable?**

19 A. It is simply impossible to know, given CenturyTel’s failure to provide any  
20 support or documentation for this rate element.

21  
22 **Q. What is an appropriate rate for “Service Order Charge -- Complex?”**

---

<sup>32</sup> *Hankins Testimony*, page 11, line 17.

1 A. As with all these rate elements, CenturyTel has not adequately defined this  
2 service, identified exactly what activities it will provide for this service, or  
3 adequately justified its proposed rate. As discussed in the Opening  
4 testimony of James R. Burt, Sprint is not responsible for CenturyTel's  
5 number porting expenses. Also, as discussed above, Sprint should not be  
6 responsible for CenturyTel's customer disconnect expenses. Mr. James R.  
7 Burt has already addressed Sprint's proposed rate for this service.

8

9 **IV. CONCLUSION**

10

11 **Q. Given your personal experience with ILEC cost studies, do you believe**  
12 **the "cost study" provide by CenturyTel should be approved by the**  
13 **Commission?**

14 A. No. Such a "cost study" provided by CenturyTel, without any meaningful  
15 support or documentation, would never pass the scrutiny of a state  
16 commission examination, and should not be approved.

17

18 **Q. Please summarize your Reply Testimony.**

19 A. My summary is as follows:

- 20 1. If Section 251(a)(1) of the Act is to have any meaning, CenturyTel  
21 must provide transit service to all LECs at prices based on forward-  
22 looking economic costs (i.e. TELRIC).

- 1           2. Many other state commissions have concurred that ILECs must
- 2           provide transit service, and that transit should be priced based on
- 3           forward-looking costs.
- 4           3. CenturyTel has failed to meet its burden of proof to demonstrate that
- 5           its proposed rates are reasonable.
- 6           4. CenturyTel has not filed a valid "cost study."
- 7           5. CenturyTel has provided little meaningful support or documentation
- 8           to any of the inputs to its purported "cost study."
- 9           6. CenturyTel is certainly capable of providing a well documented and
- 10          supported cost study, if it chose to.
- 11          7. CenturyTel's lack of a valid cost study makes it impossible for Sprint
- 12          to perform any meaningful analysis of its proposed rates.
- 13          8. CenturyTel has not adequately defined any of its proposed service
- 14          order rate elements.
- 15          9. The most important single input CenturyTel's purported "cost study,"
- 16          the loaded labor rate, is unreasonably high.
- 17          10. CenturyTel has not adequately identified any of the tasks associated
- 18          with the labor hour inputs.
- 19          11. As a result of these shortcomings, all of CenturyTel's proposed rates
- 20          should be rejected by the Commission.

21

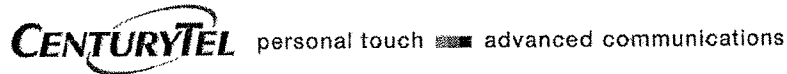
22   **Q. Does this conclude your Rebuttal Testimony?**

23   A. Yes, it does.



SPRINT/9  
FARRAR/76

**SPRINT EXHIBIT RGF-3**



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**Wholesale Markets**

100 CenturyTel Drive  
Monroe, LA 71203

**Carrier Notification – NN032008**

Date: May 1, 2008  
To: CenturyTel Wholesale Customers  
Subject: EzLocal® LSR Order Entry System

CenturyTel is pleased to announce the availability of DSET EzLocal®, a web based Customer Local Service Request (LSR) order entry system, in all of our wholesale markets effective **May 1, 2008**. CenturyTel will continue to make available to users the current order entry portal during a transition period until **January 1, 2009**, at which time the current order entry portal will be decommissioned and EzLocal® will be only LSR order entry system available for submission of LSR orders to CenturyTel.

**Description of the Change**

EzLocal® provides an on-line, real-time order entry, processing, and reporting system for customers submitting LSRs.

EzLocal® will provide the following benefits:

- ✓ Streamline your ordering process.
- ✓ Generation of all required LSR forms based on the type of service being ordered.
- ✓ Electronic validation and error checking based upon current LSOG requirements.
- ✓ Electronic Confirmation that your orders have been received by CenturyTel.
- ✓ Create, manage and view unlimited templates for use in future orders.
- ✓ On-line Customer Service Record Requests (CSR's) July 1, 2008.

CenturyTel will continue to provide additional information concerning this new service, including information on how to sign up for the service, in the weeks and months ahead, so be on the lookout for updates in regards to EzLocal® services.

Questions please or contact Ronnie Lenard 256-705-4901 or Donna Downs 318-629-6507

For technical or system requirements, please email CenturyTel at:  
[CenturyTel-CLEC@CenturyTel.com](mailto:CenturyTel-CLEC@CenturyTel.com)

**Effective date of change: Transition period May 1 – December 31, 2008. Mandatory implementation – January 1, 2009.**