BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION **COOPERATIVE** OF MCCOOK FOR TELEPHONE COMPANY, Docket No. ARBITRATION PURSUANT TO THE TELECOMMUNICATIONS ACT OF TC07-112 1996 TO RESOLVE ISSUES RELATING TO AN INTERCONNECTION AGREEMENT WITH **ALLTEL** COMMUNICATIONS, INC.

2 3		DIRECT TESTIMONY OF DAN DAVIS ON BEHALF OF MCCOOK COOPERATIVE TELEPHONE COMPANY
4 5 6	Intro	oduction
7 8 9	Q.	Please state your name, employer and business address.
10	A.	My name is Dan Davis. I am employed with Consortia Consulting ("Consortia")
11		formerly known as TELEC Consulting Resources Inc. My business address is 233 South
12		13 th Street, Suite 1225, Lincoln, Nebraska, 68508.
13	Q.	On whose behalf are you testifying?
14	A.	I am testifying on behalf of McCook Cooperative Telephone Company, ("McCook")
15		McCook provides local telephone exchange service and exchange access service
16		predominantly in the more rural parts of South Dakota.
17	Q.	What is your current position?
18	A.	I am a senior consultant at Consortia.
19	Q.	What are your duties and responsibilities at Consortia?

A. I am responsible for consulting with clients regarding regulatory, financial and interconnection issues. I testify on behalf of clients, predominately rural ILECs, on the foregoing issues before state commissions and provide written comments before the Federal Communications Commission ("FCC") and state commissions on regulatory and interconnection dockets.

Q. What was your professional experience prior to your current position?

A. I have worked in the telecommunications industry for 23 years, the last seven years of which have been at Consortia. Prior to my position with Consortia, I worked at ALLTEL (formerly known as Aliant Communications prior to merging with ALLTEL) as the Regulatory/Financial manager of their Nebraska competitive local exchange carrier ("CLEC") operations. Prior to that position, I worked for Aliant Communications in the areas of Regulatory Policy and Separations and Access.

13 Q. What is your educational background?

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14 A. I have a Master's degree in Finance and a Bachelor's degree in Business from the
 University of Nebraska.

16 Q. Have you previously testified before the South Dakota Public Utilities Commission?

A. Yes I have. In June of 2004, I testified on behalf of several rural incumbent local exchange carriers ("ILECs") in which I presented data supporting each of the rural ILEC's requests for suspension of Local Number Portability ("LNP") requirements. In December 2005, I testified on behalf of rural ILECs in support of the Joint Petition for Extension of the LNP suspension date. I have also provided written testimony on behalf of rural ILECs in interconnection proceedings that were resolved prior to hearing.

- Q. Will you please identify the areas of dispute raised in this proceeding for which you will be providing testimony and identify issues raised in which direct testimony will be provided on behalf of McCook by other witnesses?
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5 A. Yes, I will identify those issues for which I will provide direct testimony as well as 6 identify those issues for which direct testimony will be provided by other witnesses on 7 behalf of McCook. Some of these areas are identified as issues in the Petition for 8 Arbitration filed by McCook (the "Petition") and the Response to the Petition filed by 9 Alltel (the "Response"). I would define other issues as sub-issues as they are discussed under the main topical issues identified in the Petition and Response. In either case, I 10 11 have identified the topics for my testimony by reference to the issue numbers as 12 contained in either the Petition or in the Response. Sub-issues relating to a particular 13 numbered issue are assigned sub-issue numbers, i.e. "first sub-issue," etc.

Summary of Issues

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- A. Issue 1: Issue 1 from the Petition is: "Is the reciprocal compensation rate for IntraMTA Traffic proposed by the Telco appropriate pursuant to 47 U.S.C. §252(d)(2)?"

 Tim Eklund of Consortia Consulting and Nathan Weber of Vantage Point Solutions will address this issue in each of their testimonies.
- B. Issue 2: The second issue from the Petition is: "What is the appropriate percent InterMTA use factor to be applied to non-IntraMTA traffic exchanged between the parties?" Larry Thompson of Vantage Point Solutions will provide testimony on this issue. Mr. Thompson will also provide testimony on the proportion of non-IntraMTA traffic exchanged between the parties that is intrastate traffic and the proportion that is interstate traffic.

C. Issue 2, First Sub-issue: My first area of testimony concerns Issue 2. I will address as the first sub-issue to Issue 2 Alltel's statement that "Petitioner's proposal on the use of interstate versus intrastate access rates for such InterMTA traffic is also unsupported." I will provide support for McCook's proposal that its intrastate access tariff shall be used to provide the rate for intrastate InterMTA traffic and its interstate access tariff shall be used to provide the rates for interstate InterMTA traffic.

- D. Issue 2, Second Sub-Issue: Alltel also presents a second sub-issue in connection with Issue 2. I will discuss Alltel's claim that a net InterMTA factor should be used between Alltel and McCook. I will demonstrate that such an approach would only be appropriate in those limited situations where McCook delivers InterMTA traffic directly to Alltel on a direct connection and only if McCook agrees to assume billing responsibility for Alltel. In addition, Alltel would need to provide data indicating the amount of InterMTA traffic that McCook is terminating on the direct connection. Assuming that McCook does not agree to assume Alltel's billing responsibility, Alltel would need to establish the appropriate rate for billing InterMTA traffic.
- **E.** Issue 3: Issue 3 in the Petition is: "What is the appropriate manner by which the minutes of use of IntraMTA Traffic terminated by the parties, one to the other, should be calculated and billed?" I will address why it is appropriate for each party to measure and bill the other for the minutes of use terminating to its network from the other party.
- **F. Issue 4**: Issue 4 in the Petition is: "What is the obligation of the parties with respect to dialing parity?" I will testify that McCook will provide dialing parity as required by the Act and applicable FCC Rules.

1	G. Issue 5:	Issue 5 in the Petition is:	"What is the appropriate effective date and
2	term of the agree	ement?" Since Alltel states	that it accepts the effective date and term of
3	the Agreement as	s proposed by McCook, no t	estimony is needed for this issue.

- **H. Issue 6** in Alltel's Response is: "What is the appropriate definition of IntraMTA and InterMTA Traffic?" I will testify that Alltel's recommendation to strike the phrase "based on the location of the connecting Cell Site serving the wireless End User at the beginning of the call and the location of the End Office serving the wireline End User" is inconsistent with the FCC's previous finding.¹
- I. Issue 7: I will provide testimony regarding Issue 7 in the Response, which is: "Which party can initiate a direct interconnection request?" I will testify that contrary to Alltel's assertion, McCook's proposed language in Section 3.1.3 of the agreement does not give either party the right to require a direct interconnection facility in order to terminate Traffic. Alltel proposes language that would give it the right to unilaterally dictate a two-way direct connection.² McCook does not agree to Alltel's proposed language as it is inconsistent with other language in both McCook's and Alltel's proposed Agreements.

Testimony-Issue 2 – Issue 7

<u>Issue 2: What is the appropriate InterMTA use factor to be applied to interMTA traffic exchanged between the parities?</u>

<u>Issue 2, First Sub-Issue: Alltel's claim that McCook's use of interstate versus intrastate access rates for InterMTA traffic is unsupported.</u>

¹ See Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98 and Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Docket No. 95-185, First Report and Order, FCC 96-325, Released August 8, 1996, at para. 1044 ("First Report and Order").

² According to paragraph 22 of Alltel's Response, Alltel states that it has the unilateral right to seek indirect interconnection, pursuant to 47 U.S.C. § 251(a)(1).

Q.	Do you agree with Alltel's claim that McCook's use of interstate versus intrastate
	access rates for InterMTA traffic is unsupported?

4 5 A. No I do not. McCook proposes that its applicable intrastate access tariff shall be used as 6 the basis to provide the rate for intrastate InterMTA traffic and its applicable interstate 7 access tariff shall be used as the basis to provide the rates for interstate InterMTA traffic. 8 Calls that originate in South Dakota and terminate to one of the McCook exchanges are 9 intrastate calls and are properly subject to the rates as established in the intrastate tariff pursuant to South Dakota Administrative Rule 20:10:29:04. Likewise, calls that are 10 11 originated outside of the state that are terminated to a McCook exchange are interstate 12 calls and are subject to the rates established in the interstate tariff pursuant to Section 69 13 of the FCC rules. The FCC recognized that intrastate interMTA traffic would be assessed 14 intrastate access charges and interstate interMTA traffic would be assessed interstate access charges in its First Report and Order. 15 There, the FCC stated that "the 16 geographical locations of the calling and the called party determine whether a particular 17 call should be compensated under the transport and termination rates established by one 18 state or another, or under interstate or intrastate access charges . . . for administrative 19 convenience, the location of the initial cell site when a call begins shall be used as the determinant of the geographical location of the mobile customer."³ Had the FCC 20 determined that either intrastate access charges or interstate access charges do not apply 21 22 to interMTA traffic, it would not have referred to intrastate and interstate access charges 23 in paragraph 1044 of the First Report and Order. Further, pursuant to South Dakota Administrative Rule 20:10:29:04, intrastate switched 24

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access charges are billed for the provision of intrastate telecommunications services.

³ See First Report and Order at para. 1044.

Thus, it is clear that the jurisdiction of the call determines the appropriate tariff under which to bill the carrier terminating traffic onto McCook's network. Therefore, contrary to Alltel's assertion, intrastate access charges are properly applied to intrastate interMTA traffic terminated by Alltel to McCook's network and interstate access charges are properly applied to interstate interMTA traffic terminated by Alltel to McCook's network.

<u>Issue 2, Second Sub-Issue: Alltel's claim that to the extent an InterMTA factor is included, that factor should reflect the net amount of InterMTA traffic exchanged between the parties.</u>

Q. Will you please identify the deficiencies of Alltel's claim that the InterMTA factor shall reflect the net amount of InterMTA traffic exchanged between the parties?

A. McCook routes most originating InterMTA traffic to subscribers' preferred Interexchange Carriers ("IXCs"). Consistent with 47 U.S.C. § 251(g) and 47 C.F.R. § 51.701(b)(1), telecommunications traffic that that is routed and carried by IXCs is subject to interstate or intrastate exchange access and must be charged to and recovered from the IXC that carries the call. McCook assesses IXCs exchange access charges and the IXC assesses and receives compensation from the subscriber that originated the call. Since it is the IXC that terminates these calls onto the Alltel network, Alltel must seek compensation from the IXC for these InterMTA IXC-terminated calls and not from McCook.

Q. Under what circumstance does McCook route InterMTA traffic to Alltel without the use of an IXC?

A. McCook routes InterMTA Traffic to Alltel without using an IXC only when Alltel has an
 NPA-NXX code that is rated as local to the rate center from which the land line

⁴ See First Report and Order at para. 1043.

subscriber originated the call. As an example, Alltel has the 605-240 NPA-NXX code
rated as local to the Salem rate center of McCook. When one of McCook's end user
subscribers in Salem dials and calls an Alltel subscriber with the Salem 605-240 NPANXX code belonging to Alltel, it is routed over a direct connection in Salem to Alltel
without the use of an IXC. This is true even if Alltel's subscriber is located in an MTA
outside that of the MTA which Salem is located.

- 7 Q. Has Alltel provided any data regarding the amount of InterMTA traffic originating from Salem over the direct connection?
- 10 A. No, they have not. Thus, a net amount can not be developed.

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12 Q. Even if Alltel had data regarding the proportion of the total traffic originating from the Salem rate center on the direct connection that was InterMTA Traffic, does McCook have any obligation under the Act or FCC rules that requires it to apply a credit to Alltel for such Traffic?

17 No, I'm not aware of any provisions in the Act or FCC rules which would place such a A. requirement upon McCook. If Alltel wishes to bill for traffic terminating on its network, 18 19 it should establish the appropriate means to measure and bill for such traffic. If Alltel 20 had data to determine the InterMTA percent, it could measure traffic terminating on that 21 direct connect from McCook's Salem exchange and apply the InterMTA percent in order 22 to bill for InterMTA Traffic. Since Alltel has not provided any InterMTA data in its 23 Response or otherwise, there is no basis to even determine the appropriate InterMTA 24 billing percentage for Alltel to bill McCook.

- Q. If Alltel had data indicating the amount of InterMTA Traffic that was terminating on the direct connection to Alltel from the Salem rate center, at what rate would Alltel bill?
- A. It is my understanding that Alltel could bill rates based upon any terminating access tariff that Alltel has filed with the FCC or the South Dakota Commission, or based upon an

other publicly available price or rate list. Alltel's suggestion to use a net InterMTA amount in effect allows Alltel to simply use the access rates as filed by McCook even though Alltel has filed no such rate of their own.

<u>Issue 3: What is the appropriate manner by which the minutes of use of IntraMTA Traffic terminated by the parties, one to the other, should be calculated and billed?</u>

Q. What is McCook's position regarding the billing and payment for the IntraMTA Traffic?

- A. McCook recommends that each party to the agreement should bill the other party to the agreement based upon actual recorded terminating traffic it receives from the other party or based upon billing records it has obtained from a third party transit provider. This is how McCook currently determines the amount of terminating traffic it receives from Alltel. McCook believes that Alltel should also be capable of recording terminating traffic it receives on the direct connect and can obtain billing records from the third party transit provider in order to bill McCook.
- Q. Alltel states that its position is that the interconnection agreement should allow for a net billing approach. What is your understanding of the net billing approach?

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Instead of both parties measuring and billing for the traffic that terminates on its respective network from the other party, under Alltel's net billing approach, only McCook would be required to obtain the necessary billing records in order to bill Alltel for traffic that Alltel terminates to McCook. McCook would then give Alltel a credit for the traffic that McCook terminates to Alltel assuming the parties can agree to the appropriate offset percentage. McCook submits that if the parties can not agree on the appropriate offset percent, the most accurate and fair compensation methodology is for each of the parties to obtain the necessary data in order to bill the other party.

Q. Are there any obligations in the Act or FCC rules that require an ILEC to measure its originating traffic or to purchase billing records when the terminating carrier chooses not to measure traffic terminating onto its network or purchase billing records in order to determine a net billing percentage?

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- 5 6 There is no requirement in Section 251 of the Act or FCC Rules which shifts the A. 7 obligation to McCook to measure traffic originating on its network or requires McCook 8 to assume responsibility to perform an analysis of traffic on behalf of Alltel. In Alltel's 9 proposed agreement, Alltel recommends deleting McCook's proposed language that 10 "Each party shall bill the other party for IntraMTA Traffic actually terminated to its 11 network by the other party." Instead, Alltel proposes that it "may elect to use a 12 Reciprocal Compensation Factor Billing Method in lieu of actual traffic recording." 13 McCook has not agreed to Alltel's election to "allow" for a reciprocal compensation 14 credit. Since this net billing approach is not a requirement pursuant Section 251 of the 15 Act or the regulations prescribed by the FCC pursuant to Section 251 and McCook has 16 not agreed thereto, McCook believes such a requirement should not be imposed in this proceeding. 17 18 Another reason to have each party measure the traffic terminating on its network from the
- Another reason to have each party measure the traffic terminating on its network from the other party is that by doing so, there will be no dispute regarding the proper "net factor" amount. McCook therefore recommends its proposed language be adopted.

<u>Issue 4: What is the obligation of the parties with respect to dialing parity?</u>

- 23 Q. Is it your understanding that this issue has been resolved?
- 25 A. Yes, it is. McCook understands that it has a dialing parity obligation pursuant to Section 251(b) of the Act and McCook therefore will comply with such requirement.

Issue 5: What is the appropriate effective date and term of the agreement?

29 Q. Is it your understanding that this issue has been resolved?

1 2	A.	Yes, it is. McCook proposed that the Agreement be deemed effective as of January 1			
3		2007, and remain in full force and effect for a period of three years after January 1, 2007			
4		Alltel, in its Response to the Petition, states that it accepts the effective date and term of			
5		the Agreement as proposed by the Petitioner. Therefore, I understand that this issue has			
6		been resolved.			
7		ADDITIONAL ISSUES RAISED BY ALLTEL IN THE RESPONSE			
8	Issue	Issue 6: What is the appropriate definition of IntraMTA and InterMTA Traffic?			
9 10 11 12	Q.	How does McCook propose to differentiate traffic that is subject to access charges (InterMTA) versus which traffic is subject to transport and termination charges (IntraMTA)?			
13 14	A.	McCook proposes that the location of the initial site when the call begins should be used			
15		as the determinant of the geographical location of the mobile customers for use in			
16		determining which traffic is subject to access charges (InterMTA) versus which traffic is			
17		subject to transport and termination charges (IntraMTA).			
18 19 20 21 22 23	Q.	Why did the FCC conclude that the location of the initial cell site when the cabegins shall be used as the determinant of the geographic location of the mobi customers for use in determining which traffic is subject to access charge (InterMTA) versus which traffic is subject to transport and termination charge (IntraMTA)?			
23 24	A.	In the First Report and Order, the FCC concluded that traffic between an incumbent LEC			
25		and a CMRS network that originates and terminates within the same MTA (defined based			
26		on the parties' location at the beginning of the call) is subject to the transport and			
27		termination rate under section 251(b)(5), rather than interstate or intrastate access			
28		charges. ⁵			

⁵ See, First Report and Order at para. 1043.

The FCC recognized that since CMRS customers may travel from location to location during the course of a single call, it would be difficult to determine the applicable transport and termination rate or access charge.⁶ According to the FCC, "This could complicate the computation of traffic flows and the applicability of transport and termination rates, given that in certain cases, the geographic locations of the calling party and the called party determine whether a particular call should be compensated under transport and termination rates established by one state or another, or under interstate or intrastate access charges." In acknowledging the complexity of ascertaining the CMRS subscriber's location, the FCC concluded that parties could calculate the overall compensation amounts by extrapolating from traffic studies and samples by using the CMRS subscriber's originating cell site location to determine the proportion of traffic exchanged between CMRS providers and LECs that was subject to reciprocal compensation or access charges.⁸

Q. The FCC stated that as an alternative to using the location of the initial cell site when the call begins as a surrogate for the location of the cellular parties' locations at the beginning of the call, "LECs and CMRS providers can use the point of interconnection between the two carriers at the beginning of the call to determine the location of the mobile caller or called party." Why doesn't the Agreement proposed by McCook use this as a way to determine the location of the cellular subscriber at the beginning of the call?

The Point of Interconnection in the Agreement proposed by McCook and as well as the Agreement proposed by Alltel is defined as "a physical location where the exchange of traffic between the Parties takes place thereby establishing the technical interface and

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⁶ Id. at para. 1044.

⁷ Ibid.

⁸ Ibid.

points for operational and financial division of responsibility." It is obvious by this definition that it in no way relates to all of the possible locations of the CMRS subscriber when the call originates. Using the Point of Interconnection as the surrogate for the location of the wireless subscriber would assume that all calls to or from the wireless subscriber are originated from or terminated to that specific location. Appendix B of the proposed Agreement defines the locations for Point of Interconnection for direct connects, which are McCook's host and stand alone end offices. It would be ridiculous to assume that these are the only locations in which cellular subscribers can be located when they place or receive calls. By means of an example, currently Alltel and McCook have a Point of Interconnection at the Salem host switch. Using this Point of Interconnection at Salem as the surrogate for the location of the cellular subscriber would in effect assume that when any Alltel subscriber calls a McCook subscriber, all such calls are placed from Salem regardless of whether the subscriber is likely at a location other than the Point of Interconnection.

15 Q. Has Alltel, in its proposed Agreement, defined the location of the cellular subscriber 16 at the beginning of the call to be the Point of Interconnection between McCook and 17 Alltel?

19 A. No, it has not.

Q. In defining IntraMTA and InterMTA Traffic, Alltel recommends deletion from McCook's proposed definition of references to the locations of the connecting cell site serving the wireless End User as the basis for determining the location of the wireless subscriber. Does Alltel, in its proposed Agreement, offer an alternative or a proxy for determining or deciding the location of the wireless subscriber?

A. No. Alltel's definition provides no basis on which to determine the location of the wireless subscriber at the beginning of a call in order to determine whether the call is an IntraMTA call or an InterMTA call. I believe the Agreement must include the basis for

determining the location of the wireless subscriber at the beginning of the call in order to avoid on-going conflicts and billing disputes between the Parties. The Commission should eliminate any ambiguity and confirm that the determination of whether the call is an IntraMTA call or an InterMTA call should be based upon the location of the initial cell site serving the wireless end user at the start of the call and the location of the end office serving the wireline end user.

Issue 7: Which Party can initiate a direct interconnection request?

- Q. Do you agree with Alltel's assertion that based upon Section 3.1.3 of the Petitioner's proposed Interconnection Agreement that either Party can request and thus require a direct connection?
- A. No I do not. Section 3.1.3 of the Interconnection Agreement proposed by McCook states the following: "When both parties agree to utilize and implement 2-way facilities in accordance with the terms of 3.2.1.1, the parties will provision two-way direct interconnection facilities between their networks with each Party being responsible for their own recurring and non-recurring facility costs to the POI." (emphasis added) Since this section specifically states "when both Parties agree," Alltel's assertion that either party can unilaterally require a direct connection is incorrect. Section 3.1.3 of the Proposed Agreement references Section 3.2.1.1, which in turn references points of interconnection in Appendix B. The locations listed in Appendix B are each of McCook's stand alone end office switch locations or host end office switch locations. Alltel may choose to use a direct connection, an indirect connection through the use of a transit provider such as Qwest or SDN, or a combination thereof to each of these specific locations for the purpose of terminating its traffic to subscribers served by each of the listed locations.

McCook's proposed language does not in any way dictate that Alltel must use direct facilities in order to terminate its traffic to McCook's subscribers. It is Alltel's proposed language that would allow Alltel to unilaterally require the use of a two-way direct interconnection at Alltel's request. I believe that Alltel's proposal to dictate that McCook must utilize these facilities if requested by Alltel is inconsistent with the language in Section 4.5 of McCook's and Alltel's proposed agreement. According to Section 4.5, either Party may choose to route its originating Traffic on an indirect basis through the use of a Third Party Provider. Given Alltel's acceptance of the language of Section 4.5 and the inconsistency created through Alltel's suggested language in Section 3.1.3, McCook submits that the Commission accept the language in Section 3.1.3 as proposed by McCook.

12 Q. Does this conclude your testimony?

13 A. Yes, it does.