

In the Matter of Sprint Communications)
Company L.P.'s Petition for Consolidated)
Arbitration Pursuant to Section 252(b) of the)
Communications Act on 1934, As Amended by) Docket No. TC06-175
The Telecommunication Act of 1996, and The)
Applicable State Laws for Rates, Terms and)
Conditions of Interconnection with Interstate)
Telecommunications Cooperative)

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DIRECT TESTIMONY

I. INTRODUCTION

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

A. My name is Randy G. Farrar. My title is Senior Manager – Interconnection Support for Sprint Nextel. My business address is 6450 Sprint Parkway, Overland Park, Kansas, 66251.

Q. What is your educational background?

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

Q. Please summarize your work experience.

A. I have worked for Sprint Nextel or one of its predecessor companies since 1983 in the following capacities:

- 2005 to present Senior Manager – Interconnection Support. I provide interconnection support, where I provide financial, economic, and policy analysis concerning interconnection and reciprocal compensation issues.

1 - 1997 to 2005, Senior Manager – Network Costs. I was an instructor for
2 numerous training sessions designed to support corporate policy on
3 pricing and costing theory, and to educate and support the use of
4 various costing models. I was responsible for the development and
5 support of switching, transport, and financial cost models concerning
6 reciprocal compensation, unbundled network elements, and wholesale
7 discounts.

8 - 1992 to 1997, Manager - Network Costing and Pricing. I performed
9 financial analyses for various business cases, analyzing the profitability
10 of entering new markets and expanding existing markets, including
11 Custom Calling, Centrex, CLASS and Advanced Intelligent Network
12 features, CPE products, Public Telephone and COCOT, and intraLATA
13 toll. Within this time frame, I was a member of the USTA's Economic
14 Analysis Training Work Group (1994 to 1995).

15 - 1987 to 1992, Manager - Local Exchange Costing. Within this time frame I
16 was a member of the United States Telephone Association's (USTA)
17 New Services and Technologies Issues Subcommittee (1989 to 1992).

18 - 1986 to 1987, Manager - Local Exchange Pricing. I investigated alternate
19 forms of pricing and rate design, including usage sensitive rates,
20 extended area service alternatives, intraLATA toll pricing, and lifeline
21 rates.

1 - 1983 to 1986, Manager - Rate of Return., which included presentation of
2 written and/or oral testimony before state public utilities commissions in
3 Iowa, Nebraska, South Carolina, and Oregon.

4
5 I was employed by the Public Utilities Commission of Ohio from 1978 to
6 1983. My positions were Financial Analyst (1978 - 1980) and Senior
7 Financial Analyst (1980-1983). My duties included the preparation of Staff
8 Reports of Investigation concerning rate of return and cost of capital. I also
9 designed rate structures, evaluated construction works in progress,
10 measured productivity, evaluated treatment of canceled plant, and
11 performed financial analyses, for electric, gas, telephone, and water utilities.
12 I presented written and oral testimony on behalf of the Commission Staff in
13 over twenty rate cases.

14
15 **Q. What are your responsibilities in your current position?**

16 A. I provide financial, economic and policy analysis concerning interconnection
17 and reciprocal compensation issues. Such analysis is provided in the
18 context of supporting negotiations between Sprint Nextel entities to obtain
19 interconnection agreements with other telecommunications carriers and,
20 where necessary, provide expert witness testimony. In the performance of
21 my responsibilities I must maintain a working understanding of the
22 interconnection and reciprocal compensation provisions of the
23 Communications Act of 1934 as amended by the Telecommunications Act

1 of 1996 ("the Act" or "the 1996 Act") and the resulting rules and regulations
2 of the Federal Communications Commission ("FCC").

3
4 **Q. Have you provided testimony before other regulatory agencies?**

5 A. Yes. In addition to my previously referenced testifying experience, since
6 1995 I have presented written or oral testimony before the Illinois
7 Commerce Commission, the Pennsylvania Public Utility Commission, the
8 New Jersey Board of Public Utilities, the Florida Public Service Commission,
9 the North Carolina Utilities Commission, the Public Utilities Commission of
10 Nevada, the Public Utility Commission of Texas, the Georgia Public Service
11 Commission, the Arizona Corporation Commission, the New York Public
12 Service Commission, the Corporation Commission of Oklahoma, the
13 Missouri Public Service Commission, the Virginia State Corporation
14 Commission, the Iowa Utilities Board, the Kentucky Public Service
15 Commission, the Public Utilities Commission of Ohio, and the Federal
16 Communications Commission on the avoided costs of resold services, the
17 cost of unbundled network elements, reciprocal compensation, access
18 reform, universal service, and local competition issues.

19
20 **II. PURPOSE AND SCOPE OF TESTIMONY**

21
22 **Q. What is the purpose of your Testimony?**

1 A. I am testifying on behalf of Sprint Communications Company L.P. ("Sprint").
2 I will provide input to the Public Utilities Commission of the State of South
3 Dakota ("Commission") concerning Sprint's positions regarding various
4 unresolved issues associated with the establishment of Interconnection and
5 Reciprocal Compensation Agreements between Sprint and Interstate
6 Telecommunications Cooperative, Inc. ("Interstate").
7

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

9 A. I am providing testimony on behalf of Sprint regarding the following issues.
10

11 A. Issue No. 4: Should the Interconnection Agreement contain provisions
12 for indirect interconnection consistent with Section 251(a) of the Act?
13 (Sprint witness James R. Burt will address the Dialing Parity issue
14 contained within Issue No. 4.)

15 B. Issue No. 5: In an indirect interconnection scenario, is the LEC
16 responsible for any facility or transit charges related to delivering its
17 originating traffic to Sprint outside of its exchange boundaries?

18 C. Issue No. 6: What Direct Interconnection Terms should be included in
19 the Interconnection Agreement?

20 D. Issue No. 7: What are the appropriate rates for direct interconnection
21 facilities?

22 E. Issue No. 8: When a two-way interconnection facility is used, should
23 Sprint and Interstate share the cost of the Interconnection Facility

1 between their networks based on their respective percentages of
2 originating traffic?

3 Issues Nos. 9, 10, 11 and 13 have been resolved. Sprint witness James R.
4 Burt will provide testimony on Issues Nos. 1, 2, 3, and 12.

5
6 **III. UNRESOLVED ISSUES**

7
8 **A. Issue No. 4**

9 **Should the Interconnection Agreement contain provisions for indirect**
10 **interconnection consistent with Section 251(a) of the Act?**

11
12 **Q. Please describe Issue No. 4.**

13 A. Sprint has proposed terms and conditions that will permit the parties to the
14 interconnection agreement to interconnect their switches indirectly. Indirect
15 interconnection is a duty of telecommunications carriers under Section
16 251(a)(1) of the Act; specifically,

17 Each telecommunications carrier has the duty to interconnect directly
18 or **indirectly** with the facilities and equipment of other
19 telecommunications carriers. [Emphasis added.]
20

21 Moreover, indirect interconnection is widely used in the industry today for the
22 simple reason that it would be totally impractical and economically inefficient
23 for every carrier to establish direct interconnection with every other carrier in
24 the nation.

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

2 A. According to the FCC, "Carriers are said to be indirectly interconnected to
3 the extent they use transit services to exchange traffic."¹ Thus, Indirect
4 Interconnection is the use of a third-party transit provider to link the two
5 carriers, as shown in the following diagram.

6 **Diagram 1**
7 **Indirect Interconnection**
8



9
10
11 In the diagram above, since Sprint and Interstate are indirectly
12 interconnected, there are no POIs as demarcations between Sprint's and
13 Interstate's networks.
14

15 **Q. Does Interstate contest Sprint's ability to interconnect either directly
16 or indirectly to Interstate?**

17 A. It is not clear. In its Response, Interstate acknowledges that the Act
18 requires either direct or indirect interconnection.² Specifically, Interstate
19 states that "While ITC understands Section 251(a) of the Act requires direct

¹ *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.]*

² *Response of the Interstate Telecommunications Cooperative, Inc. to the Petition For Arbitration and Request for Consolidation of Sprint Communications Company, L.P., November 13, 2006 [Interstate Response].*

1 or indirect interconnection with the facilities of other telecommunications
2 carriers, ITC believes it is in compliance with the obligations and duties set
3 forth in Section 251(a) as it has offered interconnection at technically
4 feasible points within each of its exchanges.”³

6 **Q. Has Interstate identified anything that is technically infeasible with**
7 **indirect interconnection with Sprint?**

8 A. No. In Interstate’s response to discovery, it stated that there will likely be no
9 technical issues if Sprint makes the appropriate points of connection subject
10 to the appropriate testing. As I am sure Interstate is aware, indirect
11 interconnection is a common industry practice.

13 **Q. Why is this issue in dispute?**

14 A. Interstate claims in its response to the Arbitration Petition that it has already
15 complied with section 251(a) by offering technically feasible points of
16 interconnection. This statement suggests that Interstate believes it can
17 dictate how Sprint chooses to interconnect with Interstate under section
18 251(a). Interstate further claims that section 251(a) does not address
19 requirements for the exchange of traffic and therefore there is nothing to
20 arbitrate. Interstate also disagrees with Sprint regarding the obligations of
21 the parties for delivering traffic under indirect interconnection.

³ Interstate Response, p. 20.

1 **Q. What is Sprint's position?**

2 **A.** Section 251(a) states clearly that every Telecommunications Carrier has a
3 duty to interconnect directly or indirectly with other Telecommunications
4 Carriers. Therefore, Interstate and Sprint can choose whether to
5 interconnect directly or indirectly to each other. For example, Sprint could
6 choose to interconnect indirectly with Interstate and Interstate could choose
7 to interconnect with Sprint directly. While this may not be the most efficient
8 way for the parties to exchange traffic, the point is Interstate cannot dictate
9 how Sprint interconnects with Interstate or vice versa

10
11 **Q. Why does Sprint wish to include language regarding indirect**
12 **interconnection in the agreement?**

13 **A.** Since Section 251(a) is an ongoing right and obligation, Sprint wishes to
14 ensure that the interconnection agreement does not somehow limit the
15 parties' rights to one form of interconnection (e.g. direct interconnection). To
16 do this, there must be specific language that addresses the rights of the
17 parties to indirectly interconnect including the rights and obligations
18 regarding traffic exchanged between the parties.

19
20 **Q. Why should the Commission adopt Sprint's proposal?**

21 **A.** Sprint's proposal to include language that permits the parties to interconnect
22 indirectly and establishes the ground rules for traffic delivery and
23 compensation is reasonable and consistent with the Act and the FCC's

1 rules. I discuss the specifics of Sprint's proposal in my response to Issue
2 No. 5 below.

3
4 **B. Issue No. 5**

5 **In an indirect interconnection scenario, is the LEC responsible for any**
6 **facility or transit charges related to delivering its originating traffic to**
7 **Sprint outside of its exchange boundaries?**

8
9 **Q. What is Sprint's position on Issue No. 5?**

10 A. Indirect interconnection benefits the end user customers of both Sprint and
11 Interstate by allowing those end user customers to originate calls and to
12 have those calls ultimately terminated to other customers. This is obviously
13 the desire of the end user customer who originates the call. There is a
14 long-standing FCC policy in the telecommunications industry that the
15 "Calling Party's Network Pays," i.e. the originating caller is the cost-causer.
16
17 Consistent with this policy, the FCC has determined that the originating
18 carrier is responsible for the cost of delivering its end-user's traffic to the
19 terminating carrier. The fact that an originating carrier may use a third-party
20 transit provider to terminate a call does not alter the fact that the originating
21 caller is the cost-causer and that the originating carrier is financially
22 responsible for delivery of that call to the terminating carrier, including transit
23 charges.

1 **Q. What language does Sprint propose for Issue No. 5?**

2 A. Sprint proposes the following contract language be used in Section 6.3.

3 Each Party acknowledges that it is the originating Party's responsibility
4 to enter into transiting arrangements with the Intermediary Entity.
5

6 In addition, Sprint proposes the following contract language be used in
7 Section 6.4.

8 Each Party is responsible for the transport of originating calls from its
9 network to the Intermediary Entity and for the payment of transit
10 charges assessed by the Intermediary Entity.
11

12 **Q. What is Interstate's position on Issue 5?**

13 A. According to its Response, Interstate believes it is not responsible for any
14 interconnection costs beyond a POI on its network.⁴ Interstate again
15 contends that if it offers to directly interconnect it does not have an
16 obligation to indirectly interconnect. Further, Interstate contends that it has
17 no financial responsibility for the interconnection if it established under
18 section 251(a) of the Act.
19
20 Interstate ignores that while 251(a)(1) requires Interstate to interconnect
21 either directly or indirectly with Sprint, 251(b)(5) also requires Interstate to
22 transport and terminate Sprint's originating traffic. Interstate also ignores its
23 obligation to pay for the costs of delivering its originating traffic to the
24 terminating carrier's (Sprint's) network.

⁴ Interstate Response, p. 21

1 **Q. Is Interstate responsible for the costs of delivering its originating**
2 **traffic to Sprint if the parties are indirectly interconnected?**

3 **A. Yes.** It is the responsibility of the originating carrier to deliver its originating
4 traffic to the terminating carrier's network. The FCC's position that the
5 "Calling Party's Network Pays" has been well established. Specifically, 47
6 C.F.R. § 51.703(b) states,

7 A LEC may not assess charges on any other telecommunications
8 carrier for telecommunications traffic that originates on its network.
9

10 In addition, 47 C.F.R. § 51.709(b) states,

11 The rate of a carrier providing transmission facilities dedicated to the
12 transmission of traffic between two carriers' networks shall recover
13 only the costs of the proportion of that trunk capacity used by the
14 interconnecting carrier to send traffic that will terminate on the
15 providing carrier's network. Such proportions may be measured during
16 peak periods.
17

18 The FCC's General Counsel has stated, referring to two appellate court
19 decisions,

20 Section 51.703(b) of the Commission's rules states that a LEC may not
21 assess charges on any other telecommunications carrier, including a
22 CMRS provider, for telecommunications traffic that originates on the
23 LEC's network. See 47 C.F.R. § 51.703(b). The Commission has
24 construed this provision to mean that an incumbent LEC must bear the
25 cost of delivering traffic (including the facilities over which the traffic is
26 carried) that it originates to the point of interconnection ("POI") selected
27 by a competing carrier. **At least two appellate courts have held that**
28 **this rule applies in cases where an incumbent LEC delivers calls**
29 **to a POI that is located outside of its customer's local calling**
30 **area.**⁵ [Emphasis added.]

⁵ *Central Texas Telephone Cooperative Inc., et. al. v. Federal Communications Commission*, Brief of Respondents, Case No. 03-1405, p. 35 (D.C. Cir. 2004) (citing, *Southwestern Bell Tel. Co. v. Public Utilities Commission of Texas*, 348 F.3d 482, 486-87 (5th Cir. 2003); *MCImetro Access Transmission Services, Inc. v. BellSouth Telecommunications, Inc.*, 352 F.3d 872, 878-79 (4th Cir. 2003)).

1 **Q. Has the FCC decided that the originating carrier is financially**
2 **responsible for delivering its traffic?**

3 A. Yes. In its Verizon Arbitration Order, The FCC stated that the ILEC was
4 financially responsible for delivering its traffic to the competitive LEC's POI
5 that may be located anywhere within the LATA where the ILEC is located.

6 Specifically, the FCC stated,

7 **Under the Commission's rules, competitive LECs may request**
8 **interconnection at any technically feasible point. This includes**
9 **the right to request a single point of interconnection in a LATA.**
10 The Commission's rules implementing the reciprocal compensation
11 provisions in section 252(d)(2)(A) prevent any LEC from assessing
12 charges on another telecommunications carrier for telecommunications
13 traffic subject to reciprocal compensation that originates on the LEC's
14 network. Furthermore, under these rules, **to the extent an incumbent**
15 **LEC delivers to the point of interconnection its own originating**
16 **traffic that is subject to reciprocal compensation, the incumbent**
17 **LEC is required to bear the financial responsibility for that traffic.**⁶
18 [Emphasis added.]
19

20 **Q. Have other state commissions decided that the originating carrier is**
21 **responsible for delivering its traffic outside of its serving territory?**

22 A. Yes. At least seven state commissions have recently concluded that the
23 originating carrier is responsible for delivering its traffic outside of its service
24 territory.

25 For example, the Florida Public Service Commission stated,

26 The record evidence is persuasive that the originating carrier utilizing
27 BellSouth's transit service is responsible to compensate BellSouth for
28 that service. Any decision to the contrary would appear to conflict with
29 47 CFR 51.703(b) which prohibits a LEC from assessing charges on
30 any other carrier for traffic originating on its network. Furthermore, the
31 Small LECs have provided no valid reason to deviate from the

⁶ FCC VA Arbitration Order, paragraph 52.

1 “originating carrier pays” policy. The Small LECs’ claims that CLECs
2 and CMRS providers, as the terminating carriers of transit traffic, are
3 direct beneficiaries of transit connections and thus, should be
4 responsible for compensating BellSouth for the transit function, **are**
5 **unsupported and have no basis in law, policy, or principles of**
6 **equity. ...**

7
8 ... the “calling party’s network pays” (CPNP) concept is well-
9 established policy based on principles of cost causation. FCC Rule
10 51.703(b) states that “A LEC may not access charges on any other
11 telecommunications carrier for telecommunications traffic that
12 originates on the LEC’s network.” (47 CFR 51.703(b)) Read in
13 conjunction with Rule 51.701(b)(2), Rule 51.703(b) requires LECs to
14 deliver traffic, without charge, to a CMRS provider’s switch anywhere
15 within the Major Trading Area (MTA) in which the call originated.

16 **Thus, the Small LECs’ claim that there should be no**
17 **compensation impact on them when they originate traffic is**
18 **nonsensical.** If customers of the Small LEC place a call that transits
19 BellSouth’s network, it is because the Small LEC and the terminating
20 carrier have not established a direct interconnection. **The Small**
21 **LEC’s customer is the cost causer; the Small LEC should pay**
22 **transit costs as a cost of doing business.**⁷ [Emphasis added.]
23

24 The Iowa Utilities Board stated,

25 The Board agrees with the decisions of the various state commissions
26 cited above and finds that it is most appropriate for each party to pay
27 the cost of delivering traffic to the other party.⁸
28

29 The Illinois Commerce Commission stated,

30 When indirectly interconnecting through a third party ILEC switch each
31 party should be financially responsible (that is financially responsible
32 for its own installed facilities or for compensating another party for
33 facilities it uses) for interconnection facilities on its side of the third
34 party ILEC switch. Costs associated with tandem switching should be

⁷ 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. 22. [Florida Decision.]

⁸ Arbitration of Sprint Communications Company L.P., Petitioning Party, vs. Ace Communications Group, et. al., Responding Parties, Arbitration Order, Iowa Utilities Board, Docket Nos. ARB-05-2, et. al., issued March 24, 2006.

1 paid by the carrier sending the traffic. This, in effect, creates two POIs
2 – one on either side of the third party ILEC tandem – demarcating the
3 carriers' financial responsibility for interconnection facilities. When the
4 RLEC is delivering traffic to Sprint then the POI will be on the Sprint
5 side of the third party ILEC tandem. When Sprint is delivering traffic to
6 the RLEC then the POI will be on the RLEC side of the third party ILEC
7 tandem. This is the most efficient and equitable means of allocating
8 costs.⁹

9
10 The Tennessee Regulatory Authority stated,

11 If a call originates in a switch on one party's network, then that party is
12 responsible for the transiting costs.¹⁰
13

14 The Pennsylvania Public Utility Commission stated,

15 Based on FCC rule § 51.703(b) that prohibits an originating carrier
16 from charging a terminating carrier for the costs of traffic originating on
17 its network, we decide that the weight of authority would place the cost
18 responsibility for third-party transit on the originating carrier.¹¹
19

20 The Georgia Public Service Commission stated,

21 In *Atlas*, the Tenth Circuit concluded that commercial mobile radio
22 service providers should not have to bear the costs of transporting
23 calls that originated on the networks of rural telephone companies
24 across an incumbent LEC's network. 400 F.3d at 1266 fn. 11. The
25 Tenth Circuit also found that the Section 251(a) obligation of all
26 carriers to interconnect directly or indirectly is not superseded by the
27 more specific obligations under Section 251(c)(2).
28

29 The Commission finds the reasoning of *Atlas* compelling. **It is**
30 **consistent with and confirms the principle that the originating**

⁹ *Sprint Communications L.P. d/b/a/ Sprint Communications Company L.P. Petition for Consolidated Arbitration with Certain Illinois Incumbent Local Exchange Carriers pursuant to Section 252 of the Telecommunications Act of 1996*, Arbitration Decision, Illinois Commerce Commission, Docket No. 05-0402, Dated November 8, 2005, page 28.

¹⁰ *Petition for Arbitration of Cellco Partnership d/b/a/Verizon Wireless, et. al.*, Order of Arbitration Award, Tennessee Regulatory Authority, Docket No. 03-00585, January 12, 2006, page 30.

¹¹ *Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996 to Establish an Interconnection Agreement With ALLTEL Pennsylvania, Inc.*, Opinion and Order, Pennsylvania Public Utility Commission, Docket No. A-310489F7004, January 13, 2005, page 27. [*Pennsylvania Decision*.]

1 **party must bear the costs of transiting the call.**¹² [Emphasis
2 added.]

3
4 Finally, the Indiana Utility Regulatory Commission stated,

5 We find that each party should have the ability under the arrangement
6 to interconnect indirectly and send traffic through a tandem transit
7 provider. **We also find that each party shall be responsible for any**
8 **charges incurred in delivering traffic originated by its customers**
9 **to the other party.** We find this conclusion is consistent with the
10 public interest because it requires competitively neutral terms for
11 interconnection by placing symmetrical traffic delivery obligations on
12 both parties.

13
14 Our conclusion is also consistent with the competitively neutral regime
15 created by the FCC (which has been followed by at least four other state
16 commissions) under which interconnecting carriers are required to pay the costs
17 associated with transporting calls to the ILEC and the ILEC has the obligation to
18 pay costs associated with transporting calls to the interconnecting carrier.¹³
19 [Emphasis added.]

¹² *BellSouth Communications, Inc.'s Petition for a Declaratory Ruling Regarding Transit Traffic*, Order on Clarification and Reconsideration, Georgia Public Service Commission, Docket No. 16772-U, released May 2, 2005, page 4. (Citing *Atlas Telephone Company, et. al. v. Oklahoma Corporation Commission, et. al.*, 400 F.3d 1256, (10th Cir. 2005)).

¹³ *In the Matter of Sprint Communications Company L.P.'s Petition for Arbitration ... with Ligonier Telephone Company, Inc.*, Final Order, Indiana Utility Regulatory Commission, Cause No. 43052-INT-01, approved September 6, 2006, p. 48. (Citing, (1) ... *Sprint Communications Company L.P. Petition of Consolidated Arbitration with Certain Illinois Incumbent Local Exchange Carriers*..., Arbitration Decision, Illinois Commerce Commission, Docket No. 05-0402 (November 8, 2005); (2) *Petition of ... Verizon Wireless for Arbitration ... With Alltel Pennsylvania, Inc.*, Pennsylvania Public Utility Commission, Opinion and Order, Docket A-310489F7004 (January 13, 2005); (3) *Petition for Arbitration of ... Verizon Wireless*, Tennessee Regulatory Authority Case No. 03-00585, at 30 (January 12, 2006); and (4) *Arbitration of Sprint Communications Company L.P. v. Ace Communications Group, et. al.*, Iowa Utilities Board, Docket nos. ARB-05-2, et. al., at 12 (March 24, 2006).

1 **C. Issue No. 6**

2 **What Direct Interconnection Terms should be included in the**
3 **Interconnection Agreement?**

4
5 **Q. Does Sprint intend to interconnect directly or indirectly with**
6 **Interstate?**

7 A. Sprint intends to interconnect directly to Interstate.

8
9 Although Sprint intends to interconnect directly, Sprint reserves all rights to
10 interconnect with Interstate directly or indirectly at any time during the term
11 of the interconnection agreement as Sprint chooses. Sprint's rights should
12 be reflected in the agreement by including language for both direct and
13 indirect interconnection as discussed in detail above.

14
15 **Q. What is Sprint's obligation with respect to establishing a Point of**
16 **Interconnection ("POI") with Interstate?**

17 A. The FCC has explicitly stated that the obligation of any interconnecting
18 telecommunications carrier is to establish one POI per LATA. Specifically,
19 the FCC stated,

20 Under section 251(c)(2)(B), an incumbent LEC must allow a requesting
21 telecommunications carrier to interconnect at any technically feasible
22 point. The Commission has interpreted this provision to mean that
23 competitive LECs have the option to interconnect at a single point of
24 interconnection (POI) per LATA.¹⁴

¹⁴ *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Further Notice of Proposed Rulemaking, par. 87, released March 3, 2005.

1 **Q. Does Sprint have a Point of Interconnection located within the LATA**
2 **where Interstate is located?**

3 A. Yes. Sprint has one Point of Presence (“POP”) located within Interstate’s
4 LATA, located at 1000 North Cliff Avenue, Sioux Falls, SD, 57103.

5 Consistent with the FCC decision, Sprint will establish a direct interconnect
6 facility between the Sprint POP and Interstate’s Clear Lake, SD end office.

7
8 **Q. What is Sprint’s position on Issue No. 6?**

9 A. The direct interconnection facility between Sprint’s network and Interstate’s
10 network benefits the customers of both Sprint and Interstate. The “Calling
11 Party’s Network Pays” principle discussed in Issue No. 5, applies to both
12 direct and indirect interconnection. It is Sprint’s financial responsibility to
13 deliver its originating traffic to Interstate, and it is Interstate’s financial
14 responsibility to deliver its originating traffic to Sprint. Thus, the cost of the
15 direct interconnection facility between Sprint’s network and Interstate’s
16 network should be shared based on the proportionate use of that facility.

17
18 **Q. What is Interstate’s position on Issue 6?**

19 A. According to its Response, Interstate believes it is Sprint’s responsibility to
20 establish a POI at each exchange within Interstate’s network, essentially at
21 each Interstate end office host switch (not just one within Interstate’s

network), and that Sprint is financially responsible for 100% of the costs associated with those interconnection facilities.¹⁵

Q. What has Sprint proposed?

A. Sprint has proposed that each party establish a financial POI on the other party's network. Each party will be financially responsible for the facilities used to deliver its originating traffic to the POI on the other party's network. Alternately, Sprint will agree to a single POI located on Interstate's network if the costs of the shared interconnection facility linking the POI to Sprint's network is shared by the parties based on each party's proportionate use of the facility for its originating traffic.

D. Issue No. 7

What are the appropriate rates for direct interconnection facilities?

Q. What is Sprint's position on Issue No. 7?

A. The rates charged by Interstate for the portion of direct interconnection facilities it provides should be based on forward-looking economic costs, consistent with FCC rules.

Q. What language does Sprint propose for Issue No. 7?

¹⁵ Interstate's Response, page 24.

¹⁷ Interstate Response, page 25.

1 A. Sprint proposes the following contract language be used in Section 5.3.

2 Interconnection facilities that are leased from the ILEC for
3 interconnection purposes must be provided to Sprint based on a
4 forward-looking pricing methodology.
5

6 **Q. What is Interstate's position on Issue 7?**

7 A. According to its Response, there is no rate issue because Interstate expects
8 Sprint to establish a POI within each of Interstate's exchanges. Interstate
9 further expects Sprint to be responsible for 100% of the direct

10 interconnection facility used for the exchange of traffic between the two
11 carriers. According to Interstate, "... ITC's proposed resolution for
12 interconnection ... would require each party to be responsible for the
13 facilities required by it on its side of the POI. Accordingly, there would be no
14 need for direct interconnection facilities between the parties, and thus no
15 need for the Commission to determine any rates would be necessary."¹⁷
16

17 **Q. Does Interstate's Response address the issue?**

18 A. No. The issue of the parties sharing the cost of shared interconnection
19 facilities is addressed in Issue No. 8. This Issue (Issue No. 7) concerns the
20 cost of the interconnection facilities that Sprint may lease from Interstate. It
21 the two carriers choose to use one-way facilities, Sprint may lease the
22 facility (in whole or in part) from Interstate at forward-looking rates.

23
24 If the two carriers choose to use a two-way facility, Interstate should charge
25 Sprint only for the portion of the facility used by Sprint's originating traffic,

consistent with 47 C.F.R. § 51.703(b) and 47 C.F.R. § 51.709(b). These charges should be based on Interstate's forward-looking rates.

If interstate is unable to bill Sprint for only Sprint's portion of the facility, Interstate should bill Sprint for the entire facility and Sprint will bill Interstate for its portion of the facility. These charges should be based on Interstate's forward-looking rates.

Q. What do the FCC rules say about the pricing of interconnection facilities?

A. In order to promote competition, the FCC established a framework which would prevent ILECs from raising costs and rates for interconnection in order to deter competitive entry. The FCC's Local Competition Order explicitly requires that interconnection be priced "in a manner that reflects the way they are incurred. Specifically, the FCC's Local Competition Order states,

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.** We note that this conclusion should facilitate competition on a reasonable and efficient basis by all firms in the industry by establishing prices for interconnection and unbundled network elements based on costs similar to those incurred by the incumbents, ...¹⁸

¹⁸ Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, FCC 96-325, CC Docket No. 96-98, paragraph 743.

47 C.F.R § 51.501 explicitly sets the same forward-looking cost standard (i.e. TELRIC) for both interconnection and unbundled network elements.

Specifically, 47 C.F.R § 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. [Emphasis added.]

Therefore, the pricing standard described in 47 C.F.R § 51.505, generally referred to as TELRIC, must apply to interconnection facilities.

Q. Have any state commissions explicitly decided that interconnection facilities should be priced at TELRIC?

A. Yes. The Public Service Commission of Maryland stated,

As noted above, the issue here is interconnection, and **interconnection must be priced at TELRIC**, like unbundled network elements, pursuant to the Act and the *Local Competition Order*. Therefore, the TELRIC rate previously established by this Commission for unbundled dedicated transport is also the correct rate to be charged for this interconnection. [Bold emphasis added.]

E. Issue No. 8

When a two-way interconnection facility is used, should Sprint and Interstate share the cost of the Interconnection Facility between their networks based on their respective percentages of originating traffic?

1 **Q. What is Sprint's position on Issue No. 8?**

2 A. Identical to the indirect interconnection discussion in Issue No. 5, direct
3 interconnection benefits the end user customers of both Sprint and
4 Interstate by allowing those end user customers to originate calls and to
5 have those calls ultimately terminated to other customers. The "Calling
6 Party's Network Pays" principle requires the originating carrier to be
7 financially responsible for delivering that call to the terminating carrier.
8
9 Thus the cost of a two-way direct interconnection facility from the Sprint
10 POP in Sioux Falls, SD to the Interstate end office in Clear Lake, SD, should
11 be shared by Sprint and Interstate based upon their proportionate share of
12 the usage of that facility.

13
14 **Q. What would the monthly cost be for this facility?**

15 A. This facility will require a DS1 facility from both Qwest (approximately 53
16 miles) and Interstate (approximately 30 miles). At interstate access rates,
17 Sprint estimates this facility would cost approximately \$1,368 per month. If
18 traffic was balanced, Interstate's share of this cost would be only \$684 per
19 month.

20
21 Sprint would expect forward-looking rates to be significantly less.

22
23 **Q. What is Interstate's position on Issue 8?**

1 A. According to its Response, "If Sprint requires facilities that are outside of
2 ITC's network or that are within the ITC certificated area to reach Sprint's
3 side of any POI, any costs associated therewith would be the sole
4 responsibility of Sprint."¹⁹

5
6 As discussed in Issue No. 7 above, Interstate wants Sprint to directly
7 interconnect at a POI located at each of Interstate's end office switches.

8 Thus 100% of the facilities will be on "Sprint's side of the POI." Thus it is

9 Interstate's position that Sprint is financially responsible for 100% of the

10 direct interconnection facility, even though Interstate's end user customers

11 will benefit from the use of that facility whenever they originate a call.

12
13 **Q. How should the cost of two-way direct interconnection facilities be**
14 **shared between the two carriers?**

15 A. The FCC rules explicitly contemplate that this cost should be shared
16 between the two carriers based on their respective proportionate use of that
17 facility. 47 C.F.R. § 51.709(b) states:

18 The rate of a carrier providing transmission facilities dedicated to the
19 transmission of traffic between two carriers' networks shall recover
20 only the costs of the proportion of that trunk capacity used by an
21 interconnecting carrier to send traffic that will terminate on the
22 providing carrier's network. Such proportions may be measured during
23 peak periods.

¹⁹ Interstate Response, page 27.

1 Accordingly, the cost of the dedicated facility between the two networks is
2 apportioned between the Sprint and Interstate based on their relative use of
3 the facility.

4
5 **Q. Are one-way trunks an option?**

6 **A.** Yes. However, it is generally more efficient for two carriers to share the cost
7 of a single two-way facility than for two carriers to individually provision two
8 one-way facilities.

9
10 If either Sprint or Interstate chooses to utilize a one-way facility to deliver its
11 originating traffic to the other, then the proportional use rules require the
12 originating carrier to pay one-hundred percent (100%) of that facility cost. If
13 Sprint and Interstate agree to utilize a two-way direct interconnection facility,
14 then the proportional use rule requires Sprint and Interstate to split the cost
15 of the two-way facility based on their percentage of originated traffic.

16
17 This also demonstrates the unreasonableness of requiring one carrier to be
18 solely financially responsible for a single two-way facility. Rather than
19 accept that financial burden, that carrier could simply provision a one-way
20 trunk for its originating traffic, requiring the other carrier to provision its own
21 one-way trunk.

1 **Q. Have the FCC and other state commissions decided that the both**
2 **carriers should share the cost of direct interconnection facilities?**

3 A. Yes. The issue is essentially the same as that discussed in Issue No. 5, i.e.
4 it is the responsibility of the originating carrier to deliver its traffic to the
5 terminating carrier. Several of the state commissions discussed in Issue
6 No. 5, above, explicitly addressed direct interconnection and agreed that
7 both parties are financially responsible for direct interconnection facilities.

8
9 For example, the Florida Public Service Commission stated,

10 Even if a Small LEC directly interconnects with a CLEC thereby not
11 using BellSouth's transit function, rules of intercarrier compensation
12 require that the Small LEC be responsible for transporting its
13 originating traffic;²⁰

14
15 The Pennsylvania Public Utility Commission stated,

16 In its Final Best Offer, Verizon Wireless took the position that
17 ALLTEL's obligation to share the cost of two-way direct facilities does
18 not end at its local exchange area or its network boundaries. Verizon
19 Wireless maintained that the ILEC's obligation ends at the point of
20 interconnection, which can be located anywhere in the MTA.

21
22 The ALJ recommended in favor of Verizon Wireless on this issue. In
23 support of his recommendation, the ALJ cited *TRS Wireless* and the
24 FCC rules stating the compensation requirements of 47 C.F.R. §
25 51.703.

26 ... we shall adopt the ALJ recommendation. However, we shall further
27 direct that the interconnection agreement incorporate Verizon Wireless
28 commitment to establish one point of interconnection within each LATA
29 where it terminates traffic with ALLTEL.²¹
30

²⁰ *Florida Decision*, page 22.

²¹ *Pennsylvania Decision*, pages 53 – 57.

1 Finally, the Indiana Utility Regulatory Commission stated, (Ex. 3, p. 7-10)

2 We find that Sprint's proposal is consistent with the FCC's rules and is
3 equitable for both parties. The evidence reflects that if the parties use
4 direct interconnection that carries two-way trunks, the facility will be
5 sized to accommodate both the RTC's traffic and Sprint's traffic.
6 Where this occurs, we agree that allocating the cost of the two-way
7 facility based on the relative percentage of originated traffic will ensure
8 each party will assume the cost associated with carrying its traffic.
9 This is consistent with *both* the FCC rule prohibiting a LEC from
10 assessing charges on another telecommunications carrier for
11 telecommunications traffic originating on the LEC's network *and* the
12 FCC rule requiring that rates of a carrier providing transmission
13 facilities dedicated to the transmission of traffic between two carriers'
14 networks recover only the cost of that trunk capacity used by an
15 interconnecting carrier to send traffic that will terminate on the
16 providing carrier's network. (Ex. 3, p. 7-10)

17
18 ... Additionally, we note that Sprint's proposal accommodates any RTC
19 concern about the distance between the RTC switches and the Sprint
20 switch, by agreeing to establish a network interconnection point in the
21 LATA in which the RTC originating switch resides.
22

23 In addition to the seven state commissions discussed in Issue No. 5, above,
24 several other state commissions have also decided that the cost of direct
25 interconnection facilities should be shared. (Ex. 3, p. 7-10)

26
27 For example, the Oklahoma Corporation Commission agreed to the
28 following, (Ex. 3, p. 7-10)

29 When both Parties agree to utilize two way facilities, charges will be
30 shared by the Parties on a proportional percentage basis as specified
31 in the Shared Facility Factor in Appendix A. ... If the parties can
32 measure actual minutes of use, they shall bill accordingly.²²

²² Application of Southwestern Bell Wireless L.L.C. for Arbitration Under the Telecommunications Act of 1996, Final Order, Oklahoma Corporation Commission, Cause No. PUD200200149, October 22, 2002, Attachment C, Joint Submission of Conformed Agreement, Section 3.1.4.

1 The Public Service Commission of Maryland stated,

2
3 The FCC's rules make each party responsible for delivering traffic to
4 the other party. Therefore, Verizon is financially responsible for
5 transporting its traffic to AT&T's switch location and AT&T is financially
6 responsible for transporting its traffic to Verizon's switch location. Two
7 points of interconnection are appropriate. Each party is responsible for
8 the cost of delivering its traffic through its network and into the
9 interconnection facility that connects the two networks. The cost of the
10 interconnection facility itself is shared consistent with the rules set forth
11 by the FCC in ¶1062 of the 1996 First Report and Order. In sum,
12 those rules require that the carriers share the cost of the
13 interconnection facility based upon each carrier's percentage of the
14 traffic passing over the facility.²³

16 IV. CONCLUSION

17 **Q. Please summarize your Direct Testimony.**

18 A. Issue 4 – Sprint has the right to interconnect with Interstate either directly or
19 indirectly, as it chooses. Sprint plans to interconnect directly at Interstate's
20 Clear Lake end office.

21
22 Issue 5 – Should Sprint choose to connect indirectly, the FCC's Calling
23 Party's Network Pays policy requires that each party is financially
24 responsible for delivering its originating traffic to the terminating carrier's
25 network. In an indirect interconnection scenario. The originating party is
26 financially responsible for all transiting costs.

²³ *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*, Order No. 79250, Public Service Commission of Maryland, Case No. 8882, page 9. [*Maryland Decision*.]

1 Issue 6 – Since Sprint intends to interconnect directly with Interstate’s
2 network, it will establish one POI on Interstate’s network, at its Clear Lake
3 end office. Both carriers are financially responsible for delivering its
4 originating traffic to the other carrier’s network.

5
6 Issue 7 – Direct interconnection facilities should be priced at forward-looking
7 rates.

8
9 Issue 8 – If the two carriers utilize a two-way facility for direct
10 interconnection, the cost of that facility should be shared based on the
11 proportionate use of that facility.

12
13 **Q. Does this conclude your Direct Testimony?**

14 **A.** Yes, it does.

