BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of Sprint Communications Company L.P. for Arbitration Pursuant to the Telecommunication Act of 1996 to Resolve Issues Relating to an Interconnection Agreement with Brookings Municipal Utilities d/b/a Swiftel Communications	)	Docket No. TC06-176

Rebuttal Testimony of RANDY G. FARRAR
On behalf of Sprint Communications Company L.P.
February 16, 2007

Public Version

REBUTTAL TESTIMONY

Randy G. Farrar

I. PURPOSE AND SCOPE OF TESTIMONY

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. Did you provide Direct Testimony in this proceeding?

A. Yes, I did.

Q. What is the purpose of your Rebuttal Testimony?

A. I provide Rebuttal Testimony to the Direct Testimonies of Peter C. Rasmusson and W. James Adkins.

II. Rebuttal of Peter C. Rasmusson

Q. On page 3, line 11 of his Direct Testimony, Mr. Rasmusson discusses the Swiftel input changes to the HAI Model. On page 34, line 10 of your Direct Testimony, you summarized Swiftel's input changes. Did you accurately capture all of Swiftel's input changes?

A. No, I missed one input change which had no impact on the analysis. I was working with Swiftel's Response to Sprint's Discovery Request No. 32, which was a list of all 1,705 (approximately) HAI Model inputs used by Swiftel. There was no indication of which inputs were HAI defaults, and which were changed by Swiftel. When manually comparing Swiftel's Response to Discovery Request No. 32 to the HAI Model Inputs Portfolio, I identified all Swiftel input changes except for one.

Q. What one Swiftel input change did you overlook?

A. I overlooked the change to "Fixed and per Line Investments – Small ICOs – Remote fixed investment – Line Size 640" (Variable 4.11.2 in the HAI Inputs Portfolio documentation, Variable 177b in Swiftel's Response to Sprint Discovery Request 32) which was increased from a default value of $94,286 to **[Begin Swiftel Confidential]** $ **[End Swiftel Confidential]**, an increase of **[Begin Swiftel Confidential]** % **[End Swiftel Confidential]**.

Q. What impact does this additional Swiftel input change have on the HAI output and on Swiftel's proposed reciprocal compensation rate?

A. None what-so-ever. The input "Fixed and per Line Investments – Small ICOs" actually consists of 48 individual investment-related inputs. Swiftel changed only one of the 48 inputs.

However, these inputs are used by the HAI Model only when HAI Variable 4.10.2 (Swiftel Input No. 177) is activated. As I discussed on page 41, line 15 of my Direct Testimony, perhaps the greatest problem with the Swiftel use of the HAI Model is that Swiftel did not "Enable" this HAI input. By "Enabling" HAI Variable 4.10.2, the model will recognize Swiftel's actual host-remote relationships. Since Swiftel did not "Enable" this input, Swiftel's change to HAI Variable 4.11.2 has no impact what-so-ever on the final result.

Q. What is the result of Swiftel's not activating HAI Variable 4.10.2?

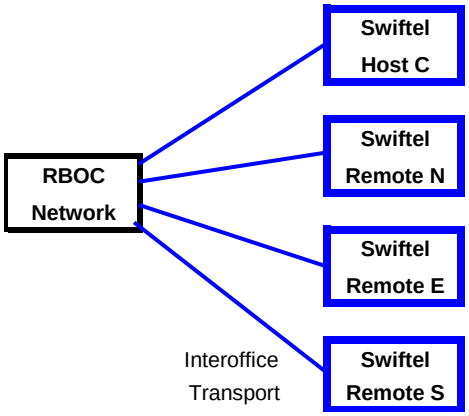
A. As I discussed on page 41, line 15 of my Direct Testimony, by not activating this input, Swiftel has significantly overstated the HAI outputs and the resulting reciprocal compensation rate.

By Swiftel "Disabling" HAI Variable 4.10.2, the HAI Model treats each of Swiftel's four offices as a stand-alone end office, when in reality Swiftel has only one end office serving as a host for three other remote end offices. This creates at least two problems which overstate Swiftel's costs.

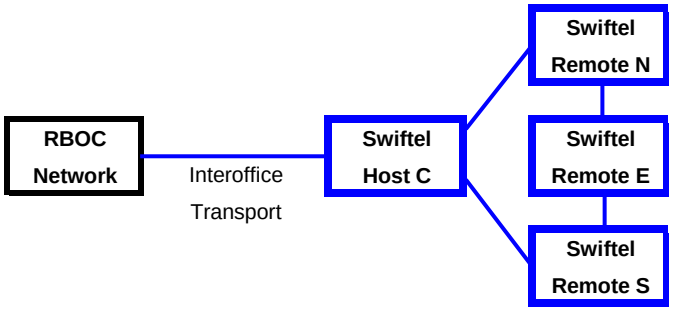
The first problem is that the HAI Model builds separate transmission facilities from each of the four Swiftel end offices to the RBOC network for ultimate transmission to the RBOC tandem. This overbuilding is magnified by the fact that these costs are assigned 100% to Swiftel, with no sharing of

this cost with the RBOC. When HAI Variable 4.10.2 is "Enabled," the model will construct a Host-Remote transmission ring with only the host end office having transmission facilities to the RBOC network. By leaving this input "Disabled," Swiftel has significantly overstated the necessary interoffice transmission facilities, as shown in the following diagram.

Transmission As Modeled By Swiftel HAI Variable 4.10.2 "Disabled"



Transmission As Modeled By Sprint HAI Variable 4.10.2 "Enabled"



The second problem is that the HAI Model constructs the common switching components in each of the four end offices, such as the central processor and power, which in reality would reside only once in the host end office.

Swiftel proposes a reciprocal compensation rate of $0.01310. Simply "Enabling" HAI Variable 4.10.2 (i.e. defining Swiftel's actual host-remote relationships) and keeping all other Swiftel inputs unchanged, reduces Swiftel's reciprocal compensation rate to $0.00924, a reduction of 29.5%.

Q. Have you updated Attachment RGF-2 to show this one additional Swiftel input change?

A. Yes. Attachment RGF-2 (Corrected) now includes HAI Input No. 177b. (Note, I also corrected a typo in Cells E29, J29, and J51, and updated the footnotes.)

Q. Are there other transmission issues concerning the HAI Model and Swiftel's network?

A. Yes. An inherent fault in the HAI Model is that it treats each independent LEC as a standalone entity when designing transmission facilities, and builds unique transmission facilities for that independent LEC to the nearest RBOC network. In reality, if an RBOC is surrounded by multiple independent LECs, transmission facilities may be designed such that several independent LECs will utilize a single fiber optic transmission ring. This is more efficient than the HAI Model assumption; thus, HAI will tend to overstate costs.

In reality, Swiftel utilizes an SDN tandem, not an RBOC tandem. This is likely more efficient than the HAI assumption.

Q. Did Mr. Rasmusson provide meaningful documentation or support for the 43 input changes to the HAI Model?

A. No. Eight of the 43 changes were justified by **[Begin Swiftel Confidential]** " " **[End Swiftel Confidential]**. 26 of the changes were justified by one of the following;

[Begin Swiftel Confidential]

-
-
-
-
-
-
-

[End Swiftel Confidential]

By definition these 26 changes reflect embedded cost information of an ILEC facing little if any local competition. By definition, they are not forward-looking.

Q. Why is documentation of inputs important?

A. Swiftel has chosen to use a model which was not designed for reciprocal compensation, and has chosen not to provide any meaningful documentation or support for its proposed inputs.

As discussed on page 34, line 10 of my Direct Testimony, the results of the HAI Model are highly sensitive to a very few number of inputs. Input changes by Swiftel in just seven areas increases Swiftel's rate for reciprocal compensation by 55%. The vast majority of Swiftel's input changes, all else equal, increase the reciprocal compensation rate.

Without meaningful input documentation, the Swiftel inputs should be rejected.

Q. On page 5, line 22, Mr. Rasmusson states, "Bill and Keep is appropriate only when the traffic subject to reciprocal compensation exchanged between the Parties is balanced. Sprint has presented no evidence demonstrating that traffic will be balance." Please comment.

A. Based on the FCC Rules, Mr. Rasmusson's logic is backwards. As I stated on page 26, line 10 of my Direct Testimony, 47 C.F.R. § 51.713(c) allows the Commission to presume traffic is roughly balanced, "unless a party rebuts such a presumption." Thus, the rules contemplate a presumption of balanced traffic until one party demonstrates otherwise. It is Swiftel who has not provided any evidence to rebut this presumption.

47 C.F.R. § 51.713(c) recognizes that Bill-and-Keep is the most efficient compensation arrangement. Bill-and-Keep eliminates the necessity for both

carriers to establish a billing system involving the ongoing measuring of traffic and the exchange of monthly invoices and payments.

As I discussed on page 28, line 12 of my Direct Testimony, even if traffic is somewhat out-of-balance, the expected volume of traffic between Sprint and Swiftel is unlikely to be significant enough to justify anything other than a Bill-and-Keep arrangement.

Q. On page 6, line 13 of his Direct Testimony, Mr. Rasmusson states, "... it can take many months or years to get to a position of balanced traffic. Some CLECs never acquire enough customers/traffic to get to a balanced position with the ILEC." Please comment.

A. This statement completely misconstrues the concept of "balanced traffic." This statement equates "balance of traffic" with the total volumes of traffic acquired by a CLEC over "many months or a few years." This is wrong.

The concept of "balance of traffic" has nothing to do with the total volume of traffic, but rather the proportion of traffic <u>exchanged directly between the two carriers</u>, regardless of whether the total volume of traffic is great or small. How many customers a CLEC has acquired does not directly affect the "balance of traffic" between two carriers. For example, assume Sprint has only 100 end-user customers. Also assume Sprint's network originates 100,000 minutes of traffic terminating to Swiftel's network per month.

Finally, assume the Sprint network terminates 100,000 minutes originating from Swiftel's network. Traffic between Sprint and Swiftel will be "balanced" (50% / 50%). The fact that Swiftel may have 10,000 customers (100 times the Sprint number of customers) has no affect on the "balance-of-traffic" concept.

Conversely, assume the same 100 Sprint end-user customers. If the Sprint network originates 150,000 minutes of traffic terminating to Swiftel's network per month, and the Sprint network terminates only 50,000 minutes originating from Swiftel's network, traffic between Sprint and Swiftel will be "out-of-balance" (75% / 25%, i.e. 75% Sprint originating, 25% Swiftel terminating).

III. Rebuttal of W. James Adkins

Q. On page 4, line 11 of his Direct Testimony, Mr. Adkins states that Swiftel does not have to provide interconnection facilities at TELRIC rates because that is a 251(c)(2) obligation only. Please comment.

A. The FCC Rules do not limit the TELRIC pricing of interconnection facilities to 251(c) interconnection. As I stated on page 17, line 14 of my Direct Testimony, Paragraph 743 of the Local Competition Order and 47 C.F.R. § 51.501, which establish forward-looking prices for interconnection facilities, are applicable to all interconnection facilities.

If the Commission believes the FCC Rules do not apply in this proceeding, then the Commission appears to have three choices for pricing interconnection facilities; either access prices, forward-looking cost based rates, or create something unique. For the same reasons that the Telecommunications Act of 1996 ("the Act") and the FCC require forward-looking cost based rates for interconnection under 251(c), the Commission should adopt the same cost standard in this proceeding. The purpose of the Act and the subsequent FCC Rules is to promote competition. Special access rates are set well above forward-looking costs. Requiring competitors to lease interconnection facilities at rates well above the ILEC's forward-looking costs places the competitor at a competitive disadvantage when compared to the incumbent LEC.

Q. Does Sprint's current ICA with Qwest allow Sprint to lease interconnection facilities in South Dakota from Qwest at cost-based prices?

A. Yes. In the current Interconnection Agreement between Sprint and Qwest, the Qwest price list contains the same cost-based prices for Section 7.3, "Interconnection – Direct Trunked Transport" and Section 9.6, "Unbundled Dedicated Interoffice Transport."

Q. What would the monthly cost be for this interconnection facility between Sprint and Swiftel?

A. This interconnection facility would require a DS1 meet-point facility provisioned by both Qwest and Swiftel. Based upon a combination of Qwest TELRIC rates and Swiftel special access rates, Sprint estimates this facility would cost approximately $370 per month. Using Qwest TELRIC rates for the entire facility, this facility would cost approximately $149. If traffic was balanced, Swiftel's share of this facility would be only $185 or $75 per month, respectively.

IV. Conclusion and Summary

Q. Please summarize your rebuttal testimony.

A. The Commission should adopt a Bill-and-Keep reciprocal compensation arrangement between Sprint and Swiftel, until one party demonstrates that traffic is significantly out-of-balance and of significant volume to justify the measurement of traffic and the exchange of bills between the two carriers.

To support its proposed reciprocal compensation rate, Swiftel chose to use a model which was not designed for reciprocal compensation, and Swiftel chose not to provide any meaningful documentation or support for their proposed inputs. The Commission should reject the HAI Model, and/or Swiftel's proposed inputs.

The Commission should require Swiftel to lease Sprint interconnection facilities at prices which reflect forward-looking costs.

Q. Does this conclude your Rebuttal Testimony?

A. Yes, it does.