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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

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IN THE MATTER OF THE PETITION OF  
VENTURE COMMUNICATIONS  
COOPERATIVE FOR SUSPENSION OR  
MODIFICATION OF LOCAL DIALING  
PARITY AND RECIPROCAL  
COMPENSATION OBLIGATIONS

PUC 7-01

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Direct Testimony of Jo Shotwell

On Behalf of Venture Communications Cooperative

June 12, 2007

DIRECT TESTIMONY  
JO SHOTWELL

1 **I. BACKGROUND**

2 **Q1: Please state your name and business address.**

3 **A:** My name is Jo Shotwell and my business address is 5929 Balcones Drive, Suite 200,  
4 Austin, Texas.

5 **Q2: Please state the name of your employer, your position, and whom you represent in**  
6 **this proceeding.**

7 **A:** I am employed with CHR Solutions, Inc. (CHR) as a Senior Vice President - Business  
8 Compliance. My responsibilities for CHR include management of the firm's state and  
9 federal regulatory practice, including regulatory policy development, contract  
10 management services, as well as overall management of the Austin office. CHR is a  
11 telecommunications management consulting company with offices in Austin, Dallas,  
12 Houston, Lubbock, Texas, and Minneapolis, Minnesota with satellite offices in other  
13 states. In this proceeding, CHR is representing Venture Communications Cooperative  
14 (Venture).

15 **Q3: Please describe your educational background and your experience within the**  
16 **industry.**

17 **A:** I graduated from Florida State University with a Bachelor of Science Degree and have  
18 been employed in the telecommunications industry approximately 39 years. I was  
19 employed with Central Telephone and Utilities, now part of the Embarq system, for over  
20 eight years in Florida and Texas. In 1977 I joined the Public Utility Commission of  
21 Texas (PUC) and worked in the engineering division until 1984. While at the PUC I was  
22 involved with certification, quality of service, access, and tariff and rate design issues for  
23 telecommunications utilities regulated by the PUC. Since 1984, I have been in the  
24 telecommunications consulting business.

1 **Q4: Have you previously appeared as an expert witness?**

2 **A:** Yes, I have appeared before the Texas PUC on numerous occasions. I have also  
3 appeared before the State of Oklahoma and the State of New Mexico telecommunications  
4 regulatory agencies. In addition, I have presented testimony in proceedings in the state  
5 District Court in Austin, Texas as well as before the Texas Legislature on issues related  
6 to telecommunications.

7 **Q5: Have you previously appeared before this South Dakota Public Utilities Commission**  
8 **(“SDPUC”)?**

9 **A:** Yes. I filed Rebuttal Pre-Filed Testimony in TC06-176, Sprint’s Petition for arbitration  
10 with Brookings Municipal Utilities d/b/a Swiftel Communications to resolve  
11 interconnection issues pursuant to the federal Telecommunications Act of 1996. I also filed  
12 Direct Testimony on behalf of Brookings Municipal Utilities d/b/a Swiftel Communications in  
13 Docket No. TC07-007 for suspension and modification of certain provisions of the federal  
14 Telecommunications Act of 1996.

15 **Q6: Please describe your experience in regard to competitive issues in the**  
16 **telecommunications arena.**

17 **A:** Since 1996, I have worked closely with the firm’s clients in responding to the obligations  
18 of the federal Telecommunications Act of 1996. This work has entailed review and  
19 analysis of the changes in law and working with our clients to assist in understanding and  
20 implementing the changes, and in addressing the issues with the new competitive  
21 entrants. I have also assisted our clients in the development of their competitive ventures  
22 in non-rural areas.

1 **II. PURPOSE OF TESTIMONY**

2 **Q7: Please state the purpose of your testimony in this proceeding?**

3 **A:** My testimony addresses whether approval of the Petition filed by Venture seeking  
4 suspension or modification of various interconnection provisions of 47 U.S.C. Section  
5 251 (b) meets the requirements of Section 251 (f)(2) of the Communications Act of 1934,  
6 as amended (Act) and is in the public interest.

7 **Q8: Are you providing legal analysis?**

8 **A:** No. I am not an attorney and the purpose of my testimony is not to provide legal analysis.  
9 Rather, my testimony is based on my experience in the industry on regulatory policy  
10 issues.

11 **Q9: Please provide an overview of the changes enacted in the Act.**

12 **A:** In 1996 Congress passed wide-sweeping changes to the Act. The changes were  
13 monumental, and the first significant legislative changes made to national  
14 telecommunications policy for many years. The legislative changes broadly defined  
15 national rules for opening the local networks of the incumbent local exchange carriers  
16 (ILECs) to local competition while at the same time maintaining the goals of universal  
17 service throughout the nation. Recognizing that the ILEC industry is comprised of more  
18 than 1,000 ILECs across the nation that vary significantly in the number of customers  
19 served, customer demographics, the geography and density of the service areas, Congress  
20 approved special provisions to address the different operating characteristics of a multi-  
21 state Bell Operating Company, the mid-size companies and the small rural companies  
22 like Venture. Congress was clear that one size of regulation does not fit all companies.  
23 Therefore, Congress enacted special provisions that allow the smallest companies across  
24 the nation to request suspensions or modification from certain requirements. In addition,  
25 the Act automatically provided rural companies an exemption from the provision of

1 interconnection, services, and network elements.

2 **Q10: Please explain your understanding of the regulatory duties of carriers as defined in**  
3 **Section 251 of the Act.**

4 **A:** Section 251 of the Act is titled “Interconnection” and outlines duties related to  
5 interconnection based on the purpose for which interconnection is sought. Section 251(a)  
6 is a general duty that applies to all telecommunications carriers, including local exchange  
7 carriers (LECs), interexchange carriers (IXCs or toll providers), and other types of  
8 telecommunication carriers. Section 251(b) outlines specific duties of all local exchange  
9 carriers and Section 251(c) outlines additional duties that apply to ILECs.

10 Section 251(a)(1) of the Act requires all telecommunications carriers “to interconnect  
11 directly or indirectly, with the facilities and equipment of other telecommunications  
12 carriers.” Section 251(a) does not require a telecommunications carrier to transport and  
13 terminate another carrier’s traffic or to directly interconnect<sup>1</sup> with another carrier, nor  
14 does 251(a) require the exchange of traffic while the duty of 251(c) is the “physical  
15 linking of two networks for the mutual exchange of traffic.”<sup>2</sup>

16 Section 251(b) outlines duties of all local exchange carriers (LECs), including ILECs and  
17 competitive local exchange carriers (CLECs) stating that “Each local exchange carrier  
18 has the following duties...” The duties under 251(b) are: resale, number portability,  
19 dialing parity, access to rights of way; and the duty to establish reciprocal compensation  
20 for transport and termination of telecommunications traffic. The Local Competition

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<sup>1</sup> Implementation of the Local Competition, Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, First Report and Order, 11 FCC Red 15499 (1996) *aff’d in part and vacated in part sub nom., Competitive Telecommunications Ass’n v. FCC*, 117 F.3d 1068 (8<sup>th</sup> Cir. 1997) and *Iowa Utils. Bd. v. FCC*, 120 F.3d 753 (8<sup>th</sup> cir. 1997), *off din part and remanded, AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366, 119 S.Ct. 721, 142 L.Ed. 2d 835 (1999); Order on Reconsideration. 11 FCC Red 13042 (1996), Second Order on Reconsideration, 11 FCC Red 19738 (1996), Third Order on Reconsideration and Further Notice of Proposed Rulemaking, FCC 97-295 (rel. August 18, 1997), (*Local Competition Order*), at para. 997, “...we find that indirect connection....satisfies a telecommunication carrier’s duty to interconnect pursuant to section 251(a).”

<sup>2</sup> Local Competition Order at para. 176.

1 Order referenced earlier states that “reciprocal compensation for transport and  
2 termination of calls is intended for a situation in which two carriers collaborate to  
3 complete a local call.”<sup>3</sup> Paragraph 1034 further explains the FCC’s intent to not disrupt the  
4 access charge regime that has been in place since 1984 designed to compensate LEC’s for use  
5 of their networks when used by interexchange carrier to either originate or terminate calls.  
6 Section 251(c) outlines additional duties for ILECs. The duties include the duty to  
7 negotiate interconnection at any technically feasible point within the carrier’s network,  
8 access to unbundled network elements, resale at a discount, and collocation.  
9 Rural ILECs have a rural exemption from the duties of Section 251(c) unless a state  
10 commission determines that the rural exemption should be lifted in accordance with  
11 Section 251(f)(1). In addition, rural ILECs have the ability to request from a state  
12 commission a suspension and modification of the Act’s Sections 251(b) and (c)  
13 requirements under Section 251(f)(2). Section 251(f) provisions demonstrate Congress’  
14 recognition that the requirements of section 251(b) and (c) may not be in the public  
15 interest for rural ILECs and their end users.

16  
17 **III. REGULATORY REQUIREMENTS FOR SUSPENSION OR MODIFICATION OF**  
18 **CERTAIN SECTION 251(b) AND (c) PROVISIONS**

19 **Q11: What is the purpose of Section 251(f)(2)?**

20 **A:** Section 251(f)(2) of the Act states:

21 “A local exchange carrier with fewer than 2 percent of the Nation’s  
22 subscriber lines installed in the aggregate nationwide may petition a  
23 State commission for a suspension or modification of the application  
24 of a requirement or requirements of subsection (b) or (c) to  
25 telephone exchange service facilities specified in such petition. The  
26 State commission shall grant such petition to the extent that, and for  
27 such duration as, the State commission determines that such

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<sup>3</sup> Local Competition Order at para. 1034.

1 suspension or modification—

2 (A) is necessary—

3 (i) to avoid a significant adverse economic impact on users  
4 of telecommunications services generally;

5 (ii) to avoid imposing a requirement that is unduly  
6 economically burdensome; or

7 (iii) to avoid imposing a requirement that is technically  
8 unfeasible; and

9 (B) is consistent with the public interest, convenience, and necessity.”

10 Consequently, Section 251(f)(2) of the Act provides rural ILECs like Venture the ability  
11 to petition their state commission to be relieved of requirements within Section 251(b) or  
12 Section 251(c) when those requirements would impose a “significant adverse economic  
13 impact on users of telecommunications services” are “unduly economically burdensome”  
14 and the relief “is consistent with the public interest, convenience, and necessity.” In this  
15 proceeding, Venture has petitioned this commission for suspension or modification of  
16 requirements of Section 251(b)(3) Dialing Parity and 251(b)(5) Reciprocal Compensation.

17 **Q12: Please state the LEC requirements of Section 251(b)(3), and (5).**

18 **A:** Section 251 (b)(3) of the Act outlines the obligation for all LECs to provide Dialing Parity  
19 Section 251(b)(3) reads:

20 “DIALING PARITY.—The duty to provide dialing parity to  
21 competing providers of telephone exchange service and telephone  
22 toll service, and the duty to permit all such providers to have  
23 nondiscriminatory access to telephone numbers, operator services,  
24 directory assistance, and directory listing, with no unreasonable  
25 dialing delays.”

26 The Act further defines Dialing Parity as: “...a person that is not an affiliate of a local  
27 exchange carrier is able to provide telecommunications services in such a manner that  
28 customers have the ability to route automatically, without the use of any access code, their  
29 telecommunications to the telecommunications services provider of the customer’s  
30 designation from among 2 or more telecommunications services providers (including such  
31 local exchange carrier)”.<sup>4</sup> Later in testimony I will further explain the difference in local

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<sup>4</sup> 47 U.S.C. § 153, Section 3 (39) Dialing Parity.



1 dialing parity and toll dialing parity.

2 Section 251(b)(5) of the Act states the obligation for all LECs to provide Reciprocal  
3 Compensation. Section 251(b)(5) reads:  
4

5 “RECIPROCAL COMPENSATION.—The duty to establish  
6 reciprocal compensation arrangements for the transport and  
7 termination of telecommunications.”  
8

9 The Act does not define Reciprocal Compensation; however, Reciprocal Compensation is  
10 an arrangement whereby an originating carrier maybe be required to compensate the  
11 terminating carrier for use of its facilities for transport and termination of traffic.  
12

13 **IV: JUSTIFICATION IN SUPPORT OF VENTURE’S SUSPENSION OR**  
14 **MODIFICATION PETITION**

15 **Dialing Parity**

16 **Q13: What is Dialing Parity?**

17 **A:** Dialing parity is generally referred to as either *Local* Dialing Parity or *Toll* Dialing  
18 Parity. Venture’s Petition concerns local dialing parity for calls from a wireline  
19 customer to a wireless customer. In its Second Report and Order on local competition,  
20 the FCC found that Section 251(b)(3) made no distinction among traffic types and “..  
21 ..creates a duty to provide dialing parity to competing providers of telephone exchange  
22 service and telephone toll service with respect to all telecommunications services that  
23 require dialing to route a call...”<sup>5</sup>

24 For *local* dialing parity, the FCC requires all LECs to “...permit telephone exchange  
25 service customers within a local calling area to dial the same number of digits to make a  
26 local telephone call, notwithstanding the identity of the customer’s or the called party’s

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<sup>5</sup> *Local Competition Second Report and Order*, 11 FCC Red at 19392; vacated in part, *California v. FCC*, 124 F.3d 934 (8th Cir. 1997); rev’d *AT& TCorp. v. Iowa Utilities Bd.*, 119 S. Ct. 721 (Jan. 25, 1999).

1 telecommunications service provider.”<sup>6</sup> In other words, all end users in a local calling  
2 area should be required to dial the same number of digits (i.e., seven or ten) to make a  
3 local telephone call to the competing carriers’ end users. Section 251(b)(3) is an  
4 interconnection requirement that is imposed only on “LECs” which by definition does  
5 not include wireless providers.<sup>7</sup>  
6

7 It is clear that local dialing parity requirements do not apply to a wireless carrier and that  
8 position is expressed by the FCC in its Second Report and Order on Local Competition at  
9 paragraph 29 where, the FCC states:

10 “Finally, we note that CMRS providers are not required to  
11 provide dialing parity or nondiscriminatory access under  
12 section 251(b)(3) because the Commission has not  
13 determined that CMRS providers are LECs and section  
14 332(c) of the Communications Act of 1934 provides that a  
15 “person engaged in the provision of commercial mobile  
16 services.. .shall not be required to provide equal access to  
17 common carriers for the provision of toll services.”<sup>8</sup>  
18  
19

20 **Q14: Does the FCC or the State Commission have the authority to define the local calling**  
21 **area of LECs for the purpose of implementing local interconnection?**

22 **A:** Although the FCC provides regulatory policy regarding local interconnection, the states’  
23 maintain regulatory authority to define the local calling area of the LECs. Generally, most  
24 state commissions recognized the local calling areas as defined in local exchange tariffs on  
25 file at the state commissions at the time the Act’s changes were passed in 1996. Calls that  
26 originate and terminate within the local calling area are local calls. For the most part, calls  
27 that do not originate and terminate in the local calling area are toll calls. A call may also be  
28 a local call, even if it originates in one local calling area and terminates in another, if it is  
29 part of an extended area service (EAS) arrangement.

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<sup>6</sup> 47 U.S.C. § 51.207 Local dialing parity.

<sup>7</sup> 47 U.S.C. § 154 Section 3 (44).

1 **Q15: Please explain Venture’s argument in this case regarding the local dialing parity issue.**

2 **A:** Venture requests a modification of wireless local dialing parity to ensure MTA-wide  
3 local calling is not required by this Commission for traffic exchanged between Venture  
4 and Alltel wireless and any other wireless carrier. For calls to wireless end users that  
5 terminate beyond Venture’s local calling area (even if such calls terminate in the MTA),  
6 Venture’s end users dial such calls using 1+ ten-digit dialing. Currently, except for some  
7 ILEC EAS arrangements, all calls that terminate outside a Venture local calling area are  
8 handed to the end user’s presubscribed IXC for transport and termination and such calls  
9 are toll calls. In accordance with FCC rules, Venture does not have the authority to  
10 arbitrarily change the end user’s choice of interexchange carrier. Venture, like all other  
11 rural ILECs, was required to strictly follow the FCC’s rules and regulations regarding  
12 equal access implementation and allow the customer to make the choice of IXC.  
13 The FCC has defined wireless local calls for reciprocal compensation purposes as calls  
14 that originate and terminate within the MTA, which extends beyond Venture’s local  
15 calling area and service area. Some wireless carriers argue that this means the ILEC  
16 must pay to transport calls to wireless carriers to any point within the MTA. As part of  
17 this argument, wireless carriers claim that a LEC must transport calls to a point of  
18 interface (i.e. interconnection point to exchange traffic) that is determined by the wireless  
19 carrier anywhere within the MTA if the wireless carrier has populated the local exchange  
20 routing guide (LERG)<sup>9</sup> so as to “rate” the call to a Venture wire center, even though the  
21 LERG dictates the “routing” of a call is beyond Venture’s local calling area. For  
22 example, if Alltel determined its point of interface to exchange local traffic is located in  
23 Eau Claire, Wisconsin (which is within the Minneapolis MTA), Venture and its end users

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<sup>8</sup> 47 U.S.C. §332(c)(8).

<sup>9</sup> The LERG is basically a North American database that all carriers use as input for routing of calls to the correct end office switch for call termination.

1 would incur the costs of transport.

2 **Q16. Does Venture's request for modification of the local dialing parity requirement in**  
3 **connection with wireline to wireless calls meet the requirements of Section**  
4 **251(f)(2)?**

5 **A.** Yes. As discussed in the testimony of Mr. Houdek, the costs and customer  
6 inconvenience that will be incurred by Venture associated with MTA-wide local calling  
7 for calls from Venture wireline customers to customers of wireless carriers will have a  
8 significant adverse impact on users of telecommunications services and will impose a  
9 requirement on Venture and its end user customers that is unduly economically  
10 burdensome.

11 **Q17. Why is this the case?**

12 **A.** Venture will have to recover any additional costs associated with MTA-wide local calling  
13 from its local ratepayers by increasing local rates. Any costs that cannot be recovered  
14 from local ratepayers will result in reduced revenues to Venture.

15 **Q18: Please explain why it is in the public interest to allow Venture to continue to require**  
16 **1+ ten-digit dialing instead of seven-digit dialing for calls that terminate beyond a**  
17 **Venture local calling area but within the MTA.**

18 **A:** To the extent that implementation of local dialing parity would require local dialing to all  
19 wireless NPA-NXXs<sup>10</sup> in the Minneapolis MTA, Venture, like many other rural ILECs,  
20 would require all local calls to be dialed on a ten-digit basis. Ten-digit dialing would be  
21 required because several NXXs are used in more than one NPA within the Minneapolis  
22 MTA.

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<sup>10</sup> "NPA" is an acronym for Number Plan Area or the area code of a telephone number and "NXX" references a code assigned to a central office or geography area. For example, in the telephone number 605.773.3201 the 605 is the area code and 773 tells the industry which central office is providing service and which office to route the call. Today, Venture's end user customers only dial 7 digits for local calling and 1+ 10-digits for a toll call.

1 The implementation of ten-digit dialing for all local calls would be disruptive to all of  
2 Venture's end users. In addition, the current toll dialing pattern, where calls that  
3 terminate beyond Venture's local calling area are dialed on a 1+ ten-digit basis and  
4 routed to an IXC, ensures that Venture does not pay for the transport of traffic beyond its  
5 service area.

6 **Q19: Please explain why it is in the public interest to allow Venture to continue to route**  
7 **traffic as it does today.**

8 **A:** It will allow Venture to avoid the significant costs identified by Mr. Thompson. It also  
9 will keep all carriers on an equal footing. As demonstrated by Mr. Houdek, currently  
10 Venture classifies a call as a local or toll call and routes those calls the same way for all  
11 customers and all carriers. Thus, a call from a Venture customer to a Venture customer is  
12 local or toll and routed the same way as a call from a Venture customer to the customer  
13 of a wireless carrier.

14 **Q20: Has the SDPUC considered whether LECs should be required to transport calls to**  
15 **wireless carriers beyond the local calling area before?**

16 **A:** Yes, the Commission granted a suspension in TC 04-060, of wireline to wireless Local  
17 Number Portability (LNP) to Venture and other incumbent LECs in South Dakota, in  
18 part, based on the cost of the same type of transport requirement in connection with  
19 wireline to wireless number porting. It appears that the Commission's decision was  
20 influenced by the fact that the issue of transport was being examined by the FCC in a  
21 pending proceeding.

22 **Q21: Has the FCC reached a decision in that proceeding?**

23 **A:** No. The wireless transport issue is still pending at the FCC.<sup>11</sup>

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<sup>11</sup> See, *In the Matter of Sprint Corp. Petition for Declaratory Ruling Regarding the Routing and Rating of traffic by ILECs*, CC-Docket 01-92, Petition of Sprint, May 9, 2002. The FCC requested comments however the matter is still pending.

1 **Q22: How do you weigh the public interest on this issue?**

2 **A:** Venture's request for a modification of wireless local dialing parity is in the public  
3 interest because it will preserve the ability of end users to dial local calls on a seven-digit  
4 basis and it avoids a tremendous increase in local costs, which could be recovered by  
5 Venture only through an increase in local rates. Granting Venture's request will preserve  
6 fair competition among all local service providers, both wireline and wireless, because it  
7 will treat calls to end users of all local service providers in an equitable manner.

8 **Q23. Are there any other public interest considerations?**

9 **A:** Yes. Approval of Venture's modification request will prevent Venture's end users from  
10 subsidizing a business decision made by a competing carrier.

11 As explained earlier in testimony, Section 251(a) allows a carrier to interconnect directly  
12 or indirectly with LECs. The decision on how to interconnect is the sole decision of the  
13 interconnection carrier. The costs of that business decision should not be borne by another  
14 carrier's end users as is being requested by Alltel in this case.

15 **Q24: Will Venture's end users forego any benefits if the Petition is granted?**

16 **A:** It is not at all clear that Venture's end users will forego any net benefits if the Petition is  
17 granted. The potential benefit to Venture's end users if the Petition is not granted is that  
18 they would no longer be assessed a separate toll charge by their IXC to make certain  
19 wireless calls and they would no longer be required to dial 1+ ten-digits for those wireless  
20 calls. However, they would have to dial ten digits for *all* local calls made within the local  
21 service area; and instead of some end users paying a separate identifiable toll charge for  
22 certain wireless calls, all end user's basic local service rates most likely would increase.  
23 Depending on the number of wireless toll calls end user customers currently make and  
24 the amount of the local service increase that may be required to recover implementation  
25 costs, it is possible that some end users would experience an overall cost savings while

1 other end users would experience an overall cost increase. In addition, ten-digit dialing  
2 would require businesses to reprogram or update their telecommunications equipment  
3 and, as a result, impose costs on them.

4 **Q25: Will there be any harm to wireless carriers if Venture’s Petition is approved?**

5 **A:** No. Approving Venture’s Petition will not impede the provision of service by any  
6 wireless carrier. The modifications requested by Venture would essentially preserve the  
7 status quo under which the wireless carriers have been operating since the implementation  
8 of the Act, during which time they have significantly increased the growth of wireless  
9 services in South Dakota and other states. There is no reason to believe that a continuation  
10 of the current practices would impede wireless services.

11 **Reciprocal Compensation**

12 **Q26: Please define reciprocal compensation?**

13 **A:** 47 CFR §51.701 -717 describes the FCC’s rules and regulations applicable to reciprocal  
14 compensation arrangements. At section 51.701 (e) the rule reads as follows:

15 “For purposes of this subpart, a reciprocal  
16 compensation arrangement between two carriers is one in  
17 which each of the two carriers receives compensation from  
18 the other carrier for the transport and termination on each  
19 carrier’s network facilities of telecommunications traffic  
20 that originates on the network facilities of the other  
21 carrier.”  
22

23 Telecommunications traffic is defined at section 51.701(b)(1) & (2) for purposes of  
24 reciprocal compensation to be:

25 “(b)( 1) Telecommunication traffic exchange between a  
26 LEC and a telecommunications carrier other than a  
27 CMRS provider, except for telecommunications traffic  
28 that is interstate or intrastate exchange access,  
29 information access, or exchange services for such  
30 access; or (2) Telecommunication traffic exchanged  
31 between a LEC and a CMRS provider that, at the  
32 beginning of the call, originates and terminates within

1 the same Major Trading Area as defined in §24.202(a)  
2 of this chapter.”

3 The transport issue discussed above along with the reciprocal compensation provisions of  
4 the Act have become an issue of great debate within the industry primarily because of the  
5 differences in how the FCC has defined the geographic area to which reciprocal  
6 compensation is due to wireless carriers.

7 **Q27: What is the reciprocal compensation argument in connection with wireless traffic?**

8 **A:** The question is whether Venture should be required to pay reciprocal compensation for all  
9 traffic originated by its end users, regardless if the call is handed to an end user’s retail  
10 IXC. In addition, Alltel has requested the reciprocal compensation rate be based on the  
11 associated network costs of Venture vs. the cost of its own network. This issue will be  
12 discussed later in testimony.

13 Currently for calls handed to an IXC, Venture assesses access charges to the IXC and  
14 does not pay reciprocal compensation on such calls. Some wireless carriers argue that  
15 even if a call is handed to an IXC, if the call originates and terminates within the MTA,  
16 the LEC must pay reciprocal compensation to the wireless carrier. The wireless carrier’s  
17 position is unreasonable in that it puts the LEC in the position of either paying a portion  
18 of the originating access revenues it receives from the IXC or arbitrarily changing the  
19 end user customer’s carrier for the call based on the number dialed by the end user. The  
20 IXC’s retail rates are designed to compensate both the originating and terminating access  
21 carriers for use of their networks to complete the IXC’s call.

22 **Q28: What is Venture’s position on this issue?**

23 **A:** Venture does not believe it should be financially responsible to compensate the wireless  
24 carriers for traffic that is handed to an IXC. Traffic that is handed to an IXC is not traffic  
25 that is “exchanged” between a wireline carrier and wireless carrier but is traffic that is



1 “exchanged” between an IXC and a wireless carrier. Venture receives no retail revenues  
2 on such calls. Venture has requested through its Petition a modification of the reciprocal  
3 compensation provision to ensure that it is not required to compensate a wireless carrier  
4 for traffic that is handed to an IXC.

5 **Q29: Is this issue currently pending before the FCC?**

6 **A:** Yes. A review of issues related to wireline and wireless reciprocal compensation along  
7 with many other intercarrier compensation issues is underway at the FCC through CC  
8 Docket No. 01-92, In the Matter of Developing a Unified Intercarrier Compensation  
9 Regime. This docket was initiated by the FCC in April 2001 with the intended purpose of  
10 reviewing all intercarrier compensation regimes.

11 **Q30: Are wireless carriers allowed to charge IXCs for terminating traffic?**

12 **A:** Yes. The FCC addressed this issue in a declaratory ruling filed by Sprint PCS in July  
13 2002.<sup>12</sup> Although this was a declaratory ruling that was referred back to the courts, the  
14 FCC did declare that a wireless provider could seek termination charges from an IXC,  
15 however, a contractual agreement between the IXC and wireless carrier was required  
16 prior to application of terminating charges. Since wireless carriers can charge IXCs for  
17 terminating traffic, it would allow double recovery to wireless carriers if Venture also  
18 was required to pay the wireless carrier reciprocal compensation.

19 **Q31: How do you weigh the public interest on this issue?**

20 **A:** Payment of reciprocal compensation for all terminating traffic to wireless carriers as  
21 requested by the wireless carriers would increase Venture’s reciprocal compensation  
22 expense. This would result in a significant adverse economic impact on end users, to the

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<sup>12</sup> Petition of Sprint PCS and AT&T Corp. for Declaratory Ruling Regarding CMRS Access Charges, FCC, WT Docket No. 01-316, Declaratory Ruling, rel. July 3, 2002 (FCC 02-203), (“Sprint Declaratory Ruling”) this action was initiated by Sprint Spectrum LP against AT&T for recovery of access charges billed by Sprint to AT&T for recovery of Sprint’s costs to terminate AT&T’s long distance calls to Sprint’s PCS end users.

1 extent that Venture flows this cost through to end users. To the extent Venture does not  
2 flow this cost through to end users, it would be burdensome on Venture. On the other  
3 hand, there would be no benefit to end users. End users still would be assessed a toll  
4 charge for calls handed to an IXC.

5 **Q32: Would approval of Venture's request harm competition or wireless carriers?**

6 **A:** No. Approval of Venture's request preserves the current reciprocal compensation regime  
7 between Venture and wireless carriers. Venture currently does not pay reciprocal  
8 compensation for calls handed to IXCs. The modifications requested by Venture would  
9 ensure that all competitors—both wireline and wireless carriers—are treated equally.  
10 Accordingly, by approving the modifications requested, all competitive carriers would be  
11 treated the same and fair competition would be advanced.

12 In addition, approving the Petition filed by Venture would not impede the provision  
13 of service by any wireless carrier. As indicated, the modifications requested by  
14 Venture would, essentially, preserve the conditions under which wireless carriers  
15 have been operating since the implementation of the Act. There is no evidence that  
16 continuation of the current practices would impede wireless competition.

17 **Q33: Venture also asks for a modification of the requirement to pay symmetrical**  
18 **compensation. Can you explain this issue?**

19 **A:** The FCC's rules require ILECs to pay reciprocal compensation to other carriers based on  
20 the ILEC's costs. In other words, pursuant to the FCC's rules, the ILEC receives  
21 reciprocal compensation from local carriers based on its cost to transport and terminate  
22 local calls. Then, under symmetrical compensation, the ILEC is required to pay  
23 reciprocal compensation to other local carriers at the same rate. This rule applies unless  
24 the ILEC receives a suspension or modification of symmetrical reciprocal compensation.

1 **Q34: Why has Venture requested a modification of this requirement?**

2 A. As estimated in the testimony of Mr. Thompson based on cost data available at this time,  
3 Venture's cost to transport and terminate local calls is much greater than the costs  
4 incurred by wireless carriers. If Venture must pay reciprocal compensation to wireless  
5 carriers based on its cost, the wireless carriers will receive excessive compensation. This  
6 will harm Venture and its customers by unnecessarily increasing their costs. Moreover, it  
7 will give wireless carriers an unfair competitive advantage by requiring Venture to  
8 subsidize the wireless carrier's operations over and above the service provided for traffic  
9 termination.

10 **Q35: How do you weigh the public interest on this issue?**

11 A: Payment of symmetrical reciprocal compensation unnecessarily and excessively increases  
12 Venture's reciprocal compensation expense. This would result in a significant adverse  
13 economic impact on end users, to the extent that Venture flows this cost through to end  
14 users. To the extent Venture does not flow this cost through to end users, it would be  
15 burdensome on Venture. On the other hand, there would be no benefit to Venture's end  
16 users.

17 **Q36: Would approval of Venture's request harm competition or wireless carriers?**

18 A: No. If Venture's request is approved, wireless carriers would be compensated for their  
19 cost to transport and terminate local traffic. The modifications requested by Venture  
20 would place Venture and wireless competitors on an equal footing in that they all would  
21 be compensated only for the costs incurred to transport and terminate local traffic.  
22 Approval of Venture's request, therefore, would promote fair competition.

23 **Q37: Does this conclude your testimony at this time?**

24 A: Yes it does.