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October 9, 2006

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Ms. Beth A. O'Donnell  
Executive Director  
Kentucky Public Service Commission  
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Frankfort, Kentucky 40602-0615

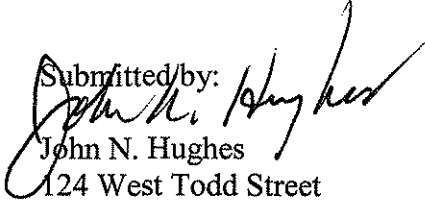
Re: Sprint Spectrum L.P. and SprintCom, Inc, d/b/a Sprint PSC: Case Nos. 2006-00215, 2006-00217, 2006-00218, 2006-00220, 2006-00252; 2006-00255; 2006-00288; 2006-00292; 2006-00294; 2006-00296; 2006-00298; 2006-00300

Dear Beth:

Attached are copies of the Rebuttal testimony of Randy Farrar on behalf of Sprint Spectrum L.P. and SprintCom, Inc., d/b/a Sprint PCS and the CMRS Providers for filing in each of the referenced cases. An additional five copies are also being filed.

If you have any questions about this filing, please contact me.

Submitted by:

  
John N. Hughes  
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and

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Counsel for: Sprint Spectrum L.P., on behalf of  
itself and Sprintcom, Inc. d/b/a Sprint PCS

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OCT 09 2006

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE  
COMMISSION

In the Matter of:

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Petition of Ballard Rural Telephone Cooperative ) Case No. 2006-00215  
Corporation, Inc. for Arbitration of Certain Terms )  
and Conditions of Proposed Interconnection )  
Agreement With American Cellular f/k/a ACC )  
Kentucky License LLC, Pursuant to the )  
Communications Act of 1934, as Amended by the )  
Telecommunications Act of 1996 )

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Petition of Duo County Telephone Cooperative ) Case No. 2006-00217  
Corporation, Inc. for Arbitration of Certain Terms )  
and Conditions of Proposed Interconnection )  
Agreement With Cellco Partnership d/b/a Verizon )  
Wireless, GTE Wireless of the Midwest )  
Incorporated d/b/a Verizon Wireless, and Kentucky )  
RSA No. 1 Partnership d/b/a Verizon Wireless, )  
Pursuant to the Communications Act of 1934, as )  
Amended by the Telecommunications Act of 1996 )

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Petition of Logan Telephone Cooperative ) Case No. 2006-00218  
Corporation, Inc. for Arbitration of Certain Terms )  
and Conditions of Proposed Interconnection )  
Agreement With American Cellular f/k/a ACC )  
Kentucky License LLC, Pursuant to the )  
Communications Act of 1934, as Amended by the )  
Telecommunications Act of 1996 )

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Petition of West Kentucky Rural Telephone ) Case No. 2006-00220  
Cooperative Corporation, Inc. for Arbitration of )  
Certain Terms and Conditions of Proposed )  
Interconnection Agreement With American )  
Cellular f/k/a ACC Kentucky License LLC, )  
Pursuant to the Communications Act of 1934, as )  
Amended by the Telecommunications Act of 1996 )

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Petition of North Central Telephone Cooperative )  
Corporation for Arbitration of Certain Terms and )  
Conditions of Proposed Interconnection Agreement )  
With American Cellular f/k/a ACC Kentucky )  
License LLC, Pursuant to the Communications Act )  
of 1934, as Amended by the Telecommunications )  
Act of 1996 )

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Case No. 2006-00252

Petition of South Central Rural Telephone )  
Cooperative Corporation, Inc. for Arbitration of )  
Certain Terms and Conditions of Proposed )  
Interconnection Agreement With Celco )  
Partnership d/b/a Verizon Wireless, GTE Wireless )  
of the Midwest Incorporated d/b/a Verizon )  
Wireless, and Kentucky RSA No. 1 Partnership )  
d/b/a Verizon Wireless, Pursuant to the )  
Communications Act of 1934, as Amended by the )  
Telecommunications Act of 1996 )

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Case No. 2006-00255

Petition of Brandenburg Telephone Company for )  
Arbitration of Certain Terms and Conditions of )  
Proposed Interconnection Agreement With Celco )  
Partnership d/b/a Verizon Wireless, GTE Wireless )  
of the Midwest Incorporated d/b/a Verizon )  
Wireless, and Kentucky RSA No. 1 Partnership )  
d/b/a Verizon Wireless, Pursuant to the )  
Communications Act of 1934, as Amended by the )  
Telecommunications Act of 1996 )

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Case No. 2006-00288

Petition of Foothills Rural Telephone Cooperative )  
Corporation, Inc. for Arbitration of Certain Terms )  
and Conditions of Proposed Interconnection )  
Agreement With Celco Partnership d/b/a Verizon )  
Wireless, GTE Wireless of the Midwest )  
Incorporated d/b/a Verizon Wireless, and Kentucky )  
RSA No. 1 Partnership d/b/a Verizon Wireless, )  
Pursuant to the Communications Act of 1934, as )  
Amended by the Telecommunications Act of 1996 )

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Case No. 2006-00292

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Petition of Gearheart Communications, Inc. d/b/a Coalfields Telephone Company for Arbitration of Certain Terms and Conditions of Proposed Interconnection Agreement With Cellco Partnership d/b/a Verizon Wireless, GTE Wireless of the Midwest Incorporated d/b/a Verizon Wireless, and Kentucky RSA No. 1 Partnership d/b/a Verizon Wireless, Pursuant to the Communications Act of 1934, as Amended by the Telecommunications Act of 1996 )

Case No. 2006-00294

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Petition of Mountain Rural Telephone Cooperative Corporation, Inc. for Arbitration of Certain Terms and Conditions of Proposed Interconnection Agreement With Cellco Partnership d/b/a Verizon Wireless, GTE Wireless of the Midwest Incorporated d/b/a Verizon Wireless, and Kentucky RSA No. 1 Partnership d/b/a Verizon Wireless, Pursuant to the Communications Act of 1934, as Amended by the Telecommunications Act of 1996 )

Case No. 2006-00296

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Petition of Peoples Rural Telephone Cooperative Corporation, Inc. for Arbitration of Certain Terms and Conditions of Proposed Interconnection Agreement With Cellco Partnership d/b/a Verizon Wireless, GTE Wireless of the Midwest Incorporated d/b/a Verizon Wireless, and Kentucky RSA No. 1 Partnership d/b/a Verizon Wireless, Pursuant to the Communications Act of 1934, as Amended by the Telecommunications Act of 1996 )

Case No. 2006-00298

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Petition of Thacker-Grigsby Telephone Company, Inc. for Arbitration of Certain Terms and Conditions of Proposed Interconnection Agreement With Cellco Partnership d/b/a Verizon Wireless, GTE Wireless of the Midwest Incorporated d/b/a Verizon Wireless, and Kentucky RSA No. 1 Partnership d/b/a Verizon Wireless, Pursuant to the Communications Act of 1934, as Amended by the Telecommunications Act of 1996 )

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Case No. 2006-00300

**REBUTTAL TESTIMONY**

**OF**

**RANDY G. FARRAR**

**ON BEHALF OF**

**SPRINT SPECTRUM L.P. AND SPRINTCOM, INC.  
D/B/A SPRINT PCS**

**AND THE CMRS PROVIDERS**

**Filed October 9, 2006**

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## I. INTRODUCTION

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

A. My name is Randy G. Farrar. I am presently a Senior Manager providing interconnection support for Sprint Nextel. My business address is 6450 Sprint Parkway, Overland Park, Kansas, 66251.

**Q. Did you previously file Direct Testimony in this proceeding?**

A. Yes, I did.

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

A. I will rebut the Direct Testimonies of RLEC witnesses Messrs. Douglas D. Meredith and Steven E. Watkins. Specifically, I will rebut Mr. Watkins and Mr. Meredith concerning issues 7, 8, 12, 13, 21, 24, and 28. Mr. Meredith's testimony does not discuss specific items on the issues matrix, instead focusing on what he claims is the "best information available" for setting RLEC rates, given the fact that the RLECs have failed to provide TELRIC-based studies. I will rebut Mr. Meredith's discussion of such claimed "best information."

## II. Rebuttal of Steven E. Watkins

**Issue 7: If a direct connection is established between a CMRS Provider and an RLEC, what terms should apply?**

**Issue 8: Pursuant to 47 C.F.R § 51.703 and 51.709, what are the parties' obligations to pay for the costs of establishing and using direct interconnection facilities?**

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**Q. Why are Issues 7 and 8 listed together in your Rebuttal testimony?**

A. Because Mr. Watkins' Direct Testimony relies upon and incorporates by reference the same rationale to address both Issues 7 and 8.

**Q. Regarding the establishment of a direct connection (Issue 7) on page 30, line 8 of his Direct Testimony, Mr. Watkins states, "The CMRS Providers, again, confuse the concept of "direct" with dedicated trunks. The CMRS Providers' issue discusses the establishment of dedicated trunks which may be either direct or indirect." [Emphasis in original]. Please discuss.**

A. It is Mr. Watkins who is deliberately confusing direct and indirect interconnection. Mr. Watkins claims that dedicated trunks may be either direct or indirect, which is a distinction without a difference. Apparently, his definition of a "direct dedicated trunk", to use Mr. Watkins' formulation, is one which passes directly between a CMRS switch and a RLEC switch; and, an "indirect dedicated trunk", again to use his formulation, is one that simply happens to pass through a third-party's wire center office even though no switching takes place (because the trunk is "dedicated"). Whether trunks do or do not pass through a third-party's wire center is an irrelevant distinction. The important distinction is whether that facility is dedicated to only interconnecting to and carrying traffic exchanged between the two networks.

1 The entire purpose of an indirect interconnection is to not require a “dedicated”  
2 facility of either kind, as described by Mr. Watkins, between the CMRS Provider  
3 and the RLEC. The absence of a dedicated connection between a CMRS Provider  
4 and an RLEC is clearly how the FCC uses the term “indirect interconnection.”  
5 Specifically, in the T-Mobile Order,<sup>1</sup> the FCC states (at Paragraph 5);

6 As the Commission recognized in the Intercarrier Compensation NPRM,  
7 CMRS providers typically *interconnect indirectly* with smaller LECs via a  
8 Bell Operating Company (BOC) tandem. In this scenario, a CMRS provider  
9 delivers the call to a BOC tandem, which in turn delivers the call to the  
10 terminating LEC. The *indirect nature of the interconnection* enables the  
11 CMRS provider and LEC to exchange traffic even if there is no  
12 interconnection agreement or other compensation arrangement between the  
13 parties. (Emphasis added.)  
14

15 **Q. Regarding the sharing of costs associated with “dedicated facilities” (Issue 8)**  
16 **on page 33, line 18-20 of his Direct Testimony, Mr. Watkins states, “The RTCs**  
17 **are only required to transport Subpart H rules Subject Traffic to an**  
18 **interconnection point within their incumbent network in the LATA with which**  
19 **they are associated.” Please discuss.**

20 **A.** The FCC’s Rules in 47 C.F.R. §§ 51.701 et. seq. entitled “Subpart H – Reciprocal  
21 Compensation for Transport and Termination of Telecommunications Traffic”  
22 establish the obligations of both the CMRS Providers and the RLECs’ with respect  
23 to the sharing of dedicated interconnection facilities. Mr. Watkins, however, is not  
24 only confusing the concept of a “point of interconnection” and “transport”, but

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<sup>1</sup> *In the Matter of Developing a Unified Intercarrier Compensation Regime T-Mobile et al. Petition for Declaratory Ruling Regarding Incumbent LEC Wireless Termination Tariffs*; CC Docket No. 01-92, Declaratory Ruling and Report and Order; Released February 24, 2005.



1 completely ignores the fact that, with respect to wireless-to-wireline exchanged  
2 traffic, LATAs are irrelevant within the Subpart H Rules.

3  
4 **Q. Is the term point of interconnection defined anywhere in the Subpart H Rules?**

5 A. No. As explained in my Direct Testimony, there is no express definition of the term  
6 in the FCC's Rules. Interconnection points are simply the respective end points of  
7 the "interconnection" facility that are used by both parties to link each party's  
8 switch to the other party's switch. The purpose served by the reference to a single,  
9 undefined "interconnection point" in the FCC's definition of "Transport" at 47  
10 C.F.R. § 51.701(c) is to simply distinguish the terminating LEC's network from the  
11 "linking" interconnection facilities for the purpose of providing the beginning point  
12 to determine the "Transport" element of reciprocal compensation.

13  
14 **Q. How do the Subpart H rules apportion the costs of dedicated transmission  
15 facilities between two parties' networks?**

16 A. Pursuant to 47 C.F.R. § 51.709 (b), the carrier that provides the transmission facility  
17 is only allowed to bill the non-providing carrier for the portion of the facility used  
18 to deliver the non-providing carrier's traffic that will terminate on the providing  
19 carrier's network.

20  
21 **Q. Do the Subpart H Rules contain any RLEC local service area, or LATA,  
22 limitation upon an RLEC or CMRS Providers' respective rights and**

1 **obligations regarding the sharing of costs associated with dedicated**  
2 **transmission facilities between the parties' networks?**

3 A. No. The only geographic limitation discussed in the Subpart H rules regarding the  
4 exchange of traffic between a LEC and a CMRS Provider is in 51.701(a) and (b) (2)  
5 which, when construed together establish that the scope of the Subpart H rules  
6 between such parties is the Major Trading Area (MTA), rather than a landline  
7 "local service area" or "LATA". Accordingly, the geographic limitations that Mr.  
8 Watkins attempts to impose upon the parties' respective interconnection obligations  
9 simply do not exist in the FCC's Subpart H Rules.

10  
11 **Issue 12: Should the Interconnection Agreement provide both reciprocal and**  
12 **net billing options?**  
13

14 **Q. On page 41, line 7 of his Direct Testimony, Mr. Watkins summarizes the**  
15 **RLECs position. Please comment.**

16 A. The RLECs have accepted the CMRS Providers' proposed language. Thus, this  
17 issue is settled.

18  
19 **Issue 13: If a CMRS Provider does not measure intercarrier traffic for**  
20 **reciprocal compensation purposes, what intraMTA traffic factors**  
21 **should apply?**  
22

23 **Q. On page 42, line 17 of his Direct Testimony, Mr. Watkins states that "The**  
24 **RTC can measure total land-to-mobile traffic that it sends to the CMRS**  
25 **Provider"** and contends there is no need for traffic factors. Please discuss.

1 A. Sprint PCS is a wireless carrier that is capable of measuring traffic that it terminates  
2 on behalf of another carrier on the Sprint PCS network. As for wireless carriers that  
3 do not measure and must rely upon factors, Mr. Watkins' assertion that the RTC  
4 can measure total land-to-mobile traffic begs the question: exactly what land-  
5 originated traffic is Mr. Watkins suggesting the RTC's will measure? Although he  
6 does not affirmatively so state, based upon the RLECs stated position to Issue 9, it  
7 would appear that even RLECs that may be capable of measuring RLEC originated  
8 traffic will still not include in such measurements RLEC-originated intraMTA  
9 traffic that the RLEC hands off to an IXC for delivery to a wireless carrier – thereby  
10 resulting in an affirmative understatement of their originating traffic.

11

12 Since CMRS Provider originating minutes will be reported by the tandem provider,  
13 the traffic factor will provide a mutually known basis for determining the amount of  
14 RLEC originating traffic that can be billed by a CMRS Provider.

15

16 **Q. On page 44, lines 16 – 33 of his Direct Testimony, Mr. Watkins proposes, as**  
17 **“best available information”, to use a mobile end user’s telephone number as a**  
18 **surrogate to determine whether a call is intraMTA or interMTA, instead of**  
19 **using the cell site that serves the mobile end user at the beginning of the. Is the**  
20 **use of a mobile end users telephone number a “surrogate” that was ever**  
21 **contemplated by the FCC?**

22 A. No, not to my knowledge.

23

1 **Q. If parties are not able to negotiate a mutually acceptable interMTA factor,**  
2 **what did the FCC contemplate that the parties would do?**

3 A. The FCC concluded that it is not necessary for parties to be able to determine  
4 geographic locations when determining the rating for any particular call at the  
5 moment the call, and that "parties may calculate overall compensation amounts by  
6 extrapolating from traffic studies and samples." Where the parties did not want to  
7 use the location of the initial cell site to determine the geographic location of the  
8 mobile end user, "[a]s an alternative, LECs and CMRS providers can use the point  
9 of interconnection between the two carriers at the beginning of the call to determine  
10 the location of the mobile caller or called party." Clearly, the FCC contemplated  
11 the use of traffic studies, and did not include the use of the mobile end user's  
12 telephone number as a surrogate to identify the mobile end user in the course of  
13 performing such studies.<sup>2</sup>

14  
15 **Issue 21: How should the following terms be defined: "Central Office**  
16 **Switch," "Interconnection Point," "InterMTA Traffic," "Interexchange**  
17 **Carrier," "Multifrequency," "Rate Center," "Subject Traffic,"**  
18 **"Telecommunications Traffic," "Termination," and "Transport."**  
19

20 **Q. Does Mr. Watkins confirm that the RLECs have accepted four of the CMRS**  
21 **Providers' proposed definitions and/or deletions?**

22 A. Yes. Mr. Watkins confirms that the RLECs have accepted the CMRS Providers'  
23 proposed definition for the terms "Central Office Switch," "Termination," and  
24 "Transport," and the deletion of the term "Multifrequency,"

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<sup>2</sup> *In Re: Implementation of the Local Competition Provision of the Telecommunications Act of 1996, and Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, Order No. FCC 96-325, CC Docket Nos. 96-98 and 95-185, paragraph 1044 (Released Aug. 8, 1996).*

1

2 **Q. Do the CMRS Providers stand on their previously stated positions and**  
3 **proposed language with regard to the definitions not accepted by the RLECs?**

4 A. Yes.

5

6 **Issue 24: Should the CMRS Providers be required to provide “rolling” six**  
7 **months’ forecasts of “traffic and volume” requirements?**

8

9 **Q. On page 67, line 6 of his Direct Testimony, Mr. Watkins summarizes the**  
10 **RLECs’ position on Issue 24. Please comment.**

11 A. The CMRS Providers will agree to Mr. Watkins’ proposed language, agreeing to  
12 annual forecasts in a form that is mutually determined by the parties. Thus, this  
13 issue is settled.

14

15 **Issue 28: Should the CMRS Providers be allowed to expand their networks**  
16 **through management contracts?**

17

18 **Q. On page 71, line 7 of his Direct Testimony, Mr. Watkins objects to the CMRS**  
19 **Providers’ proposed language. Please discuss.**

20 A. The Commission should accept the CMRS Providers’ proposed language for the  
21 following four reasons. First, as discussed on pages 34 – 35 of my Direct  
22 Testimony, CMRS Providers routinely expand their networks as a part of ordinary  
23 business practice. The interconnection agreement between the parties should not  
24 interfere with the normal course of business.

25

1 Second, contrary to Mr. Watkins' claim, I did provide another example where  
2 similar language is contained in a Commission-approved direct interconnection  
3 agreement between Sprint PCS and the Brandenburg Telephone Company.  
4

5 Third, as I stated in my Direct Testimony, such language will assure that "traffic  
6 originating or terminating on the network of a CMRS Provider, regardless of the  
7 underlying business relationship, remains subject to the interconnection contract on  
8 the same terms, conditions **and rates** as traffic that originates and terminates on the  
9 CMRS Providers' existing, core network" (emphasis added). This assures that the  
10 RLECs will continue to be compensated monetarily for all additional traffic  
11 terminated to their networks from the CMRS Providers.  
12

13 Fourth, the language proposed by the CMRS Providers in these consolidated cases  
14 is identical to language proposed by CMRS Providers in a recent Tennessee  
15 arbitration involving a number of RLECs. The Tennessee Regulatory Authority  
16 adopted the CMRS Providers general terms and conditions, which included the  
17 disputed language.  
18

1 **III. Rebuttal of Douglas D. Meredith**

2  
3 **A. Rate for Reciprocal Compensation**

4  
5 **Q. Beginning on page 9, line 19 of his Direct Testimony, Mr. Meredith presents**  
6 **four “categories” of “Best Available Information.” His first “category” is**  
7 **“existing rural ILEC agreements.” Please comment.**

8 **A.** This argument is simply a repeat of the arguments presented by RLEC witness Mr.  
9 Watkins in his August 16, 2006 Preliminary Testimony. As I discussed on pages 10  
10 – 11 of my Direct Testimony, such an observation is irrelevant. Reciprocal  
11 compensation rates in any existing contracts are *negotiated* rates. By definition,  
12 they are not TELRIC-compliant. The negotiation process is a give-and-take process  
13 in which the rate for reciprocal compensation is just one of many issues considered.  
14 It is not reasonable to conclude that a *negotiated* rate, taken out-of-context of the  
15 entire agreement, would be considered acceptable on its own.

16  
17 **Q. Beginning on page 13, line 19, Mr. Meredith’s second “category” of “Best**  
18 **Available Information” is “information related to other jurisdictions.” Please**  
19 **comment.**

20 **A.** Negotiated rates in other jurisdictions are just as irrelevant as negotiated rates in  
21 Kentucky.

1 **Q. Beginning on page 15, line 16, Mr. Meredith's third "category" of "Best**  
2 **Available Information" is the use of switched access rates. Please comment.**

3 **A.** This argument is another that was originally presented by Mr. Watkins in his  
4 August 16, 2006 Preliminary Testimony. As I discussed on page 12 of my Direct  
5 Testimony, access rates are irrelevant. Access rate were explicitly rejected by both  
6 the Telecom Act of 1996 and by the FCC for reciprocal compensation traffic, which  
7 require forward-looking, cost-based rates. Switched access rates include embedded  
8 costs and are not appropriate to use as a substitute for forward-looking rates.

9  
10 **Q. Beginning on page 13, line 19, Mr. Meredith's fourth "category" of "Best**  
11 **Available Information" is the use of the FCC's default proxies. Please**  
12 **comment.**

13 **A.** Beginning on page 7, line 7 through page 9 of my Direct Testimony, I discuss  
14 extensively the use of the FCC's proxy rates as initial rates, until the RLECs fulfill  
15 their statutory and Commission-ordered requirement, to provide TELRIC studies  
16 for review by all parties. Applying the FCC proxy rate principles to the RLECs  
17 produces a composite rate of \$0.004932/MOU, as shown in my Attachment RGF-1.

18  
19 **Q. How does your proxy-derived rate of \$0.004932 compare to Mr. Meredith's**  
20 **analysis?**

21 **A.** Mr. Meredith arrives at a range of \$0.01160 to \$0.02343, which is 2.35 to 4.75  
22 times greater than my calculated composite rate.

23



1 **Q. Why are Mr. Meredith's proxy-derived rates so much greater than yours?**

2 A. There are two main reasons. First, he does not actually use the proxy rates, but  
3 instead artificially inflates the individual rate elements.

4

5 Second, he improperly applies rate elements when the corresponding function is not  
6 involved in terminating a call.

7

8 **1) Local Switching Rate Element**

9

10 **Q. On page 20, line 11 of his Direct Testimony, Mr. Meredith states that the**  
11 **FCC's local switching proxy rate is \$0.004. Is this correct?**

12 A. No. The FCC set a range of \$0.002 to \$0.004 for local switching. Mr. Meredith  
13 simply uses the upper bound, whereas the CMRS Providers have proposed using  
14 the mid-point of the FCC's range, i.e. \$0.003.

15

16 **Q. Beginning on page 20, line 21 of his Direct Testimony, Mr. Meredith suggests**  
17 **inflating the proxy rate for local (end office) switching by applying an FCC**  
18 **DEM weighting factor, ranging from 2.0 to 3.0 times. Is this reasonable?**

19 A. No. The result is to artificially inflate the upper bound of the FCC default proxy of  
20 \$0.004 to a rate as high as \$0.012. It is unreasonable for at least two reasons. First,  
21 neither the FCC Local Competition Order nor 47 C.F.R § 51 arbitrarily inflate the  
22 default proxies in such a manner. To the contrary, these rates were set to apply to  
23 all LECs, not just large LECs. In other words, the range provided already takes into

1 consideration the differences between large ILECs and small ILECs. In addition,  
2 the Commission should note that when the FCC adopted the upper bound of \$0.004,  
3 it specifically commented on USTA's proposal that switching proxies be set at  
4 \$0.013. The FCC specifically said (at Paragraph 813);

5 USTA's estimate of 1.3 cents (\$0.013) appears to be an outlier that is  
6 significantly higher than the other estimates. We find that USTA's estimate  
7 does not represent an appropriate cost model for termination of traffic.  
8

9 Thus, Mr. Meredith's use of a weighting factor would have the effect of increasing  
10 proxy rates to a level the FCC specifically found to be inappropriate and unjustified.  
11

12 Second, he mischaracterizes the DEM (Dial Equipment Minutes) weighting factor.

13 The DEM weighting factor deals with jurisdictional allocations, not costs.  
14

15 His own description of the DEM weighting factor, "the FCC's own method of  
16 adjusting for increased switching costs in calculating local switching support," does  
17 not support inflating the rates for reciprocal compensation. In fact, the DEM  
18 weighting factor is used solely to increase the allocation of switching costs by  
19 RLECs to the interstate jurisdiction in an environment of monopoly-era access  
20 charges, which are calculated using embedded costs. FCC regulations [47 C.F.R. §  
21 51.505(d)(1)] specifically prohibit the consideration of embedded costs in  
22 establishing rates for reciprocal compensation. By allocating a higher percentage of  
23 their switching costs to the interstate jurisdiction, RLECs are able to reduce their  
24 intrastate jurisdictional costs, thereby increasing interstate subsidies and lowering

1 local rates. Simply put, the DEM weighting factor was never intended to be used in  
2 the manner suggested by Mr. Meredith.

3  
4 **Q. Is there any reason to inflate the FCC's proxy rates for local (end office)**  
5 **switching?**

6 A. No, for at least two reasons. First, as already discussed in my Direct Testimony, the  
7 CMRS Providers' proposed end office switching rate of \$0.0030 is already two and  
8 one-half times the Commission-approved BellSouth TELRIC rate. The CMRS  
9 Providers' proposed rate provides ample allowance for the higher costs of the  
10 RLECs as compared to BellSouth.

11  
12 Second, the FCC proxy rates for switching were established in 1996 (reflecting data  
13 that could be no more recent than 1995). It is generally recognized that switching  
14 costs have decreased since 1995. For example, according to the AUS Telephone  
15 Plant Index,<sup>3</sup> the cost of digital switching investment has decreased by 29.0% since  
16 1995.

17  
18 **2) Tandem Switching Rate Element**

19  
20 **Q. Beginning on page 20, line 21 of his Direct Testimony, Mr. Meredith also**  
21 **suggests inflating the proxy rate for tandem switching of \$0.0015 by applying**

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<sup>3</sup> *AUS Telephone Plant Index*, Cost Trend Tables from 1946 to January 1, 2006, AUS Consultants, 2006.

1           **the same FCC DEM weighting factor, ranging from 2.0 to 3.0 times. Is this**  
2           **reasonable?**

3    A.   No, for all of the same reasons discussed above. Mr. Meredith's proposal will  
4           artificially inflate the proxy tandem switching rate from \$0.0015 to a range of  
5           \$0.0030 to \$0.0045. In addition, the DEM weighting factor as actually used by the  
6           FCC is not applied to tandem switching, as suggested by Mr. Meredith. Finally, as  
7           discussed in my Direct Testimony, the CMRS Providers' proposed tandem  
8           switching rate of \$0.0015 is nearly eight times the Commission-approved BellSouth  
9           TELRIC rate. Again, the CMRS Providers' proposed rate provides ample  
10          allowance for the higher costs of the RLECs as compared to BellSouth.

11  
12    **3) Transport rate Element**

13  
14    **Q.   On page 21, line 17 of his Direct Testimony, Mr. Meredith states, "I supervised**  
15          **the development of the RLEC transport proxies and they range from \$0.00060**  
16          **to \$0.00693 per minute of use. Is this reasonable?**

17    A.   Since Mr. Meredith does not provide any documentation of his calculations, it is  
18          impossible to comment on his methodology. It is not clear whether he artificially  
19          inflates these figures with the DEM factors discussed above. Regardless, the high  
20          end of his range is more than eleven times the lower end of his range, which does  
21          not seem reasonable. My calculations, detailed on Attachment RGF-5 of my Direct  
22          Testimony, produce a composite rate of \$0.000905 which falls within the lower end  
23          of his range. However, the top of his range is nearly eight times my calculated rate.

1

2 **Q. How has Mr. Meredith applied this rate element?**

3 A. Actually, I may apply this rate element in a more RLEC-friendly manner than does  
4 Mr. Meredith. Mr. Meredith applies his transport rate element one time to every  
5 terminating minute. I identify each of three transport circuits individually, i.e.  
6 meet-point to tandem transport, tandem office to end office transport, and end office  
7 to remote transport, as seen on Attachments RGF-1, RGF-2, RGF-6, and RGF-7. In  
8 other words, I apply the transport rate element as many as three times to each  
9 terminating call, while Mr. Meredith only applies it once.

10

11 However, since I do not know how he calculated his transport rate element, this  
12 difference in application may be reflected in that rate development. This may also  
13 account for his much higher transport rate.

14

15 **4) Application of Proxy Rates**

16

17 **Q. Does Mr. Meredith properly apply the individual rate elements?**

18 A. No. He simply adds all three individual rate elements together and proposes to  
19 apply this rate to every terminating minute.

20

21 **Q. Why is it not correct to universally apply all rate elements?**

1 A. A particular rate element should only be applied when the corresponding network  
2 element is involved in terminating a call. Not all rate element functions are  
3 involved in every terminating call.  
4

5 **Q. Please provide an example.**

6 A. On page 20, line 4 of his Direct Testimony, Mr. Meredith states, "The second proxy  
7 is for tandem switching which would apply for all the RLECs (each of which have  
8 tandem functionality, e.g., have a Class 4/5 switch."  
9

10 This is not correct. While it may be true that each RLEC has a Class 4/5 switch, it  
11 is absolutely incorrect to assume each one of these switches provides a tandem  
12 function when terminating every call to an RLEC.  
13

14 **Q. What is a Class 4/5 switch?**

15 A. A Class 4/5 switch is a single switch which has the software to allow it to perform  
16 both a Class 4 toll switching function, and a Class 5 end office switching function.  
17 (Note that it is not a separate Class 4 and a separate Class 5 switch at the same  
18 location.) A Class 4 function is a tandem switching function connecting an  
19 incoming trunk from one switch to an outgoing trunk to another switch. A Class 5  
20 function is an end office function connecting an incoming trunk to a line-side  
21 connection to the terminating end user.<sup>4</sup>  
22

---

<sup>4</sup> End office switches can also connect one line to another line for intraoffice calling, such as calling one's next door neighbor.

1 **Q. Are the Class 4 and Class 5 designations relevant to reciprocal compensation?**

2 A. No, such toll designations are irrelevant to reciprocal compensation. What is  
3 relevant is whether the end office switch in question is actually performing a trunk-  
4 to-trunk tandem function when terminating a call subject to reciprocal  
5 compensation.

6

7 When tracing the call path of a terminating call subject to reciprocal compensation,  
8 an end office switch will perform either a tandem function, or an end office  
9 function, depending on the particular call path, but never both functions for the  
10 same call. For many of the RLECs, the end office switch does not perform a  
11 tandem function when terminating a call for reciprocal compensation. For some of  
12 the RLECs, the end office switch performs a tandem function for only a portion of  
13 the terminating traffic.

14

15 **Q. Please provide an example of an RLEC to which a tandem switching rate**  
16 **would not apply.**

17 A. Attachment RGF-6 illustrates the network configuration of the Ballard Rural  
18 Telephone Cooperative Corporation, Inc. (“Ballard”) according to the LERG  
19 database.<sup>5</sup> Ballard has an end office switch in the La Center exchange, which also  
20 serves remotes in six other exchanges (Bandana, Barlow, Gage, Heath, Kevil, and  
21 Wickliffe).

22

---

<sup>5</sup> Telcordia Technologies, Local Exchange Routing Guide.

1 For any call terminating to a customer served directly by the La Center switch, or  
2 any of its six remotes, the La Center switch performs only an end office switching  
3 function.<sup>6</sup> There is no trunk-to-trunk tandem switching function to another end  
4 office.

5  
6 Therefore, the tandem rate element would never apply for terminating reciprocal  
7 compensation traffic to any Ballard exchange. Host-remote transport will only  
8 apply to traffic actually terminated to one of the six remote-served exchanges.

9  
10 **Q. Please provide an example of an RLEC to which a tandem switching rate**  
11 **applies to some, but not all traffic.**

12 A. Attachment RGF-7 illustrates the network configuration of the Duo County  
13 Telephone Cooperative Corporation, Inc. ("Duo County") according to the LERG  
14 database. Duo County has an end office switch in the Russell Springs exchange,  
15 which also serves a remote in the Fairplay exchange.

16  
17 For any call terminating to a customer served directly by the Russell Springs switch  
18 or the Fairplay remote, the Russell Springs switch performs only an end office  
19 switching function. There is no trunk-to-trunk tandem switching function involved.

20 Therefore, for terminating reciprocal compensation traffic to either the Russell  
21 Springs or Fairplay exchanges, the tandem switching rate element never applies.

---

<sup>6</sup> The presence of a remote switch does not require a separate switching rate element. A remote switch is simply a piece of the host end office switch located several miles (versus several feet) from the remainder of the end office switch. There are no additional switching components involved in a remote terminated call versus a host terminated call.



1 Host-to-remote transport will only apply to traffic actually terminated to the  
2 Fairplay remote-served exchange.

3  
4 However, the Burkesville and Jamestown exchanges are served by separate end  
5 offices. Traffic terminating to either the Burkesville or Jamestown exchanges will  
6 be tandem switched by the Russell Springs switch. Thus the tandem switching rate  
7 element, and tandem-to-end office transport, will apply only to traffic terminating at  
8 the Burkesville or Jamestown exchanges.

9  
10 **Q. What is the result of properly applying the individual rate elements to the**  
11 **RLECs in this proceeding?**

12 A. Attachment RGF-1, attached to my September 29, 2006 Direct Testimony, applies  
13 the separate rate elements (i.e., tandem switching, transport, and end office  
14 switching) in the proper manner. For the RLECs combined, I estimated that the  
15 tandem switching rate element applies to only 25.43% of total terminating traffic.  
16 The composite rate for reciprocal compensation for all RLECs is \$0.004932.

17  
18 **Q. Have you calculated the composite rate for reciprocal compensation for each**  
19 **individual RLEC?**

20 A. Yes, the result is shown in Attachment RGF-8.

21

1 **Q. Should the Commission choose the rate and/or methodology shown in**  
2 **Attachment RGF-1 and/or RGF-8, do you have any suggested changes for the**  
3 **Commission's consideration?**

4 A. Yes. In attachment RGF-4, Column E, I estimate the amount of traffic to each  
5 exchange by using US Census population data. The preferred method would have  
6 been to use actual access line counts by individual exchange,<sup>7</sup> but I did not have  
7 access to this data. However, this information should be readily available  
8 information from the individual RLECs and would improve the results.

9

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

11 A. Yes, it does.

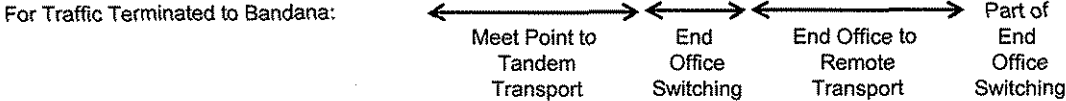
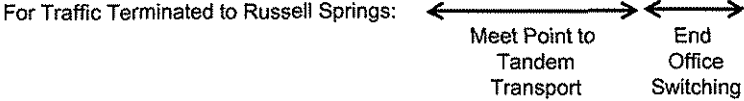
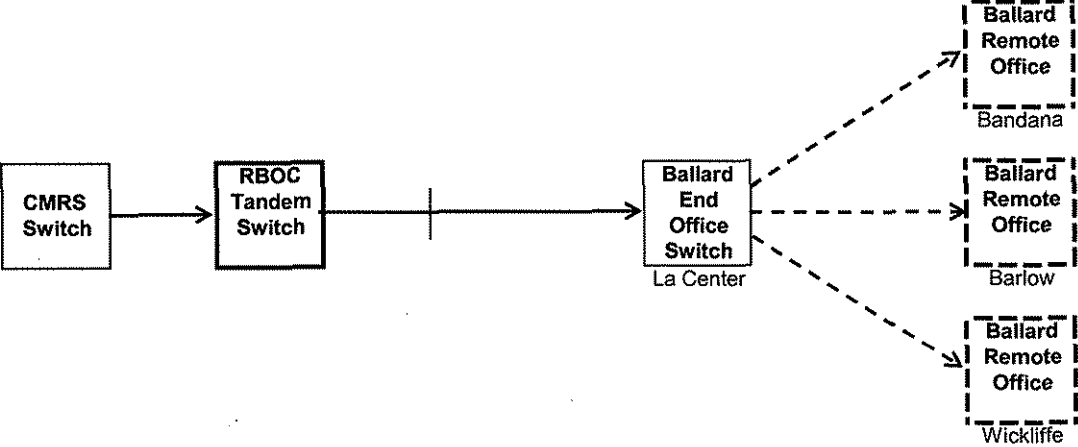
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<sup>7</sup> Actual MOU traffic by each exchange would be ideal, but I would not expect such information to be readily available from the individual RLECs.

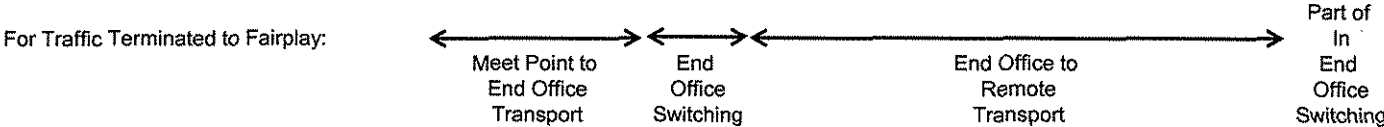
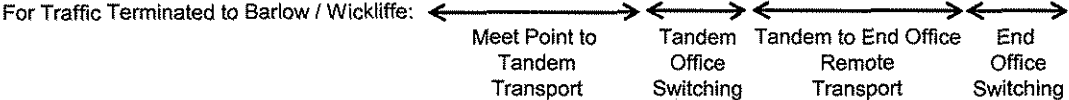
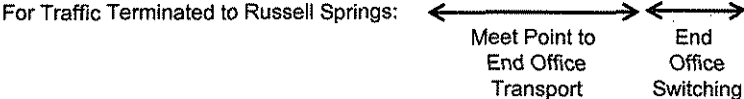
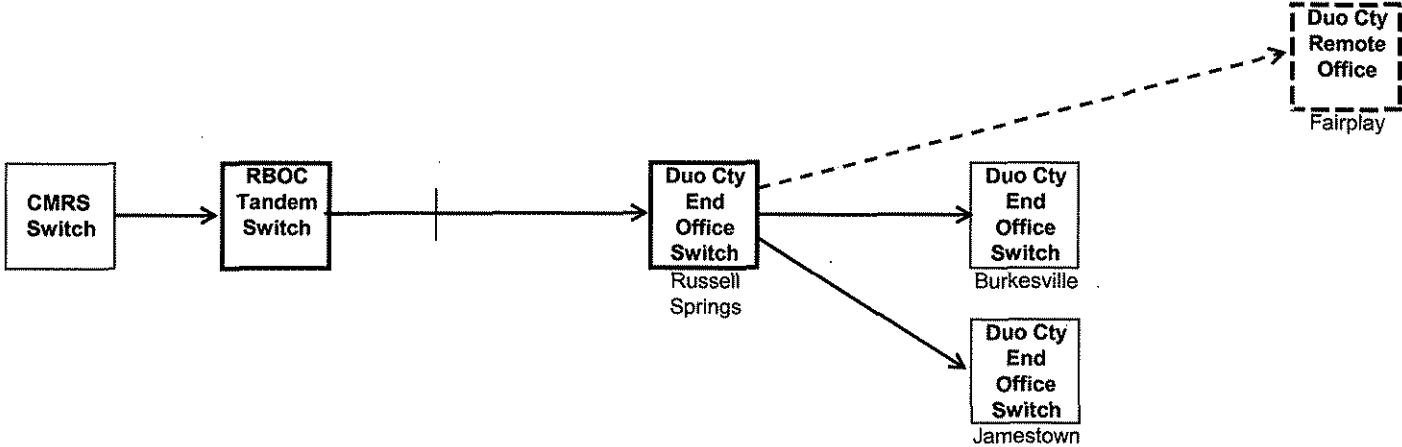
**Ballard Rural Telephone Cooperative Corporation, Inc.**

**LERG Network Arrangement  
Application of Reciprocal Compensation Rate Elements**

Note: Ballard has six remotes behind the La Canter End Office. Only three are shown for illustrative purposes.



**Duo County Telephone Cooperative Corporation, Inc.**  
**LERG Network Arrangement**  
**Application of Reciprocal Compensation Rate Elements**



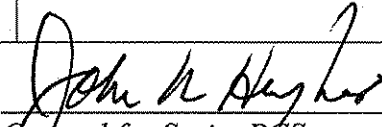
Initial FCC Rate Elements  
By Individual RLEC

Company	Composite Rate
Ballard	\$ 0.004856
Brandenburg	0.004571
Coalfields (Gearheart)	0.005015
Duo County	0.005236
Foothills	0.004896
Logan	0.005463
Mountain	0.005312
North Central (TN)	0.007403
Peoples	0.004500
South Central (3)	0.003752
Thacker-Grisby	0.005635
West Kentucky	0.006404
Total Composite	0.004932

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing document was served on the parties listed below by electronic mail, or by depositing same in the United States mail, First Class and postage prepaid, the 9th day of October, 2006.

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\_\_\_\_\_  
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