

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<p style="text-align:center"><b>An Investigation into the Intrastate Switched Access Rates of All Kentucky Incumbent and Competitive Local Exchange Carriers</b></p>
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**Adm. Case No. 2010-00398**

**REBUTTAL TESTIMONY OF JOSEPH GILLAN  
ON BEHALF OF  
THE KENTUCKY CABLE TELECOMMUNICATIONS ASSOCIATION,  
TW TELECOM, LEVEL 3, AND PAETEC**

1       **Q.     Please state your name and business address.**

2

3       A.     My name is Joseph Gillan. My business address is P. O. Box 7498, Daytona  
4             Beach, Florida 32116.

5

6       **Q.     On whose behalf are you testifying in this proceeding?**

7

8       A.     I am testifying on behalf of the Kentucky Cable Telecommunications Association,  
9             tw telecom of kentucky llc, Level 3 Communications, LLC, and US LEC of Ten-  
10            nessee LLC d/b/a PAETEC Business Services. I previously filed direct testimony  
11            on behalf of these parties.

12

13       **Q.     What is the purpose of your rebuttal testimony?**

14

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1       A.     The purpose of my rebuttal testimony is to briefly respond to AT&T’s Plan to  
2             reduce its access expense (and, therefore, increase its profits) in Kentucky. My  
3             testimony on the AT&T Plan is limited, however, because AT&T is  
4             simultaneously sponsoring a *different* proposal at the FCC that would apply to the  
5             very same intrastate access rates at issue in this proceeding. Because the FCC is  
6             likely to issue a decision that will render the testimony filed here obsolete,<sup>1</sup> I  
7             address only the most fundamental flaws in its plan.

8

9       **Q.     What is the most serious problem with the AT&T Plan?**

10

11       A.     The most critical flaw is AT&T’s attempt to posture a proposed revenue  
12             replacement fund as a “universal service fund,” thereby hoping to wrap its private  
13             interest in lower access costs (and higher profits) in a public-interest cloth.  
14             AT&T’s Plan accelerates access reductions ahead of local rate increases and,  
15             therefore, creates a revenue gap that it proposes to fill through what it labels a  
16             “universal service fund.”<sup>2</sup> It is not clear from its testimony that even AT&T

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<sup>1</sup> It is generally understood that the FCC is hoping to address intercarrier compensation and universal service reform at its October meeting, which is scheduled for October 27, 2011. See *Usf-Icc Order Looks Good For October, But What's Inside It Remains A Mystery*, TR Daily, September 29, 2011.

<sup>2</sup> I note that while AT&T proposes to reduce the revenues of *all* local exchange carriers, it only proposes to offset those lost revenues for incumbents.

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1 believes there is any legitimate threat to universal service in Kentucky, but (with  
2 apologies to Glenn Frey) the lure of easy profits costs can have a very strong  
3 appeal.

4  
5 The facts are that ILECs have been experiencing access line and minute loss for  
6 years, and have adjusted without any public subsidy.<sup>3</sup> Consumers have been  
7 enjoying lower prices and more useful alternatives (again for years), without  
8 being asked to pay reparations to the incumbent local exchange carriers that they  
9 left. AT&T has offered no evidence that affordable phone service would be  
10 jeopardized in Kentucky by a rational transition reducing intrastate access charges  
11 that gives both incumbents and CLECs an opportunity to adapt to lower  
12 intercarrier revenues. It is only AT&T's desire for immediate financial gain that  
13 underlies its recommendation to reduce access charges first, and then adjust local  
14 rates second.

15  
16 **Q. Are you recommending any specific transition at this time?**

17  
18 A. No. I cannot recommend that the Commission adopt any specific plan at this time  
19 because (as noted above) the FCC is considering a fundamental restructuring of

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<sup>3</sup> See, for instance, Direct Testimony of Dr. Oyefusi at 18.

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1           the nation’s intercarrier compensation system that would directly answer the  
2           central questions of this proceeding – *i.e.*, how should terminating prices be set  
3           and by whom, as well as whether external revenue support should be provided to  
4           incumbents during a transition. The parties’ direct testimony in this proceeding is  
5           grounded on the assumption that the status quo (in terms of regulatory authority  
6           and policy objective) will remain undisturbed by the FCC. In my view, however,  
7           the most unlikely scenario is that *nothing* will change (although it is impossible to  
8           predict exactly what changes will occur).

9  
10           Significantly, since direct testimony was filed, AT&T (and other large and mid-  
11           sized ILECs) filed a plan that would effectively eliminate the Kentucky  
12           Commission’s jurisdiction to address intrastate access reform.<sup>4</sup> As an indication  
13           of how seriously the FCC responded to the *ABC Proposal*,<sup>5</sup> the FCC requested

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<sup>4</sup> It is somewhat ironic that AT&T sponsored testimony in Kentucky on July 8<sup>th</sup> encouraging the Kentucky Commission to act without regard to the FCC, and then three weeks later asked the FCC to preempt the Kentucky Commission (and all other state commissions) from having the authority to do so.

<sup>5</sup> See Letter to Marlene Dortch, Secretary, Federal Communications Commission, In re: Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; Universal Service Contribution Methodology, WC Docket No. 06-122; Numbering Resource Optimization, CC Docket No. 99-200; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98; Intercarrier Compensation for ISP-

(continued ...)

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1 comment on the proposal only three business days after it was filed.<sup>6</sup> The *ABC*  
2 *Proposal* asks the FCC to “adopt rules that preempt, prospectively, state  
3 intercarrier compensation rules that differ from the uniform federal regime [as  
4 described by the *ABC Proposal*], whether with respect to originating or  
5 terminating traffic.”<sup>7</sup> Moreover, the *ABC Proposal* includes a transitional revenue

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Bound Traffic, CC Docket No. 99-68; IP-Enabled Services, WC Docket No. 04-36, by Robert W. Quinn, Jr., AT&T, Steve Davis, CenturyLink, Michael T. Skrivan, FairPoint Communications, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, Michael D. Rhoda, Windstream, filed July 29, 2011 (“*ABC Ex Parte*”).

In addition, a coalition of associations representing rural ILEC interests – the Organization for the Protection and Advancement of Small Telephone Companies (OPATSCO), the National Telecommunications Cooperative Association (NTCA), and the Western Telecommunications Alliance – simultaneously filed a companion plan for rate-of-return carriers that is also premised on a federal plan for intercarrier compensation. See Letter to Marlene Dortch, Secretary, Federal Communications Commission, *In re: Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Lifeline and Link-Up*, WC Docket No. 03-109; *Universal Service Contribution Methodology*, WC Docket No. 06-122; *Numbering Resource Optimization*, CC Docket No. 99-200; *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98; *Intercarrier Compensation for ISP-Bound Traffic*, CC Docket No. 99-68; *IP-Enabled Services*, WC Docket No. 04-36, by Robert W. Quinn, Jr., AT&T, Steve Davis, CenturyLink, Michael T. Skrivan, FairPoint Communications, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, Michael D. Rhoda, Windstream, Shirley Bloomfield, National Telecommunications Cooperative, John Rose, OPASTCO and Kelly Worthington, Western Telecommunications Alliance, filed July 29, 2011 (“*Rural ILEC Ex Parte*”).

<sup>6</sup> See Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, Public Notice, WC Docket Nos. 10-90, 07-135, 05-337, 03-109; CC Docket Nos. 01-92, 96-45 and GN Docket No. 09-51, Released August 3, 2011.

<sup>7</sup> *ABC Ex Parte*, Attachment 5 (Legal Authority White Paper), at 2.

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1 replacement arrangement and schedule of increases in the federal subscriber line  
2 charge intended to address the financial implications of the plan.<sup>8</sup>

3  
4 It is not my purpose here to address the merits and/or flaws of the *ABC Proposal*.  
5 Rather, my point is that it is impossible to responsibly recommend any state-  
6 specific reform while a plan that so fundamentally restructures the  
7 regulatory/compensation landscape is being actively addressed by the FCC.

8  
9 This is a time for caution, with the likelihood of federal access and universal  
10 service reform higher than it has ever been (in my lifetime). Whether the FCC  
11 federalizes all intercarrier compensation – or merely adopts changes affecting  
12 interstate access and reciprocal compensation prices where its authority is  
13 unambiguous – much of the testimony filed in this proceeding will be obsolete.  
14 Accordingly, I have focused on providing a high-level criticism of the AT&T  
15 Plan, rather than attempting to correct its proposal with concrete changes. There  
16 will almost certainly be issues that the Commission needs to address once the  
17 federal dust settles, but the fact is that the only rational approach at this juncture is  
18 to await federal action (or inaction, if that be the outcome).

19  

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<sup>8</sup> *Ibid.*, at 39.

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1       **Q.    Has AT&T indicated the types of circumstances in which a universal service**  
2       **fund might be appropriate?**

3  
4       A.    Yes. Dr. Oyefusi recognizes that a universal service fund might be appropriate if  
5       needed in order for there to be service *available*, or to help low income consumers  
6       *afford* telephone service:

7                   Most consumers now have access to multiple service options. Universal  
8                   service no longer implies the near-ubiquitous participation on a single  
9                   telecommunications network, and so it cannot be maintained with the  
10                  same implicit subsidies.

11                  That said, to the extent the Commission finds that subsidies  
12                  are still appropriate for some (*e.g.*, high cost) areas or (*e.g.*, low  
13                  income) customer groups, those subsidies should be *explicit* (as  
14                  opposed to the hidden, implicit subsidies in access charges), and  
15                  they should come from a universal service fund to which all  
16                  consumers contribute in a competitively and technologically  
17                  neutral manner.<sup>9</sup>

18  
19       **Q.    Has AT&T proposed a universal service fund grounded in either of these**  
20       **principles (*i.e.*, high cost or low income)?**

21  
22       A.    No. AT&T's sole calculus underlying its proposed universal service fund is that a  
23       fund should be established to provide independent telephone companies with  
24       revenue protection so that those companies will lower their access costs to AT&T.

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<sup>9</sup> Oyefusi Direct at 21-22.

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1                   By using the KUSF as a transitional support mechanism, the  
2                   Commission can order immediate switched access reductions to  
3                   the interstate level while gradually phasing in retail rate  
4                   rebalancing.<sup>10</sup>  
5

6                   Consumers of all LECs pay into the fund, the fund pays independent ILECs, and  
7                   then all LECs pass the savings onto AT&T's costs via lower access charges. The  
8                   net effect is a fund that flows to AT&T's bottom line and has nothing to do with  
9                   high cost areas, low income consumers, or universal service.

10  
11           **Q.    Has AT&T established any nexus between its proposal and the availability of**  
12           **affordable phone services?**

13  
14           A.    No.   Indeed, AT&T's own testimony rebuts the premise that there is a threat to  
15           universal service. Dr. Oyefusi explicitly recognizes that "most consumers now  
16           have access to multiple service options," and "universal service no longer implies  
17           the near-ubiquitous participation on a single telecommunications network."<sup>11</sup> I  
18           would agree with Dr. Oyefusi that universal service is today being met not only  
19           through services provided by incumbent local phone companies, but by

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<sup>10</sup> Oyefusi Direct at 39.

<sup>11</sup> Oyefusi Direct at 21.



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1 competitors using a variety of technologies, including wireless and broadband  
2 networks.

3  
4 **Q. Are there unsubsidized competitors offering service in many areas of**  
5 **Kentucky?**

6  
7 A. Yes. Consumers – including residential customers – have never had so many  
8 choices. This is a good development not only for competition generally, but for  
9 universal service as well. As consumers enjoy more choices, including choices  
10 provisioned over differing technologies, any perceived threat to universal service  
11 declines as prices fall and options expand.

12  
13 It is important to appreciate that the *public policy* of universal service does not  
14 care which provider wins a customer’s telephone service, only that customers are  
15 able connect and communicate. In a very real sense, all providers contribute to  
16 universal service, even if only incumbents claim that they require subsidy to do  
17 so.

18  
19 Today, nationally, nearly 30% of consumers have chosen to obtain their  
20 “affordable phone service” from a wireless carrier exclusively and no longer rely

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1 on the wireline option at all.<sup>12</sup> Dr. Oyefusi cites these same statistics,<sup>13</sup> and even  
2 recognizes that this competition argues *against* subsidy:

3 With competition now widespread in all segments of the  
4 communications marketplace, all Kentucky ICOs and CLECs  
5 should gradually recover more of their retail services costs from  
6 their own retail customers, rather than relying on subsidy payments  
7 from other carriers' consumers.<sup>14</sup>  
8

9 Remarkably, having explained why subsidy is *not* needed, Dr. Oyefusi nevertheless  
10 recommends that the Commission establish a Kentucky "universal service fund"  
11 that would provide subsidy to companies without regard to whether unsubsidized  
12 competitors are offering service in particular area.<sup>15</sup>  
13

14 **Q. Is it appropriate to label the fund recommended by AT&T as a "universal**  
15 **service fund?"**

16 A. No, but I suspect AT&T prefers that label to calling its proposal a "fund to reduce  
17 AT&T's costs in Kentucky." Embracing the label of "universal service" is not  
18

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<sup>12</sup> Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July–December 2010, Stephen J. Blumberg, Ph.D., and Julian V. Luke, Division of Health Interview Statistics, National Center for Health Statistics, released June 08, 2011.

<sup>13</sup> See Oyefusi Direct Testimony at 18 (in particular fn. 25), identifying Kentucky as being in the top six states with households that rely exclusively on wireless service.

<sup>14</sup> Oyefusi Direct at 20.

<sup>15</sup> If this proceeding was focused on universal service (and not AT&T's desire for lower access costs), one of the key principals that I would advocate is that no subsidy should be provided to any *area* where an unsubsidized competitor is providing service.

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1           the same as embracing the fact – this is a revenue protection fund to achieve  
2           immediate access reductions, and it should be judged as such.

3  
4           My rebuttal testimony on this point – *i.e.*, the fact that the AT&T proposal has no  
5           nexus to universal service – is relatively short because there is little to actually  
6           rebut. Like the famous Sherlock Holmes story where the critical clue is the “dog  
7           that did not bark,”<sup>16</sup> there is a telling conclusion that can be drawn from the  
8           complete absence of evidence that there is any threat to universal service in  
9           Kentucky corrected by the AT&T proposal. AT&T itself recognizes that retail  
10          rates can increase without jeopardizing universal service – the only issue is it  
11          wants an *immediate* increase in profits, so it has proposed a fund to accelerate the  
12          access reductions ahead of any local rate increases. This is patently not a  
13          universal service proposal because there is not a single element grounded in any  
14          universal service concern.<sup>17</sup>

15  
16       **Q.     Does AT&T’s testimony actually demonstrate that there is *no* link between**  
17       **access revenues and universal service?**

---

<sup>16</sup>       *Silver Blaze*, Sir Arthur Conan Doyle.

<sup>17</sup>       In Georgia, AT&T understands the need for proof, noting there that: “In short, the  
Companies [seeking subsidy] have not put forward any concrete evidence that they cannot fund a  
greater portion of their costs from their own operations.” *AT&T Georgia Testimony* at 4.

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1

2       A.     Yes. AT&T has shown that there has been a serious decline in access minutes for  
3             the past several years.<sup>18</sup> What this necessarily implies is that Kentucky ILECs  
4             have *already* experienced declining switched access minutes (and revenues) and  
5             there has been no threat to universal service. Actual experience (documented in  
6             AT&T's own testimony) proves that the central assumption of the AT&T Plan is  
7             false: Access revenues *can* decline without jeopardizing universal service  
8             because they *have* been declining without any impact on universal service.<sup>19</sup>

9

10            The sole purpose of the fund proposed by AT&T is to grant AT&T immediately  
11            lower costs and higher profits. Whether the proposed fund serves a valid purpose  
12            has to be measured by this yardstick – *i.e.*, are there public benefits that result  
13            from AT&T's private gain?

14

15       **Q.     Has AT&T demonstrated that there would be significant benefits from an**  
16             **intrastate access reduction that would justify its proposed immediate**  
17             **reduction (offset by a subsidy)?**

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<sup>18</sup>     Oyefusi Direct at 18.

<sup>19</sup>     AT&T seems to agree that experience has shown access revenues can decline as customers shift to alternatives without any threat to universal service. *See* Aron Direct at 73, arguing that the current system “is crumbling as long distance minutes fall, LEC lines decline, and the [alleged] subsidy source erodes.”

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1

2       A.     No. The benefits claimed by AT&T are exaggerated (if not contrived). The most  
3             significant claim is that consumers and small businesses, which will be taxed to  
4             contribute to the revenue replacement fund (a more honest label than “universal  
5             service”), will enjoy lower long distance prices. In addition, AT&T suggests that  
6             reducing access charges will increase broadband deployment.

7

8       **Q.     Do you believe that AT&T will “flow through” lower access costs in lower**  
9             **long distance prices?**

10

11       A.     No, that would not be my expectation. There was a time when per-minute long  
12             distance prices were the norm, and competition among long distance competitors  
13             strong. But, long distance service as a stand-alone service is rapidly disappearing,  
14             and I find it unlikely that lower access prices will significantly impact retail rates  
15             in Kentucky.

16

17             Consider the following statement from Dr. Aron in North Carolina attempting to  
18             explain that intrastate access reductions will benefit customers:

19

20

21

22

“Access charge reform will benefit consumers by reducing long  
distance prices. Consumers will also benefit overall because the  
existing inequitable subsidy burden will be ... spread more  
equitably across customers rather than being heaped only upon a

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1                   dwindling number of customers who are using a declining service  
2                   (wireline long distance).”<sup>20</sup>  
3

4                   It is important to remember that AT&T is not proposing a system with lower net  
5                   revenues (except for competitors). Every dollar that AT&T no longer pays in  
6                   access will be offset by consumers and small businesses paying into the revenue  
7                   recovery fund. Yet, by AT&T’s own admission, any benefit from lower long  
8                   distance prices (if you accept that prices will decline) will be experienced only by  
9                   a “dwindling number of customers who are using a declining service (wireline  
10                  long distance).”  
11

12                  **Q.     Does AT&T’s offer of rate reductions support your conclusion?**

13  
14                  A,     Yes. AT&T is proposing two rate reductions as inducements to the Commission  
15                  to approve its revenue-shifting proposal. AT&T proposes to reduce an In-State  
16                  Connection Fee that it charges its stand-alone long distance customers, and  
17                  equalize its rates for prepaid calling cards (but only once all access rates are at  
18                  parity with interstate access).<sup>21</sup> With the national trend towards bundled service

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<sup>20</sup>     Direct Testimony of Dr. Aron, North Carolina Utilities Commission, Docket No. P-100, Sub 167, August 18, 2011, at 8.

<sup>21</sup>     Direct Testimony of Oyefusi at 26. Although AT&T does not define “stand alone” long distance customer in its testimony, its website indicates that this fee applies to customers that do

(continued ...)

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1 offers – and deep penetration of wireless services, even among low-income  
2 consumers – it is unlikely that these rate reductions will affect many customers.

3

4 **Q. Are you suggesting that the Commission should require AT&T to reduce its**  
5 **long distance retail rates in conjunction with any access reform ordered by**  
6 **the Commission?**

7

8 A. No, my point is actually quite different. The Commission could adopt a plan that  
9 gradually reduced intrastate switched access rates in lock-step with same local  
10 rate increases so that no fund is necessary. AT&T is proposing to *accelerate* the  
11 access reduction ahead of offsetting local rate increases, and it is my testimony  
12 that the Commission should not expect that accelerated reduction in access cost to  
13 produce net benefits to customers (as opposed to AT&T).

14

15 **Q. Has AT&T claimed that its proposal will provide benefits in addition to the**  
16 **argument that access savings will be passed through in retail rate**  
17 **reductions?**

18

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not obtain local service from AT&T. See [http://www.consumer.att.com/instate-connectionfee/ky\\_home.html](http://www.consumer.att.com/instate-connectionfee/ky_home.html)

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1       A.     Yes. AT&T also claims that there will be less arbitrage and greater broadband  
2             deployment.<sup>22</sup>

3  
4       **Q.     Will setting intrastate and interstate access charges at the same level**  
5             **eliminate arbitrage?**

6  
7       A.     No. At one time in the past, the only way to obtain carrier-grade termination (that  
8             is, the ability to complete a call with carrier-signaling and quality) was through  
9             access service. In that environment, carriers had the incentive to mask the true  
10            nature of a call (*i.e.*, act as though an intrastate toll call was an interstate toll call)  
11            to take advantage of lower interstate access rates. With local competition,  
12            however, a third (and much less expensive) carrier-grade option was introduced:  
13            local interconnection. Today, the principal arbitrage incentive is to terminate a  
14            long distance call (whether interstate or intrastate) as a local call to take advantage  
15            of the lower cost of local termination (the reciprocal compensation rate). As a

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<sup>22</sup> Oyefusi Direct Testimony at 3:

AT&T's Plan will benefit all Kentucky consumers in many ways, including reducing the cost of retail long-distance services, allowing consumers the benefits of better competitive choice by allowing the market to work with fewer artificial regulatory distortions, reducing incentives for harmful arbitrage schemes like "call pumping," reducing needless administrative costs, and creating greater incentives for broadband deployment and adoption.



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1 result, reducing intrastate access to interstate access addresses an arbitrage  
2 concern from fifteen years ago, but it will have much less effect today.

3  
4 Similarly, complaints about “traffic pumping” (which generally means finding  
5 customers that have large volumes of inbound calling, such as conference calling  
6 centers) exist even where interstate rates apply. Indeed, the existence of such  
7 arrangements is one of the issues driving the FCC’s interest in reforming  
8 interstate access.<sup>23</sup>

9  
10 The fact is that reducing intrastate access to interstate access will have some  
11 incremental effect on arbitrage incentives, but the most significant incentives will  
12 remain and, as a result, so will arbitrage (and traffic stimulation).

13  
14 **Q. How about Dr. Oyefusi’s claim that access reform will promote broadband**  
15 **deployment?**

16  
17 A. Conveniently, Dr. Oyefusi rebuts this claim himself:

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<sup>23</sup> Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, In the Matter of the Connect America Fund (WC Docket No. 10-90), et al., FCC 11-13, released Feb. 9, 2011, at ¶ 7.

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tw telecom, Level 3 and PAETEC  
Adm. Case No. 2010-00398**

1                   Wireline long-distance carriers like AT&T – and their customers –  
2                   bear the burden of implicit subsidies, but they compete against  
3                   alternative technologies like VoIP, e-mail, social networking sites,  
4                   text messaging, and wireless providers that do not have to bear the  
5                   same burden. Although consumers are generally not aware of the  
6                   access charge regime, they see its harmful results in the inflated  
7                   retail price differentials between traditional wireline long distance  
8                   and other types of communications. As a result, they are leaving  
9                   wireline networks in droves, in large part because they perceive  
10                  alternative technologies as a better value – not necessarily because  
11                  of any real differences in economic cost, but, at least in part,  
12                  because of artificial differences in regulatory access charges.<sup>24</sup>  
13

14                  According to Dr. Oyefusi’s explanation, high access charges are driving  
15                  customers to VoIP – which requires a broadband connection. Consequently, to  
16                  the extent that Dr. Oyefusi is correct (at least in this part of his testimony), high  
17                  access charges *encourage* broadband deployment and adoption.

18  
19                  **Q.     Are you claiming reducing access charges will have no benefit?**

20  
21                  A.     No. What I am explaining is that the benefits claimed by AT&T are largely an  
22                  illusion. Arbitrage is no longer attributable to the difference between interstate  
23                  and intrastate access as much as it is attributable to the difference between access  
24                  and local interconnection rates. Moreover, because the predominate form of  
25                  competition is not for a narrow subset of a customer’s calling (long distance), but

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<sup>24</sup> Oyefusi Direct Testimony at 12-13.

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1 is for the customer itself (and all of its calling), reducing access is not likely to  
2 produce lower long distance rates.

3  
4 **Q. Are there any other concerns with AT&T's proposal?**

5  
6 A. Yes. Reducing access prices reduces revenues – a simple fact that applies to all  
7 providers. In North Carolina, AT&T understood that carriers require time to  
8 adjust to declining revenues (including competitors), and proposed a five-year  
9 transition to interstate access levels.<sup>25</sup> Here in Kentucky, however, AT&T is  
10 proposing a 30-day transition for CLECs.<sup>26</sup> Because of the overhang of the  
11 federal uncertainty, this is not the time to make a specific recommendation. That  
12 said, should this issue return to the Kentucky Commission, any access reduction  
13 plan should provide CLECs (and ILECs) the time to gradually adjust to lower  
14 access revenues.

15  

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<sup>25</sup> Smith Direct Testimony, North Carolina Utilities Commission, Docket No. P-100, Sub  
167, August 18, 2011 at 3:

Recognizes that CLPs [the term for CLECs in North Carolina], who do not have  
COLR responsibilities, will not draw from the Fund and thus recommends a  
more gradual phase in period for them, where at the end of five years, each  
CLP's intrastate switched access rates will be at parity with the interstate rates of  
the ILEC(s) with which they compete

<sup>26</sup> Oyefusi Direct at 5.

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1       **Q.     Does this conclude you rebuttal testimony?**

2

3       **A.     Yes.**

VERIFICATION

The answers in the foregoing rebuttal testimony are true and correct to the best of my knowledge and belief.

Joseph Gillan  
Joseph Gillan

STATE OF Florida )

COUNTY OF Volusia )

Subscribed and sworn to before me by Joseph Gillan, on this the 29<sup>th</sup> day of September, 2011.

Mary Goodwin  
Notary Public

My Commission Expires: 2/5/14

(SEAL)

