

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

In the Matter of An Investigation into the)
Intrastate Switched Access Rates of All) Administrative Case No.
Kentucky Incumbent and Competitive) 2010-00398
Local Exchange Carriers)

**DIRECT TESTIMONY OF PATRICIA RUPICH ON BEHALF OF
CINCINNATI BELL TELEPHONE COMPANY LLC**

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

2 A. My name is Patricia Rupich and my business address is 221 East Fourth Street, Room
3 103-1280, Cincinnati, Ohio 45202.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Cincinnati Bell Inc. as Senior Manager - Regulatory. In that capacity I
6 oversee federal regulatory matters and selected state regulatory matters for the communications
7 companies owned by Cincinnati Bell Inc. That includes Cincinnati Bell Telephone Company
8 ("CBT"), which operates a local exchange telephone business in Kentucky.

9 **Q. What are your responsibilities in your current position?**

10 A. I am responsible for monitoring regulatory developments before the Federal
11 Communications Commission ("FCC") as well as access charge and numbering matters in Ohio
12 and Kentucky. I assist in the formation of regulatory positions for the various Cincinnati Bell
13 companies and work with outside counsel to prepare comments and other filings. I have been
14 active in the area of inter-carrier compensation and universal service issues before the FCC and
15 related intrastate switched access service issues. I supervise personnel responsible for
16 maintaining Cincinnati Bell's interstate and intrastate access tariffs. In addition, I oversee

1 Cincinnati Bell's compliance with federal regulatory requirements, including those related to the
2 universal service fund.

3 **Q. Have you ever testified before the Public Service Commission of Kentucky?**

4 A. No.

5 **Q. What is the purpose of your testimony in this proceeding?**

6 A. The purpose of my testimony is to provide information on the manner in which CBT is
7 regulated in Kentucky and to give an overview of CBT's position in this docket.

8 **Q. Are you familiar with CBT's regulatory status in Kentucky?**

9 A. Yes.

10 **Q. How has CBT been regulated in Kentucky?**

11 A. In July 2006, CBT filed a letter with the Public Service Commission of Kentucky
12 adopting the price regulation plan set forth in KRS 278.543. The effective date of CBT's
13 election was July 12, 2006.

14 **Q. Has CBT ever withdrawn from being so regulated?**

15 A. No.

16 **Q. What are the terms of regulation of intrastate access charges under that price
17 regulation plan?**

18 A. In accordance with KRS 278.543(3), CBT is required to retain on file with the
19 Commission a tariff for intrastate switched access services.

20 **Q. Has CBT maintained an intrastate switched access service tariff in Kentucky?**

21 A. Yes. A copy of the tariff was filed with the Commission in this proceeding.

22 **Q. What regulatory provisions govern the pricing of CBT's intrastate switched access
23 services?**

1 A. According to KRS 278.543(6), CBT's rates were deemed to be just and reasonable under
2 KRS 278.030 upon election. KRS 278.543(4) requires that CBT's rates for intrastate switched
3 access service not exceed the rates in effect on the day before it filed its notice of election.

4 **Q. Have CBT's intrastate switched access rates been maintained at or below the rates**
5 **that were in effect on July 11, 2006?**

6 A. Yes.

7 **Q. Does CBT have a position with respect to whether the Commission may require it to**
8 **reduce its intrastate switched access rates?**

9 A. Yes. It is CBT's position, as explained in its Initial Comments filed on December 20,
10 2010, that the Commission does not have jurisdiction to affect CBT's intrastate switched access
11 rates so long as they are compliant with the requirements in KRS 278.543.

12 **Q. Does CBT have a position whether the Commission should lower the intrastate**
13 **switched access rates of other local exchange companies that have not elected the price**
14 **regulation plan in KRS 278.543?**

15 A. CBT expresses no view on whether any other local exchange carrier's intrastate access
16 rates should be changed, except that CBT believes there would have to first be a finding by the
17 Commission that the rates in question are unreasonable. CBT believes that it is an individual
18 company question whether rates are reasonable and that the parties who contend that rates are
19 unreasonable would have the burden of proving that.

20 **Q. Does CBT have a position on what the Commission should do in the event that it**
21 **finds a company or companies' intrastate switched access rates are unreasonable?**

22 A. In the event the Commission properly finds particular rates to be unreasonable, the
23 Commission should establish what would be reasonable rates going forward.

1 **Q. Should the Commission create a state fund to replace revenues lost as a result of the**
2 **lowering of intrastate switched access rates?**

3 A. CBT believes that the first line of recourse should be rate rebalancing by the affected
4 company. If the company is charging rates below a statewide benchmark rate, then it should be
5 required to increase its rates by an amount that raises them to the statewide benchmark rate, or by
6 the amount necessary to offset the revenue loss, whichever is less.

7 **Q. Does CBT endorse the plan advocated by AT&T Kentucky in this docket?**

8 A. No. The AT&T Kentucky plan makes an automatic assumption that any intrastate
9 switched access rates that are higher than the corresponding interstate rates should be reduced.
10 CBT believes that Kentucky law requires a hearing to determine whether individual carriers'
11 rates are reasonable. If a carrier's rates are found to be unreasonable, the Commission may order
12 them to be lowered, but CBT does not agree that the carrier should automatically be eligible to
13 draw from a universal service fund ("USF"). CBT finds a number of other problems with the
14 AT&T Kentucky plan, which CBT commented upon on April 15, 2011. CBT does agree with
15 AT&T's concept of a state benchmark and that carriers must charge, or have imputed to them,
16 the benchmark rate before being eligible for USF support. However, CBT disagrees with
17 AT&T's proposed flash cut of intrastate switched access charges to interstate levels. In similar
18 fashion to the proposed gradual increase of local rates to a benchmark, the reduction in intrastate
19 access rates should also be phased in over a period of time.

20 **Q. What is the purpose of a statewide benchmark rate?**

21 A. Before the Commission considers creating a USF to subsidize local exchange carriers, it
22 should make sure that that carrier's services are not underpriced. Carriers with the highest access
23 rates also seem to have the lowest local exchange rates. Other companies should not be asked to

1 contribute to a USF fund to subsidize carriers that are charging lower rates. A statewide
2 benchmark rate serves the purpose of making sure that a carrier is maximizing the revenue it can
3 earn from its own services before looking to external sources of funding.

4 **Q. How should a benchmark rate be established?**

5 A. The original AT&T Kentucky proposal did not offer any methodology for establishing
6 the benchmark, which will be critical to the success of the Plan. The benchmark rate should
7 reflect a reasonable rate that consumers are actually paying in Kentucky, but it should not be
8 based on the rates of carriers whose local exchange rates are being subsidized by high access
9 rates. Accordingly, CBT would recommend that the benchmark be established based on the rates
10 of those local carriers whose access rates are not subject to being reduced. That would include
11 any carriers whose interstate and intrastate switched access rates are already the same and any
12 carriers who have elected the price regulation plan in KRS 278.543. The benchmark would
13 serve as a comparison of the rates of those companies seeking to be subsidized with the rates of
14 companies that would be required to contribute. The benchmark would ensure that the ILECs
15 drawing from the USF are required to absorb a burden comparable to ILECs that would have to
16 contribute to the USF, while ensuring that their retail rates are not out of line with the rates of
17 other ILECs. This would help to minimize the size of the USF and ensure that other Kentucky
18 consumers are not asked to pay to keep rates low for a small subset of consumers.

19 **Q. If intrastate access rate reductions are ordered, should the full reduction occur**
20 **immediately?**

21 A. No. If the Commission determines that a carrier's intrastate access rates are unreasonable
22 and must be reduced, the reductions should be phased in over a period of time. This will
23 minimize the impact of the offsetting rate increases in local rates and the size of the USF. By

1 synchronizing the access charge reductions with local rate increases, it may be possible to
2 eliminate the need for a USF.

3 **Q. If the Commission implements a USF, do you have any recommendations about who**
4 **should be required to contribute?**

5 A. If other Kentucky service providers are required to contribute to a USF, it is important
6 that all companies offering competing services be required to contribute on a competitively
7 neutral basis. The AT&T Kentucky plan did not address interconnected VoIP service providers.
8 Many of the current competitive retail line losses being experienced by ILECs are due to the
9 activities of cable companies offering interconnected VoIP service. CBT believes it is critical
10 that any USF plan require interconnected VoIP providers to contribute so that they are not given
11 an unfair advantage over their competitors. The USF will increase the cost of doing business for
12 ILEC, CLEC, IXC, and wireless contributors, either by increasing their direct costs if they
13 absorb the contribution, or by increasing the prices of their products, if they choose to pass the
14 contribution on to end user customers as a surcharge. It would be very unfair for VoIP providers
15 to escape contributing to the USF, which would give them an unfair competitive advantage.

16 **Q. Do you have any recommendations for the Commission with respect to the AT&T**
17 **Kentucky Plan?**

18 A. CBT stands behind its April 15, 2011 comments and urges the Commission not to adopt
19 the plan as proposed. The Commission should first conduct an appropriate proceeding pursuant
20 to KRS 278.260 or 278.270 to determine whether any access reductions are required. If the
21 Commission determines that the intrastate access rates of any carriers that have not elected
22 alternative regulation under KRS 278.543 are unreasonable, the Commission should determine
23 the extent to which they would experience revenue reductions from any required intrastate

1 switched access rate reductions and assess whether the affected carrier could make up the
2 revenue loss by rebalancing its own local exchange service rates. A USF should only be
3 considered after local rate rebalancing has ensured that all ILECs that might make withdrawals
4 from the USF have raised their local exchange rates to the level of the contributing parties. If the
5 Commission then decides that a USF is necessary, the structure of the proposed AT&T Kentucky
6 plan should be amended in accordance with Cincinnati Bell's April 15, 2011 comments.

7 **Q. Does that conclude your testimony?**

8 A. Yes. However, CBT reserves the right to file rebuttal testimony on any issue raised in the
9 direct testimony of any other party. At this point, there has been no formal testimony supporting
10 the AT&T Kentucky plan or any alternative. Because AT&T Kentucky might alter its proposal
11 and any other party could make a different proposal, CBT should have the opportunity to
12 respond with rebuttal testimony.