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August 31, 2010

VIA HAND DELIVERY

Honorable Mary W. Freeman, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: *Petition for Arbitration of Interconnection Agreement Between BellSouth Telecommunications, Inc. d/b/a AT&T Tennessee and Sprint Spectrum L.P., Nextel South Corp., and NPCR, Inc. d/b/a Nextel Partners,*
Docket No. 10-00042
and
Petition for Arbitration of Interconnection Agreement Between BellSouth Telecommunications, Inc. d/b/a AT&T Tennessee and Sprint Communications Company L.P.,
Docket No. 10-00043

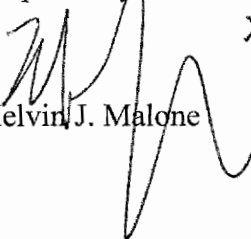
Dear Chairman Freeman:

Enclosed for filing in the above-captioned matters please find two (2) originals and thirteen (13) copies of the Direct Testimony of Sprint witnesses James R. Burt, Randy G. Farrar and Mark G. Felton. Please note that *Attachments RGF-2 and RGF-3* to the Direct Testimony of Sprint witness Randy G. Farrar are **CONFIDENTIAL AND PROPRIETARY**, have been marked **CONFIDENTIAL AND PROPRIETARY**, and are being submitted **UNDER SEAL**.

An additional copy of this filing is enclosed to be filed-stamped for our records.

If you have any questions or require additional information, please let us know.

Respectfully submitted,



Melvin J. Malone

clw
Enclosures
cc: Parties of Record

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

In Re:

PETITION FOR ARBITRATION OF)
INTERCONNECTION AGREEMENT BETWEEN)
BELLSOUTH TELECOMMUNICATIONS, INC.) Docket No. 10-00042
D/B/A AT&T TENNESSEE AND SPRINT)
SPECTRUM L.P., NEXTEL SOUTH CORP.,)
AND NPCR, INC. D/B/A NEXTEL PARTNERS)

And

PETITION FOR ARBITRATION OF)
INTERCONNECTION AGREEMENT BETWEEN)
BELLSOUTH TELECOMMUNICATIONS, INC.) Docket No. 10-00043
D/B/A AT&T TENNESSEE AND SPRINT)
COMMUNICATIONS COMPANY L.P.)

Sprint Spectrum L.P., Nextel South Corp.,
NPCR, Inc. d/b/a Nextel Partners
and
Sprint Communications Company L.P.

Direct Testimony

Of

Randy G. Farrar

Filed August 31, 2010

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1 **DIRECT TESTIMONY**

2

3 **I. INTRODUCTION**

4

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

6 A. My name is Randy G. Farrar. My title is Senior Manager – Interconnection Support
7 for Sprint United Management, the management subsidiary of Sprint Nextel
8 Corporation. My business address is 6450 Sprint Parkway, Overland Park, Kansas
9 66251.

10

11 **Q. What is your educational background?**

12 A. I received a Bachelor of Arts degree from The Ohio State University, Columbus,
13 Ohio, with a major in history. Simultaneously, I completed a program for a major
14 in economics. Subsequently, I received a Master of Business Administration
15 degree, with an emphasis on market research, also from The Ohio State University.

16

17 **Q. Please summarize your work experience.**

18 A. I have worked for a subsidiary of Sprint Nextel Corporation (or of its Sprint
19 predecessor in interest) since 1983 in the following capacities:

- 20 - 2005 to present: Senior Manager – Interconnection Support. I provide
21 interconnection support, where I provide financial, economic, and policy
22 analysis concerning interconnection and reciprocal compensation issues.

- 1 - 1997 to 2005: Senior Manager – Network Costs. I was an instructor for
2 numerous training sessions designed to support corporate policy on pricing
3 and costing theory, and to educate and support the use of various costing
4 models. I was responsible for the development and support of switching,
5 transport, and financial cost models concerning reciprocal compensation,
6 unbundled network elements, and wholesale discounts.
- 7 - 1992 to 1997: Manager - Network Costing and Pricing. I performed financial
8 analyses for various business cases, analyzing the profitability of entering new
9 markets and expanding existing markets, including Custom Calling, Centrex,
10 CLASS and Advanced Intelligent Network features, CPE products, Public
11 Telephone and COCOT, and intra-Local Access and Transport Area
12 (“LATA”) toll. Within this time frame, I was a member of the USTA’s
13 Economic Analysis Training Work Group (1994 to 1995).
- 14 - 1987 to 1992: Manager - Local Exchange Costing. Within this time frame I
15 was a member of the United States Telephone Association’s (USTA) New
16 Services and Technologies Issues Subcommittee (1989 to 1992).
- 17 - 1986 to 1987: Manager - Local Exchange Pricing. I investigated alternate
18 forms of pricing and rate design, including usage sensitive rates, extended
19 area service alternatives, intraLATA toll pricing, and lifeline rates.
- 20 - 1983 to 1986: Manager - Rate of Return, which included presentation of
21 written and/or oral testimony before state public utilities commissions in
22 Iowa, Nebraska, South Carolina, and Oregon.
- 23

1 I was employed by the Public Utilities Commission of Ohio from 1978 to 1983.
2 My positions were Financial Analyst (1978 - 1980) and Senior Financial Analyst
3 (1980-1983). My duties included the preparation of Staff Reports of Investigation
4 concerning rate of return and cost of capital. I also designed rate structures,
5 evaluated construction works in progress, measured productivity, evaluated
6 treatment of canceled plant, and performed financial analyses for electric, gas,
7 telephone, and water utilities. I presented written and oral testimony on behalf of
8 the Commission Staff in over twenty rate cases.

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

11 A. I provide financial, economic and policy analysis concerning interconnection and
12 reciprocal compensation issues. My analysis supports negotiations between Sprint
13 Nextel and other telecommunications carriers. I maintain a working understanding
14 of the interconnection and reciprocal compensation provisions of the
15 Communications Act of 1934 as amended by the Telecommunications Act of 1996
16 ("the Act" or "the 1996 Act") and the resulting rules and regulations of the Federal
17 Communications Commission ("FCC").

18
19 **Q. Have you provided testimony before other regulatory agencies?**

20 A. Yes. In addition to my previously referenced testifying experience, since 1995 I
21 have presented written or oral testimony before twenty-six state regulatory agencies
22 (Illinois, Pennsylvania, New Jersey, Florida, North Carolina, Nevada, Texas,
23 Georgia, Arizona, New York, Oklahoma, Missouri, Virginia, Iowa, Kentucky,

1 Ohio, South Dakota, Tennessee, Minnesota, Arkansas, Oregon, Colorado, Alabama,
2 Louisiana, California, and Connecticut) and the FCC, concerning interconnection
3 issues, reciprocal compensation, access reform, universal service, the avoided costs
4 of resold services, local competition issues such as the cost of unbundled network
5 elements, and economic burden analyses in the context of Incumbent Local
6 Exchange Carrier ("ILEC")-claimed rural exemptions.
7

8 **II. PURPOSE AND SCOPE OF TESTIMONY**

9

10 **Q. On whose behalf are you testifying?**

11 A. I am testifying on behalf of Sprint Spectrum L.P. ("Sprint PCS"), Nextel South
12 Corp. and NPCR, Inc. d/b/a Nextel Partners (collectively referred to as "Nextel")
13 and Sprint Communications Company L.P. ("Sprint CLEC"). Sprint PCS and
14 Nextel may be collectively referred to as "Sprint wireless" or "Sprint CMRS". The
15 Sprint wireless and Sprint CLEC entities may also be collectively referred to as
16 Sprint.
17

18 **Q. What is the scope and purpose of your testimony?**

19 A. The purpose of my testimony is to provide input to the Tennessee Regulatory
20 Authority ("Authority") in support of Sprint's positions regarding various issues
21 associated with establishing a new Sprint CMRS- AT&T Interconnection
22 agreement and a new Sprint CLEC-AT&T Interconnection Agreement. The
23 testimony of the Sprint witnesses is organized as shown in Attachment JRB-1

1 attached to the Direct Testimony of James R. Burt that has been contemporaneously
2 filed with my Direct Testimony in these proceedings. I am providing testimony on
3 behalf of Sprint regarding the Issues in Attachment JRB-1 that identify me as the
4 Sprint witness. My testimony primarily addresses those Issues in the Parties' Joint
5 Decision Point List ("DPL") Section I. – Provisions related to the Purpose and
6 Scope of the Agreements and Section III. – How the Parties Compensate Each
7 Other concerning transit, traffic categories, InterMTA traffic, shared facility costs,
8 and pricing.
9

10 **Q. Are you sponsoring any attachments to your Direct Testimony?**

11 A. Yes. I am sponsoring the following attachments:

12 Attachment RGF-1 – AT&T 10-13-2008 FCC Letter

13 Confidential Attachment RGF-2 – Tennessee CDMA & iDEN Maps

14 Confidential Attachment RGF-3 – Results of Sprint's Traffic Studies for Tennessee

15 Attachment RGF-4 – ATIS 2-10-2006 FCC Ex Parte
16

17 **III. ISSUES**
18

19 **Issue I – Provisions related to the Purpose and Scope of the Agreements**
20

21 **Issue I.C – Transit traffic related issues.**
22

23 **Issue I.C(1) – What are the appropriate definitions related to transit traffic service?**

1

2 **Q. Please summarize Sprint's position on this issue.**

3 A. Sprint's transit definitions recognize Transit Service may be provided by either
4 Party to the other, as well as to a Third Party.

5

6 **Q. What objections does Sprint have to AT&T's proposed transit-related**
7 **provisions?**

8 A. As a preliminary matter the Authority needs to be made aware that, based on
9 AT&T's position that AT&T does not have to provide transit, I understand AT&T
10 refused to negotiate any provisions regarding the subject of transit, i.e., either as to
11 (1) Sprint's proposed transit language, or (2) AT&T's proposed Transit Traffic
12 Service Exhibit ("Transit Exhibit").

13

14 Therefore, Sprint objects to the Authority giving any weight to the language
15 contained in AT&T's Transit Exhibit and, without waiving such objection, my
16 testimony will address both Sprint's position and the improper, non-negotiated
17 AT&T Transit Traffic Service Exhibit.

18

19 As I understand AT&T's position, the definitions and provisions in AT&T's Transit
20 Exhibit seek to restrict Sprint from providing Transit Service, and can also be
21 interpreted as eliminating AT&T's payment responsibilities for certain AT&T
22 wholesale Interconnection customer traffic.

23

1 **Q. How does AT&T's transit language restrict Sprint from providing Transit**
2 **Service?**

3 A. AT&T defines "Transit Traffic Service" as a service "provided by AT&T" and its
4 proposed Transit Traffic Service Exhibit only addresses "when AT&T is acting as a
5 Transit Service Provider" (AT&T CMRS 1.1; CLEC 1.1). AT&T's "Transit
6 Traffic" definitions (AT&T CMRS 2.9; CLEC 2.15) limit their meanings to such
7 traffic "that is switched and/or transported by AT&T-9STATE" between Sprint and
8 a Third Party. None of AT&T's transit-related language in any way acknowledges
9 the possibility that Sprint can offer a wholesale interconnection Transit Service to
10 Third Parties by which such Third Parties can indirectly exchange traffic with
11 AT&T.

12
13 **Q. What do you mean by the phrase "certain AT&T wholesale Interconnection**
14 **customer" traffic?**

15 A. With that phrase, I mean traffic originated by a Third Party carrier that has
16 commercial wholesale arrangements with AT&T that include the use of both
17 AT&T's switch and number resources (formerly known as AT&T "UNE-P" CLEC
18 customers). As between AT&T and Sprint, when this type of AT&T-customer
19 traffic is delivered to Sprint for termination, by all indications it will appear as
20 AT&T traffic, and AT&T will owe Sprint terminating compensation for such
21 traffic.

1 **Q. How can AT&T's transit language be interpreted to eliminate AT&T's**
2 **payment responsibilities for such AT&T-wholesale Interconnection customer**
3 **traffic?**

4 A. AT&T's Transit Traffic definition (AT&T CMRS 2.9; CLEC 2.15) states that a call
5 originated by or terminated to a CLEC "purchasing local switching pursuant to a
6 commercial agreement with AT&T-9STATE ... is not considered a transit call for
7 the purpose of [AT&T's transit] Exhibit."

8
9 While this language could initially be read to suggest that such traffic would be
10 treated as AT&T traffic (because it would appear as such to Sprint), other AT&T
11 transit provisions lead to a completely different conclusion. For example, AT&T's
12 CMRS transit provision 2.4 includes a clause stating Transit Traffic is "limited to
13 Section 251(b)(5) Traffic", but then its CMRS transit section 2.4 "Section 251(b)(5)
14 Traffic" definition affirmatively excludes "[a] call that is originated or terminated
15 by a non-facility based provider" from being considered an AT&T call. The result
16 of these provisions is that the AT&T's-wholesale Interconnection customer traffic
17 for which AT&T should pay Sprint terminating compensation is deemed to be
18 neither transit traffic nor AT&T-251(b)(5) traffic, resulting in no compensation paid
19 by AT&T to Sprint PCS for termination of this AT&T wholesale Interconnection
20 customer traffic.

1 As to AT&T's CLEC transit provisions, it is simply not clear either way whether
2 AT&T's language is intended to exclude or maintain AT&T's obligation to pay
3 Sprint for termination of AT&T's wholesale Interconnection customer traffic.
4

5 **Q. What definition language does Sprint recommend the Authority adopt?**

6 A. Sprint's language is simple, direct and mutual in its application. Sprint
7 recommends the Authority adopt the following definitions:

8 "Third Party Traffic" means traffic carried by a Party acting as a Transit
9 Service provider that is originated and terminated by and between a Third
10 Party and the other Party to this Agreement.
11

12 "Transit Service" means the indirect interconnection services provided by one
13 Party (the Transiting Party) to this Agreement for the exchange of Authorized
14 Services traffic between the other Party to this Agreement and a Third Party.
15

16 "Transit Service Traffic" is Authorized Services traffic that originates on one
17 Telecommunications Carrier's network, "transits" the network Facilities of
18 one or more other Telecommunications Carrier's network(s) substantially
19 unchanged, and terminates to yet another Telecommunications Carrier's
20 network.
21

22 **Q. As a "CLEC-only" issue, Sprint's definition of "Mobile Switch Center (MSC)"**
23 **is reflected on the Joint DPL opposite various AT&T-proposed transit-related**
24 **definitions in connection with Issue I.C(2). What is the issue with Sprint's**
25 **MSC definition?**

26 A. As a preliminary matter, it appears the parties made an error by placing the Sprint
27 MSC definition on the Joint DPL opposite AT&T's proposed CLEC transit
28 provisions in connection with Issue I.C(2). Based on further review, the term
29 should have been located as additional proposed Sprint language related to the

1 Multi-Use/Multi-Jurisdiction Trunking Issues II.B(1) and II.B(2), addressed by
2 Sprint witness James R. Burt.

3
4 **Q. Why is that?**

5 A. If the Authority adopts Sprint's Multi-Use/Multi-Jurisdiction Trunking language,
6 such language contains a reference to Sprint's MSC that will be included in both the
7 CMRS and CLEC agreements. As I understand it, AT&T's only objection to
8 Sprint's MSC definition is that AT&T's CLEC language does not use the term
9 anywhere at all. The definition itself is not disputed - it is the same definition that
10 AT&T has already agreed to for the Sprint PCS contract.

11
12 **Q. What is Sprint's recommendation regarding the use of its MSC definition in**
13 **the parties' CLEC contract?**

14 A. If the Authority resolves Issues II.B(1) and II.B(2) by adopting Sprint's Multi-
15 Use/Multi-Jurisdiction Trunking language for the reasons addressed by Sprint
16 witness James R. Burt, then Sprint recommends the Authority also adopt the
17 following definition to be included in the parties' CLEC agreement:

18 "Mobile Switch Center (MSC)" means/refers to an essential switching
19 element in a wireless network which performs the switching for routing of
20 calls between and among its subscribers and subscribers in other wireless or
21 landline networks. The MSC is used to interconnect trunk circuits between
22 and among other Tandem Switches, End Office Switches, IXC switching
23 systems, aggregation points, points of termination, or points of presence, and
24 also coordinates inter-cell and inter-system hand-offs.
25

1 **Issue I.C(2) – Should AT&T be required to provide transit traffic service under the**
2 **ICAs?**

3
4 **Q. Please summarize Sprint’s position on this issue.**

5 A. Yes, AT&T should be required to provide Transit Service under the ICAs. Transit
6 Service is the means by which carriers achieve indirect interconnection. Quite
7 simply, Transit Service is “how” Indirect Interconnection is implemented. It is
8 Sprint’s position that AT&T must provide transit service consistent with § 251(a) of
9 the Act and 251(c)(2)(A) through (D). As the only ubiquitous provider of transit
10 services, § 251(a) has little meaning if AT&T can choose where and when (or
11 where not and when not) to offer Transit Service, and/or at whatever price it
12 chooses. Further, Section 251(c)(2)(A) through (D) expressly provides that AT&T
13 is required to provide:

14 “interconnection with [AT&T’s] network ... (A) for the transmission and
15 routing of telephone exchange service and exchange access ... (B) at any
16 technically feasible point within [AT&T’s] network (C) that is at least equal in
17 quality to that provided ... to itself or to any subsidiary, affiliate, or any other
18 party to which [AT&T provides interconnection ... (D) on rates, terms and
19 conditions that are just, reasonable, and nondiscriminatory, in accordance with
20 the terms and conditions of the agreement and the requirements of this section
21 and section 252 of this title.”
22

23 Section 251(c)(2) does not contain any qualifier to limit the transmission and
24 routing that AT&T must provide on a non-discriminatory basis to transmission and
25 routing between only Sprint and AT&T end offices. It is undisputable that AT&T
26 provides “transmission and routing” of traffic exchanged not just between AT&T
27 end offices, but between AT&T end offices and the networks of Third Parties that

1 are Interconnected with the AT&T network. Under the plain language of Section
2 251(c)(2), AT&T is required to provide this same transmission and routing between
3 Sprint and such Third Parties that AT&T provides itself.
4

5 **Q. Please summarize AT&T's position on this issue.**

6 A. It is my understanding that, notwithstanding the fact that AT&T has provided
7 transit pursuant to Interconnection agreements since 1996, AT&T's current position
8 is that it is not required to provide Transit Service at all. AT&T will, however,
9 provide Transit Service where and when it so chooses, at AT&T-defined "market
10 based" rates.
11

12 **Q. What is the existing arrangement between the parties regarding AT&T's**
13 **provision of Transit Service?**

14 A. Since the passage of the 1996 amendments that added Sections 251 and 252 to the
15 Act, AT&T has provided transit service to Sprint pursuant to the parties'
16 Interconnection agreements.
17

18 **Q. And just how long has AT&T provided transit service under the parties'**
19 **existing Interconnection agreement?**

20 A. Since the current agreement's effective date of January 1, 2001.
21

22 **Q. May Sprint or any other carrier choose to interconnect with another carrier**
23 **either directly or indirectly?**

1 A. Yes. Under § 251(a)(1) of the Act, any carrier may choose to interconnect either
2 directly or indirectly with any other carrier. Specifically, § 251(a)(1) states:

3 Each telecommunications carrier has the duty to interconnect **directly or**
4 **indirectly** with the facilities and equipment of other telecommunications
5 carriers. (Emphasis added.)
6

7 The FCC, at 47 C.F.R. §§ 20.3 and 51.5, further defines interconnection as follows:

8 [20.3] *Interconnection or Interconnected.* Direct or indirect connection
9 through automatic or manual means (by wire, microwave, or other
10 technologies such as store and forward) **to permit the transmission or**
11 **reception of messages or signals to or from points in the public switched**
12 **network.** (Emphasis added.)
13

14 [51.5] *Interconnection* is the linking of two networks **for the mutual**
15 **exchange of traffic.** (Emphasis added.)
16

17 Note that this obligation applies to each carrier. In other words, the originating
18 carrier chooses whether to deliver its traffic directly or indirectly to the terminating
19 carrier.
20

21 **Q. What is indirect interconnection?**

22 A. According to the FCC, “Carriers are said to be indirectly interconnected to the
23 extent they use transit services to exchange traffic.”¹ Thus, indirect interconnection
24 is the use of a third-party transit provider in the middle to link the originating carrier

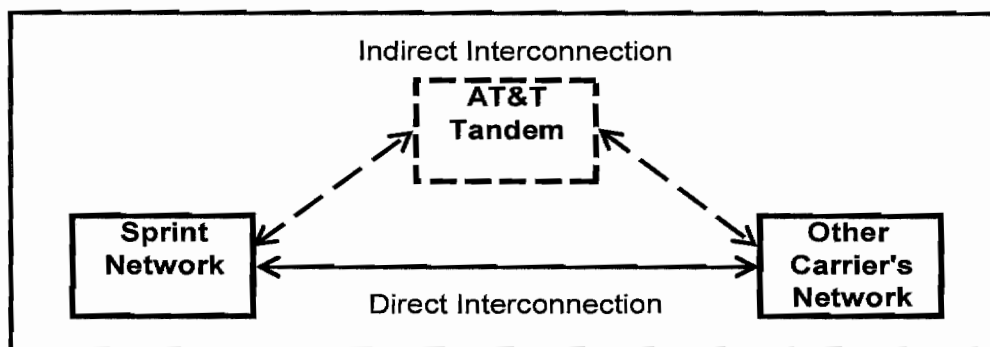
¹ *In the Matter of the Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, et. al., FCC, CC Docket No. 00-218, et. al., Released July 17, 2002, ¶ 218 (“*FCC VA Arbitration Order*”).

network on one end of a call to the terminating carrier network on the other end of a call.

Q. Thus, Sprint or any other carrier may deliver its originating traffic to another carrier either directly or indirectly?

A. Yes. Sprint or any other carrier may choose to deliver its originating traffic directly to another carrier, or indirectly to another carrier through a third-party transit provider such as AT&T, as shown in the following Diagram 1.

Diagram 1
Direct and Indirect Interconnection



Q. Why is AT&T's obligation to provide transit service important?

A. Section 251(a)(1) of the Act requires all telecommunications carriers to interconnect with other carriers either directly or indirectly, but does not dictate which method. Each originating carrier has the choice to interconnect directly or indirectly with any other carrier. It is for the originating carrier to decide what method of interconnection may be most economically advantageous and efficient for that carrier's given circumstances at any given time. Indirect interconnection is achievable only if transiting is available. Generally, only the incumbent local

1 exchange carrier ("ILEC") has ubiquitous interconnections throughout a specific
2 geographic area to enable widespread indirect interconnection. If the incumbent
3 LEC is not obligated to provide transit service, § 251(a)(1) of the Act has little
4 meaning.

5
6 **Q. Has the FCC noted the critical importance of transit service?**

7 A. Yes. The FCC has noted the critical importance of transit service. Specifically, the
8 FCC stated:

9 ... the record suggests that the availability of transit service is increasingly
10 critical to establishing indirect interconnection – a form of interconnection
11 explicitly recognized and supported by the Act. It is evident that competitive
12 LECs, CMRS carriers, and rural LECs often rely on transit service from the
13 incumbent LECs to facilitate indirect interconnection with each other.
14 Without the continued availability of transit service, carriers that are indirectly
15 interconnected may have no efficient means by which to route traffic between
16 their respective networks.²
17

18 **Q. Have other state commissions also decided that ILECs are obligated to provide**
19 **transit services?**

20 A. Yes, there is wide consensus on this issue. At least eighteen other state
21 commissions have explicitly concluded that ILECs such as AT&T must provide
22 transiting services. These eighteen states are Alabama,³ Arkansas,⁴ California,⁵

² *In the Matter of Developing a Unified Intercarrier Compensation Regime*; CC Docket No. 01-92; Further Notice of Proposed Rulemaking; 20 FCC Rcd. 4685, P 125; Released March 3, 2005.

³ *Petition for Arbitration of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Intermedia Communications Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996*; Alabama Public Service Commission Docket No. 99-00948; Order dated July 11, 2000, page 122.

⁴ *In the matter of Telcove Investment, LLC's Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996, and Applicable State Laws for Rates, Terms, and Conditions of Interconnection with Southwestern*

1 Colorado,⁶ Connecticut,⁷ Florida,⁸ Illinois,⁹ Indiana,¹⁰ Kansas,¹¹ Kentucky,¹²
2 Massachusetts,¹³ Michigan,¹⁴ Missouri,¹⁵ Nebraska,¹⁶ North Carolina,¹⁷ Ohio,¹⁸
3 Oklahoma,¹⁹ and Texas.²⁰

Bell Telephone, L.P. d/b/a SBC Arkansas; Arkansas Public Service Commission Docket No. 04-167-U; Order No. 10; September 15, 2005, page 58.

⁵ *Application by Pacific Bell Telephone Company d/b/a SBC California (U 1001 C) for Arbitration of an Interconnection Agreement with MCImetro Access Transmission Services LLC (U 5253 C) Pursuant to Section 252(b) of the Telecommunications Act of 1996*; California Public Utilities Commission Decision 06-08-029; Application 05-05-027; August 24, 2006, page 9;

⁶ *In the Matter of the Petition of AT&T Wireless Services, Inc., for Arbitration of an Interconnection Agreement with US West Communications, Inc., Pursuant to 47 U.S.C. § 252*; Public Utilities Commission of the State of Colorado Docket No. 97A-110T; Commission Decision Regarding Petition for Arbitration; Adopted July 26, 1997, page 17.

⁷ *Petition of Youghioghery Communications – Northeast, LLC d/b/a Pocket Communications for a Declaratory Ruling that the Southern New England Telephone Company d/b/a AT&T Connecticut is in Violation of Section 16-247B of the Connecticut General Statutes and the Department’s Orders in Docket No. 02-01-23 Relating to Transit Traffic and Federal and State Laws and Regulations Relating to the Transit Traffic Factor*; State of Connecticut Department of Public Utility Control Docket No. 08-12-04; Decision dated October 7, 2009.

⁸ *Joint petition by TDS Telecom d/b/a/ TDS Telecom/Quincy Telephone, et. al. objecting to and requesting suspension and cancellation of proposed transit traffic service tariff filed by BellSouth Telecommunications, Inc., Florida Public Service Commission Docket Nos. 05-0119-TP and 05-0125-TP; Order on BellSouth Telecommunications, Inc.’s Transit Traffic Service Tariff; Order No. PSC-06-0776-FOF-TP; issued September 18, 2006, page 17.*

⁹ *Level 3 Communications, L.L.C Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996, and the Applicable State Laws for Rates, Terms, and Conditions of Interconnection with Illinois Bell Telephone Company (SBC Illinois)*; Illinois Commerce Commission Docket No. 04-0428; Administrative Law Judge’s Proposed Arbitration Decision; dated December 23, 2004. This docket was subsequently settled without a final commission order.

¹⁰ *In the Matter of Level 3 Communications, LLC’s Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as Amended by the Telecommunications Act of 1996, and Applicable State Laws for Rates, Terms, and Conditions of Interconnection with Indiana Bell Telephone Company d/b/a SBC Indiana*; Indiana Utility Regulatory Commission Cause No. 42663 INT-01; approved December 22, 2004, page 12; Vacated at request of parties who had negotiated 13-state ICA, March 16, 2005.

¹¹ *In the Matter of arbitration Between Level 3 Communications, LLC and SBC Communications, Inc., Pursuant to Section 252(b) of the Communications Act of 1934, as Amended by the*

Telecommunications Act of 1996, for Rates, Terms, and Conditions of Interconnection; Kansas Corporation Commission Docket No. 04-L3CT-1046-ARB; February 4, 2005, page 283.

¹² *Joint Petition for Arbitration of NewSouth Communications Corp., NUVOX Communications, Inc., KMC Telecom V, Inc., KMC Telecom III LLC, and Xspedius Communications, LLC on Behalf of its Operating Subsidiaries Xspedius Management Co. Switched Services, LLC, Xspedius Management Co. of Lexington, LLC and Xspedius Management Co. of Louisville, LLC of an Interconnection Agreement with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Communications Act of 1934, as Amended*; Kentucky Public Service Commission Case No. 2004-00044; March 14, 2006, page 27.

¹³ *Petitions of MediaOne Telecommunications of Massachusetts, Inc. and New England Telephone and Telegraph Company d/b/a Bell Atlantic-Massachusetts for arbitration, pursuant to Section 252(b) of the Telecommunications Act of 1996 to establish an interconnection agreement, et al.*; Massachusetts Department of Telecommunications and Energy Docket Nos. 99-42/43, 99-52; August 25, 1999, page 122.

¹⁴ *In the matter of the petition of Michigan Bell Telephone Company, d/b/a/ SBC Michigan, for arbitration of interconnection rates, terms, and conditions, and related arrangements with MCIMetro Access transmission Services, LLC, pursuant to Section 252b of the Telecommunications Act of 1996*; Michigan Public Service Commission Case No. U-13758; August 18, 2003, page 46.

¹⁵ *Petition of Socket Telecom, LLC for Compulsory Arbitration of Interconnection Agreements with CenturyTel of Missouri, LLC and Spectra Communications, LLC, pursuant to Section 251(b)(1) of the Telecommunications Act of 1996*; Missouri Public Service Commission Case No. TO-2006-0299; Issued June 27, 2006, page 47.

¹⁶ *In the Matter of the Application of Cox Nebraska Telecom, LLC, Omaha, seeking arbitration and approval of an interconnection agreement pursuant to Section 252 of the Telecommunications Act of 1996, with Qwest Corporation, Denver, Colorado*; Nebraska Public Service Commission Application No. C-3796; Order Approving Agreement; Entered January 29, 2008.

¹⁷ *In the Matter of Joint Petition of NewSouth Communications Corp. et al. for Arbitration with BellSouth Telecommunications, Inc.*; North Carolina Utilities Commission Docket No. P-772, Sub 8; Docket No. P-913, Sub 5; Docket No. P-989, Sub 3; Docket No. P-824, Sub 6; Docket No. P-1202, Sub 4; July 26, 2005, page 130.

¹⁸ *In the Matter of the Establishment of Carrier-to-Carrier Rules In the Matter of the Commission Ordered Investigation of the Existing Local Exchange Competition Guidelines In the Matter of the Commission Review of the Regulatory Framework for Competitive Telecommunications Services Under Chapter 4927, Revised Code*; Public Utilities Commission of Ohio Case No. 06-1344-TP-ORD; Case No. 99-998-TP-COI; Case No. 99-563-TP-COI; November 21, 2006, page 52.

¹⁹ *Petition of CLEC Coalition for Arbitration Against Southwestern Bell Telephone, L.P. d/b/a SBC Oklahoma Under Section 252(b)(1) of the Telecommunications Act of 1996*; Oklahoma

1

2 **Q. Please summarize your testimony on this issue.**

3 A. The Act allows any carrier to interconnect with any other carrier on a direct or
4 indirect basis. AT&T's Section 251(c)(2) obligations require AT&T to transmit
5 and route traffic for Sprint as AT&T does for itself, which necessarily includes
6 transmission and routing of traffic exchanged with third parties that are
7 interconnected with AT&T. As the only ubiquitous provider of Transit Services
8 throughout the state, AT&T must provide Transit Services to any carrier, including
9 Sprint. If AT&T can choose where and when (or where not and when not) to offer
10 Transit Service transmission and routing, and/or at whatever price it chooses,
11 indirect interconnection pursuant to § 251(a) and 251(c)(2) of the Act has little
12 meaning.

13

14 **Q. What ICA language does Sprint recommend the Authority adopt?**

15 A. Sprint recommends the Authority adopt the following ICA language:

16 2.5.4(a) No Prohibitions. Nothing in this agreement shall be construed to
17 prohibit Sprint from using Interconnection Facilities to deliver any Authorized
18 Services traffic to or from any Third-Party.

19

20 4 Transit Service.

21

22 4.1 AT&T-9STATE shall provide the necessary transmission and routing of
23 Authorized Services traffic between Sprint and any other Third Party that,
24 according to the LERG, is also Interconnected to AT&T -9STATE in the same

Corporation Commission Cause Nos. PUD 200400497 and 200400496; Order No. 522119; Final Order; dated March 24, 2006.

²⁰ *Arbitration of Non-Costing Issues for Successor Interconnection Agreements to the Texas 271 Agreement*; Public Utility Commission of Texas P.U.C. Docket No. 28821; Arbitration Award – Track 1 Issues; February 22, 2005, page 23.

1 LATA in which Sprint is Interconnected to AT&T -9STATE.
2

3 4.3 The Party that provides a Transit Service under this Agreement (“Transit
4 Provider”) shall only charge the other Party (“Originating Party”) the applicable
5 Transit Rate for Transit Service traffic that the Transit Provider delivers to the
6 Third Party network upon which such traffic is terminated.
7

8 **Issue I.C(3) – If the answer to Issue I.C.(2) is yes, what is the appropriate rate that**
9 **AT&T should charge for such service?**

10
11 **Q. Please summarize Sprint’s position on this issue.**

12 A. Section 251(c)(2)(D) requires Interconnection transmission and routing services to
13 be at rates that are “in accordance with ... the requirements of section 252 of this
14 title.” The 252(d) pricing standard that has been established by the FCC is Total
15 Element Long-Run Incremental Cost (“TELRIC”). Therefore, transit should be
16 provided at a TELRIC-based rate. Absent an existing TELRIC rate, transit should
17 be provided at \$0.00035 (i.e., 1/2 the current reciprocal compensation rate of
18 \$0.0007) on an interim basis until a TELRIC rate is established.

19
20 **Q. Please summarize AT&T’s position on this issue.**

21 A. It is my understanding that AT&T’s position is that it is not required to provide
22 Transit Service at all. However, it will provide Transit Service, where and when it
23 so chooses, at AT&T-defined “market based” rates.

24
25 **Q. Please discuss this issue.**

1 A. This issue consists of two sub-issues. First, Sprint believes that AT&T should be
2 required to provide Transit Services at forward-looking economic cost-based rates
3 (TELRIC), consistent with § 252(d) of the Act. Second, although Sprint can
4 support an even lower interim rate until AT&T provides TELRIC-based cost
5 studies, a reasonable surrogate for Transit Service is \$0.00035 per minute.
6

7 **1. Transit Service Should Be Provided at Forward-Looking Economic Cost-**
8 **Based Rates (TELRIC)**
9

10 **Q. What is the appropriate cost standard for Interconnection?**

11 A. the Act established the following cost standard for both § 251(c)(2) Interconnection
12 services and 251(c)(3) network elements:

13 (1) Determinations by a State commission of the just and reasonable rate for
14 the interconnection of facilities and equipment for purposes of subsection
15 (c)(2) of section 251 of this title, and the just and reasonable rate for network
16 elements for purposes of subsection (c)(3) of such section-

17
18 (A) shall be –

19 (i) based on the cost (determined without reference to a rate-of-
20 return or other rate-based proceeding) of providing the
21 interconnection or network element (whichever is applicable),
22 and

23 (ii) nondiscriminatory; and

24 (B) may include a reasonable profit.
25
26

27 **Q. How do the FCC rules implement the Act's pricing standard with respect to**
28 **methods of Interconnection?**

29 A. As I also discuss later in this testimony with regard to the pricing of direct
30 Interconnection facilities (Issue III.H.(1)), in order to promote competition, the FCC

1 established a framework which would prevent ILECs such as AT&T from raising
2 costs and rates for interconnection in order to deter competitive entry. The FCC's
3 *Local Competition Order* explicitly requires that Interconnection services be priced
4 "in a manner that reflects the way they are incurred". Specifically, the FCC's *Local*
5 *Competition Order* states,

6 We conclude, as a general rule, that incumbent LECs' **rates for**
7 **interconnection** and unbundled elements must recover costs in a manner that
8 reflects the way they are incurred. This will conform to the 1996 Act's
9 **requirement that rates be cost-based**, ensure requesting carriers have the
10 right incentives to construct and use public network facilities efficiently, and
11 **prevent incumbent LECs from inefficiently raising costs in order to deter**
12 **entry**. We note that this conclusion should facilitate competition on a
13 reasonable and efficient basis by all firms in the industry by establishing
14 prices for interconnection and unbundled network elements based on costs
15 similar to those incurred by the incumbents...²¹ (Emphasis added.)
16

17 47 C.F.R. § 51.501 explicitly sets the same forward-looking cost standard (TELRIC)
18 for both interconnection and unbundled network elements. Specifically, 47 C.F.R. §
19 51.501 states,

20 (a) The rules in this subpart apply to the pricing of network elements,
21 **interconnection**, and methods of obtaining access to unbundled elements,
22 including physical collocation and virtual collocation.
23

24 (b) As used in this subpart, the term "element" includes network elements,
25 **interconnection**, and methods of obtaining access to unbundled elements,
26 including physical collocation and virtual collocation. (Emphasis added.)
27

28 The Forward-Looking Economic Cost standard is imposed pursuant to 47 C.F.R. §
29 51.503 as further provided in 47 C.F.R. §§ 51.505 and 51.511, which is defined as
30 TELRIC plus a "reasonable allocation of forward-looking common costs."

²¹ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*,
First Report and Order, FCC 96-325, CC Docket No. 96-98, Released August 8, 1996, paragraph
743. ("Local Competition Order").

1 In the context of Transit Service, such Interconnection is provided on a per-minute
2 –of-use basis, thereby requiring a TELRIC-based Transit Service rate; and, as
3 discussed in Issue III.H(1), the same pricing standard as applied in the context of
4 direct Interconnection requires flat-rate TELRIC priced direct Interconnection
5 Facility pricing.

6
7 **Q. Why is AT&T's obligation to provide transit service at cost-based rates**
8 **important?**

9 A. As discussed above, if AT&T is not obligated to provide Transit Service,
10 § 251(a)(1) and 251(c)(2) of the Act has little meaning. Likewise, if AT&T is
11 obligated to provide Transit Services, but is free to charge whatever rate it wants,
12 such as a self-defined “market rate” or another rate that is not based on the forward-
13 looking economic cost of providing that service, competing carriers are at a distinct
14 competitive disadvantage when compared to AT&T, which is able to provide
15 Transit Services to itself at economic cost.

16
17 Sprint believes that AT&T is obligated to provide Transit Service to Sprint, and
18 those services must be priced at forward-looking economic costs, such as TELRIC.
19 The obligation that Transit Service be provided at forward-looking economic cost
20 applies regardless of whether the interconnecting carrier is a wireless carrier or a
21 CLEC.

1

2 **Q. Have other state commissions explicitly found that ILECs must provide transit**
3 **at forward-looking economic cost-based prices?**

4 A. Yes. Since each of the eighteen states mentioned above have concluded that ILECs
5 such as AT&T must provide Transit Services pursuant to § 251 of the Act,
6 implicitly it follows that § 252 pricing rules apply. In addition, at least ten of these
7 states have explicitly stated that transiting must be priced at TSLRIC or TELRIC.²²

8

9 **2. Interim Transit Rate Benchmarks**

10

11 **Q. Without a valid cost study to evaluate AT&T's transit costs, are there some**
12 **benchmarks the Authority may use to develop an interim transit rate?**

13 A. Yes. There are four benchmarks the Authority can use to evaluate AT&T's transit
14 costs.

- 15 1. AT&T's approved rate for UNE ("Unbundled Network Element") tandem
16 switching (subject to updating if the existing studies are outdated),
- 17 2. AT&T's cost-based transit rates in other states,
- 18 3. AT&T's reciprocal compensation rate, and
- 19 4. AT&T's economic switching costs per its October 13, 2008 letter to the
20 FCC (the "AT&T FCC Letter") discussed below and included in my
21 testimony as Attachment RGF-1.

22

²² Texas, California, Colorado, Connecticut, Kentucky, Missouri, North Carolina, Ohio, Connecticut, and Nebraska. Citations to these decisions have been provided earlier herein.

1 **a. AT&T's Approved UNE Tandem Switching**

2
3 **Q. What is Unbundled Network Element Tandem Switching?**

4 A. Per the FCC's *Local Competition Order*, ILECs such as AT&T had to provide
5 tandem switching and transport as UNEs. Although these requirements were
6 reduced or eliminated in subsequent FCC orders, the Authority had previously
7 determined a TELRIC based rate for UNE tandem switching of \$0.0009778, and
8 common transport of \$0.00038.²³

9
10 **Q. Are tandem switching and transport comparable functions to Transit Service?**

11 A. Yes. Tandem switching is a trunk-to-trunk connection performed by one switch,
12 thereby connecting two other switches. Transiting is the same engineering
13 function, with some additional costs associated with the facility over which a call is
14 delivered between the tandem switch and the terminating switch when the transit
15 provider owns or cost-shares a portion of such facility²⁴. Thus, assuming that
16 AT&T owns or otherwise shares 50% of the cost of the facility between it and the

²³ *A Survey of Unbundled Network Element Prices in the United States*; Billy Jack Gregg, Director, Consumer Advocate Division, Public Service Commission of West Virginia; Table 1; Updated March 2006.

²⁴ Typically, a transit-providing Regional Bell Operating Company – Incumbent Local Exchange Carrier (“RBOC-ILEC”) will either own a portion of the facility up to an Interconnection meet point or otherwise share the costs of the facility between its switch and the terminating switch. However, in the case of an RBOC-ILEC to ILEC Interconnection, either the transit-providing RBOC or the terminating ILEC may provide and claim 100% of this facility, resulting in no additional facility cost to include in the transit charge if the transit provider does not incur any additional facility costs for the piece between it and the terminating network.

1 terminating carrier, the rate of \$0.001168 [$\$0.0009778 + (.5 * \$0.00038)$] is a
2 reasonable benchmark for the TELRIC-based cost of Transit Service.
3

4 **b. AT&T's Transit Rates in Other States**

5
6 **Q. What are AT&T's transit rates in other states?**

7 A. AT&T's transit rates in other states vary widely. Some are simply tariffed rates,
8 some are negotiated rates, while some are cost-based rates.
9

10 **Q. Do you expect forward-looking economic cost-based rates to vary widely**
11 **between AT&T states?**

12 A. No. Based on my extensive cost study experience, transit costs should not vary
13 significantly between the various AT&T states. As the largest telecommunications
14 carrier in the country, AT&T can be expected to use its purchasing power to
15 negotiate the best rates possible for all AT&T entities. In addition, AT&T is the
16 largest telecommunications carrier in each of twenty-two states in which it is the
17 dominant ILEC.²⁵ Given its size and purchasing power, there is no reason to expect
18 significant transit cost differences between its operating states.
19

20 **Q. Is there a benchmark to measure AT&T's transit costs?**

21 A. Yes. The lowest AT&T transit rates provided by AT&T to Sprint via an
22 Interconnection agreement elsewhere in the U.S. is a reasonable benchmark. The

²⁵ While AT&T is not the dominant ILEC in Nevada, it is likely to be the largest telecommunications company in that state.

following Table 1 shows the lowest Interconnection agreement transit rates paid by Sprint to AT&T:

Table 1
AT&T Transit Rates

State	AT&T Transit Rate
California	\$ 0.000663 (1)
Michigan	0.000454
Texas	0.000947

(1) Per Sprint contract. \$0.000629 per call set-up, plus \$0.000453 per minute of use ("MOU"). Assumes 3 MOU per call set-up.

These rates are the result of cost-based proceedings. As can be seen, AT&T's cost-based transit rates are as low as \$0.000454. There is no economic reason that cost-based transit costs for AT&T should be significantly lower in California, Michigan, or Texas than in any other state.

c. AT&T's Reciprocal Compensation Rates

Q. What is AT&T's reciprocal compensation rate in most states?

A. In most states, AT&T has voluntarily agreed to a rate of \$0.0007 per minute. While this rate is not necessarily cost-based, it is reasonable to assume that AT&T did not voluntarily agree to a rate which is below its actual economic costs. In addition, AT&T used this rate as a benchmark of its own in the AT&T FCC Letter, as discussed below.

Q. What functions are included in this reciprocal compensation rate of \$0.0007 per minute?

1 A. The reciprocal compensation rate includes cost recovery for three distinct functions:
2 (1) tandem switching; (2) transport (to the end office); and (3) end office switching.
3 As discussed above, transit service consists of the tandem switching and a portion
4 of the transmission function that equates to Interconnection facility in the context of
5 Indirect Interconnection with a Third-Party network.

6
7 **Q. Using the \$0.0007 reciprocal compensation rate as a starting point, what is a**
8 **reasonable benchmark for transit service?**

9 A. Based on my extensive cost study experience, the cost of tandem switching is
10 generally less than the cost of end office switching. Even assuming tandem
11 switching and end office switching have equal costs, and the transit provider owns
12 50% of the Interconnection facility, then 50% of the \$0.0007 reciprocal
13 compensation rate is a reasonable surrogate for the cost of Transit Service, i.e.,
14 \$0.00035.

15

16 **d. AT&T's Economic Switching Costs Per Its FCC Letter**

17

18 **Q. Has AT&T publicly provided an estimate of the incremental cost of switching?**

19 A. Yes. In connection with the FCC's Intercarrier Compensation proceeding, CC
20 Docket No. 01-92, AT&T publicly provided an estimate of the incremental cost of
21 switching through its October 13, 2008 letter to the FCC (Attachment RGF-1).

22

1 **Q. In the AT&T FCC Letter, what was AT&T's estimate of incremental**
2 **switching costs?**

3 A. In the AT&T FCC Letter, AT&T addressed the incremental cost of switching. In
4 this letter, AT&T stated that the vast majority of switching investment, at least
5 80%, was non-traffic sensitive in nature. Non-traffic sensitive costs do not vary
6 according to demand, and thus are excluded from an incremental TELRIC cost
7 analysis. AT&T estimated that the incremental cost of switching, under current
8 softswitch technology,²⁶ is "between \$0.00010 to \$0.00024" per minute. AT&T
9 then noted that "[t]hese figures are comfortably below the Commission current
10 R[eciprocal]C[ompensation] figure of \$0.00070 per minute."²⁷

11
12 For discussion purposes, the average of the above range of AT&T's estimate of its
13 intercarrier compensation switching costs per its FCC Letter is \$0.00017 per minute
14 $[(\$0.00010 + \$0.00024)/2]$. The AT&T FCC Letter referred to end office
15 switching. Generally, the cost of tandem switching is less than the cost of end
16 office switching. Even assuming tandem switching and end office switching have
17 equal costs, the cost of transit would be \$0.00017 per minute, plus some small
18 increment for the Interconnection facility piece between the AT&T switch and
19 terminating network.

²⁶ Softswitch technology, also referred to as packet switching, is currently being deployed throughout the telecommunications industry, including by AT&T, and is replacing traditional circuit-based switches. Circuit-based switching establishes a dedicated electronic circuit for the duration of each call. A softswitch can combine voice and data traffic into data "packets," which is more efficient than individual electronic circuits.

²⁷ AT&T FCC Letter, at page 4 (Exhibit RGF-1).

1
2 **e. Summary of Benchmarks for AT&T's Transit Rates**

3
4 **Q. Please summarize your analysis of the benchmarks for AT&T's transit rates.**

5 A. To summarize:

- 6 • AT&T's approved UNE rate for the equivalent transit functions is
7 \$0.001168;
8 • AT&T's cost-based transit rates are as low as \$0.000454;
9 • AT&T's voluntarily adopted reciprocal compensation rate in most of its
10 states of \$0.0007 per minute implies a cost of transit of no more than
11 \$0.00035; and
12 • The AT&T FCC Letter implies a cost of transit of no more than \$0.00017.

13
14 Given the above benchmarks, an interim transit rate of \$0.00035, which is equal to
15 50% of the AT&T reciprocal compensation rate of \$0.00070, is reasonable.

16
17 **Q. Please summarize your testimony on this Issue.**

18 A. AT&T should be required to provide Transit Services at forward-looking economic
19 cost-based rates (TELRIC), consistent with § 252(d) of the Act. Until AT&T
20 provides TELRIC-based cost studies, a reasonable surrogate for Transit Service is
21 no higher than \$0.00035 per minute, and subject to an applicable true-up refund
22 following the establishment of AT&T's TELRIC-based transit rate.

1 **Q. What ICA Transit Service Rate does Sprint recommend the Authority adopt to**
2 **be populated on the Parties' Pricing Sheet?**

3 A. Sprint recommends the Authority adopt an "interim" Transit Service Rate of
4 \$0.00035, and further order that such rate is subject to true-up and direct AT&T to
5 conduct an updated TELRIC-compliant cost study to establish a current TELRIC-
6 based Transit Service Rate.

7
8 **Issue I.C(4) – If the answer to I.C(2) is yes, should the ICAs require Sprint either to**
9 **enter into compensation arrangements with third party carriers with which Sprint**
10 **exchanges traffic that transits AT&T's network pursuant to the transit provisions in**
11 **the ICA or to indemnify AT&T for the costs it incurs if Sprint does not do so?**

12
13 **Q. Please summarize Sprint's position on this issue.**

14 A. No, the ICAs should not require Sprint to enter into compensation arrangements
15 with Third Party carriers or to indemnify AT&T. Federal law does not require
16 Sprint to establish ICAs with AT&T's subtending carriers as a pre-requisite to
17 obtaining Indirect Interconnection services from AT&T; and, AT&T is not entitled
18 to indemnification for costs that AT&T should not be paying a terminating carrier
19 in the first place.

20
21 **Q. Please summarize AT&T's position on this issue.**

1 A. As I understand AT&T's position, if the Authority requires AT&T to provide
2 Transit Service, Sprint should be required to enter into compensation arrangements
3 with third-party carriers and to indemnify AT&T against any costs it might occur.
4

5 **Q. When AT&T is acting as a transit provider, why is compensation between**
6 **Sprint and a third party irrelevant?**

7 A. When AT&T is acting as a transit provider, compensation arrangements between
8 Sprint and third-party carriers are irrelevant to AT&T because there is no need for
9 an interconnection agreement between Sprint and the third-party carrier.
10

11 As discussed above, § 251(a) requires each carrier to interconnect with another
12 carrier. No interconnection agreement is necessary in order for two carriers to
13 interconnect and mutually exchange traffic with each other indirectly through a
14 transit provider.
15

16 In fact, Sprint routinely interconnects and mutually exchanges traffic indirectly with
17 other carriers without an interconnection agreement. For example, Sprint routinely
18 exchanges small amounts of traffic with CLECs and CMRS carriers without an
19 interconnection agreement. Considering that there may be hundreds of such
20 arrangements throughout AT&T's 22-state service territories, such a requirement as
21 suggested by AT&T would be economically burdensome to Sprint, and would be
22 anticompetitive.
23

1 When Sprint does enter into an Interconnection agreement with a third-party carrier
2 that subtends AT&T, AT&T is not a party to that agreement. Indeed, AT&T and
3 the major wireless carriers (including AT&T's wireless entity), previously litigated
4 alongside AT&T and against RLECs throughout the Southeast to make clear a
5 tandem-provider is not responsible for termination charges associated with third-
6 party originated transit traffic. The establishment of that principle did not,
7 however, automatically relieve AT&T from any outdated AT&T-terminating RLEC
8 arrangements which AT&T has not diligently sought to bring in compliance with
9 federal law and, therefore, may still obligate itself to pay inappropriate termination
10 charges. Such compensation arrangements between AT&T and a terminating third
11 party are addressed in AT&T's Interconnection agreement with the third party. If
12 AT&T is still party to agreements with a third party to pay for termination of
13 Sprint-originated traffic, that is a contract obligation that AT&T independently
14 created for itself over which Sprint had no control and, therefore, should have no
15 indemnification liability. AT&T's Transit Exhibit sections 4.1 and 4.2 are an
16 improper attempt by AT&T to shift to Sprint independent obligations that AT&T
17 may have contractually obligated itself to pay terminating third parties.

18
19 **Q. Does Sprint have any further general concerns with AT&T's proposed**
20 **Transit-related provisions?**

21 A. Yes. AT&T has not "scrubbed" its Transit Exhibit to eliminate any of the
22 numerous duplicative definitions, networking and billing provisions that are already
23 included in the body of the main agreement and are, therefore, already implicated

1 by the various open Issues, for example: Sprint's ability to send combined
2 PCS/CLEC traffic to AT&T (Issue II.B(2)); where and when further direct
3 Interconnection / multiple POIs may be required (Issues II.D(1) and II.D(2)); and
4 what information needs to be provided by Sprint PCS for a transit call (Issue
5 III.A(7)). Under no circumstances should AT&T be rewarded for its refusal to
6 negotiate transit provisions by being permitted to "slip-in" provisions into the ICA
7 via its Transit Exhibit that are already the subject of other arbitration issues.
8

9 **Q. What ICA language does Sprint recommend the Authority adopt regarding**
10 **Issue I.C(4)?**

11 A. Because it is not appropriate to condition AT&T's provision of Transit Service
12 upon Sprint either: 1) obtaining Interconnection agreements with all third-party
13 carriers that subtend AT&T's tandems; or 2) indemnifying AT&T for payments
14 AT&T may have otherwise obligated itself to pay such third-party carriers, Sprint
15 recommends that the Authority not adopt any language that would impose such
16 conditions upon AT&T's transit obligations.
17

18 **Issue I.C(5) – If the answer to Issue I.C(2) is yes, what other terms and conditions**
19 **related to AT&T transit service, if any, should be included in the ICAs?**
20

21 **Q. Please summarize Sprint's position on this issue.**

22 A. AT&T is entitled to charge for the tandem-switching (and potentially relatively
23 minor facility-related costs) to deliver Sprint-originated traffic to a carrier network

1 that subtends AT&T and terminates Sprint's traffic. Otherwise, such traffic is
2 subject to the same general billing and collection provisions as other categories of
3 exchanged traffic.

4
5 **Q. Please summarize AT&T's position on this issue.**

6 A. As I understand AT&T's position, if the Authority requires AT&T to provide
7 Transit Service, AT&T is asking the Authority to impose its non-negotiated Transit
8 Exhibit terms and conditions upon Sprint.

9
10 **Q. What ICA language does Sprint recommend the Authority adopt?**

11 A. Sprint recommends the Authority adopt the following ICA language:

12 2.5.4(a) No Prohibitions. Nothing in this agreement shall be construed to
13 prohibit Sprint from using Interconnection Facilities to deliver any Authorized
14 Services traffic to or from any Third-Party.

15
16 4 Transit Service.

17
18 4.1 AT&T-9STATE shall provide the necessary transmission and routing of
19 Authorized Services traffic between Sprint and any other Third Party that,
20 according to the LERG, is also Interconnected to AT&T -9STATE in the same
21 LATA in which Sprint is Interconnected to AT&T -9STATE.

22
23 4.3 The Party that provides a Transit Service under this Agreement ("Transit
24 Provider") shall only charge the other Party ("Originating Party") the applicable
25 Transit Rate for Transit Service traffic that the Transit Provider delivers to the
26 Third Party network upon which such traffic is terminated.

27
28 On the Parties' "Pricing Sheet": populate "interim" Transit Service Rate of
29 \$0.00035.
30

1 **Issue I.C(6) – Should the ICAs provide for Sprint to act as a transit provider by**
2 **delivering third party-originated traffic to AT&T?**

3

4 **Q. Please summarize Sprint's position on this issue.**

5 A. Yes, the ICAs should provide for Sprint to act as a transit provider. Transit is a
6 form of wholesale Interconnection services that either Party may provide a third
7 party. It is unreasonable and anti-competitive for AT&T to provide Transit Service
8 to its wholesale Interconnection transit customers that will terminate traffic on
9 Sprint's network, but refuse to accept third-party transit traffic from Sprint for
10 termination on AT&T's network.

11

12 **Q. Please summarize AT&T's position on this issue.**

13 A. As I understand AT&T's position, Sprint will not be allowed to act as a transit
14 provider unless expressly allowed by the ICA. Regardless, Sprint would not be
15 allowed to aggregate CLEC and CMRS traffic.

16

17 **Q. Are you aware of any Act-based rationale for AT&T's stated position?**

18 A. No. AT&T is simply unilaterally declaring that no Sprint entity can provide a
19 wholesale Interconnection Transit Service.

20

21 **Q. What ICA language does Sprint recommend the Authority adopt?**

22 A. Sprint recommends the Authority adopt the following ICA language:

23 2.5.4 (d) Sprint as a Transit Provider. As of the Effective Date of this
24 Agreement Sprint is not a provider of Transit Service to either AT&T-

9STATE or a Third Party. However, Sprint reserves the right to become a Transit Service provider in the future, and will provide AT&T-9STATE a minimum of ninety (90) days notice before Sprint begins using Interconnection Facilities to provide a Transit Service for the delivery of Authorized Services traffic between a Third Party and AT&T-9STATE.

4.2 Upon Sprint providing AT&T-9STATE notice that Sprint will begin using Interconnection Facilities to provide a Transit Service at stated rate(s), such rate(s) shall be added to this Agreement by amendment and AT&T-9STATE will provide Sprint sixty (60) days notice if AT&T-9STATE desires to use such service.

Issue I.C(7) – Should the CLEC ICA require Sprint either to enter into compensation arrangements with third-party carriers with which Sprint exchanges traffic or to indemnify AT&T for the costs it incurs if Sprint does not do so?

Q. Please summarize Sprint's position on this issue.

A. No, the CLEC ICA should not require Sprint to enter into compensation arrangements with third-party carriers or to indemnify AT&T. This is a slight variation on Issue I.C.(4) above, and calls for same result. Federal law does not require Sprint to establish ICAs with AT&T's subtending carriers as a pre-requisite to Indirect Interconnection. AT&T is not entitled to indemnification for costs that AT&T should not be paying a terminating carrier in the first place.

Q. Please summarize AT&T's position on this issue.

A. As I understand AT&T's position, if the Authority requires AT&T to provide Transit Service, Sprint should be required to enter into compensation arrangements with third-party carriers and to indemnify AT&T against any costs it might incur.

1 **Q. What ICA language does Sprint recommend the Authority adopt?**

2 A. For the same reasons discussed above regarding Issue I.C(4), it is not appropriate
3 to condition AT&T's provision of Transit Service upon Sprint CLEC either: (1)
4 obtaining Interconnection agreements with all third-party carriers that subtend
5 AT&T's tandems; or (2) indemnifying AT&T for payments AT&T may be
6 obligated to pay such third-party carriers. Therefore, Sprint recommends that the
7 Authority not adopt any language that would impose such conditions upon AT&T's
8 transit obligations.

9

10 **Section III – How the Parties Compensate Each Other**

11

12 **Issue III.A – Traffic categories and related compensation rates, terms, and**
13 **conditions.**

14

15 **Issue III.A(1) – As to each ICA, what categories of exchanged traffic are subject to**
16 **compensation between the parties?**

17

18 **Q. Please summarize Sprint's position on this issue.**

19 A. Sprint requests that the Authority consider two categories of Interconnection-related
20 traffic: (1) Authorized Service Terminated Traffic (e.g., IntraMTA traffic,
21 InterMTA Traffic, Information Services traffic, and Interconnected VoIP traffic);
22 and (2) Transit Service Traffic (in addition to the category of Jointly Provided
23 Switched Access).

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If the Authority decides the typical multi-categories must exist, then Sprint has identified (1) wireless/wireline specific categories; and (2) categories that are neither wireline/wireless centric (Interconnected VoIP, Information Services, Transit).

Q. Please summarize AT&T’s position on this issue.

A. As I understand AT&T’s position, AT&T desires multiple categories of traffic.

Q. Why does Sprint propose two categories of Interconnection-related traffic?

A. As discussed below, nothing in the FCC Rules require specific types of compensation for specific types on traffic, nor does it require that CMRS traffic categories “mirror” traditional landline traffic categories. As to traffic exchanged between Sprint PCS and AT&T, all that is required is a “reasonable” and “mutual” system of compensation. Specifically, 47 C.F.R. § 20.11(a) states:

A local exchange carrier must provide the type of interconnection reasonably requested by a mobile service licensee or carrier, within a reasonable time after the request, unless such interconnection is not technically feasible or **economically reasonable**. (Emphasis added.)

47 C.F.R. § 20.11(b) states:

Local exchange carriers and commercial mobile radio service providers shall comply with principles of **mutual compensation**.

(1) A local exchange carrier shall pay **reasonable compensation** to a commercial mobile radio service provider in connection with terminating traffic that originates on facilities of the local exchange carrier.

1 (2) A commercial mobile radio service provider shall pay **reasonable**
2 **compensation** to a local exchange carrier in connection with terminating
3 traffic that originates on facilities of the commercial mobile radio service
4 provider. (Emphasis added.)
5

6 There is no practical reason why the same approach cannot be used as to CLEC
7 traffic. Therefore, Sprint requests only two categories of Interconnection-related
8 traffic because it is simple, easy to understand, and easy to administer. It is also
9 “technically feasible,” “economically reasonable,” and allows for “mutual
10 compensation,” which is entirely consistent with 47 C.F.R. § 20.11.
11

12 **Q. Please describe the two Sprint-proposed Interconnection-related traffic**
13 **categories.**

14 A. Sprint proposes two Interconnection-related traffic categories. The First Category
15 is “Authorized Service Terminated Traffic.” On the CMRS side this would include
16 IntraMTA traffic, InterMTA Traffic, Information Services traffic, and
17 Interconnected VoIP traffic; on the CLEC side this would include Telephone
18 Exchange Service traffic, Telephone Toll Service traffic, Information Services
19 traffic, and Interconnected VoIP traffic.
20

21 The Second Category is “Transit Service Traffic.”
22

23 Under Sprint’s proposal, all of the First Category traffic terminated between Sprint
24 and AT&T will be terminated under mutually identical terms and conditions,

1 including a uniform price; and, the Second Category of Transit Service Traffic will
2 be charged at the Transit Service Rate.

3

4 Although Jointly Provided Switched Access traffic will also continue as a
5 separately identifiable type of exchanged traffic, it is traffic for which each party is
6 providing a service billed to a third party and does not result in a charge as between
7 the parties to each other.

8

9 **Q. Is this a significant departure from the existing Sprint – BellSouth ICA?**

10 A. No, Sprint’s proposal is not a significant departure from the existing Sprint –
11 BellSouth ICA, which calls for the mutual exchange of most traffic categories
12 under a single Bill-and-Keep arrangement, regardless of category.

13

14 **Q. Please describe Sprint’s alternative multiple Interconnection-related traffic**
15 **categories.**

16 A. Alternately, if the Authority prefers the more traditional multiple traffic categories,
17 Sprint proposes the following categories:

18 For CMRS traffic: (1) IntraMTA, (2) InterMTA, (3) Information Services
19 traffic, (4) Interconnected VoIP traffic, (5) Jointly Provided Switched Access
20 Traffic, and (6) Transit Service Traffic.

21

22 For CLEC traffic: (1) Telephone Exchange Service Telecommunications
23 traffic, (2) Telephone Toll Service Telecommunications traffic, (3)

1 Information Services traffic, (4) Interconnected VoIP traffic, (5) Jointly
2 Provided Switched Access Traffic, and (6) Transit Service Traffic.

3

4 **Q. What ICA language does Sprint recommend the Authority adopt?**

5 A. Sprint recommends the Authority adopt the following ICA language:

6 CMRS and CLEC

7

8 6. Authorized Services Traffic Per Minute Usage.

9

10 6.1 Classification of Authorized Services Traffic Usage.

11

12 If only two billable categories are deemed necessary:

13

14 CMRS

15 6.1.1 Authorized Services traffic exchanged between the Parties pursuant to
16 this Agreement will be classified as Authorized Service Terminated Traffic
17 (which will include IntraMTA Traffic, InterMTA Traffic, Information
18 Services traffic, Interconnected VoIP traffic), Jointly Provided Switched
19 Access traffic, or Transit Service Traffic.

20

21 CLEC

22

23 6.1.1 Authorized Services traffic exchanged between the Parties pursuant to
24 this Agreement will be classified as Authorized Services Terminated Traffic
25 (which will include Telephone Exchange Service Telecommunications traffic,
26 Telephone Toll Service Telecommunications traffic, Information Services
27 traffic, Interconnected VoIP traffic), Jointly Provided Switched Access traffic,
28 or Transit Service Traffic.

29

30 If more than two billable categories are deemed necessary:

31

32 CMRS

33

34 6.1.1 Authorized Services traffic exchanged between the Parties pursuant to
35 this Agreement will be classified as IntraMTA Traffic, InterMTA Traffic,
36 Information Services traffic, Interconnected VoIP traffic, Jointly Provided
37 Switched Access traffic, or Transit Service Traffic.

38

39 CLEC

40

1 6.1.1 Authorized Services traffic exchanged between the Parties pursuant to
2 this Agreement will be classified as Telephone Exchange Service
3 Telecommunications traffic, Telephone Toll Service Telecommunications
4 traffic, Information Services traffic, Interconnected VoIP traffic, Jointly
5 Provided Switched Access traffic, or Transit Service Traffic.
6

7 **Issue III.A(2) – Should the ICAs include the provisions governing rates proposed by**
8 **Sprint?**
9

10 **Q. Please summarize Sprint’s position on this issue.**

11 A. Yes, the ICAs should include the provisions governing rates proposed by Sprint.
12 Sprint’s proposed rates will ensure that Sprint CMRS and Sprint CLEC are charged
13 Interconnection services rates that are authorized by the FCC, and non-
14 discriminatory, being priced at: (1) Bill-and-Keep; or (2) the lowest of (a) the
15 reciprocal compensation rate of \$0.0007, (b) TELRIC pricing, or (c) any other price
16 that AT&T has offered to another Telecommunications Carrier.
17

18 **Q. Please summarize AT&T’s position on this issue.**

19 A. As I understand AT&T’s position, Sprint should accept AT&T’s price list because
20 Sprint did not “object” and/or failed to successfully negotiate lower rates. Also,
21 AT&T claims it has no obligation to provide services to Sprint at the same price it
22 offers that service to other carriers.
23

24 **Q. Did Sprint, in fact, “object” to AT&T’s proposed rate schedule, and attempt to**
25 **negotiate other rates?**

1 A. Yes, of course. The fact that Sprint seeks the very language that Sprint has
2 proposed means that it “objects to” and has not accepted AT&T’s prices. That’s
3 one of the reasons for this arbitration proceeding.
4

5 **Q. What rates is Sprint proposing?**

6 A. Under the existing Sprint-AT&T ICA, most Interconnection-related traffic is
7 exchanged under a Bill-and-Keep arrangement, regardless of category. As
8 discussed below, Sprint proposes that Sprint and AT&T continue to exchange
9 Interconnection-related traffic on a Bill-and-Keep basis or, if a rate is ordered, then
10 such rate be at the lower of a TELRIC-based rate, the \$0.0007 rate, or any even
11 lower rate that AT&T has voluntarily provided another carrier.
12

13 **Q. Has AT&T ever supported rates even below the TELRIC pricing standard?**

14 A. Yes, AT&T has supported rates even below the TELRIC pricing standard. The Act
15 calls for an “additional cost” standard, not explicitly the TELRIC standard. In its
16 recent intercarrier compensation NPRM,²⁸ the FCC proposed an alternative cost
17 methodology for intercarrier compensation based on economic incremental costs,
18 which results in costs and rates which are significantly lower than the TELRIC
19 standard. In fact, the FCC stated that the result of this new economic incremental
20 cost standard is “likely to be extremely close to zero.”²⁹

²⁸ *In the Matter of Developing a Unified Intercarrier Compensation Regime, et al*; CC Docket 01-92 Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, Appendix A; Released: November 5, 2008.

1

2 **Q. Did both Sprint and AT&T support this new cost standard?**

3 A. Yes, both Sprint and AT&T supported this new cost standard in their Comments to
4 the FCC. Specifically, AT&T stated:

5 For the reasons identified in the *Appendix C Draft Order*, the proposed
6 “incremental cost” standard is far superior to TELRIC as a means of setting
7 intercarrier compensation rates, both because it will dramatically reduce the
8 competitive distortions that can arise from any regulatory rate-setting regime
9 and because it will make each carrier more accountable to its own end users
10 for the efficiency of its operations.

11

12 As an initial matter, this incremental cost standard is plainly lawful; indeed, it
13 is more consistent than TELRIC with the governing statutory language.
14 Section 252(d)(2)(A)(ii) provides that reciprocal compensation rates should
15 reflect “a reasonable approximation of the additional costs of terminating” the
16 calls at issue. (*Italics in original AT&T Comments.*)³⁰
17

18 **Q. What ICA language does Sprint recommend the Authority adopt?**

19 A. Sprint recommends the Authority adopt the following ICA language:

20 6.2 Authorized Services Traffic Usage Rates.

21

22 6.2.1 The applicable Authorized Services per Conversation MOU Rate for
23 each category of Authorized Service traffic is contained in the Pricing
24 Schedule attached hereto.

25

26 6.2.2 The following are the Authorized Services Per Conversation MOU
27 Usage Rate categories:

28

29 [If only two billable categories are deemed necessary:]

30

31 - Terminated Traffic Rate

32

33 - Transit Service Rate

34

[If more than two billable categories are deemed necessary:]

²⁹ Id, at ¶ 273.

³⁰ *In the Matter of Developing a Unified Intercarrier Compensation Regime*; CC Docket No. 01-92, et al; Comments of AT&T Inc., November 26, 2008, at page 9.

CMRS:

- IntraMTA Rate
- Land-to-Mobile InterMTA Rate

CLEC:

- Telephone Exchange Service Rate
- Telephone Toll Service Rate

Both CMRS and CLEC:

- Information Services Rate
- Interconnected VoIP Rate- N/A
- Transit Service Rate

6.2.3 Beginning with the Effective Date, the applicable Authorized Service Rate ("Rate") that AT&T-9STATE will charge Sprint for each category of Authorized Service traffic shall be the lowest of the following Rates:

- The Rate contained in the Pricing Schedule attached hereto;
- The Rate negotiated between the Parties as a replacement Rate to the extent such Rate is expressly included and identified in this Agreement;
- The Rate AT&T-9STATE charges any other Telecommunications carrier for the same category of Authorized Services traffic; or,
- The Rate established by the Commission based upon an approved AT&T-9STATE forward looking economic cost study in the arbitration proceeding that established this Agreement or such additional cost proceeding as may be ordered by the Commission.

6.2.4 Reduced AT&T-9STATE Rate(s) True-Up. Where the lowest AT&T-9STATE Rate is established by the Commission in the context of the review and approval of an AT&T-9STATE cost-study, or was provided by AT&T-9STATE to another Telecommunications carrier and not made known to Sprint until after the Effective Date of this Agreement, AT&T-9STATE shall true-up and refund any difference between such reduced Rate and the Rate that Sprint was invoiced by AT&T-9STATE regarding such Authorized Services traffic between the Effective Date of this Agreement and the date that AT&T-9STATE implements billing the reduced Rate to Sprint.

6.2.5 Symmetrical Rate Application. Except to the extent otherwise provided in this Agreement, each Party will apply and bill the other Party the same

1 Authorized Service Rate on a symmetrical basis for the same category of
2 Authorized Services traffic.

3
4 Wireless traffic rates:

- 5 - IntraMTA Rate: [TBD]
- 6 - Land-to-Mobile InterMTA Rate: [TBD]

7
8 Wireline traffic rates:

- 9 - Telephone Exchange Service Rate: [TBD]
- 10 - Telephone Toll Service Rate: Applicable access tariff rates

11
12 Wireless or Wireline traffic rates:

- 13 - Information Services Rate: .0007
- 14 - Interconnected VoIP Rate: Bill & Keep until otherwise determined by
- 15 the FCC.
- 16 - Transit Service Rate: [TBD]

17
18 **Issue III.A(3) – What are the appropriate compensation terms and conditions that**
19 **are common to all types of traffic?**

20
21 **Q. Please summarize Sprint's position on this issue.**

22 A. First, it is important that the Authority realize there are several general provisions
23 “common to all types of traffic” that the parties already agree upon and, therefore,
24 they do not all appear in the Joint DPL. However, to understand Sprint's approach
25 with respect to usage and facility billing, it is necessary to see Sprint's proposed
26 language in the context of the undisputed language. When read in context, it is
27 Sprint's position that the parties' *agreed to language* (Sections 6.3.1., 6.3.2., 6.3.3,
28 6.3.4), coupled with Sprint's further proposed usage-related language which AT&T
29 disputes (Sections 6.3.5 and 6.3.6.1) provides the essential terms for the party that
30 performs the termination or transits a call to accurately bill the originating party for
31 usage. To the extent data usage is also used to apportion shared facility costs, these

provisions also enable the parties to appropriately bill, apportion and such shared Facility costs - which is also separately addressed later in my testimony in Issues III.E.(1) – III.E.(5). Sprint’s usage-related language, in context, is as follows:

6.3 Recording and Billing for Authorized Services Traffic.

6.3.1 Each Party will perform the necessary recording for all calls from the other Party, and shall also be responsible for all billing and collection from its own End Users.

6.3.2 Each Party is responsible for the accuracy and quality of its data submitted to the other Party.

6.3.3 Where SS7 connections exist, each Party will include in the information transmitted to the other Party, for each call being terminated on the other Party’s network, where available, the original and true Calling Party Number (“CPN”).

6.3.4 If one Party is passing CPN but the other Party is not properly receiving information, the Parties will work cooperatively to correct the problem.

6.3.5 The Party that performs the transmission, routing, termination, Transport and Termination, or Transiting of the other Party’s originated Authorized Services traffic will bill to and the originating Party will pay for such performed functions on a per Conversation MOU basis at the applicable Authorized Service Rate.

CMRS Only

6.3.6.1 Actual traffic Conversation MOU measurement in each of the applicable Authorized Service categories is the preferred method of classifying and billing traffic. If, however, either Party cannot measure traffic in each category, then the Parties shall agree on a surrogate method of classifying and billing those categories of traffic where measurement is not possible, taking into consideration as may be pertinent to the Telecommunications traffic categories of traffic, the territory served (e.g. MTA boundaries) and traffic routing of the Parties.

CLEC Only

6.3.6.1 Actual traffic Conversation MOU measurement in each of the applicable Authorized Service categories is the preferred method of classifying and billing traffic. If, however, either Party cannot measure traffic in each category, then the Parties shall agree on a surrogate method of

1 classifying and billing those categories of traffic where measurement is not
2 possible, taking into consideration as may be pertinent to the
3 Telecommunications traffic categories of traffic, the territory served (e.g.
4 Exchange boundaries, LATA boundaries and state boundaries) and traffic
5 routing of the Parties.
6

7 **Q. Please summarize AT&T's position on this issue.**

8 A. AT&T does not appear to dispute Sprint's approach, but seeks to interject
9 "surrogate" billing provisions that Sprint does not believe are necessary as between
10 the Parties.
11

12 **Q. What ICA language does Sprint recommend the Authority adopt?**

13 A. Sprint recommends the Authority adopt the following Sprint proposed 6.3.5 and
14 CMRS/CLEC specific 6.3.6.1 ICA language and reject AT&T's further surrogate
15 language:

16
17 6.3.5 The Party that performs the transmission, routing, termination, Transport
18 and Termination, or Transiting of the other Party's originated Authorized
19 Services traffic will bill to and the originating Party will pay for such performed
20 functions on a per Conversation MOU basis at the applicable Authorized
21 Service Rate.
22

23 CMRS Only
24

25 6.3.6.1 Actual traffic Conversation MOU measurement in each of the
26 applicable Authorized Service categories is the preferred method of
27 classifying and billing traffic. If, however, either Party cannot measure traffic
28 in each category, then the Parties shall agree on a surrogate method of
29 classifying and billing those categories of traffic where measurement is not
30 possible, taking into consideration as may be pertinent to the
31 Telecommunications traffic categories of traffic, the territory served (e.g.
32 MTA boundaries) and traffic routing of the Parties.
33

34 CLEC Only
35

1 6.3.6.1 Actual traffic Conversation MOU measurement in each of the
2 applicable Authorized Service categories is the preferred method of
3 classifying and billing traffic. If, however, either Party cannot measure traffic
4 in each category, then the Parties shall agree on a surrogate method of
5 classifying and billing those categories of traffic where measurement is not
6 possible, taking into consideration as may be pertinent to the
7 Telecommunications traffic categories of traffic, the territory served (e.g.
8 Exchange boundaries, LATA boundaries and state boundaries) and traffic
9 routing of the Parties.
10

11 **Issue III.A.3 – CMRS ICA-specific, InterMTA traffic.**

12
13 **Issue III.A.3(1) – Is mobile-to-land InterMTA traffic subject to tariffed terminating**
14 **access charges payable by Sprint to AT&T?**
15

16 **Q. Please summarize Sprint's position on this issue.**

17 A. No, mobile-to-land InterMTA traffic is not subject to tariffed terminating access
18 charges payable by Sprint to AT&T. The only FCC rule applicable to interMTA
19 traffic exchanged between the parties, whether mobile-to-land or land-to-mobile, is
20 47 C.F.R. § 20.11. Pursuant to this rule, such traffic is subject to reasonable
21 terminating compensation. This traffic is not automatically subject to AT&T's
22 access tariffs.
23

24 **Q. Please summarize AT&T's position on this issue.**

25 A. As I understand AT&T's position, all CMRS traffic that is not IntraMTA is, by
26 default, subject to switched access rates, which AT&T asserts is "consistent with
27 historic industry practice" - but for which AT&T cannot cite any existing FCC rule
28 for support.

1

2 AT&T also wants Sprint to deliver all InterMTA traffic over Feature Group D (i.e.,
3 traditional long distance) trunks, and therefore, pay switched access on all
4 InterMTA traffic. Such a restriction is a practical impossibility.

5

6 Finally, if CMRS InterMTA traffic is delivered to AT&T over Interconnection
7 Facilities, AT&T also believes that the method to identify the InterMTA/IntraMTA
8 jurisdiction of all originating wireless calls should be based on the Jurisdiction
9 Information Parameter ("JIP") of the originating switch. However, JIP is not a
10 precise method to determine the jurisdiction of a wireless call and should not be
11 used as a substitute for a better method I will describe below. Interestingly, AT&T
12 has acknowledged the problems of using JIP to identify InterMTA calls in
13 Oklahoma (as discussed below).

14

15 **Q. Please discuss this issue.**

16 A. This issue covers four sub-issues. First, there is no rule requiring Sprint to pay
17 AT&T switched access on mobile-to-land InterMTA traffic.

18

19 Second, the Sprint wireless network is designed in such a way as to minimize the
20 volume of mobile-to-land InterMTA traffic.

21

22 Third, the Authority can either: (1) accept Sprint's FCC-sanctioned alternative
23 approach of relying upon the location of the Parties' POI in determining the

1 inter/intra-MTA nature of a mobile-to-land call (which would virtually eliminate
2 InterMTA disputes as a practical matter); or (2) determine the InterMTA factor
3 based on the cell site serving the wireless caller at the time of origination. Sprint
4 has conducted detailed traffic studies which accurately determine the physical cell-
5 site origination point of each wireless call.

6
7 Fourth, AT&T's position that traffic studies should be based on the JIP of the
8 originating wireless switch is inaccurate for many wireless calls, which AT&T itself
9 has acknowledged.

10
11 **1. No Rule Requires Compensation for InterMTA Traffic**

12
13 **Q. What compensation is due on interMTA wireless calls?**

14 A. There is no FCC rule that requires either Sprint CMRS or AT&T to pay switched
15 access on InterMTA traffic delivered directly to one another (i.e., without an
16 intermediary Interexchange Carrier ("IXC")). The only FCC rule that explicitly
17 applies to this traffic is 47 C.F.R. § 20.11(b), which states:

18 Local exchange carriers and commercial mobile radio service providers shall
19 comply with principles of **mutual compensation**.

20
21 (1) A local exchange carrier shall pay **reasonable compensation** to a
22 commercial mobile radio service provider in connection with terminating
23 traffic that originates on facilities of the local exchange carrier.

24
25 (2) A commercial mobile radio service provider shall pay **reasonable**
26 **compensation** to a local exchange carrier in connection with terminating
27 traffic that originates on facilities of the commercial mobile radio service
28 provider. (Emphasis added.)
29

1 It is clear that 47 C.F.R. § 20.11(b) applies to all traffic, including InterMTA traffic,
2 and that both AT&T and Sprint must mutually compensate each other for all traffic,
3 including InterMTA traffic, at a reasonable rate. That is, when a party's customer
4 originates an InterMTA call, that party must pay the other party for terminating
5 such call; and, each party charges the same rate to perform the applicable
6 terminating functions.

7
8 **Q. If there is no FCC rule, why would Sprint CMRS ever pay AT&T switched**
9 **access for mobile-to-land InterMTA traffic?**

10 A. Sprint CMRS has paid AT&T switched access for mobile-to-land InterMTA traffic
11 simply due to a historic business accommodation between Sprint and AT&T.
12 When Sprint PCS's wireless business began in the mid-1990's, AT&T insisted on
13 including provisions in the parties' interconnection agreements that resulted in
14 Sprint PCS making a net payment to AT&T for a portion of Sprint PCS traffic at
15 switched access rates. In order to roll out wireless services without delay, some
16 wireless carriers, including Sprint, agreed to pay these types of charges rather than
17 immediately litigating the issue.

18
19 **2. The Sprint CMRS Network Minimizes InterMTA Traffic**
20

21 **Q. What wireless traffic is subject to reciprocal compensation?**

1 A. For the purposes of reciprocal compensation between wireless and landline carriers,
2 the FCC defined the MTA (Major Trading Area)³¹ as the appropriate geographic
3 boundary. In other words, all traffic originating and terminating within the same
4 MTA is subject to reciprocal compensation. Specifically, 47 C.F.R. § 51.701(b)(2)
5 states:

6 *Telecommunications traffic.* For purposes of this subpart, telecommunications
7 means: Telecommunications traffic exchanged between a LEC and a CMRS
8 provider that, at the beginning of the call, originates and terminates within the
9 same Major Trading Area, as defined in § 24.202(a) of this chapter.
10

11 **Q. Please describe the MTAs in Tennessee.**

12 A. Most of Tennessee is covered by four MTAs, the Memphis MTA, the Nashville
13 MTA, the Knoxville MTA, and the Atlanta MTA (which covers the Chattanooga
14 area) as shown in Attachment RGF-2. A small portion of south-central Tennessee
15 is in the Birmingham, AL MTA.
16

17 **Q. Are MTA boundaries dependent upon state or LATA boundaries?**

18 A. No, MTAs routinely cross state and LATA boundaries. For example, the Memphis
19 MTA also covers most of Mississippi, the Nashville MTS also covers portions of
20 Kentucky, and the Knoxville MTA also covers portions of Kentucky and Virginia.
21

³¹Major Trading Areas: the U.S. and its territories are divided into 51 areas, called MTAs, which are based on Rand McNally's analysis in identifying 47 areas of economic integration and documented in Rand McNally's "Commercial Atlas and Marketing Guide." At 47 C.F.R. § 24.202(a), the FCC made four modifications to the 47 Rand McNally areas to result in the 51 MTAs that are recognized by the FCC.

1 **Q. Therefore, is any IntraMTA call, regardless of state or LATA boundaries,**
2 **subject to reciprocal compensation?**

3 A. Yes, any call originating and terminating within a single MTA, regardless of state
4 or LATA boundaries, is an IntraMTA call subject to reciprocal compensation. For
5 example, a call from Jackson, MS to Memphis, TN is an IntraMTA call, subject to
6 reciprocal compensation.

7
8 **Q. Please describe the Sprint wireless network in Tennessee.**

9 A. The Sprint PCS wireless network is illustrated in Attachment RGF-2. Page 1
10 illustrates the CDMA (i.e.; Sprint) network, while Page 2 illustrates the iDEN (i.e.,
11 Nextel) network. Generally, Sprint locates multiple wireless switches (or Mobile
12 Switching Center, “MSC”) within an MTA, and places hundreds of cell sites
13 (towers and equipment) throughout the MTA, each subtending one of the wireless
14 switches.

15
16 **Q. Is a Sprint CMRS cell site always located in the same MTA as its host switch?**

17 A. Usually. Because each of the four Tennessee MTAs is so geographically large, and
18 because of efficient network design, a Sprint cell site is usually located in the same
19 MTA as is its serving switch. As shown in Exhibit RGF-2, the vast majority of
20 Sprint cell sites are located in the same MTA as the host switch.

21

1 However, there are some exceptions. For example, in the CDMA network, there
2 are 103 cell sites in the Chattanooga area located in the Atlanta MTA that are
3 served by a Knoxville switch in the Knoxville MTA.

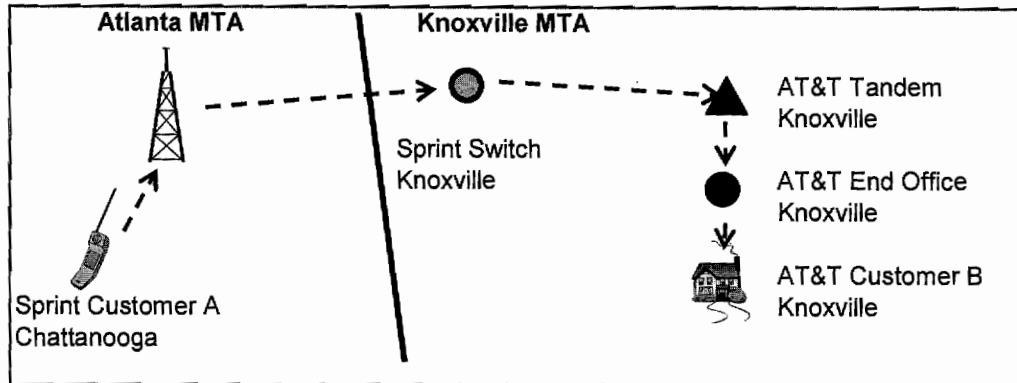
4
5 **Q. In general, how is Sprint CMRS-originated InterMTA traffic delivered to**
6 **AT&T?**

7 A. Generally, Sprint-originated InterMTA traffic is delivered to AT&T over IXC
8 trunks. Therefore, the percent of InterMTA delivered over local interconnection
9 trunks is very small.

10
11 **Q. How are InterMTA calls delivered over local interconnection trunks if cell**
12 **sites are generally located in the same MTA as their host switches?**

13 A. An InterMTA call will be carried over local interconnection trunks under the
14 following two conditions. First, in some instances the cell site is not located in the
15 same MTA as its host switch. For example, in the CDMA network, as discussed
16 above and as shown in Exhibit RGF-2, Page 1, when a Sprint customer in
17 Chattanooga in the Atlanta MTA calls an AT&T customer in Knoxville in the
18 Knoxville MTA, this will be an InterMTA call, the Sprint network will transport the
19 call across an MTA boundary and deliver it to AT&T over a local interconnection
20 trunk as shown in Diagram 2a.

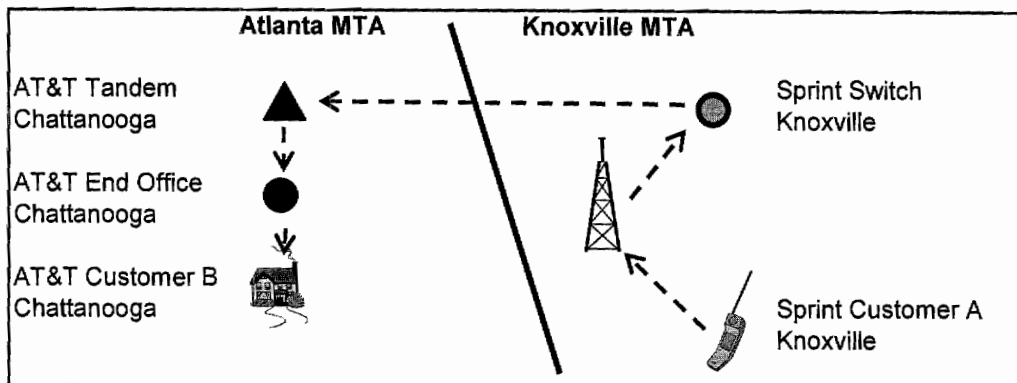
Diagram 2a
Sprint Chattanooga Customer Calling an
AT&T Knoxville Customer



Second, occasionally there may be a local interconnection trunk group between a Sprint switch in one MTA and an AT&T tandem switch in another MTA. For example, in the Sprint CDMA network in Tennessee, there are local interconnection trunks between the Sprint switches in Knoxville in the Knoxville MTA and the AT&T tandem in Chattanooga in the Atlanta MTA.

Thus, a Sprint-originated wireless call from Knoxville in the Knoxville MTA may be delivered to an AT&T customer in Chattanooga over local interconnection trunks as shown in Diagram 2b.

Diagram 2b
Sprint Knoxville Customer Calling an
AT&T Chattanooga Customer



However, both of these examples comprise a very small portion of total traffic. As a result, the InterMTA factor in Tennessee is very small.

3. The Sprint CMRS Traffic Study Accurately Determines the Originating Point of a Mobile-to-Land Call

Q. Please describe the Sprint Traffic Study methodology.

A. In order to correct the errors caused by using the JIP (as discussed below), Sprint created a traffic study methodology which would accurately identify the physical location of the originating cell site, as well as the terminating landline customer.

The Sprint Traffic Study methodology consists of the following six steps:

1. Collecting Call Detail Records ("CDR");

2. Collecting additional information from a Sprint cell site database and from the LERG database;³²
3. Identifying the MTA of the originating Sprint cell site;
4. Identifying the MTA of the terminating AT&T end office;
5. Comparing the originating and terminating MTA of each call; and
6. Calculating the percentage of total calls which originate in one MTA and terminate in another MTA.

Q. Please describe the first step of the Sprint CMRS Traffic Study methodology, the collecting of CDR information.

A. Call Detail Records (“CDR”) were collected directly from the switch records created for the two separate seven-day traffic studies. Specifically, CDRs were collected for the periods of May 31 through June 6, 2009; and January 17 through January 23, 2010.

CDRs were collected for all trunk groups identified as AT&T local interconnection trunks over which Sprint originates Type 2A (tandem) and Type 2B (end office) wireless traffic and terminates such traffic to AT&T landline customers. This may include trunks from Sprint wireless switches located in neighboring states.

³² The Local Exchange Routing Guide, or LERG, maintained by Telcordia, lists all North American end office and tandem switches. It is used by carriers in network design and traffic routing.

1 The CDR data collected included:

- 2 • Sprint wireless switch;
 - 3 • Cell site;
 - 4 • Trunk group number;
 - 5 • Call start date and time;
 - 6 • Call stop date and time;
 - 7 • Call duration;
 - 8 • Calling number (Sprint wireless originating); and
 - 9 • Called number (AT&T landline terminating).
- 10

11 **Q. Please describe the second step of the Sprint Traffic Study methodology, the**
12 **collection of additional information.**

13 A. Because the CDR information is not sufficient to identify the originating MTA, the
14 following information was added to the CDR information:

- 15 • Cell Site MTA – the physical location of the Sprint cell site was
 - 16 determined based on information housed in a Sprint internal cell site
 - 17 database (i.e., the V & H coordinates, or latitude and longitude).
 - 18 • Called Number (AT&T) MTA – the physical location of the AT&T
 - 19 landline called number was determined by the NPA-NXX information in
 - 20 the LERG database.
- 21

22 **Q. Please describe the third step of the Sprint Traffic Study methodology, the**
23 **identification of the originating cell site MTA.**

24 A. For a wireless originated call, the point of origination is the location of the cell site,
25 not the location of the switch serving that cell site.³³ The telephone number of the
26 originating Sprint wireless number is of no value because of mobility – because that
27 customer can be calling from anywhere in the U.S. The physical location of the

³³ *Local Competition Order*, ¶ 1044. (“For administrative convenience, the location of the initial cell site when a call begins shall be used as the determinant of the geographic location of the mobile customer.”).

1 originating switch, as identified by the JIP, will be in error when the originating cell
2 site is physically located in a different MTA than its host switch.

3
4 **Q. How does the Sprint Traffic Study methodology determine the location of the**
5 **cell site, particularly when it is located in a different MTA than its serving**
6 **MSC?**

7 A. All of the above CDR, Cell Site MTA, LERG, and cell site information are loaded
8 into a database. For each originating Sprint wireless call, the database uses the
9 Sprint cell site database information to identify the location of the originating cell
10 site and assigns an MTA to that originating point of the call.

11
12 **Q. Please describe the fourth step of the Sprint Traffic Study methodology, the**
13 **identification of the terminating MTA.**

14 A. Identifying the terminating MTA of the called AT&T landline number is a
15 relatively straight forward process. Since the terminating number is associated with
16 an AT&T landline customer, mobility is not an issue. For each originating Sprint
17 wireless call, the database uses LERG information to identify the location of the
18 terminating AT&T landline customer and assigns an MTA to that terminating point
19 of the call.

20
21 **Q. Please describe the fifth step of the Sprint Traffic Study methodology,**
22 **comparing the originating and terminating MTA of each call.**

1 A. For each call, the originating MTA of the Sprint cell site is compared to the
2 terminating MTA of the AT&T landline number. Whenever the MTAs do not
3 match, this is identified as an InterMTA call.
4

5 **Q. Please describe the sixth step of the Sprint Traffic Study methodology, the**
6 **calculation of the percentage of total calls which originate in one MTA and**
7 **terminate in another MTA.**

8 A. The volume of call minutes that originate in one MTA and terminate in another
9 MTA is divided by the total volume of call minutes. This calculates the percent of
10 traffic delivered over local interconnection truck groups between Sprint and AT&T
11 that are interMTA.
12

13 **Q. Please describe the results of the Sprint traffic study for Tennessee.**

14 A. Sprint has performed three traffic studies to identify the appropriate InterMTA
15 factor, as shown in Confidential Attachment RGF-3:
16

17 As can be seen, the results between the two CDMA traffic studies are consistent,
18 even though they were conducted almost eight months apart.
19

20 **4) JIP Cannot Accurately Identify Point of Origination of a Wireless Call**
21

22 **Q. Where is the point of origination for a wireless call?**

1 A. As discussed above, if the Authority does not accept Sprint's suggestion to follow
2 the FCC-approved alternative of using the parties' Point of Interconnection, the
3 point of origination for a wireless call is the cell site from which the call first
4 originated.

5
6 **Q. What is JIP?**

7 A. The JIP is a six-digit parameter in the SS7 signaling protocol used to identify
8 information about the call origin.

9
10 **Q. Does the JIP always provide the accurate jurisdiction of a call?**

11 A. No, the JIP does not always provide the accurate jurisdiction of a call.³⁴ The JIP
12 will only identify the originating wireless switch, not the originating cell site. The
13 originating cell site and the switch serving that cell site may not be in the same
14 MTA. It is noteworthy that AT&T has acknowledged the problem of using JIP in
15 another proceeding (which will be discussed in detail below).

16
17 **Q. Please provide an example where relying on the switch JIP will not provide the**
18 **accurate jurisdiction of a wireless call.**

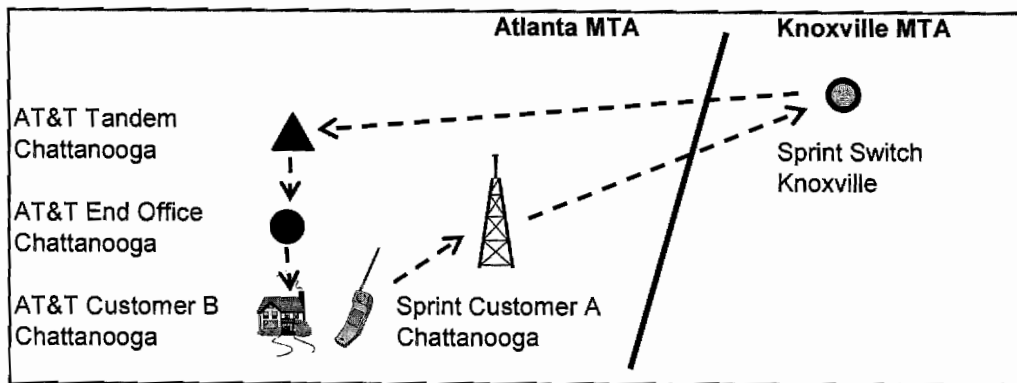
19 A. I will provide an example in which the JIP will not provide the correct jurisdiction
20 of a call.

21

³⁴ The problem associated with the use of JIP as a surrogate method to identify interMTA calls is also at issue in another pending Florida Public Service Commission docket between Sprint CMRS and AT&T – *Complaint to Enforce Interconnection Agreements Between BellSouth Telecommunications, Inc. d/b/a AT&T Florida and Sprint Spectrum, L.P., WirelessCo, L.P. and SprintCom, Inc. (jointly d/b/a Sprint PCS) and Nextel South Corp.*; Florida Public Service Commission Docket No. 100019-TP.

1 The example is depicted in Diagram 3, below. In this CDMA network example,
2 Sprint wireless Customer A in Chattanooga calls their next door neighbor,
3 Customer B, a landline AT&T customer. The Sprint cell site originating Customer
4 A's call is served by a Sprint switch in Knoxville in the Knoxville MTA. This call
5 is routed from the Chattanooga cell site in the Atlanta MTA, to the Knoxville
6 switch in the Knoxville MTA, to the AT&T tandem switch in Chattanooga to the
7 AT&T end office switch and Customer B in Chattanooga in the Atlanta MTA.

8 **Diagram 3**
9 **Sprint Chattanooga Customer Calling an**
10 **AT&T Chattanooga Customer**
11



12
13
14 This is clearly an IntraMTA call, originating and terminating in Chattanooga in the
15 Atlanta MTA. However, the call is routed through the Sprint switch located in
16 Knoxville in the Knoxville MTA. By relying on the JIP, AT&T will incorrectly
17 record this call as an InterMTA call, originating in Knoxville in the Knoxville MTA
18 and terminating in Chattanooga in the Atlanta MTA. This is clearly incorrect. This
19 is why AT&T's proposed method of calculating the InterMTA factor based on the
20 JIP of the switch, rather than the cell site, will significantly overestimate the amount
21 of InterMTA traffic.

1

2 **Q. Therefore, can JIP be used to accurately determine whether a wireless call is**
3 **InterMTA?**

4 A. No. As demonstrated above, the JIP often will identify a call as InterMTA when it
5 is, in fact IntraMTA. Because of this fact, Sprint developed its traffic study
6 methodology which correctly identifies the physical point, the cell site, of the
7 originating wireless call.

8

9 **Q. Has the telecommunications industry recognized the problem of using JIP to**
10 **identify the originating point of a wireless call?**

11 A. Yes, the telecommunications industry has recognized the problem of using JIP to
12 identify the originating point of a wireless call. In a February 10, 2006 *Ex Parte*
13 presentation to the FCC, the Alliance for Telecommunication Industry Solutions
14 (“ATIS”) identified problems with JIP, including wireless issues (see Attachment
15 RGF-4). Specifically, ATIS states:

16 Wireless JIP is only available at MSC switch level, not at the cell site level.
17 Cell site level enhancements would require vendor development and or
18 extensive switch, system or software modification.

19

20 ...

21

22 *The Billing Committee supports those rules recognizing that the JIP at a*
23 *state/LATA level will not provide sufficient detail to determine local*
24 *jurisdiction.*

25

26 *The Billing Committee’s preferred solution would have been to use the JIP at*
27 *a cell site level. Based on industry limitations, this was an unworkable*
28 *solution. (Italic emphasis in original. Attachment RGF-4, at page 3.)*

29

1 **Q. Has AT&T previously acknowledged the problem of using JIP to determine**
2 **the origination point of a wireless call?**

3 A. Yes, AT&T has previously acknowledged the problem of using JIP to determine the
4 origination point of a wireless call. Specifically, in early 2010, before the
5 Oklahoma Corporation Commission, AT&T's wireless affiliate, AT&T Mobility,
6 stated:

7 In the case of wireless traffic, the JIP does not necessarily indicate the
8 jurisdiction of the wireless-originated call, because wireless switches
9 commonly serve a vast geographical area that may encompass multiple
10 MTAs. Thus, **identifying the originating switch, through the use of the**
11 **switch's JIP, may be useless in identifying the originating MTA.** For
12 example, if a wireless switch with a single JIP serves 3 MTAs, the JIP would
13 be useless in determining which MTA the call originated from, because the
14 jurisdiction of a wireless call is determined by the location of the transmission
15 tower, not the switch. The JIP of a wireless switch may be associated in the
16 LERG ("Local Exchange Routing Guide") with a single MTA, and thus the
17 use of the JIP may mis-jurisdictionalize calls originating from transmission
18 towers located in different MTAs.³⁵ (Emphasis added.)
19

20 **Q. In other regulatory proceedings,³⁶ AT&T claims that Sprint agreed with the**
21 **use of the JIP to develop a Percent Interstate Usage ("PIU") factor in a**
22 **Kentucky proceeding. Did Sprint, in fact, use the JIP in the Kentucky**
23 **proceeding?**

³⁵ *In the Matter of a Rulemaking of the Oklahoma Corporation Commission to Adopt OAC 165:81 to Establish a Statewide Toll Free Calling Plan*; Oklahoma Corporation Commission Cause No. RM 201000002; AT&T Mobility's Written Submission of Questions Relating to Wireless Issues; dated February 5, 2010, at page 7.

³⁶ For example: *Enforcement of Interconnection Agreements Between BellSouth Telecommunications, Inc. dba AT&T Georgia and Sprint Spectrum, L.P., WirelessCo, L.L. and SprintCom, Inc. and Nextel South Corp.*; Georgia Public Service Commission Docket No. 31825-U; Answer and Affirmative Defenses of BellSouth Telecommunications, Inc. dba AT&T Georgia to Defendants' Counterclaims; dated July 1, 2010.

1 A. No, Sprint did not actually use the JIP to determine the PIU factor in the Kentucky
2 proceeding. Sprint used a switch identifier similar to the JIP, but did not use the
3 actual JIP information found in the CDR.

4
5 But more importantly, Sprint identified the deficiencies in using the switch location
6 to identify the originating point of a wireless call, and made explicit adjustments to
7 the data in order to develop a PIU factor which correct those deficiencies. The
8 result was a PIU factor that was entirely appropriate for use in that proceeding.

9

10 A. **Is the Kentucky proceeding even relevant to this proceeding?**

11 A. No. The Kentucky proceeding is significantly different from this proceeding. For
12 example:

- 13 1. The Kentucky proceeding dealt with a PIU factor, while this proceeding
14 deals with an InterMTA factor;
- 15 2. The Kentucky proceeding dealt primarily with the misclassification of
16 interstate long distance traffic as between an IXC and a terminating
17 ILEC, while this proceeding deals primarily with interMTA traffic as
18 between a wireless carrier and an ILEC;
- 19 3. The Kentucky proceeding dealt with both landline and wireless long
20 distance traffic. This proceeding deals only with wireless traffic;
- 21 4. In the Kentucky proceeding, the RLEC was simply using an absurd
22 method to calculate the jurisdiction of the call, using the originating

1 telephone number of a wireless call rather than any sort of geographic
2 indicator at all.
3

4 **Q. Did the Kentucky Public Service Commission agree with Sprint?**

5 A. Yes, the Kentucky Public Service Commission agreed with Sprint IXC in its Final
6 Order, ordering the RLEC to use Sprint IXC's PIU factors and to provide a cash
7 refund to Sprint IXC.³⁷
8

9 **Q. What ICA language does Sprint CMRS recommend the Authority adopt?**

10 A. Sprint CMRS recommends the Authority adopt the following ICA language:

11 6.4 Terminating InterMTA Traffic. The Parties recognize that (a) the
12 originating Party is not entitled to charge the terminating Party for any costs
13 associated with the originating Party's originated traffic; (b) the Sprint
14 wireless entities are not IXCs; (b) Interconnection services are not switched
15 access inter-exchange access services provided by a LEC to an IXC pursuant
16 to a tariff; (c) neither Party has the ability to identify and classify an
17 InterMTA traffic call on an automated, real-time basis; (d) on any given
18 InterMTA mobile-to-land call delivered by Sprint to AT&T-9STATE over
19 Interconnection Facilities, AT&T-9STATE incurs the exact same cost to
20 terminate the call that it does to terminate an IntraMTA mobile-to-land call
21 delivered by Sprint to AT&T-9STATE over Interconnection Facilities; (e)
22 and, on any given InterMTA land-to-mobile call delivered by AT&T-9STATE
23 to Sprint over Interconnection Facilities, because of the likely number of
24 switches and/or distance to be traversed, Sprint likely incurs at least two times
25 (2X) or more of the cost to terminate an AT&T-9STATE originated
26 InterMTA call than it does to terminate an AT&T-9STATE originated
27 IntraMTA land-to-mobile call. Based on the foregoing, the following
28 provisions are intended to implement the principles of mutual, reasonable
29 compensation pursuant to 47 C.F.R. § 20.11.
30

³⁷ *In the Matter of: Complaint of Sprint Communications Company L.P. Against Brandenburg Telephone Company for the Unlawful Imposition of Access Charges*; Public Service Commission of the Commonwealth of Kentucky Case No. 2008-00135; Order dated November 6, 2009.

1 **Issue III.A.3(2) – Which party should pay usage charges to the other on land-to-**
2 **mobile InterMTA traffic and at what rate?**

3

4 **Q. Please summarize Sprint’s position on this issue.**

5 A. Sprint CMRS, as a carrier, is entitled to receive compensation for land-to-mobile
6 InterMTA traffic. The rules are clear. As discussed above, 47 C.F.R. § 20.11(a)(1)
7 explicitly states that a LEC must pay compensation to a wireless carrier for LEC-
8 originated traffic. Specifically, 47 C.F.R. § 20.11(a)(1) states:

9 **A local exchange carrier shall pay reasonable compensation to a**
10 **commercial mobile radio service provider** in connection with terminating
11 traffic that originates on facilities of the local exchange carrier. (Emphasis
12 added.)
13

14 Pursuant to 47 C.F.R. § 20.11, a reasonable compensation rate for AT&T-originated
15 traffic would be two times the AT&T rate. On average, Sprint will perform more
16 switching/transport to deliver AT&T-originated InterMTA traffic to a distant
17 location, all of which is incurred for the benefit of AT&T and its customer.

18

19 Finally, contrary to AT&T’s claim, Sprint is not acting as an IXC. Sprint CMRS is
20 exchanging traffic directly with AT&T, without an intermediary IXC, and Sprint
21 CMRS is not itself an IXC.

22

23 **Q. Please summarize AT&T’s position on this issue.**

1 A. As I understand AT&T's position, AT&T believes that "Sprint CMRS is acting as
2 an interexchange provider when it transports a call across MTA boundaries." As
3 such, AT&T is purportedly due originating access charges.
4

5 While AT&T asserts that Sprint is financially responsible for mobile-to-land traffic,
6 AT&T also believes that Sprint is financially responsible for land-to-mobile traffic.
7 Simply put, when Sprint calls, Sprint pays; when AT&T calls, Sprint should also
8 pay. Not only is this contrary to the FCC Rules, it is inequitable that AT&T should
9 receive compensation in both directions.
10

11 Finally, it is interesting to note that AT&T has previously taken Sprint's position,
12 i.e., "Calling Party's Network Pays," in Kentucky and Tennessee (as discussed
13 below).
14

15 **Q. Please discuss this issue.**

16 A. This issue covers three sub-issues. First, Sprint believes that the originating carrier
17 is financially responsible for the entire cost of completing a call. Sprint's position
18 is entirely consistent with the FCC's "Calling Party's Network Pays" policy. While
19 Sprint acknowledges its financial responsibility for mobile-to-land traffic, Sprint
20 believes AT&T is financially responsible for land-to-mobile traffic. Simply put,
21 when Sprint calls, Sprint pays; when AT&T calls, AT&T pays.
22

1 Second, at what rate should AT&T compensate Sprint to terminate its InterMTA
2 traffic?

3
4 Third, if compensation is required, Sprint experiences a higher cost to terminate
5 AT&T's traffic, than does AT&T to terminate Sprint's traffic. Therefore, it is
6 reasonable, pursuant to 47 C.F.R. § 20.11, for Sprint to bill a higher termination rate
7 than does AT&T.

8
9 **1. Calling Party's Network Pays**

10
11 **Q. Is the originating carrier financially responsible for delivering its originating**
12 **traffic to the terminating carrier?**

13 A. Yes. Sprint is financially responsible for delivering its originating traffic to AT&T,
14 and AT&T is financially responsible for delivering its originating traffic to Sprint.

15
16 AT&T's position is contrary to the FCC Rules and state commission precedent.
17 There appears to be wide consensus on this issue, as discussed below. AT&T's
18 position is particularly spurious since both Sprint and AT&T are providing service
19 in the same physical areas. Sprint could just as easily make this claim.

20
21 **Q. Do FCC rules require that the originating carrier be financially responsible to**
22 **deliver its originating traffic to the terminating carrier?**

1 A. Yes. The FCC has concluded that it is the financial responsibility of the originating
2 carrier to deliver its originating traffic to the terminating carrier's network. The
3 FCC's position that the "Calling Party's Network Pays" has been well established.

4 In the *Local Competition Order*, the FCC stated,

5 We also reject CompTel's argument that reading section 251(c)(2) to refer
6 only to the physical linking of networks implies that incumbent LECs would
7 not have a duty to route and terminate traffic. That duty applies to all LECs
8 and is clearly expressed in section 251(b)(5).³⁸
9

10 Within the FCC Rules, 47 C.F.R. § 51.703(b) states,

11 A LEC may not assess charges on any other telecommunications carrier for
12 telecommunications traffic that originates on its network.
13

14 In addition, 47 C.F.R. § 51.709(b) states,

15 The rate of a carrier providing transmission facilities dedicated to the
16 transmission of traffic between two carriers' networks shall recover only the
17 costs of the proportion of that trunk capacity used by the interconnecting
18 carrier to send traffic that will terminate on the providing carrier's network.
19 Such proportions may be measured during peak periods.
20

21 Finally, the FCC's General Counsel has stated, referring to two appellate court
22 decisions,

23 Section 51.703(b) of the Commission's rules states that a LEC may not assess
24 charges on any other telecommunications carrier, including a CMRS provider,
25 for telecommunications traffic that originates on the LEC's network. *See* 47
26 C.F.R. § 51.703(b). The Commission has construed this provision to mean
27 that **an incumbent LEC must bear the cost of delivering traffic (including**
28 **the facilities over which the traffic is carried) that it originates to the**
29 **point of interconnection ("POI") selected by a competing carrier.** At least
30 two appellate courts have held that this rule applies in cases where an

³⁸ *Local Competition Order*, ¶ 176.

1 incumbent LEC delivers calls to a POI that is located outside of its customer's
2 local calling area.³⁹ (Emphasis added.)
3

4 **Q. Has the FCC decided, in an arbitration proceeding, that the originating carrier**
5 **is financially responsible for delivering its traffic?**

6 A. Yes. In its Verizon Arbitration Order, the FCC stated that the ILEC was financially
7 responsible for delivering its traffic to the competitive LEC's POI that may be
8 located anywhere within the LATA where the ILEC is located. Specifically, the
9 FCC stated,

10 Under the Commission's rules, competitive LECs may request
11 interconnection at any technically feasible point. This includes the right to
12 request a single point of interconnection in a LATA. The Commission's rules
13 implementing the reciprocal compensation provisions in section 252(d)(2)(A)
14 prevent any LEC from assessing charges on another telecommunications
15 carrier for telecommunications traffic subject to reciprocal compensation that
16 originates on the LEC's network. Furthermore, under these rules, **to the**
17 **extent an incumbent LEC delivers to the point of interconnection its own**
18 **originating traffic that is subject to reciprocal compensation, the**
19 **incumbent LEC is required to bear the financial responsibility for that**
20 **traffic.**⁴⁰ (Emphasis added.)
21

22 **Q. Has the Authority decided that the originating carrier is financially**
23 **responsible for delivering its traffic?**

24 A. Yes, the Authority has already decided that the originating carrier is financially
25 responsible for delivering its traffic. Specifically, the Authority stated:

³⁹ *Central Texas Telephone Cooperative Inc., et. al. v. Federal Communications Commission*, Brief of Respondents, Case No. 03-1405, p. 35 (D.C. Cir. 2004) (citing *Southwestern Bell Tel. Co. v. Public Utilities Commission of Texas*, 348 F.3d 482, 486-87 (5th Cir. 2003); *MCImetro Access Transmission Services, Inc. v. BellSouth Telecommunications, Inc.*, 352 F.3d 872, 878-79 (4th Cir. 2003)).

⁴⁰ *FCC VA Arbitration Order*, ¶ 52.

1 Each carrier is responsible for transporting a call originated on its network to
2 the interconnection point with the network of the terminating carrier.⁴¹
3

4 **Q. Have other state commissions also decided that LECs are financially**
5 **responsible for their originating traffic?**

6 A. Yes, there is wide consensus on this issue. At least eight other state commissions
7 have concluded that the originating carrier is responsible for delivering its traffic
8 outside of its service territory, including the financial responsibility for transit.

9 These eight states are California,⁴² Florida,⁴³ Illinois,⁴⁴ Indiana,⁴⁵ Iowa,⁴⁶
10 Minnesota,⁴⁷ Missouri,⁴⁸ and Pennsylvania.⁴⁹

⁴¹ *Petition for Arbitration of Cellco Partnership d/b/a/Verizon Wireless, et. al.*, Tennessee Regulatory Authority, Docket No. 03-00585, Order of Arbitration Award, January 12, 2006, page 30.

⁴² *In the Matter of the Petition by Siskiyou Telephone Company (U 1017-C) for Arbitration of a Compensation Agreement with Cingular Wireless Pursuant to 47 C.F.R. § 20.11(e).*, et. al., Public Utilities Commission of California, Draft Arbitrator's Report, Filed January 14, 2008, page 20 (citing *Atlas Telephone* 400 F. 3d 1256, 1265 n, 9; *Mountain Communications v. FCC*, 355 F. 3d 644 (D.C. Cir. 2004); *MCIMetro v. Bellsouth*, 351 F. 3d 872 (4th Cir. 2003); *Southwestern Bell v. Texas Public Utilities Commission*, 348 F. 3d 482 (5th Cir. 2003)).

⁴³ *Joint petition by TDS Telecom d/b/a/ TDS Telecom/Quincy Telephone, et. al. objecting to and requesting suspension and cancellation of proposed transit traffic service tariff filed by BellSouth Telecommunications, Inc.*, Florida Public Service Commission, Docket Nos. 05-0119-TP and 05-0125-TP; Order on BellSouth Telecommunications, Inc.'s Transit Traffic Service Tariff; Order No. PSC-06-0776-FOF-TP, issued September 18, 2006, page 22.

⁴⁴ *Sprint Communications L.P. d/b/a/ Sprint Communications Company L.P. Petition for Consolidated Arbitration with Certain Illinois Incumbent Local Exchange Carriers pursuant to Section 252 of the Telecommunications Act of 1996*, Illinois Commerce Commission, Docket No. 05-0402, Arbitration Decision, Dated November 8, 2005, page 28.

⁴⁵ *In the Matter of Sprint Communications Company L.P. 's Petition for Arbitration ... with Ligonier Telephone Company, Inc.*, Indiana Utility Regulatory Commission, Cause No. 43052-INT-01, Final Order, approved September 6, 2006, p. 48. (Citing *Sprint Communications Company L.P. Petition of Consolidated Arbitration with Certain Illinois Incumbent Local Exchange Carriers pursuant to Section 252 of the Telecommunications Act* Illinois Commerce Commission, Docket No. 05-0402 Arbitration Decision, November 8, 2005; *Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996 to Establish an Interconnection Agreement With ALLTEL*

1

2 **Q. Contrary to its position in this proceeding, did AT&T adopt Sprint's position**
3 **supporting the "Calling Party's Network Pays" policy in Kentucky and**
4 **Tennessee with respect to ILEC-originated InterMTA traffic?**

5 A. Yes, AT&T advocated Sprint CMRS's position that the "Calling Party's Network
6 Pays" before the Kentucky Public Service Commission, and this is applicable to
7 ILEC-originated InterMTA traffic. Specifically, an AT&T witness, testifying on
8 behalf of Cingular Wireless, the predecessor company to AT&T's wireless affiliate

Pennsylvania, Inc., Pennsylvania Public Utility Commission, Docket No. A-310489F7004, Opinion and Order, January 13, 2005, page 27; (3) *Petition for Arbitration of Cellco Partnership d/b/a/Verizon Wireless, et. al.*, Tennessee Regulatory Authority, Docket No. 03-00585, Order of Arbitration Award, January 12, 2006, page 30; and *Arbitration of Sprint Communications Company L.P. vs. Ace Communications Group, et. al.*, Iowa Utilities Board, Docket Nos. ARB-05-2, ARB-05-5, and ARB-05-6, Arbitration Order, issued March 24, 2006, p. 12.

⁴⁶ *Arbitration of Sprint Communications Company L.P. vs. Ace Communications Group, et. al.*, Iowa Utilities Board, Docket Nos. ARB-05-2, ARB-05-5, and ARB-05-6, Arbitration Order, issued March 24, 2006, p. 12. See also *Arbitration of Sprint Communications Company L.P. v. Iowa Telecommunications Services, Inc.*, Order Granting Motions for Clarification and Clarifying Docket No. ARB-07-2, Arbitration Order, April 22, 2008, p. 20. "Iowa Telecom's assertion that Sprint should be responsible for a third party's transiting costs is contrary to the 'Calling Party's Network Pays' principle, which the Board adopted in the Arbitration Order and according to which an originating carrier is financially responsible for delivering its traffic to the terminating carrier."

⁴⁷ *In the Matter of Wireless Local termination Tariff Applicable to Commercial Mobile Radio Service Providers that Do Not Have Interconnection Agreements with CenturyTel of Minnesota*; Minnesota Public Utilities Commission Docket No. P-551/M-03-811; Order Requiring Revised Filing; Issue Date November 18, 2003, page 9.

⁴⁸ *Southwestern Bell Telephone, L.P., d/b/a SBC Missouri's Petition for Compulsory Arbitration of Unresolved Issues for a Successor Interconnection Agreement to the Missouri 271 Agreement ("M2A")*, Public Service Commission of Missouri, Arbitration Decision, Case No. TO-2005-0336, Issued July 11, 2005, page 40.

⁴⁹ *Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996 to Establish an Interconnection Agreement With ALLTEL Pennsylvania, Inc.*, Pennsylvania Public Utility Commission, Docket No. A-310489F7004, Opinion and Order, January 13, 2005, page 27. [*Pennsylvania Decision*].

1 AT&T Mobility, and testifying on behalf of other “Wireless Carriers” including
2 Sprint PCS, stated:

3 There is no basis that I am aware of in the Act to impose a unilateral
4 obligation to pay interMTA compensation only on Wireless Carriers. Also,
5 proposed section 5.4 would require Cingular and the other Wireless Carriers
6 to pay both originating and terminating access to the RLECs. ... Also, the idea
7 that an RLEC should receive originating access charges from a Wireless
8 Carrier for a landline-originated call is completely contrary to the “calling
9 party’s network pays” philosophy of the Act.⁵⁰ (Underline emphasis in
10 original.)
11

12 AT&T also advocated Sprint CMRS’s position before the Authority, arguing that a
13 Hearing Officer’s Order was wrong by not requiring ILECs to pay for ILEC-
14 originated traffic. Specifically, AT&T’s Brief to the TRA stated:

15 The May 6 *Order* is wrong in that it deals only with traffic flowing from
16 wireless phones to ICO customers. It makes no provision for payment to the
17 CMRS carriers when ICO customers call those wireless customers back.⁵¹
18 (*Italic* in original document.)
19

20 **2. What compensation is due on InterMTA traffic?**
21

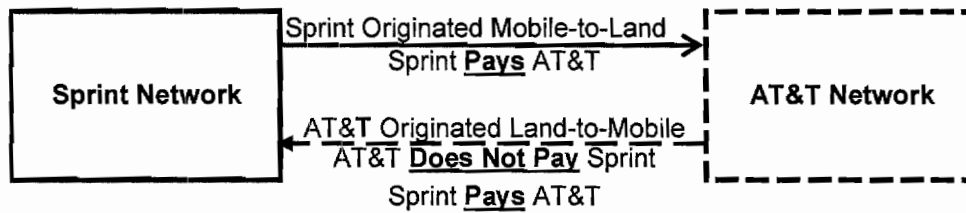
22 **Q. What is AT&T’s proposal for InterMTA compensation?**

23 A. AT&T’s proposal for InterMTA compensation is that AT&T should be
24 compensated for all traffic in both directions, as shown in Diagram 4.

⁵⁰ *Petition of Ballard Rural Telephone 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, Kentucky Public Service Commission Case No. 2006-00215, et al*; Direct Testimony of William H. Brown on Behalf of Cingular Wireless and on Behalf of the Wireless Carriers; dated September 29, 2006, at page 20.

⁵¹ *Generic Docket Addressing Rural Universal Service*, Tennessee Regulatory Authority Docket No. 00-00523; BellSouth Telecommunications, Inc.’s Brief Re: Hearing Officer’s May 6, 2004 Order; dated June 4, 2004; at page 10. Note that “ICO” refers to the Tennessee Rural Independent Carriers.

Diagram 4
AT&T's Compensation Proposal for InterMTA Traffic



Q. What compensation is due on InterMTA wireless calls?

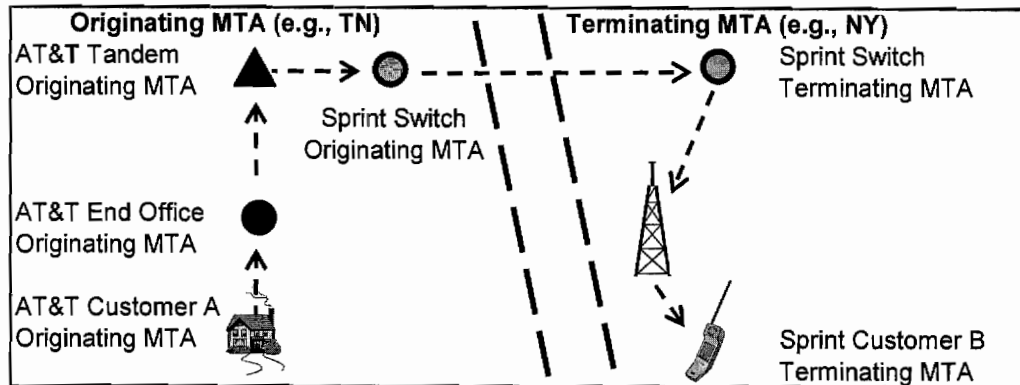
A. As discussed above, there is no FCC rule that requires either carrier to pay switched access on InterMTA traffic delivered directly to each other. As discussed above, 47 C.F.R. § 20.11 requires mutual, reasonable compensation.

Q. What is Sprint asking the Authority to do concerning an equitable compensation arrangement for InterMTA traffic?

A. As part of this arbitrated Interconnection Agreement, Sprint is asking for a mutual and reasonable compensation arrangement between Sprint and AT&T. There are at least four methods by which the Authority can accomplish this.

First, AT&T should compensate Sprint at a rate equal to two-times the AT&T rate. This is a “reasonable” rate, consistent with 47 C.F.R. § 20.11(b)(1), because Sprint will incur a greater cost to terminate AT&T-originated InterMTA traffic. As illustrated in Diagram 5, when an AT&T-originated InterMTA call is terminated on Sprint’s network, depending upon the ultimate location of the mobile end-user, Sprint must switch the call twice, and incur the cost to deliver the call between the two wireless switches.

Diagram 5
Costs to Sprint of Terminating
AT&T-Originated InterMTA Traffic



Second, both Sprint and AT&T can exchange InterMTA traffic on a Bill-and-Keep basis.

Third, both Sprint and AT&T can exchange InterMTA traffic on the same basis as IntraMTA traffic, i.e., at reciprocal compensation rates.

Fourth, if the Authority orders Sprint CMRS to pay AT&T switched access on mobile-to-land InterMTA traffic, then it should order AT&T to pay Sprint CMRS the same switched access rates for land-to-mobile InterMTA traffic that AT&T would otherwise charge to terminate Sprint CMRS-originated InterMTA traffic. While Sprint CMRS does not consider this appropriate under the rules as they exist today, this result would at least be an equitable situation between Sprint and AT&T.

Q. Contrary to its position in this proceeding, did AT&T adopt Sprint's position that switched access rates do not apply to InterMTA traffic in Kentucky?

1 A. Yes, AT&T has adopted Sprint's position (that switched access rates do not
2 necessarily apply to InterMTA traffic) in a proceeding before the Kentucky Public
3 Service Commission. Specifically, an AT&T witness, testifying on behalf of
4 Cingular Wireless, the predecessor company to AT&T's wireless affiliate AT&T
5 Mobility, and testifying on behalf of other "Wireless Carriers" including Sprint,
6 stated:

7 No FCC regulation governs the exchange of interMTA traffic between an
8 RLEC and a Wireless Carrier. No FCC regulation states that if a Wireless
9 Carrier "carries traffic from one MTA to another," then it owes compensation
10 to an RLEC. No FCC regulation states that compensation for interMTA
11 traffic shall be based on access rates.⁵²
12

13 **Q. What ICA language does Sprint recommend the Authority adopt?**

14 A. Sprint recommends the Authority adopt the following ICA language:

15 6.4.1 Because AT&T-9STATE does not incur any greater cost to terminate a
16 mobile-to-land call delivered by Sprint to AT&T-9STATE over
17 Interconnection Facilities whether it is an InterMTA or IntraMTA call, AT&T-
18 9STATE will bill Sprint the same Rate for both IntraMTA and InterMTA calls.
19

20 6.4.2 Because Sprint incurs greater costs to terminate an AT&T-9STATE
21 originated InterMTA land-to-mobile calls delivered over Interconnection
22 Facilities than it does to terminate IntraMTA land-to-mobile calls, Sprint is
23 entitled to charge AT&T-9STATE a Land-to-Mobile InterMTA Rate for
24 terminating such AT&T-9STATE calls. The Land-to-Mobile InterMTA Rate
25 at which Sprint is entitled to bill AT&T-9STATE will be two times (2X) the
26 Type 2A IntraMTA Rate.
27

⁵² *Petition of Ballard Rural Telephone 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, Kentucky Public Service Commission Case No. 2006-00215, et al; Rebuttal Testimony of William H. Brown on Behalf of Cingular Wireless and on Behalf of the Wireless Carriers; dated October 6, 2006, corrected to October 9, 2006, at page 29.*

1 **Issue III.A.3(3) – What is the appropriate factor to represent land-to-mobile**
2 **InterMTA traffic?**

3

4 **Q. Please summarize Sprint’s position on this issue.**

5 A. Subject to a traffic study to validate the amount of land-to-mobile traffic generated
6 by AT&T and its customers, Sprint proposes a 2% land-to-mobile terminating
7 InterMTA Factor to derive the minutes of use (“MOU”) upon which Sprint CMRS
8 would charge AT&T for AT&T originated landline-to-mobile InterMTA traffic.

9

10 **Q. Please summarize AT&T’s position on this issue.**

11 A. As I understand AT&T’s position, AT&T expects Sprint to be financially
12 responsible for the cost of terminating AT&T-originated InterMTA traffic, and that
13 the InterMTA factor should be based on the JIP. AT&T proposes a default
14 InterMTA factor of 6% “in the absence of an auditable Sprint traffic study.”

15

16 **Q. Please discuss this issue.**

17 A. Under no circumstances is it appropriate for AT&T to charge Sprint CMRS
18 anything for AT&T originated land-to-mobile InterMTA traffic. Further, any valid
19 traffic study of AT&T-originated land-to-mobile traffic must recognize the actual
20 terminating cell site location, as discussed above. The JIP does not accurately
21 identify the terminating jurisdiction.

22

23 **Q. What ICA language does Sprint recommend the Authority adopt?**

1 A. Sprint recommends the Authority adopt the following ICA language:

2 6.4.3 Beginning with the Effective Date, Sprint is entitled to utilize a state-
3 specific "Land-to-Mobile Terminating InterMTA Factor" to determine the
4 surrogate volume of AT&T-9STATE InterMTA Land-to-Mobile
5 Conversation MOUs for which Sprint is entitled to bill AT&T-9STATE at the
6 Land-to-Mobile InterMTA Rate. Also beginning with the Effective Date, the
7 Land-to-Mobile Terminating InterMTA Factor shall be 2%. Such factor is,
8 however, subject to revision based on a Sprint traffic study performed upon
9 either Party's request no sooner than (6) months after the Effective Date; and
10 thereafter not more frequently than once per calendar year. Any change in the
11 Land-to-Mobile Terminating InterMTA Factor shall be reflected as an
12 Amendment to this Agreement.
13

14 6.4.4 To determine the billable volume of AT&T-9STATE InterMTA Land-
15 to-Mobile minutes to which Sprint will apply the Land-to-Mobile
16 Terminating Rate, Sprint will, on a monthly basis, multiply the InterMTA
17 Factor by the total AT&T-9STATE IntraMTA Conversation MOUs as
18 terminated and recorded by Sprint, The total volume of terminating
19 IntraMTA Land-to-Mobile traffic minutes for which Sprint bills AT&T-
20 9STATE shall be reduced by the calculated volume of InterMTA Land-to-
21 Mobile minutes to avoid double-billing AT&T-9STATE for the same MOUs.
22

23 Pricing Sheet

- 24
25 - Land-to-Mobile InterMTA Rate (2X Type 2A IntraMTA Rate): [TBD*]
26 - Land-to-Mobile Terminating InterMTA Factor: 2%
27

28 **Issue III.E – Shared Facility Costs.**

29
30 **Issue III.E(1) – How should Facility Costs be apportioned between the parties under**
31 **the CMRS ICA?**
32

33 **Q. Please summarize Sprint CMRS's position on this issue.**

34 A. This issue covers two sub-issues. First, Facility Costs should be apportioned based
35 upon the parties' respective proportionate use of the Facility to provide service to
36 its respective customers. Sprint's position is consistent with 47 C.F.R. §51.703(b),

1 which prohibits AT&T from charging Sprint for traffic originated on AT&T's
2 network.

3
4 Second, AT&T should bill Sprint only for a portion of the interconnection facility,
5 by applying a credit for AT&T's portion.

6
7 If AT&T were not required to share the cost of this facility, it would drive the
8 parties to inefficient network decisions. For example, Sprint could be forced into
9 installing and delivering Sprint-originated traffic over one-way facilities, for which
10 Sprint would be 100% financially responsible for the cost of that one-way facility.
11 At the same time, AT&T would have to install and deliver all traffic delivered by
12 AT&T (i.e., its own AT&T-originated traffic and third-party inbound transit traffic
13 to Sprint) over AT&T's own one-way facilities, for which AT&T will be 100%
14 financially responsible for the cost of that one-way facility. Such inefficiencies,
15 however, could cause unnecessary duplication and costs associated with the number
16 of additional ports each party would have to provide for 2 sets of 1-way facilities
17 (i.e., inbound and outbound).

18
19 **Q. Please summarize AT&T's position on this issue.**

20 A. As I understand AT&T's position, and as discussed in the testimony of Sprint
21 witness Mark G. Felton, AT&T appears to support the position that the cost of a
22 two-way shared facility should be shared based upon the proportionate use of the
23 facility. However, that proportionate sharing is meaningless due to AT&T's

1 position that only one POI exists at the AT&T switch. Under AT&T's position,
2 because the POI is located at the AT&T switch, the only interconnection facility
3 that AT&T shares with Sprint is cabling inside the AT&T central office. This
4 leaves Sprint 100% financially responsible for the cost of the actual
5 interconnection facility between the two networks, even though AT&T-originated
6 traffic will be using that interconnection facility.

7
8 Note that this issue illustrates the difficulty of negotiating with AT&T. While
9 Sprint's initial position is to share the cost of the interconnection facility 50%/50%.
10 As a practical matter, AT&T's initial position is that AT&T ends up paying 0%.

11
12 **1. Facility Costs should be apportioned based upon the Parties' respective**
13 **proportionate use of the Facility**

14
15 **Q. What does the Act say about direct and indirect interconnection?**

16 A. Under § 251(a)(1) of the Act, any carrier may choose to interconnect either directly
17 or indirectly with any other carrier. Specifically, § 251(a)(1) states,

18 **Each telecommunications carrier** has the duty to interconnect directly or
19 indirectly with the facilities and equipment of other telecommunications
20 carriers. (Emphasis added.)
21

22 The FCC, in 47 C.F.R. § 51.5, further defines interconnection as follows:

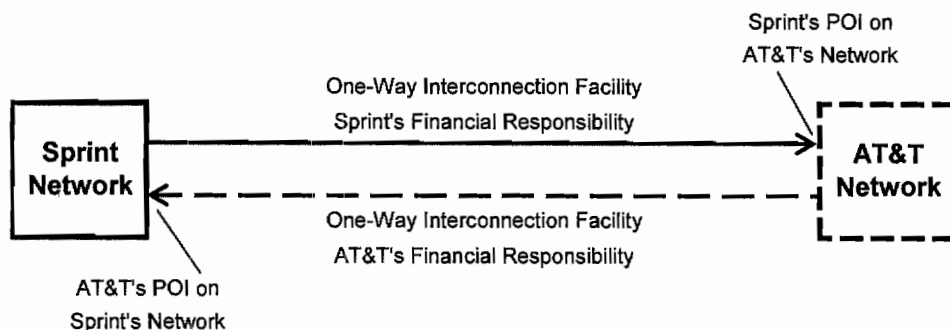
23 *Interconnection* is the linking of two networks **for the mutual exchange of**
24 **traffic.** (Emphasis added.)
25

Note that this obligation applies to each carrier. In other words, it is Sprint's duty to interconnect and exchange traffic with AT&T, and it is AT&T's duty to interconnect and exchange traffic with Sprint.

Q. How can Sprint and AT&T directly interconnect with each other?

A. There are two methods by which Sprint and AT&T can directly interconnect with each other. First, Sprint can provision and deliver Sprint-originated traffic over its own one-way facility; and AT&T can provision and deliver AT&T-originated traffic over its own one-way facility. This is shown in Diagram 6.

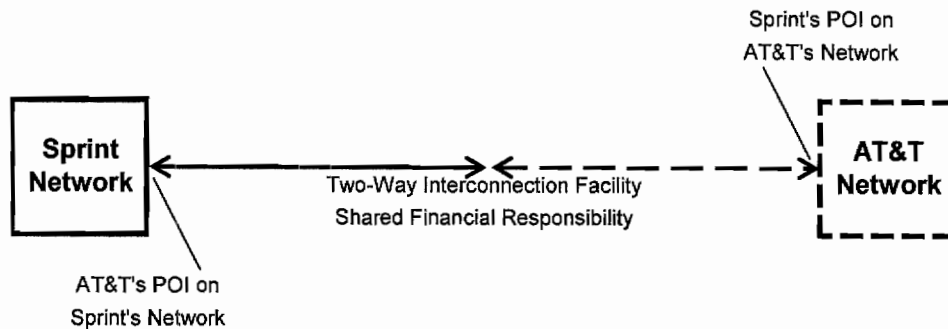
Diagram 6
Direct Interconnection With One-Way Trunks



In this case, Sprint is financially responsible for its one-way facility and AT&T is financially responsible for its one-way facility.

Second, Sprint and AT&T can agree to provision and share a single two-way facility, as shown in Diagram 7.

Diagram 7
Direct Interconnection With Two-Way Trunks



Generally, it is more efficient for two carriers to provision and share the cost of two-way facilities, rather than for each to provision its own one-way facility. Of course, it is most financially beneficial to AT&T to provision two-way facilities and have Sprint be 100% financially responsible.

Q. Should the cost of a two-way direct interconnection facility be shared between the two carriers?

A. Of course. Direct interconnection benefits the end-user customers of both Sprint and AT&T by allowing those end-user customers to originate calls and to have those calls ultimately terminated to other customers. The FCC's long standing "Calling Party's Network Pays" principle requires the originating carrier to be financially responsible for delivering that call to the terminating carrier.

Q. How should the cost of two-way direct interconnection facilities be shared between the two carriers?

1 A. The FCC rules explicitly contemplate that this cost should be shared between the
2 two carriers based on their respective proportionate use of that facility. 47 C.F.R. §
3 51.709(b) states:

4 The rate of a carrier providing transmission facilities dedicated to the
5 transmission of traffic between two carriers' networks shall recover only the
6 costs of the proportion of that trunk capacity used by an interconnecting
7 carrier to send traffic that will terminate on the providing carrier's network.
8 Such proportions may be measured during peak periods.
9

10 Accordingly, the cost of the dedicated facility between the two networks is
11 apportioned between Sprint and AT&T based on their relative use of the facility.
12

13 **Q. Under proportionate sharing, for what percentage of the interconnection**
14 **facility would Sprint and AT&T be responsible?**

15 A. Traffic between Sprint and AT&T is likely to be roughly balanced, as discussed in
16 the testimony of Mark G. Felton. Therefore, under proportionate sharing, both
17 Sprint and AT&T would be responsible for about 50% of the total cost of the
18 interconnection facility. The Authority should presume a 50% / 50% sharing until
19 either party produces a traffic study demonstrating traffic is significantly out-of-
20 balance.
21

22 **2. AT&T Should Bill Sprint Only For Its Portion of the Interconnection**
23 **Facility**
24

25 **Q. Under a proportionate sharing arrangement, should AT&T bill Sprint for the**
26 **entire cost of the interconnection facility?**

1 A. No, under a proportionate sharing arrangement, AT&T should not bill Sprint for the
2 entire cost of the interconnection facility. AT&T should bill Sprint only for
3 Sprint's portion of the interconnection facility, by applying a credit for AT&T's
4 portion. For example, if the cost of the facility is shared 50%/50%, AT&T should
5 simply apply a 50% credit and bill Sprint for 50% of the cost of the facility.

6
7 Since AT&T actually owns the interconnection facility, it would be grossly
8 inefficient for AT&T to bill Sprint for 100% of the interconnection facility, and
9 then require Sprint to bill AT&T for 50% of the cost for AT&T's portion.

10

11 **Q. What language does Sprint CMRS recommend the Authority adopt regarding**
12 **Interconnection Facility Costs for the CMRS ICA?**

13 A. Sprint CMRS recommends the Authority adopt the following language for the
14 CMRS ICA:

15 CMRS Interconnection Facility Costs.

16

17 2.5.3 Interconnection Facility Costs. The costs of Interconnection Facilities
18 provided directly by one Party to the other, or by one of the Parties obtaining
19 such Facilities from a Third Party, shall be shared between the Parties as
20 follows:

21

22 (a) Sprint wireless MSC Location. When a Sprint MSC and the POI to which
23 is Interconnected are in the same MTA, the Sprint MSC location means the
24 actual physical location of such MSC in that MTA. When a Sprint MSC is
25 physically located in a different MTA than the POI to which it is
26 Interconnected, the Sprint MSC location means such MSC's point of presence
27 location designated in the LERG that is within the same MTA as the POI.

28

29 (c) Two-way Interconnection Facilities. The recurring and non-recurring
30 costs of two-way Interconnection Facilities between Sprint Central Office
31 Switch locations and the POI(s) to which such switches are interconnected at
32 AT&T-9STATE Central Office Switches shall be shared based upon the

1 Parties' respective proportionate use of such Facilities to deliver all Authorized
2 Services traffic originated by its respective End-User or Third-Party customers
3 to the terminating Party. Such proportionate use will, based upon mutually
4 acceptable traffic studies, be periodically determined and identified as a state-
5 wide "Proportionate Use Factor".
6

7 (1) As of the Effective Date the Parties' Proportionate Use Factor is deemed to
8 be 50% Sprint and 50% AT&T-9STATE. Beginning six (6) months after the
9 Effective Date, and thereafter not more frequently than every six (6) months, a
10 Party may request re-calculation of a new Proportionate Use Factor to be
11 prospectively applied.
12

13 (2) Unless another process is mutually agreed to by the Parties, on each
14 invoice rendered by a Party for two-way Interconnection Facilities, the Billing
15 Party will apply the Proportionate Use Factor to reduce its charges by the
16 Billing Party's proportionate use of such Facilities. The Billing Party will
17 reflect such reduction on its invoice as a dollar credit reduction to the
18 Interconnection Facilities charges to the Billed Party, and also identify such
19 credit by circuit identification number(s) on a per DS-1 equivalents basis.
20

21 (d) One-way Interconnection Facilities When one-way Interconnection Facilities
22 are utilized, each Party is responsible for the ordering and all costs of such
23 Facilities used to deliver of Authorized Services traffic originated by its
24 respective End User or Third Party customers to the terminating Party.
25

26 **Issue III.E(2) – Should traffic that originates with a third party and that is transited**
27 **by one party (the transiting party) to the other party (the terminating party) be**
28 **attributed to the transiting party or the terminating party for purposes of**
29 **calculating the proportionate use of facilities under the CMRS ICA?**
30

31 **Q. Please summarize Sprint's position on this issue.**

32 A. Third party-originated traffic the transiting party delivers to the terminating party is
33 the transiting party's traffic for purposes of calculating the proportionate use of
34 facilities. In this instance, the third party is the transiting party's wholesale

1 Interconnection customer and each jointly cause the transiting party's use of the
2 facility.

3
4 It is Sprint's position that transit is a service provided by AT&T to its carrier
5 customers. AT&T is fairly compensated for providing transit service, including
6 earning a reasonable profit. Since AT&T will deliver this transit traffic over a
7 shared two-way facility, the proportionate use of that assigned to AT&T properly
8 includes that transit traffic, for which it has already been compensated.

9
10 **Q. Please summarize AT&T's position on this issue.**

11 A. As I understand AT&T's position, the proportionate use of the transit traffic should
12 be assigned to Sprint because Sprint "caused" the traffic. This assertion, however,
13 ignores the obvious and is contrary to the FCC's Calling Party Network Pays
14 policy. It is AT&T's wholesale transit customer that initiated and, therefore,
15 "caused" the call and any related delivery costs incurred by AT&T. Sprint CMRS
16 did not "cause" anything to occur.

17
18 **Q. Is there any other reason that AT&T's position incorrect?**

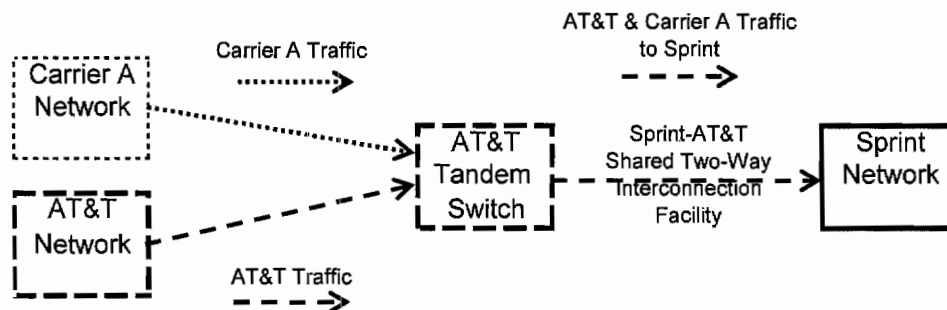
19 A. Yes. AT&T is directly compensated for its delivery of transit traffic by its
20 wholesale Interconnection transit customer, the originating carrier. As previously
21 discussed, a TELRIC-priced Transit Service rate will appropriately compensate
22 AT&T for all of its costs to deliver its wholesale Interconnection transit customer to
23 the terminating network which, in this case would be Sprint CMRS. If AT&T

1 collects a transit charge from its originating transit customer, and also shifts to the
2 terminating carrier the cost of the facility that AT&T uses to deliver its transit
3 customer's traffic to the terminating carrier, AT&T will essentially be compensated
4 twice, by the originating carrier and again by Sprint CMRS as the terminating
5 carrier.

7 **Q. How does AT&T deliver transit traffic destined to be terminated to Sprint?**

8 A. In Diagram 8, AT&T is the transit service provider for Carrier A. AT&T combines
9 its own originating traffic with Carrier A's originating traffic for ultimate delivery
10 to the terminating carrier, in this case, Sprint, using the Sprint-AT&T shared two-
11 way interconnection facility.

12 **Diagram 8**
13 **AT&T Providing Transit Service**
14 **Via the Sprint-AT&T Interconnection Facility**
15



16
17 When determining the proportionate use of the interconnection facility per 47
18 C.F.R. § 51.709(b), it is appropriate to attribute Carrier A's traffic to AT&T, since
19 AT&T has been compensated by Carrier A to perform that precise function.

21 **Q. What is the effect of AT&T's position on this issue?**

1 A. AT&T insists that Carrier A's traffic be attributed to Sprint. AT&T wants to be
2 paid twice for this traffic. First, AT&T is paid by Carrier A via the transit fee to
3 deliver this traffic to Sprint. Second, AT&T also expects Sprint to pay for the cost
4 of transmitting that traffic over the Sprint / AT&T shared interconnection facility.
5 AT&T's transit position is analogous to the post office charging Mr. Smith \$0.44 to
6 mail a letter to Ms. Jones, and then collecting \$0.44 postage-due from Ms. Jones for
7 the same letter.

8

9 **Q. What ICA language does Sprint recommend the Authority adopt?**

10 A. Sprint recommends the Authority adopt the following ICA language:

11 (e) Transit Service Interconnection Facilities. The costs of Interconnection
12 Facilities used to deliver Sprint-originated Authorized Services traffic between a
13 Point of Interconnection at an AT&T-9State Switch and the POI at which
14 AT&T-9STATE hands off Sprint originated traffic to a Third Party who is
15 indirectly Interconnected with Sprint via AT&T-9STATE, are recouped by
16 AT&T-9STATE as a component of AT&T-9STATE's Transit Service per
17 minute of use charge. AT&T-9STATE shall not charge Sprint for any costs
18 associated with the origination or delivery of any Third Party traffic delivered by
19 AT&T--9STATE to Sprint.
20

21 **Issue III.E(3) – How should Facility Costs be apportioned between the Parties under**
22 **the CLEC ICA?**

23

24 **Q. Please summarize Sprint's position on this issue.**

25 A. This Issue is the same as Issue III.E(1), except in the context of the CLEC ICA, and
26 there is no rational basis for this Issue to be decided any differently. Facility Costs
27 should be apportioned based upon the Parties' respective proportionate use of the
28 Facility to provide service to its respective customers. Sprint CLEC's position is

1 consistent with 47 C.F.R. §51.703(b), which prohibits AT&T from charging Sprint
2 for traffic originated on AT&T's network.

3
4 It is Sprint's position that how Facility Costs are apportioned should be technology
5 neutral – there is no reason for CLEC traffic to be treated any differently than
6 CMRS traffic. Therefore, Sprint proposes the same language for Facility Cost
7 apportionment for both CLEC and CMRS traffic, simply changing paragraph
8 2.5.3(b) to make it CLEC-specific.

9
10 **Q. Please summarize AT&T's position on this issue.**

11 A. As I understand AT&T's position, and as discussed in the testimony of Sprint
12 witness Mr. Mark G. Felton, AT&T appears to support the position that the cost of
13 a two-way shared facility should be shared based upon the proportionate use of the
14 facility. However, that proportionate sharing is meaningless due to AT&T's
15 position that only one POI exists at the AT&T switch. Under AT&T's position,
16 because the POI is located at the AT&T switch, the only interconnection facility
17 that AT&T shares with Sprint is cabling inside the AT&T central office. This
18 leaves Sprint 100% financially responsible for the cost of the actual
19 interconnection facility between the two networks, even though AT&T-originated
20 traffic will be using that interconnection facility. For the same reasons addressed
21 above in the context of the CMRS ICA, AT&T's position is equally untenable in
22 the CLEC ICA.

1 **Q. What ICA language does Sprint CLEC recommend the Authority adopt for**
2 **the CLEC ICA?**

3 A. As indicated above, Sprint CLEC recommends the Authority adopt the following
4 ICA language, with paragraph 2.5.3 (b) modified to be Sprint CLEC-specific:

5 CLEC only

6
7 2.5.3 Interconnection Facility Costs. The costs of Interconnection Facilities
8 provided directly by one Party to the other, or by one of the Parties obtaining
9 such Facilities from a Third Party, shall be shared between the Parties as
10 follows:

11
12 (b) Sprint non-wireless Switch Location, When a Sprint non-wireless switch
13 and the POI to which it is Interconnected are in the same LATA, the Sprint
14 switch location means the actual physical location of such non-wireless switch
15 in that LATA. When a Sprint non-wireless switch is physically located in a
16 different LATA than the POI to which it is Interconnected, the Sprint non-
17 wireless switch location means such CLEC switch's point of presence location
18 designated in the LERG that is within the same LATA as the POI.

19
20 (c) Two-way Interconnection Facilities. The recurring and non-recurring
21 costs of two-way Interconnection Facilities between Sprint Central Office
22 Switch locations and the POI(s) to which such switches are interconnected at
23 AT&T-9STATE Central Office Switches shall be shared based upon the
24 Parties' respective proportionate use of such Facilities to deliver all Authorized
25 Services traffic originated by its respective End-User or Third-Party customers
26 to the terminating Party. Such proportionate use will, based upon mutually
27 acceptable traffic studies, be periodically determined and identified as a state-
28 wide "Proportionate Use Factor".

29
30 (1) As of the Effective Date the Parties' Proportionate Use Factor is deemed to
31 be 50% Sprint and 50% AT&T-9STATE. Beginning six (6) months after the
32 Effective Date, and thereafter not more frequently than every six (6) months, a
33 Party may request re-calculation of a new Proportionate Use Factor to be
34 prospectively applied.

35
36 (2) Unless another process is mutually agreed to by the Parties, on each
37 invoice rendered by a Party for two-way Interconnection Facilities, the Billing
38 Party will apply the Proportionate Use Factor to reduce its charges by the
39 Billing Party's proportionate use of such Facilities. The Billing Party will
40 reflect such reduction on its invoice as a dollar credit reduction to the
41 Interconnection Facilities charges to the Billed Party, and also identify such
42 credit by circuit identification number(s) on a per DS-1 equivalents basis.

1
2 (d) One-way Interconnection Facilities When one-way Interconnection Facilities
3 are utilized, each Party is responsible for the ordering and all costs of such
4 Facilities used to deliver of Authorized Services traffic originated by its
5 respective End User or Third Party customers to the terminating Party.
6

7 **Issue III.E(4) – Should traffic that originates with a third party and that is transited**
8 **by one party (the transiting party) to the other party (the terminating party) be**
9 **attributed to the transiting party or the terminating party for purposes of**
10 **calculating the proportionate use of facilities under the CLEC ICA?**
11

12 **Q. Please summarize Sprint’s position on this issue.**

13 A. Similar to the above situation between the CMRS Issue III.E(1) and CLEC Issue
14 III.E(3), this CLEC Issue III.E(4) is the same as the CMRS Issue III.E(2), and there
15 is no rational basis for this Issue to be decided any differently. Third party-
16 originated traffic the transiting party delivers to the terminating party is the
17 transiting party’s traffic for purposes of calculating the proportionate use of
18 facilities. In this instance, the third party is the transiting party’s wholesale
19 Interconnection customer and each jointly cause the transiting party’s use of the
20 facility.
21

22 It is Sprint CLEC’s position that the manner in which Facility Costs are apportioned
23 should be technology neutral – there is no reason for CLEC traffic to be treated any
24 differently than CMRS traffic. Therefore, Sprint proposes the same transit traffic
25 attribution for both CLEC and CMRS traffic.
26

1 **Q. Please summarize AT&T's position on this issue.**

2 A. As I understand AT&T's position, the proportionate use of the transit traffic should
3 be assigned to Sprint CLEC because Sprint "caused" the traffic.

4

5 **Q. Why is AT&T's position incorrect?**

6 A. Again, as previously explained above, AT&T's position is incorrect because: 1) it is
7 contrary to the FCC's Calling Party Network Pays policy and Sprint CLEC does not
8 "cause" the call to occur; 2) AT&T is already being directly compensated for its
9 transit traffic costs by the originating carrier; and 3) AT&T will essentially be
10 compensated twice, by the originating carrier and again by Sprint CLEC if it is
11 allowed to shift any of its costs to provide transit service to Sprint CLEC as the
12 terminating carrier.

13

14 **Q. What ICA language does Sprint recommend the Authority adopt?**

15 A. As indicated above with regard to Issue III.E.(2), Sprint CLEC recommends the
16 Authority adopt the following ICA language regarding this Issue:

17 (e) Transit Service Interconnection Facilities. The costs of Interconnection
18 Facilities used to deliver Sprint-originated Authorized Services traffic between a
19 Point of Interconnection at an AT&T-9State Switch and the POI at which
20 AT&T-9STATE hands off Sprint originated traffic to a Third Party who is
21 indirectly Interconnected with Sprint via AT&T-9STATE, are recouped by
22 AT&T-9STATE as a component of AT&T-9STATE's Transit Service per
23 minute of use charge. AT&T-9STATE shall not charge Sprint for any costs
24 associated with the origination or delivery of any Third Party traffic delivered by
25 AT&T-9STATE to Sprint.

26

1 **Issue III.G – Sprint’s Pricing Sheet**

2

3 **Issue III.G – Should Sprint’s proposed pricing sheet language be included in the**
4 **ICA?**

5

6 **Q. Please summarize Sprint’s position on this issue.**

7 A. Yes, Sprint’s language identifies rates that currently (1) are unknown or to be
8 determined (“TBD”); (2) should be a known or calculable amount; or (3) should
9 have a stated traffic factor. Sprint’s offered negotiated Conversation MOU Usage
10 Rates are appropriate to serve as Interim Rates until unknown or TBD rates are
11 determined.

12

13 **Q. Please summarize AT&T’s position on this issue.**

14 A. As I understand AT&T’s position, Sprint should accept AT&T’s price list because
15 it did not “object” and/or failed to successfully negotiate lower rates, and has not
16 identified prices as “TBD” or “None at this time.”

17

18 **Q. Why has Sprint left proposed prices as “TBD” or “None at this time” in its**
19 **proposed price sheet?**

20 A. Sprint left proposed prices as “TBD” or “None at this time” in its proposed price
21 sheet for the simple reason that Sprint was unable to successfully negotiate rates
22 with AT&T; thus, the very need for this arbitration. As discussed above, Sprint has

made specific price proposals as part of this arbitration proceeding, with the intent of creating the simplest and most administratively simple pricing structure possible.

Q. What ICA language for the Pricing Sheet does Sprint recommend the Authority adopt?

A. Sprint recommends the Authority adopt the following ICA language for the Pricing Sheet:

PRICING SHEET

Unless expressly identified to be a “Negotiated” Rate or Charge, any Rate or Charge included in this Pricing Sheet is subject to reduction and a refund issued by AT&T-9STATE to Sprint as provided in Sections 2 and 6 of this Attachment 3.

A. Interconnection Facility/Arrangements Rates will be provided at the lower of:

- Existing Prices;
- Negotiated Prices [None at this time];
- AT&T Prices provided to a Third Party Telecommunications carrier [unknown at this time];
- AT&T Tariff Prices at 35% reduction below such prices in effect as of June 1, 2010;
- AT&T TELRIC Prices [TBD]

B. Authorized Services Per Conversation MOU Usage Rates will be provided at the lower of lower of:

- Negotiated Prices [None at this time];
- AT&T Prices provided to a Third Party Telecommunications carrier [unknown at this time];
- AT&T TELRIC Prices [TBD]

Based upon the foregoing, the traffic usage rates are:

1) Wireless:

- IntraMTA Rates:
Type 2A: [TBD*]

- 1 Type 2B: [TBD*]
- 2 - Land-to-Mobile InterMTA Rate (2X Type 2A IntraMTA Rate):
- 3 [TBD*]
- 4 - Land-to-Mobile Terminating InterMTA Factor: 2%
- 5
- 6 2) Wireline:
- 7
- 8 - Telephone Exchange Service Rate: [TBD*]
- 9 - Telephone Toll Service Rate: Terminating Party's interstate/intrastate
- 10 access Tariff Rate
- 11
- 12 3) As to following type of traffic, whether wireless or wireline traffic:
- 13
- 14 - Information Services Rate: .0007
- 15 - Interconnected VoIP Rate: Bill & Keep until otherwise determined by
- 16 the FCC.
- 17 - Transit Service Rate: [TBD*]
- 18

19 **Q. Does Sprint offer an alternative to the Authority ordering AT&T to conduct**
 20 **TELRIC studies for usage rates?**

21 A. Yes. As an alternative to the Authority ordering AT&T to conduct TELRIC studies
 22 to establish usage rates, Sprint offers the following two mutually exclusive per
 23 Conversation MOU Usage Rates as potential negotiated Rates to avoid need for
 24 updated TELRIC studies:

- 25 1) Authorized Services traffic at same Rate:
- 26 No Rate –
- 27 Bill-and-Keep
- 28
- 29 Transit Service Rate \$0.00035
- 30
- 31 -OR-
- 32
- 33 2) All Authorized Services traffic at same Rate:
- 34 \$0.0007 Tandem
- 35 \$0.00035 End Office⁵³

⁵³ There is a typographical error in the Joint Disputed Issues List – Language Exhibit. The shown rate of \$0.0035 should be \$0.00035.

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Transit Service Rate \$0.00035

Issue III.H(3) – Facility Pricing

Issue III.H(1) – Should Sprint be entitled to obtain from AT&T at cost-based (TELRIC) rates under the ICAs facilities between Sprint’s switch and the POI?

Q. Please summarize Sprint’s position on this issue.

A. Yes, Sprint should be entitled to obtain from AT&T at cost-based (TELRIC) rates under the ICAs facilities between Sprint’s switch and the POI. Consistent with the majority of Federal Circuit Court of Appeal’s decisions, the Facilities between a Sprint switch and a POI link the Parties’ respective networks are the 47 U.S.C. § 252(c)(2) Interconnection Facilities that, pursuant to 47 U.S.C. § 251(d)(1), are subject to the TELRIC pricing standard.

Q. Please summarize AT&T’s position on this issue.

A. As I understand AT&T’s position, AT&T contends it is not required to provide TELRIC pricing for the piece of network that links a Sprint switch to the AT&T switch and, therefore, will only provide this portion of its network at tariffed access rates.

Q. How should the rate for direct Interconnection Facilities be determined?

1 A. The rates charged by AT&T for direct Interconnection Facilities it provides should
2 be based on forward-looking economic costs (TELRIC), consistent with FCC rules.

3

4 **Q. What do the FCC rules say about the pricing of Interconnection Facilities?**

5 A. In order to promote competition, the FCC established a framework which would
6 prevent ILECs such as AT&T from raising costs and rates for Interconnection in
7 order to deter competitive entry. The FCC's *Local Competition Order* explicitly
8 requires that Interconnection facilities be priced "in a manner that reflects the way
9 they are incurred." Specifically, the FCC's *Local Competition Order* states,

10 We conclude, as a general rule, that incumbent LECs' **rates for**
11 **interconnection** and unbundled elements must recover costs in a manner that
12 reflects the way they are incurred. This will conform to the 1996 Act's
13 **requirement that rates be cost-based**, ensure requesting carriers have the
14 right incentives to construct and use public network facilities efficiently, and
15 **prevent incumbent LECs from inefficiently raising costs in order to deter**
16 **entry**. We note that this conclusion should facilitate competition on a
17 reasonable and efficient basis by all firms in the industry by establishing
18 prices for interconnection and unbundled network elements based on costs
19 similar to those incurred by the incumbents,...⁵⁴ (Emphasis added.)
20

21 47 C.F.R § 51.501 explicitly sets the same forward-looking cost standard (TELRIC)
22 for both Interconnection and unbundled network elements. Specifically, 47 C.F.R §
23 51.501 states,

24 (a) The rules in this subpart apply to the pricing of network elements,
25 **interconnection**, and methods of obtaining access to unbundled elements,
26 including physical collocation and virtual collocation.
27

28 (b) As used in this subpart, the term "element" includes network elements,
29 **interconnection**, and methods of obtaining access to unbundled elements,
30 including physical collocation and virtual collocation. (Emphasis added.)
31

⁵⁴ Local Competition Order, ¶743.

1 Therefore, the pricing standard described in 47 C.F.R § 51.505, generally referred
2 to as TELRIC, must apply to Interconnection facilities.
3

4 **Q. What is majority view of the federal courts that have addressed this Issue?**

5 A. As also explained in Mark Felton's testimony, the majority of federal Circuit Courts
6 of Appeal, consisting of the 7th, 8th and 9th Circuits, believe the Act and the FCC
7 provide for the facility between a Sprint switch and the parties' Interconnection
8 point at an AT&T switch to be Interconnection Facilities that are subject to
9 TELRIC pricing.⁵⁵
10

11 **Q. In addition to the federal 7th, 8th and 9th Circuit Courts of Appeal, have any**
12 **state commissions explicitly decided that Interconnection facilities should be**
13 **priced at TELRIC?**

14 A. Yes. The Public Service Commission of Maryland stated,

15 As noted above, the issue here is interconnection, and **interconnection must**
16 **be priced at TELRIC**, like unbundled network elements, pursuant to the Act
17 and the *Local Competition Order*. Therefore, the TELRIC rate previously
18 established by this Commission for unbundled dedicated transport is also the
19 correct rate to be charged for this interconnection.⁵⁶ (Emphasis added.)
20

21 **Q. What ICA language does Sprint recommend the Authority adopt?**

⁵⁵ *Ill. Bell Tel. Co. v. Box*, 526 F.3d 1069 (7th Cir. May 6, 2008); *Southwestern Bell Tel., L.P. v. Mo. Pub. Serv. Comm'n*, 530 F.3d 676 (8th Cir. June 20, 2008); *Pac. Bell Tel. Co. v. Cal. PUC*, 597 F.3d 958 (9th Cir. March 4, 2010)

⁵⁶ *In the Matter of the Petition of AT&T Communications of Maryland, Inc. for Arbitration Pursuant to 47 U.S.C. § 252(b) Concerning Interconnection Rates, Terms And Conditions.*; Public Service Commission of Maryland Case No. 8882; Order No. 7950; dated July 7, 2004; at page 22.

1 A. Sprint recommends the Authority adopt the following ICA language:

2 CLEC and CMRS language

3
4 2.9 Interconnection Facilities/Arrangements Rates and Charges.

5
6 2.9.1 AT&T -9STATE Rates and Charges. Beginning with the Effective
7 Date, all recurring and non-recurring rates and charges ("Rates/Charges")
8 charged by AT&T-9STATE for pre-existing or new Interconnection
9 Facilities or Interconnection arrangements ("Interconnection-Related
10 Services") that AT&T provides to Sprint shall be at the lowest of the following
11 Rates/Charges:

12
13 a) The Rates/Charges in effect between the Parties' for Interconnection-Related
14 Services under the Interconnection agreement in effect immediately prior to the
15 Effective Date of this Agreement;

16
17 b) The Rates/Charges negotiated between the Parties as replacement
18 Rate/Charges for specific Interconnection-Related Services to the extent such
19 Rates/Charges are expressly included and identified in this Agreement;

20
21 c) The Rates/Charges at which AT&T-9STATE charges any other
22 Telecommunications carrier for similar Interconnection-Related Services;

23
24 d) AT&T-9STATEs' tariffed Facility Rates/Charges reduced by thirty-five
25 percent (35%) below such prices in effect as of June 1, 2010 to approximate
26 the forward-looking economic cost pursuant to 47 C.F.R. § 51.501 et. seq.
27 when such Facilities are used by Sprint as Interconnection Facilities. Such
28 reduced tariff Rates/Charges shall remain available for use at Sprint's option
29 until such time that final Interconnection Facilities Rates/Charges are
30 established by the Commission based upon an approved AT&T-9STATE
31 forward looking economic cost study either in the arbitration proceeding that
32 established this Agreement or such additional cost proceeding as may be ordered
33 by the Commission; or,

34
35 e) The Rates/Charges for any other Interconnection arrangement established by
36 the Commission based upon an approved AT&T-9STATE forward looking
37 economic cost study in the arbitration proceeding that established this
38 Agreement or such additional cost proceeding as may be ordered by the
39 Commission.
40

Issue III.H(2) – Should Sprint’s proposed language governing “Interconnection Facilities / Arrangements Rates and Charges” be included in the ICA?

Q. Please summarize Sprint’s position on this issue.

A. Yes, Sprint’s proposed language governing “Interconnection Facilities / Arrangements Rates and Charges” should be included in the ICA. Sprint’s language will ensure that Sprint CMRS and Sprint CLEC are charged Interconnection services rates that are the lower of: a) TELRIC pricing; or b) any lower than TELRIC pricing that AT&T has offered another Telecommunications Carrier.

Q. Please summarize AT&T’s position on this issue.

A. As I understand AT&T’s position, AT&T is essentially contending that: 1) AT&T is not obligated to provide Sprint Interconnection at TELRIC based rates; 2) AT&T is free to discriminate in the prices that it charges competing carriers for the same services, even if such prices may be lower than TELRIC pricing; and 3) AT&T does not have to true-up prices even where it has failed to provide appropriate TELRIC prices which, therefore, forced the arbitration of such prices.

Q. What ICA language does Sprint recommend the Authority adopt?

A. Sprint recommends the Authority adopt the following ICA language:

2.9.2. Reduced AT&T-9STATE Rates/Charges True-Up. If the lowest AT&T-9STATE Rates/Charges are established by the Commission in the context of the review and approval of an AT&T-9STATE cost-study, or were provided by AT&T-9STATE to another Telecommunications carrier and not made known to

1 Sprint until after the Effective Date of this Agreement, AT&T-9STATE shall
2 true-up and refund any difference between such Rates/Charges and the
3 Rates/Charges that Sprint was invoiced for such Interconnection-related services
4 between the Effective Date of this Agreement and the date that AT&T-9STATE
5 implements billing the reduced Rate/Charges to Sprint. AT&T-9STATE shall
6 implement all reductions in Interconnection-related Rates/Charges as non-
7 chargeable record-keeping billing adjustments at its own cost, and shall not
8 impose any disconnection, re-connection, or re-arrangement requirements or
9 charges of any type upon Sprint as a pre-requisite to Sprint receiving such
10 reduced Interconnection Rates/Charges.
11

12 2.9.3 Sprint Rates and Charges. Rates/Charges for pre-existing and new
13 Interconnection Facilities that Sprint provides AT&T-9STATE will be on a
14 pass-through basis of the costs incurred by Sprint to obtain and provide such
15 Facilities.
16

17 2.9.4 Billing. Except to the extent otherwise provided in Section 2.5.3 and this
18 Section, or as may be mutually agreed by the Parties, billing for Interconnection
19 Facilities will be on a monthly basis, with invoices rendered and payments due
20 in the same time frames and manner as billings for other Services subject to the
21 terms and conditions of this Agreement. Subject to all of the provisions of this
22 Section 2 Network Interconnection, general billing requirements are in the
23 General Terms and Conditions and Attachment 7.
24

25 **Issue III.H(3) – Should AT&T’s proposed language governing Interconnection**
26 **pricing be included in the ICAs?**
27

28 **Q. Please summarize Sprint’s position on this issue.**

29 A. No. AT&T’s proposed language governing Interconnection pricing should not be
30 included in the ICAs. AT&T’s pricing is contrary to the Act’s Interconnection
31 pricing standards. AT&T’s refuses to offer TELRIC pricing to CMRS carriers; and,
32 its CLEC pricing is based on an attempt to divide Interconnection Facilities into
33 two pieces, an “Entrance Facility” and “Interconnection Facility”, to limit its
34 TELRIC-pricing obligations.
35

1 **Q. Please summarize AT&T’s position on this issue.**

2 A. As I understand AT&T’s position, AT&T does not “offer” any form of TELRIC
3 Interconnection facility pricing to CMRS providers; and, will apparently only
4 provide TELRIC pricing to a CLEC for what amounts to a cross-connect to “link” a
5 “transport entrance facility” to AT&T’s switch, with the “transport entrance
6 facility” is charged at special access rates.

7

8 **IV. SUMMARY AND CONCLUSION**

9

10 **Q. Please Summarize your Direct Testimony.**

11 A. Issues I.C(1) - I.C(7) – Transit traffic related Issues: AT&T is required to provide
12 Transit Service at TELRIC-based prices. A reasonable interim rate is \$0.00035.

13

14 Issues III.A(1) - III.A(3) – Traffic categories and related compensation rates, terms,
15 and conditions: All Interconnection-related traffic should be exchanged between
16 Sprint and AT&T with terms and conditions that are mutually equitable and
17 reasonable. All rates should be TELRIC-based.

18

19 Issues III.A.3(1) - III.A.3(3) – CMRS ICA-specific, InterMTA traffic: InterMTA
20 traffic is not subject to switched access charges. All InterMTA traffic should be
21 exchanged between Sprint and AT&T with terms and conditions that are mutually
22 equitable and reasonable. Traffic factors should be based traffic studies which
23 accurately identify the physical location of the wireless end-user.

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Issues III.E(1) - III.E(4) – Shared Facility Costs: Interconnection facility costs

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should be shared between Sprint and AT&T based on each party's proportionate

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usage. Transit traffic should be assigned to the party being compensated for that

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traffic by a Third-party originating carrier.

6

7

Issue III.G – Sprint Pricing Sheet: Sprint's Pricing Sheet should be adopted.

8

9

Issues III.H(1) - III.H(3) – Facility Pricing: Interconnection Facility prices should

10

be TELRIC-based for the entire portion of network that links a Sprint switch to an

11

AT&T switch, rather than special access pricing applied to a "transport entrance

12

facility" and TELRIC pricing only applied on the CLEC-side to what amounts a

13

cross-connect between such "transport entrance facility" and an AT&T switch.

14

15 **Q. Does this conclude your Direct Testimony?**

16

A. Yes, it does.

ATTACHMENT RGF-1

CONFIDENTIAL

ATTACHMENT RGF-2

CONFIDENTIAL

ATTACHMENT RGF-3

ATTACHMENT RGF-4

ATTACHMENT RGF-1



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October 13, 2008

Electronic Submission

Marlene H. Dortch
Secretary, Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92; High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Inter-carrier Compensation for ISP-Bound Traffic, WC Docket No. 99-68; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135

Dear Ms. Dortch:

Section 251(b)(5) of the Communications Act of 1934, as amended, requires local exchange carriers ("LECs") to establish reciprocal compensation ("RC") arrangements for the transport and termination of telecommunications. Section 252(d)(2) states that a State commission shall not consider the terms and conditions for RC to be just and reasonable unless they provide for the "mutual and reciprocal recovery by each carrier" of the "additional costs" of terminating calls that originate on the other carrier's network. In the *Local Competition Order*, the Commission defined "termination" for purposes of section 251(b)(5) to be the "switching of traffic . . . at the terminating carrier's end office switch (or equivalent facility) and delivery of that traffic from that switch to the called party's premises."¹ The Commission further determined that "the 'additional cost' to [a] LEC of terminating a call that originates on [another carrier's network] . . . consists of the traffic-sensitive component of local switching," and therefore that only traffic-sensitive costs could be recovered through termination charges.²

In determining RC rates, commissions generally have calculated the traffic-sensitive portion of end-office switching based on the assumption that the terminating carrier employs traditional circuit-switched network technology. However, due to technical advances, local carriers are increasingly deploying next generation packet-based Internet Protocol networks to handle voice telephone calls and other traffic.

In next generation networks, it is likely that end-office switching functions will eventually be performed by general purpose packet routers. Many software-based VoIP services already employ this technology.³ Indeed, the largest VoIP application worldwide, Skype, relies

¹ *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499, 16015 (1996). The Commission defined "transport" for purposes of section 251(b)(5) as the "transmission of terminating traffic . . . from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party (or equivalent facility provided by a non-incumbent carrier)." *Id.* Such transport may include traffic-sensitive tandem switching costs.

² *Id.* at 16025.

³ VoIP stands for Voice over Internet Protocol.

completely on the generic packet routers deployed by public and private broadband IP networks to “switch” its voice packets.⁴ But while this technology has proven to be adequate to meet certain communication needs for hundreds of millions of customers around the world, regulatory standards for full-fledged local voice telephony service appear to demand several switching functionalities that are not yet supported by general purpose packet routers. These may include the capability to offer CALEA intercepts or to provide E911 services.⁵ For this reason, certificated LECs are instead deploying special purpose packet switches, known as “softswitches” — a type of packet router designed specifically to support voice telephony services.⁶ To estimate the incremental cost of switching a voice minute using one of these softswitches, it is necessary to establish two crucial parameters. The first is the total investment associated with a softswitch, and the second is the portion of this investment that is traffic-sensitive.

While public information on the actual prices for softswitches is limited, suggestive data are available. There are two potential sources. One is via comparisons between Class 5 switch investment costs and softswitch costs. The other is from direct estimates of softswitch investment costs.

In its *Tenth Report and Order*,⁷ the Commission found that fixed costs for Class 5 host switches were \$468,700 and such costs for Class 5 remote switches were \$161,800.⁸ Additional per-line investments for these switches were found to be \$87. The Commission’s *Trends in Telephone Service* report, Table 17.1 suggests that, in 2000, an average switch served about 10,000 lines.⁹ If we assume that 80% of lines were served by host switches and 20% by remotes, then an average Class 5 switch cost about \$1,277,320 – or \$128 per line in the 1999-2000 time period. If subsequent price reductions in the switching industry have amounted to only a modest 3% per year between 2000 and 2008, this suggests that current Class 5 switch investment is approximately \$100 per line.

Literature distributed by switching manufacturers claims substantial softswitch economies over circuit switches. Motorola suggests that “softswitch networks can save 20-30% of the total CAPEX compared with legacy switching networks.”¹⁰ Ericsson states that studies “indicate that core network OPEX can be reduced by up to 50%” using softswitches and that “total cost of

⁴ See <http://en.wikipedia.org/wiki/Skype> for more details on the workings of software-based VoIP technology.

⁵ CALEA is the Communications Assistance to Law Enforcement Act. See, <http://www.fcc.gov/calea/> for more details.

⁶ Softswitching systems being installed by large carriers may be part of more complex systems designed to integrate legacy interfaces along with wireless and broadband services. Such systems are less relevant to this analysis than the simpler systems being installed by rural carriers to replace traditional circuit switches. Note that these simpler softswitch systems are not necessarily “small.” These modular softswitches may support 70,000 subscribers in stand-alone installations, or up to 250,000 subscribers in distributed installations. See, <http://www.metaswitch.com/products/class45softswitch.htm>.

⁷ *Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, CC Docket Nos. 96-45, 97-10, Tenth Report and Order, 14 FCC Rcd 20156 (1999), *affirmed*, *Qwest Corp. v. FCC*, 258 F.3d 1191 (10th Cir. 2001).

⁸ Available at: http://www.fcc.gov/Bureaus/Common_Carrier/Orders/1999/fcc99304.zip.

⁹ Available at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-284932A1.pdf.

¹⁰ See http://www.motorola.com/mot/doc/6/6785_MotDoc.doc.

ownership can be reduced by up to 20 percent.”¹¹ Applying the most conservative of these cost-savings’ percentage estimates to current Class 5 switch investments suggests that softswitches have investment costs of no more than \$80 per line.

These figures are corroborated by analyst reports on VoIP softswitch sales revenues and port volumes. In 2004, Dittberner Associates found that “a total of 38.92 million VoIP ports were shipped during the year 2004” and that “the VoIP market exceeds US\$ 1 billion.”¹² This suggests a per-port cost in the \$26 range. Two years later in 1Q2006, Dittberner reported that 31.5 million softswitch and media gateway units had been shipped in the quarter, with associated revenues of \$722 million – yielding a per-unit revenue of \$23. And by 3Q2007, Dittberner noted shipments of 36.9 million ports and revenues of \$626.5 million – yielding a per-port cost of \$17.¹³ These direct figures are consistent with the Class 5 comparison figure because it is likely that the “fill” on shipped softswitch ports is less than 100% and that Dittberner figures may exclude some of the softswitch installation services necessary to engineer fully these switching systems.

Thus, based on these two alternative methodologies for establishing softswitch investment costs, it appears that these costs range between \$34 and \$80 per line.¹⁴ Our next task is to establish the fraction of these investments that are traffic-sensitive. Again, two methodologies may be employed to establish high and low estimates.

Recently, a group of rural LECs in Michigan submitted softswitch cost data in a proceeding before the Michigan Public Service Commission to establish their RC rates.¹⁵ These rural LECs nominated a softswitch produced by a now-defunct manufacturer, CopperCom, to support their argument that forward-looking switching costs are highly traffic-sensitive. However, AT&T witness Dr. Kent Currie analyzed the cost data proffered by the rural LECs and demonstrated that the largest portion of the total cost of this CopperCom switch actually was completely fixed (*i.e.*, not sensitive to lines or traffic).¹⁶ Dr. Currie further showed that “line-related investments are the next largest portion and generally reflect less than 20% of local switching investment,” leaving traffic-sensitive investments as the smallest portion – and thus

¹¹ See <http://www.ericsson.com/solutions/page.asp?ArticleId=CB515311-BF92-4EB5-B293-BB4895BA50B4> and http://www.ericsson.com/technology/whitepapers/8107_efficient_softswitching_a.pdf. Nortel also notes the cost savings associated with its softswitches. See, <http://www.nortel.com/products/01/succession/cs/collateral/nn116583.pdf>.

¹² See <http://blog.tmcnet.com/blog/rich-tehrani/uploads/Media-Gateway-Softswitch.pdf>.

¹³ See http://telephonyonline.com/mag/telecom_softswitchmedia_gateway_market/index.html and http://www.dittberner.com/news/press_release.php?id=79.

¹⁴ The \$34 lower bound figure assumes a worst case that both a softswitch and a media gateway port (at \$17 each) are required to serve each customer line.

¹⁵ See Michigan Public Service Commission (“MPSC”) Case No. U-14781, <http://efile.mpsc.cis.state.mi.us/efile/docs/14781/0001.pdf> (February 21, 2006) and <http://efile.mpsc.cis.state.mi.us/efile/docs/14781/0052.pdf> (August 22, 2006). The MPSC approved a settlement agreement in this case on July 1, 2008, <http://efile.mpsc.cis.state.mi.us/efile/docs/14781/0211.pdf>.

¹⁶ See Currie testimony in U-14781 at ¶¶ 56-57, <http://efile.mpsc.cis.state.mi.us/efile/docs/14781/0190.pdf>.

must necessarily be below 20% of total switching investment.¹⁷ Hence, 20% appears appropriate as an upper estimate of the percent of softswitching investments that are traffic-sensitive.¹⁸

But there are other softswitch models (not introduced into the Michigan proceeding by the rural LECs) whose costs appear to be even less sensitive to traffic levels than the CopperCom softswitch. One example of such a softswitch is the Taqua 7000.¹⁹ This switching system, which can serve up to 42,000 subscribers, is completely modular. As Taqua notes, “each interface card (or circuit pack) on the T7000 performs all of the functions required of a Class 5, end-office switch. Dedicated resources for call processing, service logic, switch fabric, media processing and signaling are performed on each card.”²⁰ This “allows a carrier to purchase a single card in the initial system and expand capacity incrementally as the network grows.”²¹ Furthermore, Taqua states that the switching fabric provided on each card is “non-blocking.”²² Thus, the Taqua softswitch appears to have no traffic-sensitive costs.²³ All of its costs are either fixed, or driven completely by line additions.

If we apply a 20% traffic-sensitive fraction, suggested by the more conservative of these two methodologies, to our range of estimates for softswitch investments per line, traffic-sensitive switching investments per line are shown to range between \$6.80 and \$16.00. If an annual charge factor of 25% is applied to these investments, monthly switching revenue requirements will range between \$0.142 and \$0.333.²⁴ Dividing these monthly revenue requirements by 1400 switching minutes per month yields per-minute softswitching costs of between \$0.00010 and \$0.00024.²⁵ These figures are comfortably below the Commission current RC figure of \$0.00070 per minute.

¹⁷ *Id.*

¹⁸ Although Dr. Currie’s analysis showed that less than 20% of the CopperCom switch’s costs were traffic-sensitive, the MPSC staff decided in this case to recommend that 41% of rural LECs’ local switching costs be deemed traffic-sensitive. But the staff based its recommendation not on the rural LECs’ proffered CopperCom softswitch’s costs, but rather on a cost study of a traditional circuit switch offered into the record by Upper Peninsula Telephone Company. See <http://efile.mpsc.cis.state.mi.us/efile/docs/14781/0197.pdf>. Note, however, that in its earlier Case U-13531, the MPSC found AT&T-Michigan’s local switching costs to be 100% non-traffic-sensitive and ordered that AT&T-Michigan set its full RC rate (including transport) at \$0.0008 per minute.

¹⁹ This Taqua softswitch is listed on the Rural Utilities Service’s list of acceptable materials. See http://www.usda.gov/rus/telecom/materials/pdf_files/5-pc-07-17-2008.pdf.

²⁰ See http://www.taqua.com/images/Taqua%20T7000%20_June07.pdf.

²¹ *Id.*

²² *Id.*

²³ While there may be some traffic-sensitive costs associated with trunk ports, such costs are usually included in calculations of transport costs and not in switching costs.

²⁴ Note that this annual charge factor exceeds substantially the roughly 19.1% annual charge factor (capital recovery plus maintenance) adopted by the Commission in its *Tenth Report and Order*, see note 8, *supra*.

²⁵ Note that monthly DEM switching minutes per line exceeded 2200 in year 2000 (the last year these figures were reported). Because it is believed that this figure has decayed greatly over the past several years as voice minutes have shifted to wireless and broadband technologies, we assume only 1400 minutes per line.

	Low estimate	High estimate
Total investment per line	\$34.00	\$80.00
Percent traffic sensitive	20%	20%
Traffic-sensitive investment per line	\$6.80	\$16.00
Switching annual charge factor	25%	25%
Monthly TS revenue requirement per line	\$0.142	\$0.333
Monthly switching minutes per line	1400	1400
Switching cost per minute	\$0.00010	\$0.00024

Sincerely,

/s/ Henry Hultquist

Henry Hultquist
Vice President-Federal Regulatory
AT&T Services, Inc.

Cc: Don Stockdale
Al Lewis
Bill Sharkey
Jay Atkinson
Dana Shaffer

ATTACHMENT RGF-4



February 10, 2006

Electronic Filing

Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* Presentation
CC Docket No. 01-92

Dear Ms. Dortch:

The Alliance for Telecommunications Industry Solutions' (ATIS) Network Interconnection Interoperability Forum (NIIF) is aware that some parties have made proposals to the Commission that discuss the Jurisdiction Information Parameter (JIP) and refer to the ATIS *Rules for Populating JIP* as one part of the solution to the "phantom traffic" issue currently under review. In addition, various press releases have been issued discussing the role of JIP in addressing "phantom traffic" issues. The ATIS NIIF wants to ensure that the Commission understands the intent of the NIIF's *Rules for Populating JIP* and the appropriate uses of JIP by the industry.

What is JIP? JIP is a six digit parameter in the SS7 ISUP Initial Address Message (IAM) used to convey information about call origin, as defined in the industry standard ATIS-PP-1000113.2005, Signalling System No. 7 (SS7) - Integrated Services Digital Network (ISDN) User Part (Revision of T1.113-2000).

The creation of the *Rules for Populating JIP* (a copy of these rules are attached hereto), was the outcome of a successful cooperative effort by wireline and wireless industry participants, and the result of completed work on NIIF Issue #208, *Jurisdiction Information Parameter*. Significant industry progress was made on this complex issue. The JIP rules are intended to foster consistency in the telecommunications industry when signalling JIP in the SS7 network.

The "Rules for Populating JIP" are operational guidelines and assist in the use and population of the JIP SS7 IAM parameter. The rules provide consistency regarding:

- When JIP should be populated (e.g., Rules 1 and 3).
- What information is used to populate the data field (e.g., Rules 2, 4, 5 and 6).
- What to do when switches cover multiple states/LATAs. (e.g., Rule 4).

- What to do when the origination JIP cannot be populated, when call forwarding occurs, or a new billable call leg is created. (e.g., Rules 5, 6 and 7).

It should be noted that the NIIF *Rules for Populating JIP* do not address the use of JIP with VoIP calls. The NIIF is working an open issue, Issue #0246: *Jurisdiction Information Parameter (JIP) Population Rules when VoIP Technology is Involved for Some Portion of the Call*. The NIIF continues to examine the use of JIP for VoIP calls, but has not made any decisions regarding this matter.

Industry Uses of JIP. When properly populated, JIP can provide information that helps providers identify the call origination point in the SS7 network. Listed below are some common examples:

- In the wireline environment, JIP can be used to identify the originating switch. However, it should be noted that, in the wireline environment, some switches serve an area that spans multiple rate centers, or state/LATA boundaries. The JIP does not necessarily reflect the rate center, LATA, or state of the calling party.
- In a wireless environment, JIP can be used to identify the originating mobile switching center (MSC), where technically feasible. However, it should be noted that the geographic area served by an MSC is generally much larger than the area served by a wireline switch (e.g., MSCs often serve an area spanning state, LATA and/or MTA boundaries.) The JIP does not necessarily reflect the state/LATA/MTA from where the call was made.
- When performing traffic reconciliation audits, observation of the JIP can indicate if a particular traffic routing requires further investigation.
- For trouble ticket resolution, JIP can be used as a tool to identify the originating switch.

JIP Limitations. Although the use of JIP has benefits, there are limitations and constraints such as:

- JIP is not populated in signalling by all providers. (The rules recognize JIP may not always be present and that signalling JIP is subject to technical feasibility).
- JIP can only be sent via SS7 signalling.
- Lack of consistent signalling application by providers; e.g., some providers may not know what or how to populate the six (6) digit data field if they are not familiar with the *Rules for Populating JIP*.

Some points relating to billing made during industry discussions of NIIF Issue #0208 are stated below:

- In general, systems and practices currently in place for intercarrier billing purposes are not configured to interpret or apply JIP, requiring system modifications and either hardware, software or vendor development.
- Wireless JIP is only available at MSC switch level, not at the cell site level. Cell site level enhancements would require vendor development and or extensive switch, system or software modification.
- JIP may not be consistently recorded in switch AMA recordings, requiring additional hardware or software.
- Potential uncertainty surrounding intercarrier compensation reform.

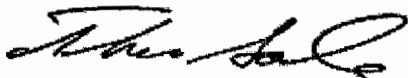
As noted in ATIS Ordering and Billing Forum (OBF) Issue #2308, *Need for Accurate Jurisdictional Information for Accurate Billing*, the OBF identified that the *Rules for Populating JIP* will not always yield an accurate billing jurisdiction as stated in the resolution statement below:

The Billing Committee has reached consensus to use the 7 Rules for Populating JIP approved by NIIF in NIOC Issue 0208 to identify the originating switch or MSC. The Billing Committee supports those rules recognizing that the JIP at a state/LATA level will not provide sufficient detail to determine local jurisdiction.

The Billing Committee's preferred solution would have been to use the JIP at a cell site level. Based on industry limitations, this was an unworkable solution.

The ATIS NIIF has provided this information to assist the Commission in understanding the intent of the NIIF's *Rules for Populating JIP*, some limitations of JIP, and its appropriate uses by the industry. ATIS would be happy to provide more information about this issue or to answer any questions that the Commission might have regarding this matter.

Sincerely,



Thomas Goode
Associate General Counsel

cc: Thomas Navin, Chief, FCC Wireline Competition Bureau (via e-mail)
Catherine W. Seidel, Acting Bureau Chief, FCC Wireless Telecommunications
Bureau (via e-mail)

Attachment

Alliance for Telecommunications Industry Solutions
Network Interconnection Interoperability Forum (NIIF)
Rules for Populating JIP

1. JIP should be populated in the IAMs of all wireline and wireless originating calls where technically feasible.
2. JIP should be populated with an NPA-NXX that is assigned in the LERG to the originating switch or MSC.
3. The NIIF does not recommend proposing that the JIP parameter be mandatory since calls missing any mandatory parameter will be aborted. However, the NIIF strongly recommends that the JIP be populated on all calls where technologically possible.
4. Where technically feasible, if the originating switch or MSC serves multiple states/LATAs, then the switch should support multiple JIPs such that the JIP used for a given call can be populated with an NPA-NXX that is specific to both the switch as well as the state and LATA of the caller.

If the JIP cannot be populated at the state and LATA level, the JIP should be populated with an NPA-NXX specific to the originating switch or MSC where it is technically feasible.
5. Where the originating switch cannot signal JIP it is desirable that the subsequent switch in the call path populate the JIP using a data fill default associated with the incoming route. The value of the data fill item is an NPA-NXX associated with the originating switch or MSC and reflects its location.
6. When call forwarding occurs, the forwarded from DN (Directory Number) field will be populated, the JIP will be changed to a JIP associated with the forwarded from DN and the new called DN will be inserted in the IAM.
7. As per T1.TRQ2, the JIP should be reset when a new billable call leg is created.