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February 21, 1997

Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

BY HAND DELIVERY

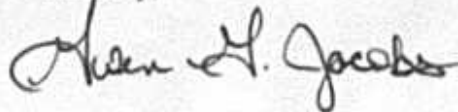
Re: Docket No. **970114-TP**

Dear Ms. Bayo:

An original and fifteen copies each of Vanguard Cellular Systems, Inc.'s Prefiled Direct Testimony. Please indicate receipt of these documents by stamping **both** enclosed extra copies of this letter.

Thank you for your assistance in this matter.

Sincerely,



Gwen G. Jacobs

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
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Enclosures

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FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 970114-TP

**DIRECT TESTIMONY
OF
SANDY KIERNAN**

DOCUMENT NUMBER-DATE
02024 FEB 21 5
FPSC-RECORDS/REPORTING

1 **PREFILED TESTIMONY OF SANDY KIERNAN**

2 Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

3 A. My name is Sandy Kiernan. I am Carrier Relations Manager at Vanguard
4 Cellular Systems, Inc., which is located at 2002 Pisgah Church Road,
5 Greensboro, North Carolina. The Vanguard subsidiary that operates in
6 Florida is Western Florida Cellular Telephone Corp., a North Carolina
7 corporation ("Vanguard").

8 Q. WHAT ARE YOUR RESPONSIBILITIES AT VANGUARD?

9 A. I am responsible for overseeing interconnection matters, including
10 Vanguard's interconnection with Sprint in Florida and Pennsylvania. I
11 have been directly involved in Vanguard's interconnection negotiations
12 with Sprint. In addition, my group is responsible for all interconnection
13 ordering, billing, technical issues. I also am responsible for Vanguard's
14 relationships with interexchange carriers.

15 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
16 JOB EXPERIENCE.

17 A. I have a Bachelor's degree in Business from Marshall University. I also
18 have completed significant course work towards a Master's degree in
19 Business Administration.
20 I have worked at Vanguard for about three and a half years. Before that I
21 was a cash manager for Konica and was employed by the Federal Deposit
22 Insurance Corporation.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. I am testifying in support of Vanguard's positions in this arbitration
3 proceeding between Vanguard and Sprint-Florida, Inc. Specifically, in
4 this testimony I will show why the Commission should adopt Vanguard's
5 position on two issues:

6 1. How cellular switches, also known as mobile switching centers or
7 MSCs, should be treated for purposes of calculating reciprocal
8 compensation for transport and termination; and

9 2. Whether there should be provisions in the agreement between
10 Vanguard and Sprint addressing the parties' rights to issue press
11 releases.

12 **Compensation for Interconnection at Vanguard's Cellular Switches**

13 Q. WHAT IS VANGUARD'S POSITION ON COMPENSATION FOR
14 TERMINATION AT ITS CELLULAR SWITCHES?

15 A. Vanguard submits that, for determining compensation, interconnection at
16 its cellular switches should be treated as equivalent to interconnection at a
17 Sprint tandem.

18 Q. WHY SHOULD THE COMMISSION ADOPT VANGUARD'S
19 POSITION ON THIS ISSUE?

20 A. There are three reasons why the Commission should adopt Vanguard's
21 position:

22 1. It is economically rational to do so.

- 1 2. Vanguard's network architecture is similar to the architecture
2 found in tandem interconnection with the landline network.
3 3. Vanguard's position is a better approximation of the costs of
4 interconnection than Sprint's.

5 Any one of these reasons is sufficient to justify adopting Vanguard's
6 position in this proceeding.

7 Q. WHAT MAKES VANGUARD'S POSITION ECONOMICALLY
8 RATIONAL?

9 A. In a truly competitive market, all entities would pay the same amount for
10 equivalent functions. The payment would be independent of the actual
11 technology or architecture used, just as the price for steel of equivalent
12 quality is independent of whether efficient or inefficient technology is
13 used by the manufacturer.

14 In this case, Vanguard's cellular switch and its cell sites provide
15 equivalent functions to Sprint's combination of tandem switching,
16 transport and end office termination. Vanguard's cellular switch covers an
17 area that is equivalent to the area covered by a Sprint tandem (and can, in
18 fact, cover a significantly larger area). Vanguard's cellular switch also
19 provides connections to interexchange carriers, which is a traditional
20 tandem function. Thus, in a truly competitive, efficient market, the
21 charges for Vanguard's transport and termination and Sprint's tandem-
22 switched transport and termination would be the same.

1 Q. PLEASE DESCRIBE HOW VANGUARD'S NETWORK
2 ARCHITECTURE IS SIMILAR TO TANDEM INTERCONNECTION
3 ARCHITECTURE.

4 A. Cellular network architecture requires distributed intelligence. The
5 cellular switch is at the center of the network, but it does not provide all of
6 the functions. The switch is connected to the individual cell sites, which
7 are involved in the initial processing of incoming calls and determine the
8 frequencies used to handle calls. There also is actual transport between
9 the cellular switch and the cell site, typically through dedicated facilities.
10 Although cell sites do not switch calls, their functions are much more
11 complex than those performed by concentrators or other intermediate
12 nodes between the end user and the end office switch in the landline
13 network.
14 In the landline network, switching and other intelligence also is distributed
15 between the tandem and the end offices. Although the specific functions
16 differ, the fundamental architecture, which involves a central distribution
17 node and intermediate nodes that complete the distribution cycle, is quite
18 similar. Moreover, a cellular carrier requires serves many fewer customers
19 with each of its intermediate nodes, that is, the cell sites, than a landline
20 carrier serves with its end office switches, so the cost per end user often is
21 substantial. In sum, while there are differences between a landline
22 network's tandem to end office architecture and a cellular network's MSC

1 to cell site architecture, the similarities are much more significant in
2 determining compensation for transport and termination.

3 Q. WHY WOULD TANDEM INTERCONNECTION CHARGES BE A
4 GOOD APPROXIMATION OF VANGUARD'S TRANSPORT AND
5 TERMINATION COSTS?

6 A. As several wireless providers pointed out to the FCC in the recent Local
7 Competition proceeding, the available data shows that, typically, cellular
8 carriers have significantly higher costs for transport and termination than
9 landline carriers. Thus, Sprint's tandem interconnection rates would
10 represent a conservative approximation of Vanguard's costs for transport
11 and termination.

12 There are at least two reasons why cellular transport and termination costs
13 are higher than those for landline carriers. First, cellular carriers do not
14 have high enough call volumes to drive their costs to the same levels as
15 incumbent local exchange carriers such as Sprint. Sprint, after all, serves
16 almost every single potential customer in its territory. While Vanguard
17 has greatly increased its penetration in Florida, it still does not serve even
18 one out of every ten potential customers.

19 Second, Vanguard incurs substantial costs in providing its service. As
20 volume increases, Vanguard must make large capital investments in
21 upgrading or adding cell sites and increasing the capacity of the links
22 between its cell sites and its cellular switch. These costs drive the cost of

1 transport and termination up. As noted above, given the capacity
2 constraints affecting cell sites, adding new customers likely is
3 substantially more expensive for Vanguard than for Sprint.

4 **Press Releases**

5 Q. PLEASE DESCRIBE THE PRESS RELEASE ISSUE.

6 A. In its two most recent draft agreements, Sprint has proposed language that
7 would require both parties to approve any press releases or similar
8 statements that discuss the interconnection agreement between Vanguard
9 and Sprint. This language did not appear in earlier drafts of the
10 agreement.

11 Q. WHY DOES VANGUARD OBJECT TO THIS LANGUAGE?

12 A. Vanguard has two fundamental objections to this language. First, there is
13 no evidence, based on a long-standing relationship between Vanguard and
14 Sprint, that there is any need for a provision that would prevent either
15 party from describing the agreement in press materials.
16 Second, the restriction proposed by Sprint is unreasonable. As a practical
17 matter, Vanguard could mention its interconnection agreement in many
18 contexts. Vanguard could issue press statements about the adoption of the
19 agreement, about the results of this arbitration proceeding, about Sprint's
20 compliance with the terms of the agreement, about any complaints that
21 may be filed relating to this agreement or a host of other matters. Any such
22 statements would require Sprint's advance approval. Even a press release

1 describing the effect of interconnection agreements on Vanguard's
2 financial results would require Sprint's permission. In some cases,
3 granting Sprint prior access to a press release could be competitively
4 sensitive, such as if Vanguard intended to issue a press release about a
5 complaint it filed regarding Sprint's compliance with the agreement. In
6 other cases, such as a press release concerning financial matters, giving
7 Sprint prior access to a press release either would require a confidentiality
8 agreement or could create questions under securities laws.
9 In every case, requiring Sprint's advance approval for press releases would
10 unnecessarily burden Vanguard, with no apparent benefit to the public
11 interest. If nothing else, if Sprint has an objection to something said in a
12 Vanguard press release, it has ample opportunity to issue a press release of
13 its own.

14 **Conclusion**

15 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

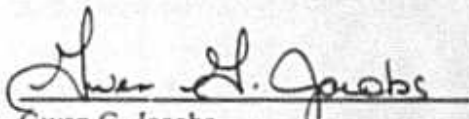
16 A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Vanguard Cellular Systems, Inc.'s Direct Testimony has been sent by Overnight mail (*) and by Hand Delivery on this 21st day of February, 1997 to the following parties of record:

Alan Berg*
Sprint-Florida, Inc.
555 Lake Border Drive
Apopka, FL 32703

Ben Poag
1313 Blairstone Road
Mail Code 2565
Tallahassee, FL 32301


Gwen G. Jacobs