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August 25, 2010

By Hand Delivery

Ms. Ann Cole, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 100176-TP (Petition for Arbitration of Interconnection Agreement Between BellSouth Telecommunications, Inc. d/b/a AT&T Florida and Sprint Communications Company Limited)

Docket 100177-TP (Petition for Arbitration of Interconnection Agreement Between BellSouth Telecommunications, Inc. d/b/a AT&T Florida and Sprint Spectrum Limited Partnership, Nextel South Corp., and NPCR, Inc. d/b/a Nextel Partners.

Dear Ms. Cole:

Enclosed for filing in the above-referenced dockets on behalf of Sprint Communications Company Limited, Sprint Spectrum Limited Partnership, Nextel South Corp., and NPCR, Inc. d/b/a Nextel Partners (collectively, the "Sprint Entities") please find an original and 25 copies of each of the following:

07069-10

1. Direct Testimony of Peter N. Sywenki with Exhibits PNS-1 and PNS-2;
2. Direct Testimony of Randy G. Farrar with Exhibits RGF-1 through RGF-4; and
3. Direct Testimony of Mark G. Felton.

07070-10

07071-10

Please note that Mr. Farrar's Exhibits RGF-2 and RGF-3 are redacted versions of confidential exhibits. The confidential versions of these exhibits are being filed today under separate cover, along with a claim of confidentiality pursuant to Section 364.183(1), Florida Statutes.

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Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing and please do not hesitate to contact me if you have any questions.

Sincerely

Marsha E. Rule

Enclosures

cc: Parties of record per certificate of service

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been served on the following by First Class Mail or hand delivery (*) this 25th day of August, 2010:

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Marsha E. Rule

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Arbitration of Interconnection Agreement Between BellSouth Telecommunications, Inc. d/b/a AT&T Florida and Sprint Communications Company Limited Partnership	)	DOCKET NO. 100176-TP
In re: Petition for Arbitration of Interconnection Agreement Between BellSouth Telecommunications, Inc. d/b/a AT&T Florida and Sprint Spectrum Limited Partnership, Nextel South Corp., and NPCR, Inc. d/b/a Nextel Partners.	)	DOCKET NO. 100177-TP

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

Direct Testimony

Of

Randy G. Farrar
Filed August 25, 2010

Table of Contents

DIRECT TESTIMONY

I. INTRODUCTION

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

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

Q. What is your educational background?

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

Q. Please summarize your work experience.

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

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

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

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

Q. What are your responsibilities in your current position?

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

Q. Have you provided testimony before other regulatory agencies?

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

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

II. PURPOSE AND SCOPE OF TESTIMONY

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Sprint Spectrum Limited Partnership ("Sprint PCS"), Nextel South Corp. and NPCR, Inc. d/b/a Nextel Partners (collectively referred to as "Nextel") and Sprint Communications Company Limited Partnership ("Sprint CLEC"). Sprint PCS and Nextel may be collectively referred to as "Sprint wireless" or "Sprint CMRS". The Sprint wireless and Sprint CLEC entities may also be collectively referred to as Sprint.

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

A. The purpose of my testimony is to provide input to the Florida Public Service Commission ("Commission") in support of Sprint's positions regarding various issues associated with establishing a new Sprint CMRS- AT&T Interconnection agreement and a new Sprint CLEC-AT&T Interconnection Agreement. The testimony of the Sprint witnesses is organized as shown in Exhibit PNS-1 attached

to the Direct Testimony of Pete N. Sywenki that has been contemporaneously filed with my Direct Testimony in these proceedings. I am providing testimony on behalf of Sprint regarding the Issues in the Prehearing Order and Exhibit PNS-1 that identify me as the Sprint witness. My testimony primarily addresses those Issues in the Parties' Joint Decision Point List ("DPL") Section I.-Provisions related to the Purpose and Scope of the Agreements and Section III.-How the Parties Compensate Each Other concerning transit, traffic categories, InterMTA traffic, shared facility costs, and pricing. As required by Order No. PSC-10-0481-PCO-TP, the Order Establishing Procedure in this case, my testimony references both the Florida sequential number and the parties' multi-state identifying number for each Issue, with the multi-state identifying number set off in brackets.

Q. Are you sponsoring any exhibits to your Direct Testimony?

A. Yes. I am sponsoring the following exhibits:

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

Confidential Exhibit RGF-2 – Florida CDMA & iDEN Maps

Confidential Exhibit RGF-3 – Results of Sprint's Traffic Studies for Florida

Exhibit RGF-4 – ATIS 2-10-2006 FCC Ex Parte

III. ISSUES

Section I. Provisions related to the Purpose and Scope of the Agreements

Issues 14 through 20. [I.C.(1) - I.C.(7)] – Transit traffic related issues.

Issue 14. [I.C.(1)] – What are the appropriate definitions related to transit traffic service?

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

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

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

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

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

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

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

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

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

A. With that phrase, I mean traffic originated by a Third Party carrier that has commercial wholesale arrangements with AT&T that include the use of both AT&T's switch and number resources (formerly known as AT&T "UNE-P" CLEC customers). As between AT&T and Sprint, when this type of AT&T-customer

traffic is delivered to Sprint for termination, by all indications it will appear as AT&T traffic, and AT&T will owe Sprint terminating compensation for such traffic.

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

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

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

by AT&T to Sprint PCS for termination of this AT&T wholesale Interconnection customer traffic.

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

Q. What definition language does Sprint recommend the Commission adopt?

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

> "Third Party Traffic" means traffic carried by a Party acting as a Transit Service provider that is originated and terminated by and between a Third Party and the other Party to this Agreement.
>
> "Transit Service" means the indirect interconnection services provided by one Party (the Transiting Party) to this Agreement for the exchange of Authorized Services traffic between the other Party to this Agreement and a Third Party.
>
> "Transit Service Traffic" is Authorized Services traffic that originates on one Telecommunications Carrier's network, "transits" the network Facilities of one or more other Telecommunications Carrier's network(s) substantially unchanged, and terminates to yet another Telecommunications Carrier's network.

Q. As a "CLEC-only" issue, Sprint's definition of "Mobile Switch Center (MSC)" is reflected on the Joint DPL opposite various AT&T-proposed transit-related definitions in connection with Issue 15 [I.C.(2)]. What is the issue with Sprint's MSC definition?

A. As a preliminary matter, it appears the parties made an error by placing the Sprint MSC definition on the Joint DPL opposite AT&T's proposed CLEC transit

provisions in connection with Issue 15 [I.C.(2)]. Based on further review, the term should have been located as additional proposed Sprint language related to the Multi-Use/Multi-Jurisdiction Trunking Issues 22 and 23 [II.B.(1) and II.B.(2)], addressed by Sprint witness Pete N. Sywenki.

Q. Why is that?

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

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

A. If the Commission resolved Issues 22 and 23 [II.B.(1) and II.B.(2)] by adopting Sprint's Multi-Use/Multi-Jurisdiction Trunking language for the reasons addressed by Sprint witness Pete N. Sywenki, then Sprint recommends the Commission also adopt the following definition to be included in the parties' CLEC agreement:

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

Issue 15. [I.C.(2)] – Should AT&T be required to provide transit traffic service under the ICAs?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

> [20.3] *Interconnection* or *Interconnected*. Direct or indirect connection through automatic or manual means (by wire, microwave, or other technologies such as store and forward) **to permit the transmission or reception of messages or signals to or from points in the public switched network**. (Emphasis added.)
>
> [51.5] *Interconnection* is the linking of two networks **for the mutual exchange of traffic**. (Emphasis added.)

Note that this obligation applies to <u>each</u> carrier. In other words, the originating carrier chooses whether to deliver its traffic directly or indirectly to the terminating carrier.

Q. What is indirect interconnection?

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

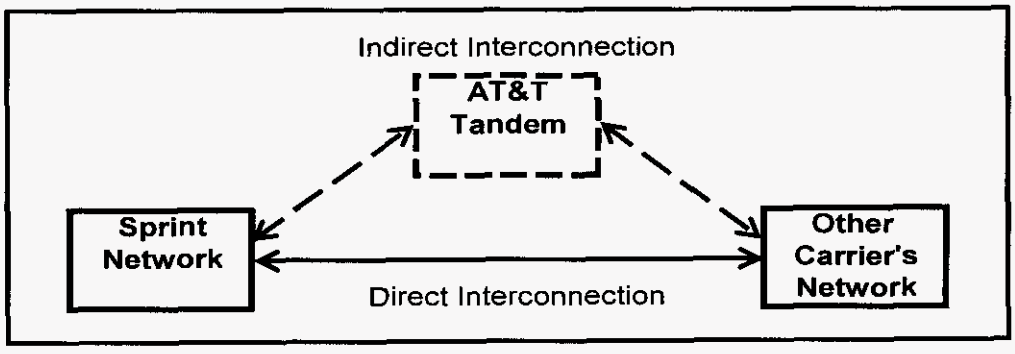
[1] *In the Matter of the Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, et. al., FCC, CC 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

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

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

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

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

Q. Has the Commission previously decided that AT&T is obligated to provide transit services?

A. Yes, the Commission has already decided than AT&T is obligated to provide transit services. Specifically, the Commission stated:

> Based on this description, we find that BellSouth's transit service is more characteristic of a local interconnection arrangement within the purview of Section 364.16(1), not a nonbasic service as BellSouth asserts. .... Transit service is clearly an interconnection arrangement under Section 364.16, Florida Statutes. .... Additionally, we have stand-alone authority under Section 364.16(1), Florida Statutes, to require parties to interconnect for the purpose of transiting. [3]

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[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.

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

A. Yes, there is wide consensus on this issue. At least seventeen other state commissions have explicitly concluded that ILECs such as AT&T must provide transiting services. These seventeen states are Alabama,[4] Arkansas,[5] California,[6] Colorado,[7] Connecticut,[8] Illinois,[9] Indiana,[10] Kansas,[11] Kentucky,[12]

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[3] *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.

[4] *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.

[5] *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 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.

[6] *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;

[7] *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.

[8] *Petition of Youghiogheny 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.

Massachusetts,[13] Michigan,[14] Missouri,[15] Nebraska,[16] North Carolina,[17] Ohio,[18] Oklahoma,[19] and Texas.[20]

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[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.

Q. Please summarize your testimony on this issue.

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

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[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 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.

indirect interconnection pursuant to § 251(a) and 251(c)(2) of the Act has little meaning.

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

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

> 2.5.4(a) No Prohibitions. Nothing in this agreement shall be construed to prohibit Sprint from using Interconnection Facilities to deliver any Authorized Services traffic to or from any Third-Party.
>
> 4 Transit Service.
>
> 4.1 AT&T-9STATE shall provide the necessary transmission and routing of Authorized Services traffic between Sprint and any other Third Party that, according to the LERG, is also Interconnected to AT&T -9STATE in the same LATA in which Sprint is Interconnected to AT&T -9STATE.
>
> 4.3 The Party that provides a Transit Service under this Agreement ("Transit Provider") shall only charge the other Party ("Originating Party") the applicable Transit Rate for Transit Service traffic that the Transit Provider delivers to the Third Party network upon which such traffic is terminated.

Issue 16. [I.C.(3)] – If the answer to Issue 15 [I.C.(2)] is yes, what is the appropriate rate that AT&T should charge for such service?

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

A. Section 251(c)(2)(D) requires Interconnection transmission and routing services to be at rates that are "in accordance with … the requirements of section 252 of this title." The 252(d) pricing standard that has been established by the FCC is Total Element Long-Run Incremental Cost ("TELRIC"). Therefore, transit should be provided at a TELRIC-based rate. Absent an existing TELRIC rate, transit should

be provided at $0.00035 (i.e., 1/2 the current reciprocal compensation rate of $0.0007) on an interim basis until a TELRIC rate is established.

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

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

Q. Please discuss this issue.

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

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

Q. What is the appropriate cost standard for Interconnection?

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

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

(A) shall be –

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

(ii) nondiscriminatory; and

(B) may include a reasonable profit.

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

A. As I also discuss later in this testimony with regard to the pricing of direct Interconnection facilities (Issue 64 [III.H.(1)]), in order to promote competition, the FCC established a framework which would prevent ILECs such as AT&T from raising costs and rates for interconnection in order to deter competitive entry. The FCC's *Local Competition Order* explicitly requires that Interconnection services be priced "in a manner that reflects the way they are incurred". Specifically, the FCC's *Local Competition Order* states,

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

[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")

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

> (a) The rules in this subpart apply to the pricing of network elements, **interconnection**, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation.
>
> (b) As used in this subpart, the term "element" includes network elements, **interconnection**, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation. (Emphasis added.)

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

In the context of Transit Service, such Interconnection is provided on a per-minute –of-use basis, thereby requiring a TELRIC-based Transit Service rate; and, as discussed in Issue 64 [III.H.(1)], the same pricing standard as applied in the context of direct Interconnection requires flat-rate TELRIC priced direct Interconnection Facility pricing.

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

A. As discussed above, if AT&T is not obligated to provide Transit Service, § 251(a)(1) and 251(c)(2) of the Act has little meaning. Likewise, if AT&T is obligated to provide Transit Services, but is free to charge whatever rate it wants, such as a self-defined "market rate" or another rate that is not based on the forward-looking economic cost of providing that service, competing carriers are at a distinct

competitive disadvantage when compared to AT&T, which is able to provide Transit Services to itself at economic cost.

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

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

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

2. Interim Transit Rate Benchmarks

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

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

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

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

a. AT&T's Commission-Approved UNE Tandem Switching

Q. What is Unbundled Network Element Tandem Switching?

A. Per the FCC's *Local Competition Order*, ILECs such as AT&T had to provide tandem switching and transport as UNEs. Although these requirements were reduced or eliminated in subsequent FCC orders, the Commission had previously determined a TELRIC based rate for UNE tandem switching of $0.0001319, and common transport of $0.0004372.[23]

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

A. Yes. Tandem switching is a trunk-to-trunk connection performed by one switch, thereby connecting two other switches. Transiting is the same engineering function, with some additional costs associated with the facility over which a call is

[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.

delivered between the tandem switch and the terminating switch when the transit provider owns or cost-shares a portion of such facility[24]. Thus, assuming that AT&T owns or otherwise shares 50% of the cost of the facility between it and the terminating carrier, the rate of $0.0003505 [$0.0001319 + (.5 * $0.0004372)] is a reasonable benchmark for the TELRIC-based cost of Transit Service.

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

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

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

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

A. No. Based on my extensive cost study experience, transit costs should not vary significantly between the various AT&T states. As the largest telecommunications carrier in the country, AT&T can be expected to use its purchasing power to negotiate the best rates possible for all AT&T entities. In addition, AT&T is the largest telecommunications carrier in each of twenty-two states in which it is the

[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.

dominant ILEC.[25] Given its size and purchasing power, there is no reason to expect significant transit cost differences between its operating states.

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

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

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

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?

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

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

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

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

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

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

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

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

[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).

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

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

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

A. To summarize:

- AT&T's Commission-approved UNE rate for the equivalent transit functions is $0.0003505;
- AT&T's cost-based transit rates are as low as $0.000454;
- AT&T's voluntarily adopted reciprocal compensation rate in most of its states of $0.0007 per minute implies a cost of transit of no more than $0.00035; and
- The AT&T FCC Letter implies a cost of transit of no more than $0.00017.

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

Q. Please summarize your testimony on this Issue.

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

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

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

Issue 17. [I.C.(4)] – If the answer to Issue 15 [I.C.(2)] is yes, should the ICAs require Sprint either to enter into compensation arrangements with third party carriers with which Sprint exchanges traffic that transits AT&T's network pursuant to the transit provisions in the ICA 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 ICAs should not require Sprint to enter into compensation arrangements with Third Party carriers or to indemnify AT&T. Federal law does not require Sprint to establish ICAs with AT&T's subtending carriers as a pre-requisite to obtaining Indirect Interconnection services from AT&T; and, 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 Commission 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 occur.

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

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

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

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

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

improper attempt by AT&T to shift to Sprint independent obligations that AT&T may have contractually obligated itself to pay terminating third parties.

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

A. Yes. AT&T has not "scrubbed" its Transit Exhibit to eliminate any of the numerous duplicative definitions, networking and billing provisions that are already included in the body of the main agreement and are, therefore, already implicated by the various open Issues, for example: Sprint's ability to send combined PCS/CLEC traffic to AT&T (Issue 23 [II.B.(2)]); where and when further direct Interconnection / multiple POIs may be required (Issues 27 and 28 [II.D.(1) and II.D.(2)]); and what information needs to be provided by Sprint PCS for a transit call (Issue 56 [III.A.(7)]). Under no circumstances should AT&T be rewarded for its refusal to negotiate transit provisions by being permitted to "slip-in" provisions into the ICA via its Transit Exhibit that are already the subject of other arbitration issues.

Q. What ICA language does Sprint recommend the Commission adopt regarding Issue 17 [I.C.(4)]?

A. Because it is not appropriate to condition AT&T's provision of Transit Service upon Sprint either: 1) obtaining Interconnection agreements with all third-party carriers that subtend AT&T's tandems; or 2) indemnifying AT&T for payments AT&T may have otherwise obligated itself to pay such third-party carriers, Sprint

recommends that the Commission not adopt any language that would impose such conditions upon AT&T's transit obligations.

Issue 18. [I.C.(5)] – If the answer to Issue 15 [I.C.(2)] is yes, what other terms and conditions related to AT&T transit service, if any, should be included in the ICAs?

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

A. AT&T is entitled to charge for the tandem-switching (and potentially relatively minor facility-related costs) to deliver Sprint-originated traffic to a carrier network that subtends AT&T and terminates Sprint's traffic. Otherwise, such traffic is subject to the same general billing and collection provisions as other categories of exchanged traffic.

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

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

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

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

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

4 Transit Service.

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

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

On the Parties' "Pricing Sheet": populate "interim" Transit Service Rate of $0.00035.

Issue 19. [I.C.(6)] – Should the ICAs provide for Sprint to act as a transit provider by delivering third party-originated traffic to AT&T?

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

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

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

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

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

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

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

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

> 2.5.4 (d) Sprint as a Transit Provider. As of the Effective Date of this 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 20. [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 17 [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 Commission 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 occur.

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

A. For the same reasons discussed above regarding Issue 17 [I.C.(4)], it is not appropriate to condition AT&T's provision of Transit Service upon Sprint CLEC either: (1) obtaining Interconnection agreements with all third-party carriers that subtend AT&T's tandems; or (2) indemnifying AT&T for payments AT&T may be obligated to pay such third-party carriers. Therefore, Sprint recommends that the Commission not adopt any language that would impose such conditions upon AT&T's transit obligations.

Section III. – How the Parties Compensate Each Other

Issues 37 through 39 [.III.A.(1) - III.A.(3)] – Traffic categories and related compensation rates, terms, and conditions.

Issue 37. [III.A.(1)] – As to each ICA, what categories of exchanged traffic are subject to compensation between the parties?

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

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

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

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

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

A. Sprint proposes two Interconnection-related traffic categories. The First Category is "Authorized Service Terminated Traffic." On the CMRS side this would include IntraMTA traffic, InterMTA Traffic, Information Services traffic, and Interconnected VoIP traffic; on the CLEC side this would include Telephone Exchange Service traffic, Telephone Toll Service traffic, Information Services traffic, and Interconnected VoIP traffic.

The Second Category is "Transit Service Traffic."

Under Sprint's proposal, all of the First Category traffic terminated between Sprint and AT&T will be terminated under mutually identical terms and conditions, including a uniform price; and, the Second Category of Transit Service Traffic will be charged at the Transit Service Rate.

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

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

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

Q. Please describe Sprint's alternative multiple Interconnection-related traffic categories.

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

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

For CLEC traffic: (1) Telephone Exchange Service Telecommunications traffic, (2) Telephone Toll Service Telecommunications traffic, (3) Information Services traffic, (4) Interconnected VoIP traffic, (5) Jointly Provided Switched Access Traffic, and (6) Transit Service Traffic.

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

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

CMRS and CLEC

6. Authorized Services Traffic Per Minute Usage.

6.1 Classification of Authorized Services Traffic Usage.

If only two billable categories are deemed necessary:

CMRS

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

CLEC

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

If more than two billable categories are deemed necessary:

CMRS

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

CLEC

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

Issue 38. [III.A.(2)] – Should the ICAs include the provisions governing rates proposed by Sprint?

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

A. Yes, the ICAs should include the provisions governing rates proposed by Sprint. Sprint's proposed rates will ensure that Sprint CMRS and Sprint CLEC are charged

Interconnection services rates that are authorized by the FCC, and non-discriminatory, being priced at: (1) Bill-and-Keep; or (2) the lowest of (a) the reciprocal compensation rate of $0.0007, (b) TELRIC pricing, or (c) any other price that AT&T has offered to another Telecommunications Carrier.

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

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

Q. Did Sprint, in fact, "object" to AT&T's proposed rate schedule, and attempt to negotiate other rates?

A. Yes, of course. The fact that Sprint seeks the very language that Sprint has proposed means that it "objects to" and has not accepted AT&T's prices. That's one of the reasons for this arbitration proceeding.

Q. What rates is Sprint proposing?

A. Under the existing Sprint-AT&T ICA, most Interconnection-related traffic is exchanged under a Bill-and-Keep arrangement, regardless of category. As discussed below, Sprint proposes that Sprint and AT&T continue to exchange Interconnection-related traffic on a Bill-and-Keep basis or, if a rate is ordered, then

such rate be at the lower of a TELRIC-based rate, the $0.0007 rate, or any even lower rate that AT&T has voluntarily provided another carrier.

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

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

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

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

> For the reasons identified in the *Appendix C Draft Order*, the proposed "incremental cost" standard is far superior to TELRIC as a means of setting intercarrier compensation rates, both because it will dramatically reduce the competitive distortions that can arise from any regulatory rate-setting regime and because it will make each carrier more accountable to its own end users for the efficiency of its operations.
>
> As an initial matter, this incremental cost standard is plainly lawful; indeed, it is more consistent than TELRIC with the governing statutory language.

---

[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.

[29] Id, at ¶ 273.

Section 252(d)(2)(A)(ii) provides that reciprocal compensation rates should reflect "a reasonable approximation of the additional costs of terminating" the calls at issue. (Italics in original AT&T Comments.)[30]

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

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

6.2 Authorized Services Traffic Usage Rates.

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

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

[If only two billable categories are deemed necessary:]

- Terminated Traffic Rate
- Transit Service Rate

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

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

[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,.

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:

a) The Rate contained in the Pricing Schedule attached hereto;

b) The Rate negotiated between the Parties as a replacement Rate to the extent such Rate is expressly included and identified in this Agreement;

c) The Rate AT&T-9STATE charges any other Telecommunications carrier for the same category of Authorized Services traffic; or,

d) 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 Authorized Service Rate on a symmetrical basis for the same category of Authorized Services traffic.

Wireless traffic rates:
- IntraMTA Rate: [TBD]
- Land-to-Mobile InterMTA Rate: [TBD]

Wireline traffic rates:
- Telephone Exchange Service Rate: [TBD]
- Telephone Toll Service Rate: Applicable access tariff rates

Wireless or Wireline traffic rates:
- Information Services Rate: .0007
- Interconnected VoIP Rate: Bill & Keep until otherwise determined by the FCC.
- Transit Service Rate: [TBD]

Issue 39. [III.A.(3)] – What are the appropriate compensation terms and conditions that are common to all types of traffic?

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

A. First, it is important that the Commission realize there are several general provisions "common to all types of traffic" that the parties already agree upon and, therefore, they do not all appear in the Joint DPL. However, to understand Sprint's approach with respect to usage and facility billing, it is necessary to see Sprint's proposed language in the context of the undisputed language. When read in context, it is Sprint's position that the parties' *agreed to language (Sections 6.3.1., 6.3.2,, 6.3.3, 6.3.4)*, coupled with Sprint's further proposed usage-related language which AT&T disputes (Sections 6.3.5 and 6.3.6.1) provides the essential terms for the party that performs the termination or transits a call to accurately bill the originating party for 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 58 – 61 [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 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. Exchange boundaries, LATA boundaries and state boundaries) and traffic routing of the Parties.

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

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

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

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

> 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 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. Exchange boundaries, LATA boundaries and state boundaries) and traffic routing of the Parties.

Issues 46 through 48 [III.A.3.(1) - III.A.3.(3)] – CMRS ICA-specific, InterMTA traffic.

Issue 46. [III.A.3.(1)] – Is mobile-to-land InterMTA traffic subject to tariffed terminating access charges payable by Sprint to AT&T?

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

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

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

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

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

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

Q. Please discuss this issue.

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

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

Third, the Commission can either: (1) accept Sprint's FCC-sanctioned alternative approach of relying upon the location of the Parties' POI in determining the inter/intra-MTA nature of a mobile-to-land call (which would virtually eliminate

InterMTA disputes as a practical matter); or (2) determine the InterMTA factor based on the cell site serving the wireless caller at the time of origination. Sprint has conducted detailed traffic studies which accurately determine the physical cell-site origination point of each wireless call.

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

1. No Rule Requires Compensation for InterMTA Traffic

Q. What compensation is due on interMTA wireless calls?

A. There is no FCC rule that requires either Sprint CMRS or AT&T to pay switched access on InterMTA traffic delivered directly to one another (i.e., without an intermediary Interexchange Carrier ("IXC")). The only FCC rule that explicitly applies to this traffic is 47 C.F.R. § 20.11(b), which 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.
>
> (2) A commercial mobile radio service provider shall pay **reasonable compensation** to a local exchange carrier in connection with terminating traffic that originates on facilities of the commercial mobile radio service provider. (Emphasis added.)

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

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

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

2. The Sprint CMRS Network Minimizes InterMTA Traffic

Q. What wireless traffic is subject to reciprocal compensation?

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

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

Q. Please describe the MTAs in Florida.

A. Florida is covered by four MTAs, the Miami MTA, the Tampa MTA, the Jacksonville MTA, and the New Orleans MTA (which covers the Pensacola, FL area) as shown in Exhibit RGF-2.

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

A. No, MTAs routinely cross state and LATA boundaries. For example, the Jacksonville MTA also covers portions of Georgia.

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

[31] The FCC defines Major Trading Area in 47 C.F.R. § 24.202(a). Specifically, "Broadband PCS service areas are Major Trading Areas (MTAs) ... are based on the Rand McNally 1992 Commercial Atlas & Marketing Guide ... [which] organizes the 50 states and the District of Columbia into 47 MTAs .... (These MTAs are based on Rand McNally's analysis in identifying areas of economic integration. The FCC modified Rand McNally's proposed 47 MTAs to 51 to handle Alaska, Puerto Rico, etc.)

A. Yes, any call originating and terminating within a single MTA, regardless of state or LATA boundaries, is an IntraMTA call subject to reciprocal compensation. For example, a call from Valdosta, GA to Jacksonville is an IntraMTA call, subject to reciprocal compensation.

Q. Please describe the Sprint wireless network in Florida.

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

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

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

However, there are some exceptions. For example, in the CDMA network, there are sixty-three cell sites in the Daytona Beach area located in the Tampa MTA that are served by a Jacksonville switch in the Jacksonville MTA.

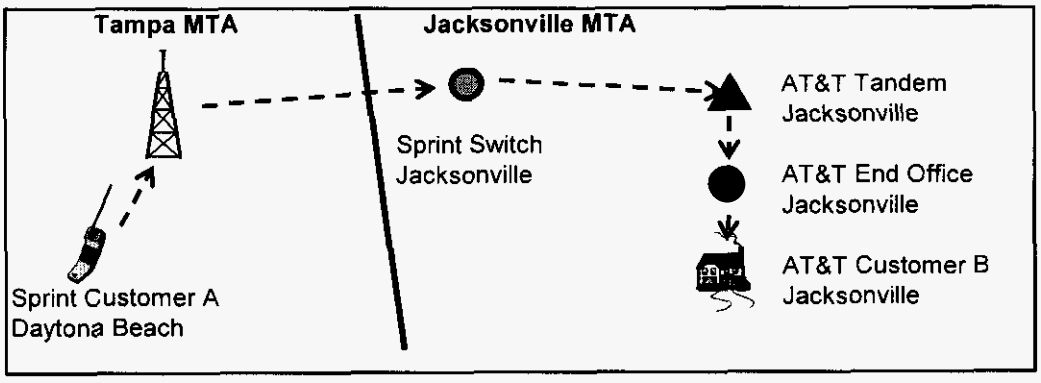
Q. In general, how is Sprint CMRS-originated InterMTA traffic delivered to AT&T?

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

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

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

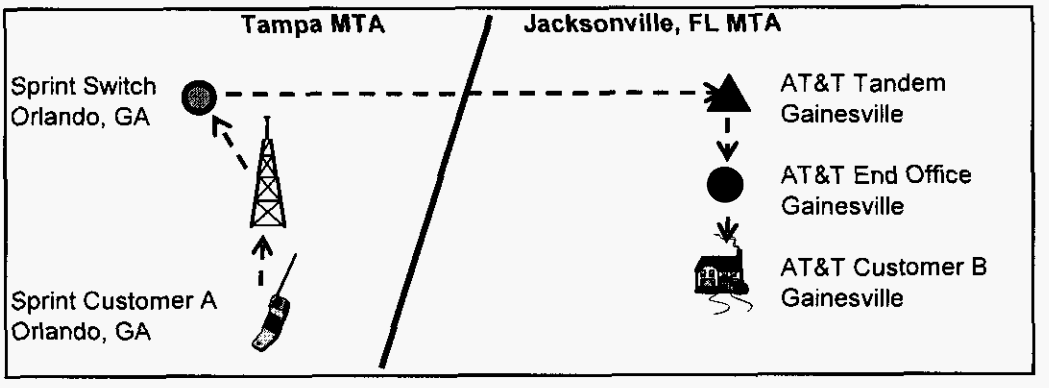
Diagram 2a
Sprint Daytona Beach Customer Calling an AT&T Jacksonville Customer



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 Florida, there are local interconnection trunks between the Sprint switches in Orlando in the Tampa MTA and the AT&T tandem in Gainesville in the Jacksonville MTA.

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

Diagram 2b
Sprint Orlando Customer Calling an AT&T Gainesville Customer



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

[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.

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 indentified 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.

The CDR data collected included:

- Sprint wireless switch;
- Cell site;
- Trunk group number;
- Call start date and time;
- Call stop date and time;
- Call duration;
- Calling number (Sprint wireless originating); and
- Called number (AT&T landline terminating).

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

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

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

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

A. For a wireless originated call, the point of origination is the location of the cell site, not the location of the switch serving that cell site.[33] The telephone number of the originating Sprint wireless number is of no value because of mobility – because that customer can be calling from anywhere in the U.S. The physical location of the originating switch, as identified by the JIP, will be in error when the originating cell site is physically located in a different MTA than its host switch.

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

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

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

A. Identifying the terminating MTA of the called AT&T landline number is a relatively straight forward process. Since the terminating number is associated with

[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.")

an AT&T landline customer, mobility is not an issue. For each originating Sprint wireless call, the database uses LERG information to identify the location of the terminating AT&T landline customer and assigns an MTA to that terminating point of the call.

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

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

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

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

Q. Please describe the results of the Sprint traffic study for Florida.

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

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

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

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

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

Q. What is JIP?

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

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

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

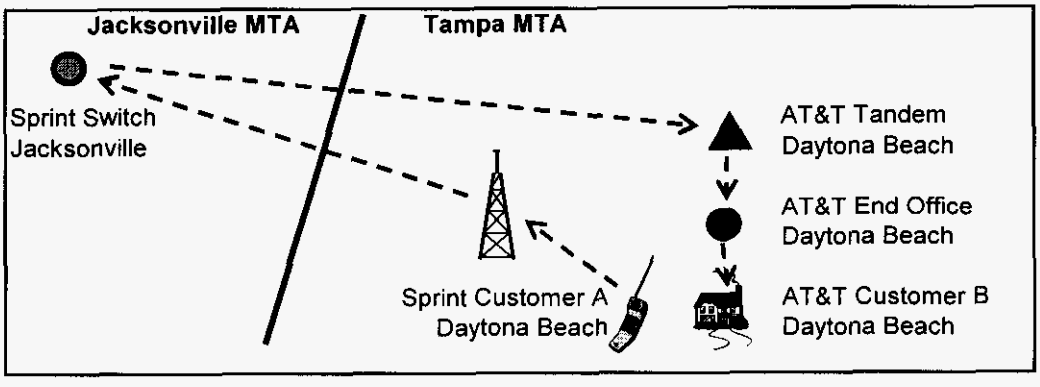
[34] The problem associated with the use of JIP as a surrogate method to identify interMTA calls is also at issue in another pending Florida Public Service Commission docket between Sprint CMRS and AT&T – *Complaint to Enforce Interconnection Agreements Between BellSouth Telecommunications, Inc. d/b/a 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.

Q. Please provide examples where relying on the switch JIP will not provide the accurate jurisdiction of a wireless call.

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

The example is depicted in Diagram 3, below. In this CDMA network example, Sprint wireless Customer A in Daytona Beach calls their next door neighbor, Customer B, a landline AT&T customer. The Sprint cell site originating Customer A's call is served by a Sprint switch in Jacksonville in the Jacksonville MTA. This call is routed from the Daytona Beach cell site in the Orlando MTA, to the Jacksonville switch in the Jacksonville MTA, to the AT&T tandem switch in Daytona Beach to the AT&T end office switch and Customer B in Daytona Beach in the Orlando MTA.

Diagram 3
Sprint Daytona Beach Customer Calling an AT&T Daytona Beach Customer



This is clearly an IntraMTA call, originating and terminating in Daytona Beach the Tampa MTA. However, the call is routed through the Sprint switch located in Jacksonville located in the Jacksonville MTA. By relying on the JIP, AT&T will incorrectly record this call as an InterMTA call, originating in Jacksonville in the Jacksonville MTA and terminating in Daytona Beach in the Tampa MTA. This is clearly incorrect. This is why AT&T's proposed method of calculating the InterMTA factor based on the JIP of the switch, rather than the cell site, will significantly overestimate the amount of InterMTA traffic.

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

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

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

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

> 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.
>
> ...
>
> *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.* (*Italic* emphasis in original. Exhibit RGF-4, at page 3.)

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

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

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

[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.

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

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

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

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

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

1. The Kentucky proceeding dealt with a PIU factor, while this proceeding deals with an InterMTA factor;
2. The Kentucky proceeding dealt primarily with the misclassification of interstate long distance traffic as between an IXC and a terminating

[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.

ILEC, while this proceeding deals primarily with interMTA traffic as between a wireless carrier and an ILEC;

3. The Kentucky proceeding dealt with both landline and wireless long distance traffic. This proceeding deals only with wireless traffic;
4. In the Kentucky proceeding, the RLEC was simply using an absurd method to calculate the jurisdiction of the call, using the originating telephone number of a wireless call rather than any sort of geographic indicator at all.

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

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

Q. What ICA language does Sprint CMRS recommend the Commission adopt?

A. Sprint CMRS recommends the Commission adopt the following ICA language:

> 6.4 Terminating InterMTA Traffic. The Parties recognize that (a) the originating Party is not entitled to charge the terminating Party for any costs associated with the originating Party's originated traffic; (b) the Sprint wireless entities are not IXCs; (b) Interconnection services are not switched access inter-exchange access services provided by a LEC to an IXC pursuant to a tariff; (c) neither Party has the ability to identify and classify an InterMTA traffic call on an automated, real-time basis; (d) on any given InterMTA mobile-to-land call delivered by Sprint to AT&T-9STATE over Interconnection Facilities, AT&T-9STATE incurs the exact same cost to

[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.

terminate the call that it does to terminate an IntraMTA mobile-to-land call delivered by Sprint to AT&T-9STATE over Interconnection Facilities; (e) and, on any given InterMTA land-to-mobile call delivered by AT&T-9STATE to Sprint over Interconnection Facilities, because of the likely number of switches and/or distance to be traversed, Sprint likely incurs at least two times (2X) or more of the cost to terminate an AT&T-9STATE originated InterMTA call than it does to terminate an AT&T-9STATE originated IntraMTA land-to-mobile call. Based on the foregoing, the following provisions are intended to implement the principles of mutual, reasonable compensation pursuant to 47 C.F.R. § 20.11.

Issue 47. [III.A.3.(2)] – Which party should pay usage charges to the other on land-to-mobile InterMTA traffic and at what rate?

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

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

> **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. (Emphasis added.)

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

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

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

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

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

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

Q. Please discuss this issue.

A. This issue covers three sub-issues. First, Sprint believes that the originating carrier is financially responsible for the entire cost of completing a call. Sprint's position is entirely consistent with the FCC's "Calling Party's Network Pays" policy. While

Sprint acknowledges its financial responsibility for mobile-to-land traffic, Sprint believes AT&T is financially responsible for land-to-mobile traffic. Simply put, when Sprint calls, Sprint pays; when AT&T calls, AT&T pays.

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

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

1. Calling Party's Network Pays

Q. Is the originating carrier financially responsible for delivering its originating traffic to the terminating carrier?

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

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

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

A. Yes. The FCC has concluded that it is the financial responsibility of the originating carrier to deliver its originating traffic to the terminating carrier's network. The FCC's position that the "Calling Party's Network Pays" has been well established. In the *Local Competition Order*, the FCC stated,

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

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

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

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

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

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

> Section 51.703(b) of the Commission's rules states that a LEC may not assess charges on any other telecommunications carrier, including a CMRS provider, for telecommunications traffic that originates on the LEC's network. *See* 47 C.F.R. § 51.703(b). The Commission has construed this provision to mean that **an incumbent LEC must bear the cost of delivering traffic (including**

[38] *Local Competition Order*, ¶ 176.

> **the facilities over which the traffic is carried) that it originates to the point of interconnection ("POI") selected by a competing carrier.** At least two appellate courts have held that this rule applies in cases where an incumbent LEC delivers calls to a POI that is located outside of its customer's local calling area.[39] (Emphasis added.)

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

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

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

Q. Has the Commission decided that the originating carrier is financially responsible for delivering its traffic?

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[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.

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

> **We agree with AT&T**, BellSouth, FCTA, Joint CLECs, and Joint CMRS Carriers **that the "calling party's network pays" (CPNP) concept is well-established policy based on the principles of cost causation**. FCC Rule 51.703(b) states that "A LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network." (47 CFR 51.703(b)) Read in conjunction with Rule 51.701(b)(2), Rule 51.703(b) requires LECs to deliver traffic, without charge, to a CMRS provider's switch anywhere within the Major Trading Area (MTA) in which the call originated. Thus, the Small LECs' claim that there should be no compensation impact on them when they originate traffic is nonsensical. If customers of the Small LEC place a call that transits BellSouth's network, it is because the Small LEC and the terminating carrier have not established a direct interconnection. The Small LEC's customer is the cost causer; the Small LEC should pay the transit costs as a cost of doing business. Even if the Small LEC directly interconnects with a CLEC thereby not using BellSouth's transit function, rules of intercarrier compensation require that the Small LEC be responsible for transporting its originating traffic; the Small LECs' use of a transit provider does not change this obligation. The terminating carrier has no control over how a call is sent to its network and thus should not be required to bear the cost of transporting the call to its network. It is only equitable and competitively fair that the Small LEC, when using BellSouth's transit service to deliver traffic to providers who are also connected to BellSouth's tandem, be treated the same way as any other carrier that uses the transit function.[41] (Emphasis added.)

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

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

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[41] *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.

These eight states are California,[42] Illinois,[43] Indiana,[44] Iowa,[45] Minnesota,[46] Missouri,[47] Pennsylvania,[48] and Tennessee.[49]

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[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] *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.

[44] *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 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.

[45] *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."

[46] *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..

[47] *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*

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

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

> There is no basis that I am aware of in the Act to impose a unilateral obligation to pay interMTA compensation only on Wireless Carriers. Also, proposed section 5.4 would require Cingular and the other Wireless Carriers to pay both originating and terminating access to the RLECs. ... Also, the idea that an RLEC should receive originating access charges from a Wireless Carrier for a landline-originated call is completely contrary to the "calling party's network pays" philosophy of the Act.[50] (Underline emphasis in original.)

("M2A"), Public Service Commission of Missouri, Arbitration Decision, Case No. TO-2005-0336, Issued July 11, 2005, page 40.

[48] *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.*]

[49] *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.

[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.

AT&T also advocated Sprint CMRS's position before the Tennessee Regulatory Authority ("TRA"), arguing that a Hearing Officer's Order was wrong by not requiring ILECs to pay for ILEC-originated traffic. Specifically, AT&T's Brief to the TRA stated:

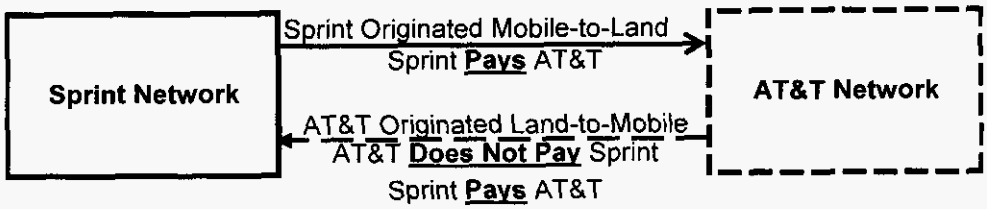
> The May 6 *Order* is wrong in that it deals only with traffic flowing from wireless phones to ICO customers. It makes no provision for payment to the CMRS carriers when ICO customers call those wireless customers back.[51] (*Italic* in original document.)

2. What compensation is due on InterMTA traffic?

Q. What is AT&T's proposal for InterMTA compensation?

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

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



Q. What compensation is due on InterMTA wireless calls?

[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.

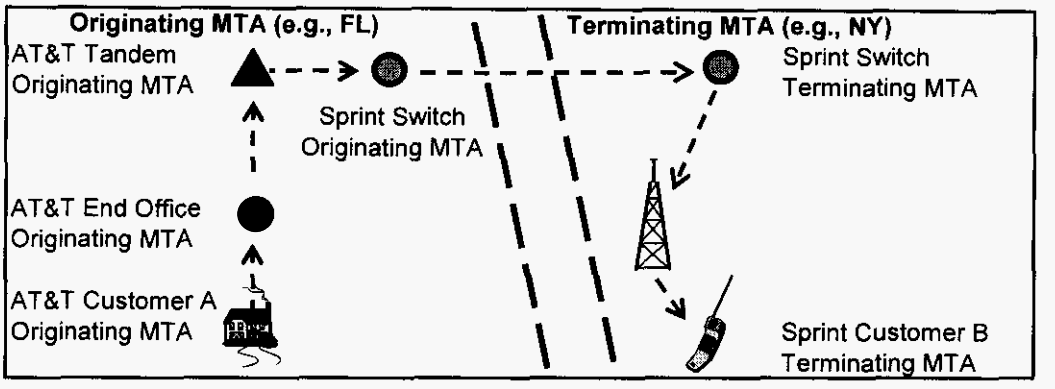
A. As discussed above, there is no FCC rule that requires either carrier to pay switched access on InterMTA traffic delivered directly to each other. As discussed above, 47 C.F.R. § 20.11 requires mutual, reasonable compensation.

Q. What is Sprint asking the Commission 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 Commission 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 Commission 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?

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

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

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

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

> 6.4.1 Because AT&T-9STATE does not incur any greater cost to terminate a mobile-to-land call delivered by Sprint to AT&T-9STATE over Interconnection Facilities whether it is an InterMTA or IntraMTA call, AT&T-9STATE will bill Sprint the same Rate for both IntraMTA and InterMTA calls.
>
> 6.4.2 Because Sprint incurs greater costs to terminate an AT&T-9STATE originated InterMTA land-to-mobile calls delivered over Interconnection Facilities than it does to terminate IntraMTA land-to-mobile calls, Sprint is entitled to charge AT&T-9STATE a Land-to-Mobile InterMTA Rate for terminating such AT&T-9STATE calls. The Land-to-Mobile InterMTA Rate at which Sprint is entitled to bill AT&T-9STATE will be two times (2X) the Type 2A IntraMTA Rate.

[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.

Issue 48. [III.A.3.(3)] – What is the appropriate factor to represent land-to-mobile InterMTA traffic?

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

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

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

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

Q. Please discuss this issue.

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

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

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

> 6.4.3 Beginning with the Effective Date, Sprint is entitled to utilize a state-specific "Land-to-Mobile Terminating InterMTA Factor" to determine the surrogate volume of AT&T-9STATE InterMTA Land-to-Mobile Conversation MOUs for which Sprint is entitled to bill AT&T-9STATE at the Land-to-Mobile InterMTA Rate. Also beginning with the Effective Date, the Land-to-Mobile Terminating InterMTA Factor shall be 2%. Such factor is, however, subject to revision based on a Sprint traffic study performed upon either Party's request no sooner than (6) months after the Effective Date; and thereafter not more frequently than once per calendar year. Any change in the Land-to-Mobile Terminating InterMTA Factor shall be reflected as an Amendment to this Agreement.
>
> 6.4.4 To determine the billable volume of AT&T-9STATE InterMTA Land-to-Mobile minutes to which Sprint will apply the Land-to-Mobile Terminating Rate, Sprint will, on a monthly basis, multiply the InterMTA Factor by the total AT&T-9STATE IntraMTA Conversation MOUs as terminated and recorded by Sprint, The total volume of terminating IntraMTA Land-to-Mobile traffic minutes for which Sprint bills AT&T-9STATE shall be reduced by the calculated volume of InterMTA Land-to-Mobile minutes to avoid double-billing AT&T-9STATE for the same MOUs.
>
> Pricing Sheet
>
> - Land-to-Mobile InterMTA Rate (2X Type 2A IntraMTA Rate): [TBD*]
> - Land-to-Mobile Terminating InterMTA Factor: 2%

Issues 58 through 61 [III.E.(1) - III.E.(4)] – Shared Facility Costs.

Issue 58. [III.E.(1)] – How should Facility Costs be apportioned between the parties under the CMRS ICA?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

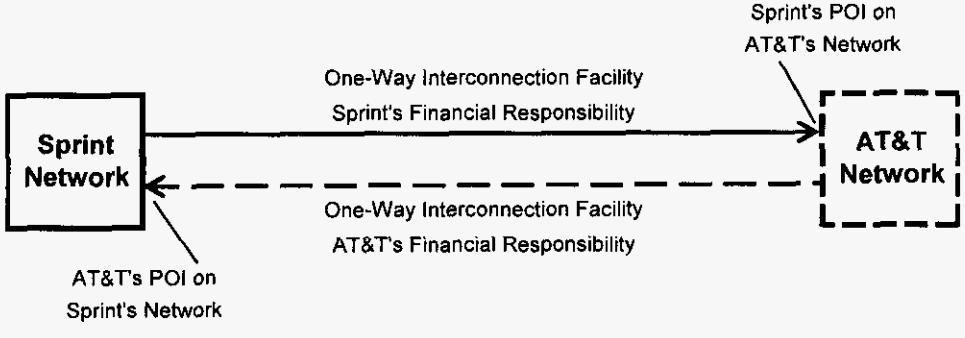
> *Interconnection* is the linking of two networks **for the mutual exchange of traffic**. (Emphasis added.)

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?

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

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

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

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

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

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

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

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

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

Q. What language does Sprint CMRS recommend the Commission adopt regarding Interconnection Facility Costs for the CMRS ICA?

A. Sprint CMRS recommends the Commission adopt the following language for the CMRS ICA:

> CMRS Interconnection Facility Costs.
>
> 2.5.3 Interconnection Facility Costs. The costs of Interconnection Facilities provided directly by one Party to the other, or by one of the Parties obtaining such Facilities from a Third Party, shall be shared between the Parties as follows:
>
> (a) Sprint wireless MSC Location. When a Sprint MSC and the POI to which is Interconnected are in the same MTA, the Sprint MSC location means the actual physical location of such MSC in that MTA. When a Sprint MSC is physically located in a different MTA than the POI to which it is Interconnected, the Sprint MSC location means such MSC's point of presence location designated in the LERG that is within the same MTA as the POI.
>
> (c) Two-way Interconnection Facilities. The recurring and non-recurring costs of two-way Interconnection Facilities between Sprint Central Office Switch locations and the POI(s) to which such switches are interconnected at AT&T-9STATE Central Office Switches shall be shared based upon the

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

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

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

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

Issue 59. [III.E.(2)] – Should traffic that originates with a third party and that is transited by one party (the transiting party) to the other party (the terminating party) be attributed to the transiting party or the terminating party for purposes of calculating the proportionate use of facilities under the CMRS ICA?

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

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

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

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

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

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

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

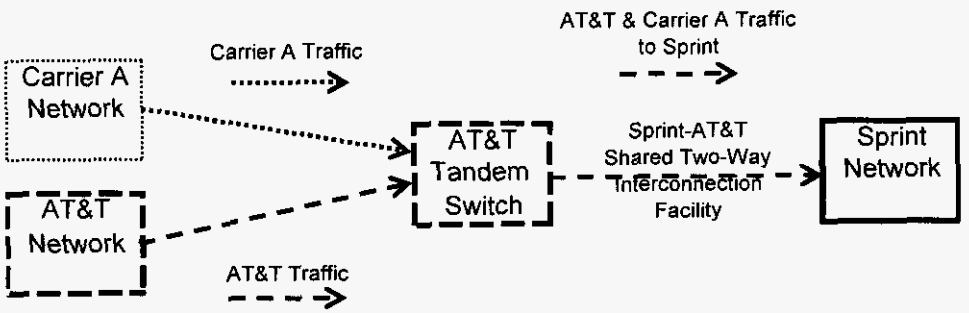
A. Yes. AT&T is directly compensated for its delivery of transit traffic by its wholesale Interconnection transit customer, the originating carrier. As previously discussed, a TELRIC-priced Transit Service rate will appropriately compensate AT&T for all of its costs to deliver its wholesale Interconnection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

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

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

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

Diagram 8
AT&T Providing Transit Service
Via the Sprint-AT&T Interconnection Facility



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

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

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

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

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

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

Issue 60. [III.E.(3)] – How should Facility Costs be apportioned between the Parties under the CLEC ICA?

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

A. This Issue is the same as Issue 58 [III.E.(1)], except in the context of the CLEC ICA, and there is no rational basis for this Issue to be decided any differently. Facility Costs should be apportioned based upon the Parties' respective proportionate use of the Facility to provide service to its respective customers.

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

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

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

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

Q. What ICA language does Sprint CLEC recommend the Commission adopt for the CLEC ICA?

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

> CLEC only
>
> 2.5.3 Interconnection Facility Costs. The costs of Interconnection Facilities provided directly by one Party to the other, or by one of the Parties obtaining such Facilities from a Third Party, shall be shared between the Parties as follows:
>
> (b) Sprint non-wireless Switch Location, When a Sprint non-wireless switch and the POI to which it is Interconnected are in the same LATA, the Sprint switch location means the actual physical location of such non-wireless switch in that LATA. When a Sprint non-wireless switch is physically located in a different LATA than the POI to which it is Interconnected, the Sprint non-wireless switch location means such CLEC switch's point of presence location designated in the LERG that is within the same LATA as the POI.
>
> (c) Two-way Interconnection Facilities. The recurring and non-recurring costs of two-way Interconnection Facilities between Sprint Central Office Switch locations and the POI(s) to which such switches are interconnected at AT&T-9STATE Central Office Switches shall be shared based upon the Parties' respective proportionate use of such Facilities to deliver all Authorized Services traffic originated by its respective End-User or Third-Party customers to the terminating Party. Such proportionate use will, based upon mutually acceptable traffic studies, be periodically determined and identified as a state-wide "Proportionate Use Factor".
>
> (1) As of the Effective Date the Parties' Proportionate Use Factor is deemed to be 50% Sprint and 50% AT&T-9STATE. Beginning six (6) months after the Effective Date, and thereafter not more frequently than every six (6) months, a Party may request re-calculation of a new Proportionate Use Factor to be prospectively applied.
>
> (2) Unless another process is mutually agreed to by the Parties, on each invoice rendered by a Party for two-way Interconnection Facilities, the Billing Party will apply the Proportionate Use Factor to reduce its charges by the Billing Party's proportionate use of such Facilities. The Billing Party will reflect such reduction on its invoice as a dollar credit reduction to the Interconnection Facilities charges to the Billed Party, and also identify such credit by circuit identification number(s) on a per DS-1 equivalents basis.

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

Issue 61. [III.E.(4)] – Should traffic that originates with a third party and that is transited by one party (the transiting party) to the other party (the terminating party) be attributed to the transiting party or the terminating party for purposes of calculating the proportionate use of facilities under the CLEC ICA?

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

A. Similar to the above situation between the CMRS Issue 58 [III.E.(1)] and CLEC Issue 60 [III.E.(3)], this CLEC Issue 61 [III.E.(4)] is the same as the CMRS Issue 59 [III.E.(2)], and there is no rational basis for this Issue to be decided any differently. Third party-originated traffic the transiting party delivers to the terminating party is the transiting party's traffic for purposes of calculating the proportionate use of facilities. In this instance, the third party is the transiting party's wholesale Interconnection customer and each jointly cause the transiting party's use of the facility.

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

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

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

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

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

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

A. As indicated above with regard to Issue 59 [III.E.(2)], Sprint CLEC recommends the Commission adopt the following ICA language regarding this Issue:

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

Issue 63. [III.G] – Sprint's Pricing Sheet

Issue 63. [III.G] – Should Sprint's proposed pricing sheet language be included in the ICA?

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

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

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

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

Q. Why has Sprint left proposed prices as "TBD" or "None at this time" in its proposed price sheet?

A. Sprint left proposed prices as "TBD" or "None at this time" in its proposed price sheet for the simple reason that Sprint was unable to successfully negotiate rates 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 Commission adopt?

A. Sprint recommends the Commission 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*]

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

2) Wireline:

- Telephone Exchange Service Rate: [TBD*]
- Telephone Toll Service Rate: Terminating Party's interstate/intrastate access Tariff Rate

3) As to following type of traffic, whether wireless or wireline traffic:

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

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

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

1) Authorized Services traffic at same Rate:

	No Rate – Bill-and-Keep
Transit Service Rate	$0.00035

-OR-

2) All Authorized Services traffic at same Rate:

	$0.0007 Tandem
	$0.00035 End Office[53]

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

Transit Service Rate	$0.00035

Issues 64 through 66 [III.H.(1) – III.H.(3)] – Facility Pricing

Issue 64. [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?

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

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

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

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

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

> (a) The rules in this subpart apply to the pricing of network elements, **interconnection**, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation.
>
> (b) As used in this subpart, the term "element" includes network elements, **interconnection**, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation. (Emphasis added.)

[54] Local Competition Order, ¶743.

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

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

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

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

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

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

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

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[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.

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

CLEC and CMRS language

2.9 Interconnection Facilities/Arrangements Rates and Charges.

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

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

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

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

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

e) The Rates/Charges for any other Interconnection arrangement 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.

Issue 65. [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 Commission adopt?

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

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

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

Issue 66. [III.H.(3)] – Should AT&T's proposed language governing Interconnection pricing be included in the ICAs?

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

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

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

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

IV. SUMMARY AND CONCLUSION

Q. Please Summarize your Direct Testimony.

A. Issues 14 through 20 [I.C.(1) - I.C.(7)] – Transit traffic related Issues: AT&T is required to provide Transit Service at TELRIC-based prices. A reasonable interim rate is $0.00035.

Issues 37 through 39 [III.A.(1) - III.A.(3)] – Traffic categories and related compensation rates, terms, and conditions: All Interconnection-related traffic should be exchanged between Sprint and AT&T with terms and conditions that are mutually equitable and reasonable. All rates should be TELRIC-based.

Issues 46 through 48 [III.A.3.(1) - III.A.3.(3)] – CMRS ICA-specific, InterMTA traffic: InterMTA traffic is not subject to switched access charges. All InterMTA traffic should be exchanged between Sprint and AT&T with terms and conditions

that are mutually equitable and reasonable. Traffic factors should be based traffic studies which accurately identify the physical location of the wireless end-user.

Issues 58 through 61 [III.E.(1) - III.E.(4)] – Shared Facility Costs: Interconnection facility costs should be shared between Sprint and AT&T based on each party's proportionate usage. Transit traffic should be assigned to the party being compensated for that traffic by a Third-party originating carrier.

Issue 63 [III.G] – Sprint Pricing Sheet: Sprint's Pricing Sheet should be adopted.

Issues 64 through 66 [III.H.(1) - III.H.(3)] – Facility Pricing: Interconnection Facility prices should be TELRIC-based for the entire portion of network that links a Sprint switch to an AT&T switch, rather than special access pricing applied to a "transport entrance facility" and TELRIC pricing only applied on the CLEC-side to what amounts a cross-connect between such "transport entrance facility" and an AT&T switch.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

EXHIBIT RGF-1

at&t

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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 Intercarrier 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; Intercarrier 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

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[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

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[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

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[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.

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[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

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OF

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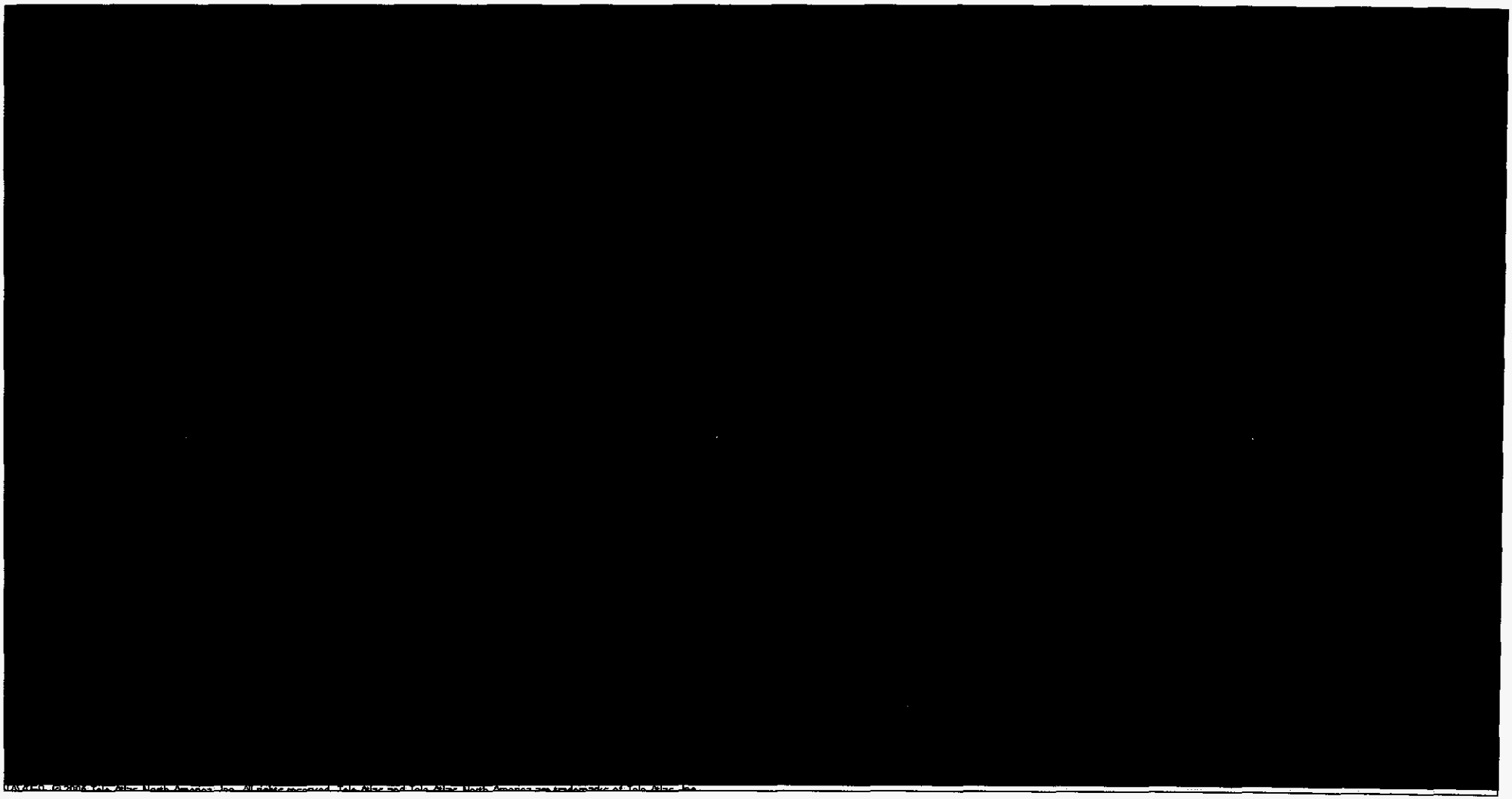
EXHIBIT RGF-2



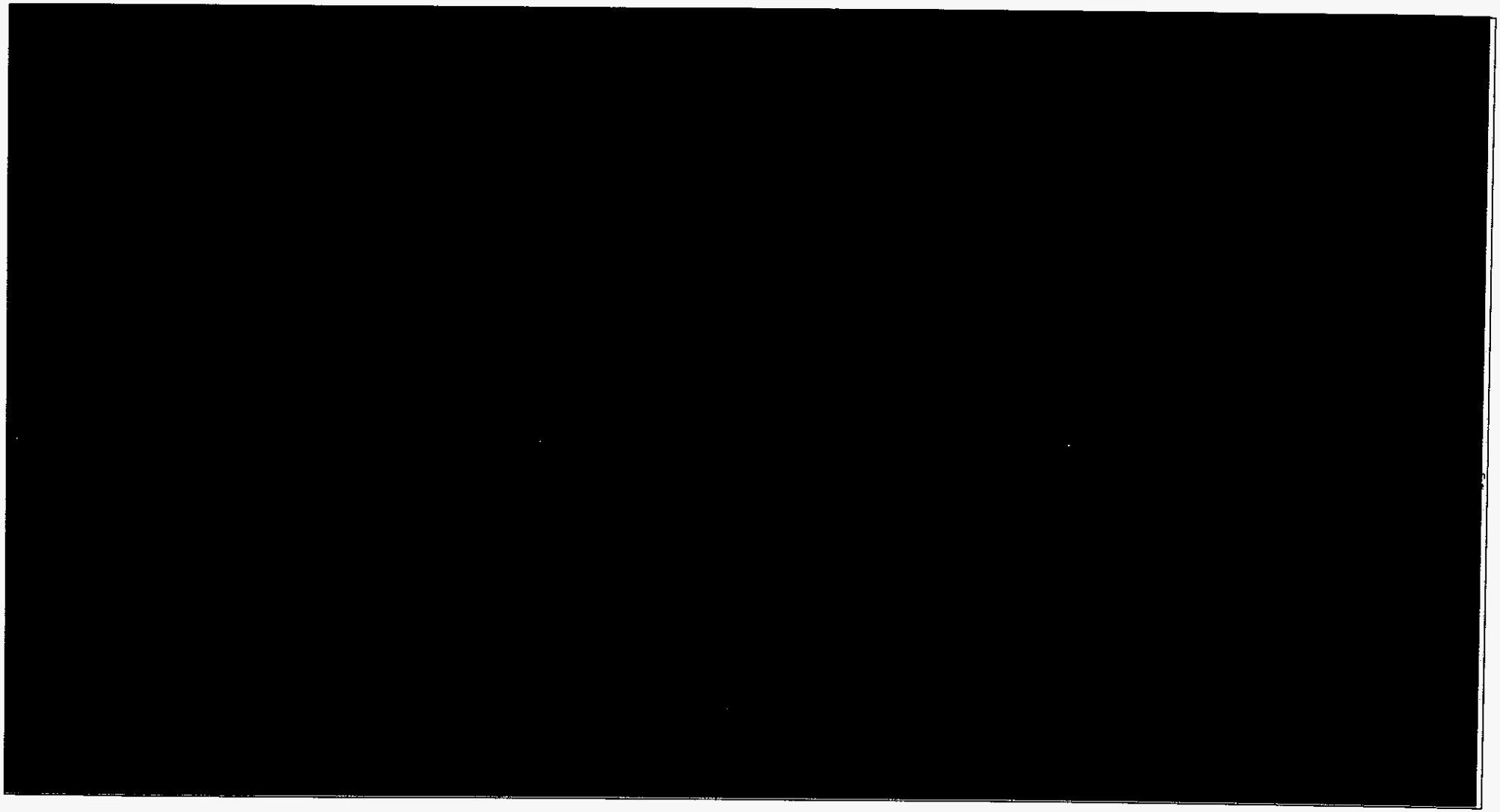


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EXHIBIT RGF-3

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RESULTS OF SPRINT'S TRAFFIC STUDIES FOR FLORIDA
SPRINT-ORIGINATED MOBILE-TO-LAND INTERMTA FACTORS

Date	InterMTA Factor Mobile-to-Land	
	CDMA (1)	iDEN (2)
05/31/09 - 06/06/09 01/17/10 - 01/23/10	[redacted]	

(1) Sprint network
(2) Nextel network

EXHIBIT RGF-4

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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.