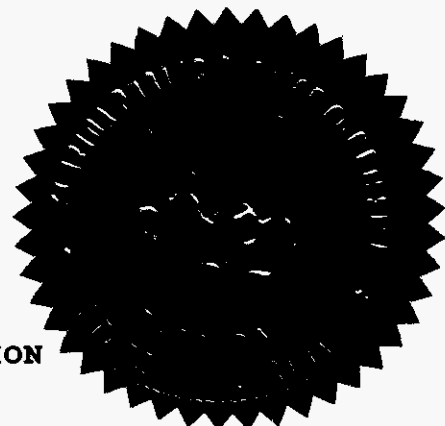


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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: In the Matter of :  
: Resolution of petition(s) : DOCKET NO. 950985-TP  
: to establish nondiscrimi- :  
: natory rates, terms, and :  
: conditions for intercon- :  
: nection involving local :  
: exchange companies and :  
: alternative local exchange: :  
: companies pursuant to :  
: Section 364.162, F.S. :  
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THIRD DAY - MORNING SESSION

VOLUME 11

Pages 1168 through 1323

PROCEEDINGS: HEARING  
BEFORE: CHAIRMAN SUSAN F. CLARK  
COMMISSIONER J. TERRY DEASON  
COMMISSIONER JULIA L. JOHNSON  
COMMISSIONER DIANE K. KIESLING  
COMMISSIONER JOE GARCIA  
DATE: Wednesday, March 13, 1996  
TIME: Commenced at 10:30 a.m.  
PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida  
REPORTED BY: JOY KELLY, CSR, RPR  
Chief, Bureau of Reporting  
(904) 413-6732  
ROWENA NASH HACKNEY  
Official Commission Reporter  
(904) 413-6736

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION 03098 MAR 14 86

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**WITNESSES**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
	<b>NAME</b>																							
		<b>F. BEN POAG</b>																						
			Direct Examination By Mr. Fons																					
			Prefiled Direct Testimony Inserted																					
			Prefiled Rebuttal Testimony Inserted																					
			Prefiled Direct Testimony Inserted																					
			Prefiled Rebuttal Testimony Inserted																					
			Cross Examination By Ms. Wilson																					

**EXHIBITS**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
	<b>NUMBER</b>																							
		37	(Poag) (Late-Filed) A Look at Progress State by State.																					
		38	(Poag) FBP-1, pluse errata sheet																					
		39	(Poag) FBP-2																					
		40	(Poag) FBP-3, and late-filed_ deposition exhibit																					
		41	(Poag) FBP-4																					
		42	(Poag) FBP-5																					
		43	(Poag) Confidential FBP-6																					
		44	(Poag) Confidential FBP-7																					

## P R O C E E D I N G S

(Hearing convened at 10:37 a.m.)

(Transcript follows in sequence from Volume 10.)

CHAIRMAN CLARK: We'll call the hearing back to order. One housekeeping matter, Time Warner had previously distributed what is entitled: "A Look at Progress State By State," having a list of what other states have done in the area of interconnection. And I have understood from Mr. Fons, he believes that this is not necessarily complete or accurate, and he has indicated what he would like to do is develop one that all parties could agree on as an accurate statement of what has happened in other states and file it as a late-filed exhibit. And I think the Commissioners have an interest in seeing such a document.

Is there any objection to having Mr. Fons develop that document? Then all the parties will have the opportunity to review it, and then it will be a stipulated exhibit.

COMMISSIONER JOHNSON: Madam Chair, one question. To the extent that there are states that we don't have the orders that might be on his list, how would we go about taking official notice?

CHAIRMAN CLARK: I don't think we can. It

1 would just in effect be hearsay evidence as to what  
2 they have done. But I think it would be a good idea  
3 that to the extent there are orders, that we be  
4 informed of that, and we will take official notice of  
5 the orders. Is that clear?

6 MR. FONS: That is clear. There is only one  
7 order that I'm aware of that's on the list that I am  
8 proposing to go from that is not on Exhibit 3, and  
9 that's from the state of Arizona.

10 CHAIRMAN CLARK: And I would ask you to  
11 develop that list and also attach any order that we do  
12 not already have or have taken official notice of and  
13 that be filed as an exhibit after all the parties have  
14 had the opportunity to look at that.

15 And you have indicated to me that it can be  
16 done by the middle of next week?

17 MR. FONS: Yes.

18 COMMISSIONER KIESLING: Is that 37?

19 CHAIRMAN CLARK: Let's mark that as  
20 Late-Filed Exhibit 37. So that we will not mark this  
21 as the new exhibit. We will not mark the Time Warner  
22 document as an exhibit.

23 (Late-Filed Exhibit No. 37 identified.)

24 COMMISSIONER DEASON: Madam Chairman, how  
25 will the Commissioners get that? Will it be sent to

1 us from the clerk's office, or will it be sent to us  
2 directly? Staff will distribute it?

3 MS. CANZANO: I'm sorry, could you repeat  
4 your question? I can't hear.

5 COMMISSIONER DEASON: How will the  
6 Commissioners themselves get a copy of this exhibit?

7 MS. CANZANO: I will make sure that you get  
8 copies.

9 COMMISSIONER DEASON: Okay, very well.  
10 Thank you.

11 CHAIRMAN CLARK: I think it would be well to  
12 distribute that particular late-filed exhibit to all  
13 the Commissioners.

14 MS. CANZANO: We will do that.

15 CHAIRMAN CLARK: Okay. I note that  
16 Mr. Rindler is not here today, and he had informed me  
17 yesterday that he may not be here. If he is not here,  
18 he waives his right to cross examine the remaining  
19 witness, Mr. Poag. With that, Mr. Fons.

20 MR. FONTS: Thank you, Chairman.

21 Mr. Poag, you have previously been sworn?

22 WITNESS POAG: Yes, I have.

23 - - - - -

24

25

**F. BEN POAG**

1  
2 was called as a witness on behalf of United Telephone  
3 Company of Florida and, having been duly sworn,  
4 testified as follows:

**DIRECT EXAMINATION**

5  
6 BY MR. FONS:

7 Q Would you please state your full name?

8 A Yes. I am F. B. (Ben) Poag.

9 Q And by whom are you employed and in what  
10 capacity?

11 A I'm employed by Sprint-United/Centel  
12 Telephone. I'm the director of tariffs and  
13 regulatory.

14 Q And, Mr. Poag, on behalf of  
15 Sprint-United/Centel, have you previously had cause to  
16 have filed in this proceeding direct and rebuttal  
17 testimony?

18 A Yes, sir.

19 MR. FONS: And, Chairman Clark, there are  
20 four pieces of testimony for Mr. Poag. One dated  
21 January 5, 1996. One dated January 26, 1996. And one  
22 February 6, 1996, and February 20, 1996.

23 With regard to the testimony of January 26,  
24 1996, there will be some deletions to that testimony  
25 resulting from the withdrawal of Mr. Cresse's

1 testimony.

2 CHAIRMAN CLARK: Okay.

3 MR. FONTS: I have submitted to the court  
4 reporter and to the Commissioners the revised pages to  
5 that testimony, but we'll go through that with  
6 Mr. Poag.

7 CHAIRMAN CLARK: Thank you.

8 Q (By Mr. Fons) Mr. Poag, turn your attention  
9 to the filed testimony of January 5, 1996.

10 A Yes, sir.

11 Q If I were to ask you the same questions  
12 today as were put to you in that prefiled testimony,  
13 would your answers be the same today?

14 A Yes, sir.

15 Q Do you have any corrections or changes to  
16 that testimony?

17 A No, sir, I do not.

18 Q Were there any exhibits associated with that  
19 testimony?

20 A No.

21 Q Turning now to the testimony of January 26,  
22 1996, do you have any corrections or changes to that  
23 testimony?

24 A No, sir.

25 Q I think you do. (Laughter)

1 A I'm sorry, okay.

2 MR. FONTS: We rehearsed for hours on this.

3 WITNESS POAG: Those changes.

4 Q (By Mr. Fons) Mr. Poag, would you please --

5 A I was kind of focusing on other things.

6 Q I understand. Turn to Page 1 of your  
7 rebuttal testimony dated January 26, 1996. Do you  
8 have a change on Line 20 of that testimony?

9 A Yes. We would change that from  
10 "testimonies" to "testimony." And on Line 21, delete  
11 through the end of the line where it begins  
12 "Mr. Geudel" on Line 22. And then delete on Page 1,  
13 Lines 24, all of Page 2, all of Page 3, through Line  
14 10 on Page 4.

15 Q And also, just so the record is correct, on  
16 Page 1, you are also deleting Line 25. So it's Lines  
17 24 and 25.

18 A Thank you, yes.

19 Q Do you have any other changes or corrections  
20 to that rebuttal testimony?

21 A No.

22 Q If I were to ask you the same questions  
23 today that were put to you in your prefiled rebuttal  
24 testimony, would your answers be the same today?

25 A Yes, sir.



1 Q Did you have any exhibits associated with  
2 the rebuttal testimony?

3 A No, sir.

4 Q If you would turn now to the direct  
5 testimony dated February 6, 1996?

6 A Yes, sir.

7 Q Do you have any corrections or changes to  
8 that direct testimony?

9 A No, sir.

10 Q If I were to ask you the same questions  
11 today as were put to you in your prefiled testimony,  
12 would your answers be the same today?

13 A Yes, sir.

14 Q Do you have any exhibits associated with  
15 your direct testimony dated February 6, 1996?

16 A No, sir.

17 Q Turning now finally to the rebuttal  
18 testimony filed on February 20, 1996, do you have any  
19 changes or corrections to that rebuttal testimony?

20 A No, sir.

21 Q If I were to put to you the same questions  
22 today as were put to you in your prefiled rebuttal  
23 testimony dated February 20, 1996, would your answers  
24 be the same today?

25 A Yes, sir.

1 Q Were there any exhibits associated with that  
2 rebuttal testimony?

3 A No, sir.

4 CHAIRMAN CLARK: Excuse me, Mr. Fons. On  
5 that final rebuttal testimony, I think you do need to  
6 make a change to it.

7 WITNESS POAG: The one with the deposition?

8 CHAIRMAN CLARK: No. You indicate that you  
9 have previously prepared direct and rebuttal testimony  
10 directing the FCTA and AT&T witnesses, Mr. Cresse and  
11 Geudel, so I think you need to make just that change  
12 there.

13 MR. FONS: I apologize.

14 We'll delete on Line 18 of Page 1, "the FCTA  
15 and," and the "Mr." at the end of that line. And  
16 "Cresse and" on Line 18.

17 CHAIRMAN CLARK: Okay.

18 Q (By Mr. Fons) With those changes, if I were  
19 to ask you the same questions today that were put to  
20 you in that prefiled rebuttal testimony dated February  
21 20, 1996, would your answers be the same?

22 A Yes, sir.

23 MR. FONS: Madam Chairman, I would ask that  
24 the prefiled direct testimony dated January 5, 1996,  
25 be inserted in the record as though read.

1           CHAIRMAN CLARK: It will be inserted in the  
2 record as though read.

3           MR. FONS: And that the rebuttal testimony  
4 dated January 26, 1996, be inserted in the record as  
5 though read.

6           CHAIRMAN CLARK: It will be inserted in the  
7 record as though read.

8           MR. FONS: And the direct testimony dated  
9 February 6, 1996, be inserted in the record as though  
10 read.

11           CHAIRMAN CLARK: It will be inserted in the  
12 record as though read.

13           MR. FONS: And the rebuttal testimony dated  
14 January 20, 1996, be inserted in the record as though  
15 read.

16           CHAIRMAN CLARK: It will be inserted in the  
17 record as though read.

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY

3 OF

4 F. BEN POAG

5  
6 Q. Please state your name, business address and title.

7  
8 A. My name is F. Ben Poag. I am employed as  
9 Director-Tariffs and Regulatory Management for United  
10 Telephone Company of Florida. My business mailing  
11 address is Post Office Box 165000, Altamonte Springs,  
12 Florida 32716-5000.

13  
14 Q. What is your business experience and education?

15  
16 A. I have over 30 years experience in the telecommunications  
17 industry. I started my career with Southern Bell, where  
18 I held positions in Marketing, Engineering, Training,  
19 Rates and Tariffs, Public Relations and Regulatory. In  
20 May, 1985, I assumed a position with United Telephone  
21 Company of Florida as Director-Revenue Planning and  
22 Services Pricing. I held the position until February  
23 1988, at which time I was appointed to the position of  
24 Director-Tariffs and Regulatory. In January 1990, the  
25 pricing and tariffs organizations were combined and I was

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1 appointed Director-Revenue Planning and Regulatory. In  
2 June 1993, in conjunction with a restructuring, I assumed  
3 new responsibilities and my current title. In my current  
4 position, I am responsible for costing, tariffs and  
5 regulatory matters. I am a graduate of Georgia State  
6 University with a Bachelor's Degree in Business.

7

8 Q. What is the purpose of your testimony?

9

10 A. The purpose of my testimony is to present  
11 Sprint-United/Centel's positions regarding  
12 interconnection arrangements between Sprint/United and  
13 Sprint/Centel (collectively Sprint) and Continental  
14 Cablevision, Inc. (Continental), Time Warner AxS of  
15 Florida, L.P. and Digital Media Partners (collectively  
16 Time Warner) or any other alternate local exchange  
17 companies (ALECS). In addition I address the direct  
18 testimony of Continental's and Time Warner's witnesses.  
19 For purposes of this testimony Continental and Time  
20 Warner are also addressed as ALECs.

21

22 Q. Should compensation for local interconnection be mutual?

23

24 A. Yes, compensation should be mutual and equal for the same  
25 interconnection functionality.

1 Q. Do you agree with Continental's witness, A.R. Schleiden,  
2 that a bill and keep arrangement is the most appropriate  
3 interconnection arrangement?  
4

5 A. No. First, I do not believe that bill and keep  
6 necessarily meets the statutory requirement that the  
7 interconnection charge cover its costs. In addition,  
8 there are differing levels of cost associated with  
9 interconnection. These cost differences may result from  
10 the type of interconnection selected, that is, virtual  
11 collocation or a separate point of interconnection or  
12 connection at a tandem switch versus an end office  
13 switch. In addition, with bill and keep, where there is  
14 an imbalance of traffic terminating to Sprint, Sprint  
15 cannot recover its local interconnection costs as  
16 required by the Statute.

17  
18 In each of these situations the interconnector has a  
19 choice which may impact the cost to Sprint. For example,  
20 if an AAV is already collocated, and paying for the cost  
21 of the collocation, the AAV should get the benefit of the  
22 cost it has already incurred. In this scenario, the cost  
23 to the LEC for the physical interconnection facilities,  
24 since the AAV is already collocated, is relatively small.  
25 Conversely, if the ALEC is not collocated, there will be

1 a cost to Sprint to extend facilities to the ALEC. Not  
2 only would Sprint have different costs, but the AAV would  
3 be disadvantaged having already incurred costs that the  
4 ALEC could avoid in a bill and keep arrangement. Another  
5 disadvantage of bill and keep is that it removes some of  
6 the incentives for infrastructure deployment and  
7 maximizing network efficiencies. For example, with bill  
8 and keep, there is no pricing incentive for ALECs to  
9 expand their networks to take advantage of lower priced  
10 end office local interconnections. Similarly, there is  
11 less incentive for them to invest in the additional  
12 infrastructure needed to expand or extend their networks  
13 to Sprint's end offices to take advantage of  
14 interconnection price differentials.

15

16 Q. What are the appropriate interconnection arrangements for  
17 the exchange of local traffic between ALECs and Sprint?

18

19 A. Sprint's position is that there are two methods of  
20 compensation, either of which is appropriate, for local  
21 interconnection between themselves and ALECS: through a  
22 flat-rated port charge arrangement or through a per  
23 minute of use charge, each of which I will address in  
24 detail. The charges should be reciprocal between the  
25 ALECs and Sprint and should cover cost. Florida Statute

1 364.162(4) states "In setting the local interconnection  
2 charge, the commission shall determine that the charge is  
3 sufficient to cover the cost of furnishing  
4 interconnection." Given that the statutory language  
5 explicitly references a charge and that the charge cover  
6 the cost of interconnection, Sprint proposes that its  
7 existing network access charges, exclusive of the Carrier  
8 Common Line (CCL) and Residual Interconnection Charge  
9 (RIC) serve as the basis for local interconnection rate  
10 development.

11  
12 The CCL and RIC are excluded as they are primarily  
13 contribution rate elements that were established in the  
14 interexchange access environment. Sprint has proposed  
15 that these rate elements are inappropriate in a  
16 competitive environment and should be phased down and in  
17 time eliminated in the interexchange access market and  
18 thus should not be included in local interconnection  
19 charges.

20  
21 Both a port charge and a minute of use (MOU) charge will  
22 meet the requirement that the interconnection rate cover  
23 cost. Each alternative has advantages and disadvantages  
24 but either can be developed to fairly compensate the  
25 parties and not impair in any way the development of



1 competition. However, only one interconnection  
2 arrangement should be tariffed. ALECs should not be  
3 allowed to alternatively choose and switch between the  
4 port and minute of use arrangements to the detriment of  
5 Sprint.

6

7 Q. Please address how a port charge would work.

8

9 A. With a port charge the ALEC purchases the capacity of a  
10 DS1 for terminating traffic to Sprint. Similarly, Sprint  
11 would purchase the capacity of a DS1 from the ALEC.  
12 Depending on the ALEC's network requirements and traffic  
13 patterns, the ALEC could purchase the DS1 capacity at  
14 Sprint's access tandem, local tandem or at an end office.

15

16 The rates and charges for the various interconnection  
17 components would be based on Sprint's network access  
18 services rates and charges. That is, for collocation,  
19 electrical interconnections, and dedicated or special  
20 access circuits, the FPSC approved tariffs should be  
21 applicable. The local interconnection tariffs would be  
22 developed using the same rate elements that have already  
23 been approved by this Commission to the extent that they  
24 appropriately reflect the same functionality and provide  
25 appropriate cost recovery. Again, Sprint would pay the

1 ALEC based on the same rates, terms and conditions for  
2 the services required to terminate Sprint's customers'  
3 traffic to the ALECs' customers.

4

5 With the port interconnection arrangement, traffic is  
6 only in one direction, thus there is no prorating of the  
7 charges for the port. As an example, an ALEC could  
8 purchase a DS1 to the Winter Park access tandem and a  
9 separate DS1 to the Maitland central office.

10

11 With the access tandem interconnection, the ALEC could  
12 complete traffic to any customer within the Orlando LATA  
13 including BellSouth's customers in their Orlando, Cocoa,  
14 and Melbourne exchanges. With the end office  
15 interconnection; e.g. the Maitland central office, calls  
16 could only be routed to the telephone numbers served by  
17 the Maitland central office switch. If the DS1 to  
18 Maitland was at full capacity, additional traffic to  
19 Maitland could be routed through the Winter Park access  
20 tandem.

21

22 Because the access tandem interconnection arrangement  
23 requires more switching and transport facilities, Sprint  
24 proposes a higher rate for connection at a tandem versus  
25 an end office. This is consistent with the Commission's

1 orders in the cellular docket, 940235-TL, Order No. PSC-  
2 95-1247-FOF-TL and in the Local Transport Restructure  
3 docket, Order No. PSC-95-0034-FOF-TP. In the Cellular  
4 docket the Commission determined that the rate for  
5 mobile-to-land traffic at the end office should be priced  
6 lower than at the tandem. Similarly, with Local  
7 Transport Restructure, IXCs' access charges are lower  
8 when they direct trunk to an end office.

9

10 Q. What advantages lie in using a port charge?

11

12 A. The port charge is administratively simple, it ensures  
13 that the interconnectors are compensated relative to the  
14 level of services provided and is a standard industry  
15 method for interconnection (Bellcore Standard No. TR-NWT-  
16 00499). It also provides an efficiency incentive in that  
17 the interconnectors can maximize the utilization of the  
18 facility by encouraging off peak usage.

19

20 Q. Do you perceive any disadvantages in this approach?

21

22 A. A potential disadvantage of the port charge methodology  
23 might be that the port must be purchased in a fixed size.  
24 Thus, an ALEC may not have sufficient traffic to justify  
25 purchasing a full port on day one of its operations.

1 Similarly, when a second port is necessary to avert  
2 blockage on the first port, full utilization of the  
3 second port may not take place until some time later, but  
4 the interconnector must pay the full rate on day one.  
5 However, to the extent the traffic is relatively equal  
6 between interconnectors, they are compensating each  
7 other, thus mitigating the financial impact of paying the  
8 full rate.

9  
10 Q. Mr. Engleman for Time Warner discusses at length the  
11 problems he perceives with Sprint's proposal to implement  
12 a port based local interconnection charge. Have you  
13 negotiated any other arrangements with Time Warner?

14  
15 A. As this testimony is being filed, the answer is no, nor  
16 has Time Warner proposed an alternative means of mutual  
17 compensation. While our discussions have been frequent  
18 and cordial, we have not explored, to date, other  
19 alternatives. As I discuss elsewhere in my testimony, it  
20 was not until several ALECs signed the Stipulation and  
21 Agreement approved by the Commission in Docket No.  
22 950985-TP, that we became aware of the possibility that  
23 an MOU based local interconnection charge would be  
24 acceptable to them.

25

1 Even their testimony in this proceeding does not  
2 acknowledge their respective agreement with BellSouth to  
3 a MOU based local interconnection agreement as an  
4 alternative they have obviously found to be viable.

5

6 Q. Mr. Engleman states that one of the problems associated  
7 with a port charge is that it is based on switched access  
8 rates which are "loaded with contribution." Is that  
9 correct?

10

11 A. The proposed local interconnection rates have less  
12 contribution than access charges to the extent that the  
13 RIC and CCL charges are not included in the proposed  
14 local interconnection charges. Some contribution to  
15 joint or shared and common (overhead) cost is appropriate  
16 and has been explicitly recognized as appropriate for  
17 services used by competitors to compete with LECs by the  
18 Florida Commission in Order No. PSC-95-0034-FOF-TP,  
19 (issued January 9, 1995) and the FCC in CC Docket No. 91-  
20 141 (Released July 25, 1994). In addition, there was  
21 contribution to shared cost in the rates included in the  
22 Stipulation and Agreement Time Warner signed.

23

24 Q. Beginning on Page 10, line 22 through line 18 on Page 12,  
25 of Mr. Engleman's testimony, he states that Time Warner's

1 cost of interconnection would be anticompetitive based on  
2 Sprint's proposed port charges. Do you agree with Mr.  
3 Engleman's analysis?  
4

5 A. No. Mr. Engleman's analysis is seriously flawed and his  
6 facts are misstated. First, just to clarify the record,  
7 Sprint provided a local busy hour usage of 9%, not 10% as  
8 indicated by Mr. Engleman. The 9% number was an average  
9 based on the local calling between Sprint's Winter Park  
10 exchange and BellSouth's Orlando exchange. There is no  
11 evidence to suggest that the customers Time Warner  
12 obtains from BellSouth and Sprint would have usage  
13 patterns any different than the current aggregate of the  
14 usage between the two companies. Secondly, Sprint's  
15 estimate of CCS (100 call seconds) per customer for  
16 terminating local usage was actually 1.32 CCS in the busy  
17 hour and not 2.0 as used by Mr. Engleman. Sprint's  
18 estimate was based on actual local usage data. This data  
19 was not used in developing projected traffic levels since  
20 we had actual DS1 capacity usage level data and thus did  
21 not need to resort to estimates, but rather it was  
22 provided to respond to CCS estimates originally provided  
23 by Time Warner that indicated that their projection of  
24 CCS busy hour usage per customer was 3.6. It appears  
25 that the original Time Warner estimate incorrectly

1 included both local and toll traffic and both originating  
2 and terminating traffic. Thus, in response to the 3.6  
3 CCS estimate Sprint provided to Time Warner the 1.32  
4 estimate. Again, Sprint did not use the above data but  
5 used 216,000 minutes of use per DS1 for rate development.  
6 Based on actual data usage between Sprint and BellSouth,  
7 216,000 is a conservative number, and thus tends to  
8 overstate price per customer.

9  
10 Q. Are there other problems with Mr. Engleman's analysis?

11  
12 A. Yes, several more. Mr. Engleman uses a rate of \$5,760  
13 per port as the basis for arriving at a cost to Time  
14 Warner of \$22.68 per customer for local interconnect.  
15 There are four flaws with his analysis. First, he omits  
16 the fact that Sprint will be mutually compensating Time  
17 Warner to terminate Sprint's customer traffic to Time  
18 Warner's customers. Thus, assuming that Sprint purchased  
19 an end office connection to Time Warner, Time Warner  
20 would receive \$3,825 for a net difference to Time Warner  
21 of \$1,935. Thus Time Warner's cost per customer would be  
22 \$7.61. Secondly, he fails to point out that Sprint  
23 offered a 22% reduction from the price proposal during  
24 the negotiations. Thirdly, he assumes that Time Warner  
25 will only connect at the tandem and not take advantage of

1 the lower priced end office port charge. This is  
2 inconsistent with the orders we have already received,  
3 Time Warner has already placed orders for collocation at  
4 end offices. And fourth, Mr. Engleman's analysis assumes  
5 that 100% of their customers' traffic will terminate to  
6 Sprint. Clearly, this will not be the case.

7

8 Q. Have you developed an estimated per customer cost to Time  
9 Warner for local interconnection?

10

11 A. Yes, and for expediency, I will use Mr. Engleman's 254  
12 customers per DS1 port. First reducing the tandem/end  
13 office port charge differential by 22% produces a figure  
14 of \$1510. Assume that Time Warner will use three end  
15 office ports for each tandem port, with overflow from end  
16 offices routed through the tandem. Thus, Time Warner  
17 would have 1,016 potential customers but only pay the  
18 differential once. Also, it is fair to assume that 10%  
19 of the traffic is terminated within Time Warner's own  
20 network, thus increasing the number of customers from  
21 1,016 to 1,117. The differential then becomes \$1.35  
22 ( $\$1,510 \div 1,117$ ) per customer. As Time Warner increases  
23 its customer base, larger trunk groups between Sprint and  
24 Time Warner will result in greater efficiencies, allowing  
25 more customers per trunk group, and a higher percentage



1 of the traffic will terminate totally within Time  
2 Warner's network. For example, the above analysis uses  
3 Time Warner's estimate of 254 customers per port;  
4 however, at a P.01 grade of service and assuming Time  
5 Warner's 2 ccs per customer in the busy hour, the actual  
6 number of customers over six DS1 ports would be 329 per  
7 port (3,951 busy hour CCS + 2 CCS + 6 DS1s) versus 254  
8 per port. Thus, even the above \$1.35 per customer cost  
9 is overstated with increased usage.

10

11 Q. Beginning on Page 2, Line 3, Mr. Engleman does make a  
12 cost per customer adjustment to his earlier testimony,  
13 but alleges that Time Warner's other costs must be  
14 considered against Sprint's "maximum of \$10.23 for basic  
15 local service." Is this correct?

16

17 A. No. Like Mr. Engleman's prior analysis, it is severely  
18 flawed. First, he does not recognize the \$3.50  
19 subscriber line charge that Sprint's residential  
20 customers pay in addition to the basic service charge.  
21 Secondly, Time Warner will not be competing just for  
22 basic service. Sprint's average revenue for residence  
23 and business customers in its Winter Park exchange is  
24 multiples of the basic service rates. Clearly, Mr.  
25 Engleman understands that his company does not intend to

1 limit his services to only basic service. If that were  
2 to be the case, then understandably he should be  
3 concerned about Time Warner's ability to compete.

4  
5 In this section of his testimony Mr. Engleman also  
6 discusses the internal costs that Time Warner will incur  
7 to compete as if they were unique to Time Warner; no one  
8 provides these services to Sprint for free.

9  
10 Q. On Page 15 of his testimony, Mr. Engleman indicates Time  
11 Warner will have an incentive to effectively mirror  
12 Sprint's network. Do you agree?

13  
14 A. No. One of the many advantages Time Warner has as a  
15 newcomer is the ability to pick and chose when and where  
16 it should construct facilities versus lease facilities  
17 from Sprint. Thus Time Warner can take full advantage of  
18 its network technology where it is economically  
19 advantageous to do so or, where not the case, lease  
20 services from Sprint, AAVs, IXCs, other ALECs, or other  
21 LECs.

22  
23 Q. On Pages 8 and 15 of his testimony, Mr. Engleman alleges  
24 inefficiencies in Sprint's network result in a local  
25 interconnection rate design which places constraints on

1 Time Warner. Please comment on his allegations.

2

3 A. First, the purported inefficiency in our network does not  
4 exist. In fact, Sprint's network was, and is continuing  
5 to be, designed to maximize efficient deployment of all  
6 technologies on an integrated basis. That is, proper  
7 planning of the network takes advantage of the cost  
8 characteristics of network technologies to capture the  
9 optimized blend of cost components (Central Office,  
10 Interoffice, and Outside Plant).

11

12 The fact that many switches exist in the Sprint network  
13 is a function of load and total network cost  
14 optimization. Tandem switching is used in the network to  
15 minimize total network cost and add efficiency in routing  
16 traffic. What Mr. Engleman fails to recognize is that  
17 Sprint will itself incur the cost of tandem switching in  
18 routing calls to the Time Warner switch(es). Thus, this  
19 is an internal cost to Sprint which is not recognized by  
20 Time Warner in its analysis. In a balanced traffic  
21 situation, the Sprint internal tandem switching costs and  
22 tandem switching charges to Time Warner are offsetting.

23

24 Additionally, Mr. Engleman's discussion on the alleged  
25 inefficiencies of Sprint's multiple switch network does

1 not consider the interoffice fiber rings and subsequent  
2 additional quality this adds to the network in terms of  
3 alternate routing in the event of cable cuts. Tandems  
4 are used in the network on both a local and toll basis to  
5 aggregate traffic into higher volumes to take advantage  
6 of the efficiencies gained with fiber optic technology.

7

8 Q. Mr. Engleman also states that to reach all Sprint  
9 customers Time Warner must interconnect with Sprint's  
10 tandem. Is that correct?

11

12 A. No, Time Warner can interconnect at each Sprint end  
13 office if it chooses to. Whether Time Warner connects at  
14 the tandem or end offices will be a decision driven in  
15 large part by economics. Sprint did not design or  
16 construct its network to either facilitate or hinder  
17 competitive local exchange service. If Time Warner  
18 determines it is more cost effective to use Sprint's  
19 network than construct facilities itself, the usage of  
20 those facilities must be subject to reasonable  
21 compensation or Sprint will wind up subsidizing Time  
22 Warner's competitive services.

23

24 Q. Please address how a minutes of use charge would work.

25

1     A.   With a minute of use (MOU) charge, similar to access  
2           charge billing, measurement and billing based on actual  
3           usage is required. In this scenario, since actual usage  
4           will be measured, two way trunks, versus one way, can be  
5           utilized. The recording of the usage requires special  
6           software which Sprint has not deployed in its switches;  
7           however, Sprint does plan to install the software in its  
8           access tandem switches in the first and second quarter of  
9           1996. However, because of the high cost of the software,  
10          the Company does not plan to deploy the software in any  
11          switches other than the access tandem at this time.

12

13     Q.   What advantages does this method hold?

14

15     A.   The advantage of the MOU charge is that there is no  
16          minimum purchase of capacity required and that billing  
17          tracks actual usage.

18

19     Q.   What disadvantages do you perceive?

20

21     A.   Disadvantages are the cost of recording and billing for  
22          the usage.

23

24     Q.   Mr. Schleiden for Continental and Mr. Wood for Time  
25          Warner list a number of reasons why they recommend a bill

1 and keep arrangement. Are those reasons exclusively  
2 associated with bill and keep?

3

4 A. No, they are not. In fact the two alternatives that  
5 Sprint proposes also meet most of their requirements.  
6 Both the port charge and MOU charge are reciprocal and  
7 treat the respective parties as co-carriers.

8

9 Neither of Sprint's proposals creates a barrier to entry  
10 or results in compensation levels that will impede the  
11 development of competition in the context of the new  
12 legislation. The legislature clearly did not intend that  
13 Sprint or its customers subsidize the entry of  
14 competition.

15

16 Q. Mr. Schleiden notes that bill and keep will encourage  
17 traffic flow balance. Do you agree?

18

19 A. No, in fact I believe it disincentivizes that goal since there  
20 is no economic penalty associated with an imbalance. On  
21 the other hand, the port charge and MOU alternatives  
22 proposed by Sprint will encourage balanced traffic if for  
23 no other reason than to balance compensation between  
24 companies.

25

1 Q. Mr. Schleiden and Mr. Wood also describe bill and keep as  
2 the "least-cost method of compensation," which will in  
3 turn lead to lower customer rates. Do you agree?

4

5 A. It is "least-cost" only in terms of the administrative  
6 costs of compensating each other because by definition  
7 there is no compensation arrangement. To achieve that  
8 end, however, each party must forego any means of  
9 recovering their respective interconnection costs which,  
10 as I stated earlier, is inconsistent with Section  
11 364.162(4). Also, while I am not an attorney, it seems  
12 to me that it would be discriminatory to not charge ALECs  
13 while AAVs and wireless companies are paying for similar  
14 interconnection arrangements.

15

16 Q. Is a bill and keep arrangement necessary for Continental  
17 and Time Warner to viably compete in Florida?

18

19 A. I do not believe so, nor do I think that Continental or  
20 Time Warner believe it. Both of those companies signed  
21 a Stipulation and Agreement with BellSouth which is not  
22 based on bill and keep. In fact the agreement they  
23 signed, and which this Commission approved, provides for  
24 mutual compensation based on a network access charge  
25 basis, very similar to what I have proposed in this

1 testimony.

2

3 Q. Doesn't the Stipulation and Agreement the Commission  
4 approved provide for not actually passing money between  
5 the parties for local interconnection?

6

7 A. Yes, it does, but that is not equivalent to bill and  
8 keep. Money will be passed between parties unless the  
9 administrative costs of doing so preclude it.

10

11 Q. Have you reviewed the Stipulation and Agreement approved  
12 by the Commission for BellSouth, Continental and Time  
13 Warner?

14

15 A. Yes, I have. In fact, that document was relied on  
16 substantially to develop Sprint's alternative MOU local  
17 interconnection arrangement.

18

19 Q. Is the MOU alternative a relatively new position, then,  
20 for Sprint?

21

22 A. Yes. As Mr. Engleman notes for Time Warner, Sprint's  
23 proposal heretofore has been based on port charge. We  
24 believed that such an arrangement is competitively  
25 preferable to a MOU based interconnection charge. Based



1 on their signing of the Stipulation and Agreement, Time  
2 Warner and Continental seem to prefer an MOU based  
3 charge.

4

5 Given the timings of the filing of this testimony, we  
6 have not conducted any negotiations with Continental or  
7 Time Warner for an MOU charge for local interconnection,  
8 but will certainly raise this as an alternative as  
9 negotiations continue.

10

11 Q. Under either a port charge or MOU charge, would the  
12 compensation arrangement cover local traffic only?

13

14 A. Yes. However, the local interconnection arrangements may  
15 be used for both local and toll traffic. When used for  
16 toll traffic, appropriate access charge compensation  
17 should be paid for the origination or termination of toll  
18 traffic. Florida Statute 364.16(3)(a) mandates the  
19 payment of "the appropriate charges for such terminating  
20 access service."

21

22 Q. What charge would be appropriate if the nature of the  
23 call (toll or local) cannot be determined?

24

25 A. If Sprint cannot determine whether the traffic it

1 delivers to an ALEC is local or toll because of the  
2 manner in which the ALEC uses NXX codes, Sprint will  
3 charge the ALEC originating intrastate network access  
4 service charges, unless the ALEC can provide Sprint with  
5 sufficient information to make a determination as to  
6 whether the traffic is local or toll. To the extent that  
7 the ALEC cannot determine whether traffic delivered to  
8 Sprint is local or toll, the same provision will apply.

9  
10 To the extent Sprint has any influence over assignment of  
11 numbering resources, Sprint will support and  
12 cooperatively work with ALECs to meet their numbering  
13 resource requirements. However, Sprint does not directly  
14 control numbering resources in any of the Florida NPAs.

15

16 **Q.** How should Sprint and ALECs compensate each other for  
17 jointly provided intraLATA toll?

18

19 **A.** Today LECs compensate each other for jointly provided  
20 intraLATA toll using each company's intrastate switched  
21 access charges. This methodology, which is referred to  
22 as the Modified Access Based Compensation (MABC) plan,  
23 was ordered by the Commission, and should also be used  
24 for intraLATA toll compensation between Sprint and ALECs.

25

1 Q. Should Sprint tariff the interconnection rate(s) or other  
2 arrangements?

3

4 A. Yes, once the per port or per minute of use arrangement  
5 has been established as the appropriate local  
6 interconnection arrangement, rates, terms and conditions  
7 should be tariffed and made available on a  
8 nondiscriminatory basis to all ALECs.

9

10 Q. How should intermediary tandem switching and transport  
11 services be provided and compensated?

12

13 A. As with local interconnection, it should be on a mutual  
14 and reciprocal basis. Again, the rates should cover  
15 their costs to comport with the statute.

16

17 Intermediary switching and transport occurs where, for  
18 example, Sprint serves as the middleman for connecting  
19 one ALEC's traffic to another ALEC, AAV or another LEC.  
20 In this situation the intermediary or middleman should be  
21 compensated for the tandem switching function and the  
22 transport function.

23

24 In addition, since the intermediate LEC pays the  
25 terminating ALEC terminating local interconnection

1 charges, the originating ALEC should also pay the LEC the  
2 terminating local interconnection charges as a pass-  
3 through. If the call termination functions are provided  
4 by more than one interconnector, the terminating charges  
5 should be prorated and paid to each interconnector on a  
6 meet point basis.

7

8 Q. How will Sprint provide Directory Assistance services for  
9 ALECs?

10

11 A. Sprint will include ALECs' customer information in its  
12 directory assistance (DA) data base and provide DA  
13 operator services on the same terms and conditions as  
14 those services are provided to other LECs and IXC's.  
15 Sprint will work cooperatively with the ALECs on issues  
16 concerning timeliness, format, and listing information  
17 content.

18

19 Q. How will access to 911 services be administered and  
20 implemented?

21

22 A. For basic 911 service, Sprint will share emergency number  
23 data with the ALECs for those municipalities that  
24 subscribe to basic 911 services.

25

1 For enhanced 911 (E911) service Sprint will offer a daily  
2 update to Sprint's E911 data bases of ALECs' emergency  
3 information when provided to Sprint. Sprint will work  
4 with the ALECs to define record layouts, media  
5 requirements and procedures for the process.

6

7 The ALECs will be provided access to Sprint's E911 tandem  
8 switches, for routing their customer's E911 calls to the  
9 various emergency agencies.

10

11 To the extent that administering and providing E911  
12 access facilities; e.g., tandem ports, to ALECs increases  
13 Sprint's costs, such costs should be recovered from the  
14 ALECs. However, those costs should only be recovered  
15 from ALECs to the same extent that they are recovered  
16 from other LECs for the same service.

17

18 Q. Both Mr. Schleiden and Ms. McGrath assert that directory-  
19 related services involving the white and yellow pages  
20 should be provided at no cost. Is this appropriate?

21

22 A. No. While it is in Sprint's best interest to offer the  
23 best directory products possible, it is equally important  
24 and valuable to ALECs. Thus, the cost should be shared  
25 on a prorata basis for the basic directory printing and

1 distribution services. In addition, Sprint pays its  
2 affiliated directory company for any informational pages  
3 Sprint requires over a base number of pages. If ALECs  
4 wish to provide customer information pages, e.g., dialing  
5 instructions, to Sprint for inclusion in the  
6 directory, the ALECs should pay whatever it would cost  
7 Sprint to have such pages included. Sprint should not be  
8 required to incur additional costs on behalf of ALECs and  
9 be expected to absorb those costs.

10

11 Q. Ms. McGrath states that Sprint will recover any costs it  
12 expends on Time Warner's behalf by selling yellow pages  
13 advertising to Time Warner customers. Do you agree?

14

15 A. I agree that some Time Warner customers will likely  
16 purchase yellow pages advertising but not that this  
17 opportunity justifies providing services at no cost.  
18 Yellow pages advertising is not provided by Sprint but  
19 rather by its affiliated directory company, and the  
20 revenues associated with that advertising belong to the  
21 directory company. Moreover, United's basic service  
22 rates to its customers include a white pages listing and  
23 for businesses a yellow pages listing. Time Warner can  
24 either cut its price or pocket the cost of providing a  
25 directory listing from its customers by having Sprint do

1           it for free. As I said earlier, to enhance the directory  
2           this may be worthwhile, but not because Sprint's  
3           directory publisher can sell yellow pages advertising to  
4           Time Warner's customers. That is not a quid pro quo;  
5           directory publishers sell advertising to businesses  
6           without regard to who their telephone companies are.

7  
8       **Q.**    With the elimination of rate of return regulation, do you  
9           foresee changes in the relationship between Sprint and  
10          its affiliated directory company?

11  
12       **A.**    Yes. While I am unable to specify any changes now, I  
13          believe that we will be assuming a more arms-length  
14          relationship. These changes will result in less  
15          compensation to Sprint and a repricing of the charges we  
16          assess each other. At such time, we will reassess what  
17          is appropriate to provide for ALECs at no charge and what  
18          should bear a cost. In any event, I do not believe that  
19          the ALEC should pay more for a directory service than  
20          Sprint does itself, assuming the services provided have  
21          approximately the same costs.

22  
23       **Q.**    What are the appropriate technical requirements for the  
24          exchange of intraLATA 800 traffic which originates from  
25          an ALEC and terminates to an 800 number served by Sprint?

- 1     **A.**    The ALEC, after completing an 800 query function would  
2            route the call to Sprint via the interconnection  
3            facilities.  The ALEC would record the call and forward  
4            the record to Sprint for billing.  Sprint would  
5            compensate the ALEC for the recording function and the  
6            access charges.  A reciprocal arrangement should also be  
7            applicable for a Sprint originated call terminating to  
8            the ALEC.
- 9
- 10    **Q.**    How will Sprint coordinate and compensate for 800 traffic  
11            services?
- 12
- 13    **A.**    Sprint will compensate ALECs for the origination of 800  
14            traffic terminated to Sprint pursuant to tariffed  
15            originating switched access charges, including the data-  
16            base query.  The ALECs will need to provide to Sprint the  
17            appropriate records necessary for Sprint to bill its  
18            customers and compensate the ALECs.  The records should  
19            be provided in the standard industry format.  Sprint  
20            will compensate the ALECs based on its tariffed rates for  
21            this function.  At such time as an ALEC elects to provide  
22            800 services, the ALEC will reciprocate this arrangement.
- 23
- 24    **Q.**    How will busy line verification/emergency interrupt  
25            services be provided and compensated?



1     **A.**    Sprint and the ALECs shall mutually provide each other  
2            busy line verification and emergency interrupt services  
3            pursuant to tariff.

4

5     **Q.**    Will Sprint cooperate with ALECs on network management  
6            and design issues?

7

8     **A.**    Yes, it is in the best interest of all service providers  
9            to ensure that we jointly provide high quality services  
10           to our customers.    Sprint and the ALECs will work  
11           cooperatively to install and maintain reliable  
12           interconnected telecommunications networks.    A  
13           cooperative effort will include, but not be limited to,  
14           the exchange of appropriate information concerning  
15           network changes that impact services to the local service  
16           provider, maintenance contact numbers and escalation  
17           procedures.    The interconnection of all networks will be  
18           based upon accepted industry/national guidelines for  
19           transmission standards and traffic blocking criteria.  
20           Sprint and the ALECs will work cooperatively to apply  
21           sound network management principles by invoking  
22           appropriate network management controls, i.e., call  
23           gapping, to alleviate or prevent network congestion.    It  
24           is Sprint's intention not to charge rearrangement,  
25           reconfiguration, disconnect, or other non-recurring fees

1 associated with the initial reconfiguration of each  
2 carrier's interconnection arrangements. However, each  
3 ALEC's interconnection reconfigurations will have to be  
4 considered individually as to the application of a  
5 charge.

6

7 Q. Will Sprint provide CLASS services data to ALECs?

8

9 A. Yes, Sprint will provide Common Channel Signalling (CCS)  
10 on a reciprocal basis, where available, in conjunction  
11 with all traffic in order to enable full interoperability  
12 of CLASS features and functions. All CCS signalling  
13 parameters will be provided including automatic number  
14 identification (ANI), originating line information (OLI)  
15 calling party category, charge number, etc. All privacy  
16 indicators will be honored, and Sprint will cooperate on  
17 the exchange of Transactional Capabilities Application  
18 Part (TCAP) messages to facilitate full inter-operability  
19 of CCS-based features between their respective networks.

20

21 Q. Will Sprint share network expansion information?

22

23 A. For network expansion, Sprint is willing to review  
24 engineering requirements on a quarterly basis and  
25 establish forecasts for trunk utilization. New trunk

1 groups will be implemented as dictated by engineering  
2 requirements for both Sprint and the ALEC.

3

4 Q. Will Sprint offer unbundled signaling services and local  
5 loops?

6

7 A. Yes, in addition to CLASS interoperability, as discussed  
8 above, Sprint will offer use of its signaling network on  
9 an unbundled basis at tariffed rates. Signaling  
10 functionality will be available with both A-link and B-  
11 link connectivity.

12

13 In addition, Sprint will offer local loops; the price of  
14 an unbundled local loop will be the price set forth in  
15 Sprint's Special Access Tariffs.

16

17 Q. Beginning on Page 17 of his testimony, Mr. Wood states  
18 that Sprint should be required to impute the rates it  
19 charges to Time Warner for local interconnection into its  
20 retail structure for local exchange service, do you  
21 agree?

22

23 A. No. First, imputation is not relevant to Sprint's prices  
24 since the company cannot increase its local service rates  
25 by Statute for three to five years. Secondly, if any

1 imputation were relevant, the amount should be based only  
2 on the net costs to Time Warner. Third, since Sprint is  
3 the carrier of last resort, with both implicit and  
4 explicit subsidies flowing to keep basic service rates  
5 low, any imputation should be applicable to the total  
6 bill and not just the local service rate. Fourth, Sprint  
7 would need to deaverage its local service cost to arrive  
8 at an appropriate base for even beginning such an  
9 analysis.

10

11 Q. On Page 19 of his testimony Mr. Wood states that Sprint's  
12 proposed rates charged for collocation have the ability  
13 to create an effective barrier to entry for Time Warner.  
14 Do you agree?

15

16 A. I cannot specifically address Time Warner's specific  
17 situation, but I can tell you that Sprint's tariffed  
18 collocation rates are lower than the rates of many LECs.  
19 Additionally, even before the advent of local dial tone  
20 competition, Sprint has already collocated or received  
21 orders for collocation at a substantial number of  
22 locations, thus establishing the affordability of these  
23 rates to other carriers.

24

25 Most of these collocations were for AAV activities.

1 Collocation becomes even more lucrative when the ability  
2 to compete for local dial tone services added to the  
3 equation. In addition, Sprint has offered to pay the  
4 same rates to Time Warner for collocation; however, it is  
5 doubtful that Sprint will have much use of collocation  
6 except for local dial tone interconnection. Thus, for  
7 the same price Sprint must pay to Time Warner, Time  
8 Warner will get a greater benefit by being able to use  
9 these facilities for AAV and local dial tone operations.

10

11 Q. On Page 10 of her testimony, Ms. McGrath states that  
12 Sprint receives an undeserved windfall when terminating  
13 toll calls are terminated to Time Warner via a ported or  
14 remote call forwarded number. Do you agree?

15

16 A. No. When a toll call is terminated via a ported number,  
17 both companies incur costs to complete the call. Sprint  
18 would incur cost for switching, and transport to get the  
19 call to Time Warner and the cost of the terminating local  
20 charges for delivering the call over the local  
21 interconnection arrangement to Time Warner. Time Warner  
22 would incur its network cost. Sprint is willing to  
23 compensate Time Warner at Sprint's inter or intrastate  
24 access charge rates, whichever is appropriate to the  
25 jurisdiction of the call, on a meet point basis.

1           Thus Sprint would retain the tandem switching, the RIC,  
2           and transport (up to the meet point) revenues and remit  
3           the local switching, CCL, and the balance of the local  
4           transport revenues to ALECs. Thus, not only would there  
5           not be a windfall to Sprint, but Sprint would not be  
6           compensated for the local switching and intracompany  
7           interoffice transport associated with ported toll  
8           traffic.

9  
10           On Page 11 of Ms. McGrath's testimony she states that two  
11           collocated ALECs should be allowed to directly connect  
12           with each other without going through Sprint's tandem.  
13           Sprint will allow connections between ALECs through its  
14           tariffed collocation facilities; they need not be routed  
15           through the tandem. However, Sprint will not permit  
16           ALECs to directly connect with each other across Sprint's  
17           floor space without going through Sprint's collocation  
18           facilities.

19

20       Q.    Does that conclude your prepared direct testimony?

21

22       A.    Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

F. BEN POAG

1  
2  
3  
4  
5 Q. Please state your name, business address and title.

6  
7 A. My name is F. Ben Poag. I am employed as Director-Tariff  
8 and Regulatory Management for United Telephone Company of  
9 Florida ("United"). My business address is Post Office Box  
10 165000, Altamonte Springs, Florida 32716-5000. I am  
11 responsible for state regulatory matters for United and its  
12 affiliate, Central Telephone Company of Florida.

13  
14 Q. Have you previously filed testimony in this proceeding?

15  
16 A. Yes, I filed prepared direct testimony in this proceeding.

17  
18 Q. What is the purpose of your rebuttal testimony?

19  
20 A. My rebuttal testimony addresses the direct testimon<sup>Y</sup>ies of  
21 ~~Mr. Cresse, testifying on behalf of the PCTA, and Mr.~~  
22 Guedel testifying for AT&T.

23  
24 ~~Q. On Page 3 of his testimony, beginning on Line 3, Mr. Cresse~~  
25 ~~states that "Flat rate pricing of local service and usage~~

1 sensitive pricing for interconnection services are not  
2 compatible." Do you agree?  
3

4 **A.** No, for several reasons. First, many local service  
5 providers have already signed a stipulation which provides  
6 usage sensitive pricing of interconnection. Secondly,  
7 local service is not totally usage insensitive. That is,  
8 when subscribers have higher usage, they buy additional  
9 lines and/or call waiting service. Thus, the monies they  
10 expend for local service, even when the basic units of  
11 service are priced on a flat rate basis, are usage  
12 sensitive. Third, ALECs wish to be considered to be co-  
13 carriers rather than customers. Usage sensitive rates are  
14 typical among services provided by LECs to other carriers.  
15

16 **Q.** Mr. Cresse proposed bill and keep or payment in kind for  
17 local interconnection. Do you agree?  
18

19 **A.** No, for the same reasons as provided in my direct  
20 testimony, bill and keep or payment in kind is not  
21 appropriate.  
22

23 **Q.** What about Mr. Cresse's position that "Any charge for  
24 terminating calls provides an incentive to serve customers  
25 who receive more calls (airline reservations), than those



1 who generally place more calls that (sic) they receive  
2 (residential)"?

3  
4 A. Airline reservations centers, as well as other large  
5 businesses, will clearly be prime targets of all the local  
6 service providers. And clearly, some local service  
7 providers, especially the AAVs, will primarily target large  
8 business customers, but it will be based on the total  
9 package of services and revenues, not a segment of their  
10 business. On the other hand, CATV companies will serve the  
11 residence market as a complement to the CATV services.  
12 Their decision to serve these customers will not be driven  
13 by the net difference in terminating versus originating  
14 usage, but the total revenues available from local, access,  
15 toll and ancillary services.

16  
17 In order to make a determination about which customers to  
18 serve based on usage, an ALEC would not only need to know  
19 the total volume of originating and terminating local usage  
20 as to where the calls terminate, their own network or the  
21 networks of the LECs, which LECs and the rates charged by  
22 the LECs as well as whether the usage was direct trunked or  
23 tandem switched. Thus, even if Mr. Cresse's theoretical  
24 hypothesis were correct, which it is not, it would be  
25 virtually impossible to accurately target customers based

1 ~~only on their local usage characteristics.~~

2

3 Q. What is your response to Mr. Creese's assertion that LECs  
4 are using usage sensitive interconnection rates as the  
5 "first step in a long journey to local measured rates."?

6

7 A. It's good that Mr. Creese hasn't lost his sense of humor.  
8 Given his opposition to usage sensitive rates, he will  
9 undoubtedly persuade all his clients to select  
10 ~~Sprint/United Center's per port alternative.~~

11

12 Q. On Page 16 of his testimony, Mr. Guedel states that LECs  
13 have an overwhelming advantage because LECs have  
14 essentially all of the existing customers in the local  
15 exchange telephone market, do you agree?

16

17 A. The incumbent, whether an IXC or a LEC, may have certain  
18 advantages, but may also have disadvantages. For example,  
19 LECs's local telephone services, access charges, and toll  
20 services have been priced more from a social perspective  
21 than an economic perspective. Thus, because of the  
22 historical manner in which prices have been set, the LECs  
23 have substantial risks and, in low cost high density  
24 markets, are very vulnerable to competitors. In fact, it  
25 is the competitors' ability to pick and choose their

1 markets, customers and prices that provide a competitive  
2 opportunity.

3

4 **Q.** Mr. Guedel proposes that both interLATA access charges and  
5 local interconnection charges be priced at TSLRIC cost. Do  
6 you agree?

7

8 **A.** No, for several reasons. First, if LECs were to reduce  
9 their prices to TSLRIC for access services, they would not  
10 be financially viable and would not be able to raise  
11 capital. Secondly, because LECs' prices would be very low,  
12 and thus the LECs potentially unprofitable, it is doubtful  
13 that new entrants would make the necessary investments to  
14 enter the business.

15

16 This is not to say that Sprint/United-Centel do not believe  
17 access charges should be reduced. The companies agree that  
18 reductions over time are appropriate and will occur.  
19 However, the market should be the final judge as to the  
20 prices, not some theoretical model which will never serve  
21 as a substitute for real world market conditions.

22

23 Additionally, with current technologies, incremental cost  
24 by the economists' definition excludes shared costs. In  
25 most cases, these shared costs are a significant portion of

1 total costs. The revenues from the services with volume  
2 sensitive shared cost should, at a minimum, cover both  
3 these shared and incremental costs and hopefully provide  
4 some additional revenue to cover a portion of the overhead  
5 costs.

6

7 Q. Does that conclude your rebuttal testimony?

8

9 A. Yes.

10

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   DIRECT TESTIMONY

3   OF

4   F. BEN POAG

5  
6       Q.    Please state your name, business address and title.

7  
8       A.    My name is F. Ben Poag. I am employed as Director-Tariff  
9            and Regulatory Management for United Telephone Company of  
10           Florida ("United"). My business mailing address is Post  
11           Office Box 165000, Altamonte Springs, Florida 32716-  
12           5000. I am responsible for state regulatory matters for  
13           United and its affiliate, Central Telephone Company of  
14           Florida.

15  
16      Q.    What is the purpose of your testimony?

17  
18      A.    The purpose of my testimony is to address Sprint-  
19            United/Centel's positions on the issues in this docket.

20  
21      Q.    What options are available for local interconnection  
22            arrangements?

23  
24      A.    There are three basic arrangements of which I am aware:  
25            a per minute of use charge, a per port charge and a bill

1 and keep or payment in kind arrangement. All three of  
2 the arrangements provide for a mutual exchange of  
3 traffic.

4

5 Q. In your opinion do all three arrangements meet the  
6 requirements of the language of Section 364.162, Florida  
7 Statutes?

8

9 A. No. The caption for Section 364.162 is "Negotiated  
10 prices for interconnection and resale of services and  
11 facilities; commission rate setting." (emphasis added)

12

13 In addition to the use of the terms "prices" and "rate  
14 setting," the terms rate, rates, price, prices and charge  
15 are used twelve (12) more times in subsections (1)  
16 through (4).

17

18 Also, in subsection (3) the statute specifically states  
19 in both sentences in the subsection "the rates shall not  
20 be below cost." In addition to all of these other  
21 references to the words, rate(s) and price(s), subsection  
22 (4) separately and explicitly addresses "setting the  
23 local interconnection charge... to cover the cost of  
24 furnishing interconnection." Subsection (4) is short,  
25 it's simple, and contains only one sentence. It

1 addresses only two items, "setting the local  
2 interconnection charge" and "determine that the charge is  
3 sufficient to cover the cost of furnishing  
4 interconnection" (emphasis added).

5  
6 I am not a lawyer, but it seems to me that the statute  
7 requires a charge for local interconnection. Given the  
8 above, only the per minute of use and port charge  
9 arrangements of the three arrangements I identified can  
10 meet the requirements of 364.162, Florida Statutes.

11 .  
12 Q. If the traffic was in balance, could bill and keep meet  
13 the statutory requirement?

14  
15 A. No, for two reasons. First, the statute explicitly  
16 requires that, failing negotiation, the commission shall  
17 determine that the "charge" is sufficient to cover cost.  
18 Second, if you overlook the first requirement, the  
19 Commission would have to make another assumption (in  
20 addition to the assumption traffic is in balance) that  
21 the cost to terminate a call is the same on both or all  
22 local networks and all traffic is terminated with the  
23 same type facilities or facilities of equal cost. The  
24 validity of this assumption is highly unlikely given the  
25 magnitude of the network and associated investments that

1 Sprint-United/Centel will use to terminate calls  
2 delivered to its access tandem versus to an end office.

3  
4 For example, an ALEC delivering a call to Sprint United's  
5 Winter Park access tandem could complete a call to six  
6 central offices in the Winter Park Exchange and to the  
7 following exchanges on a "local" basis: Apopka,  
8 Montverde, Winter Garden, Windermere, Reedy Creek and Mt.  
9 Dora. This local calling area covers approximately 500  
10 square miles with distances up to 24 miles from the  
11 Winter Park central office. Thus, unless the ALEC  
12 connects directly to an end office, the ALEC will be  
13 using substantially more switching and interoffice  
14 trunking facilities to terminate its traffic to Sprint  
15 than Sprint will use in terminating its traffic to the  
16 ALEC (which, in the typical case, will be at the ALEC's  
17 end office). Thus, even when assuming traffic is in  
18 balance, bill and keep or in kind compensation does not  
19 meet the statutory requirement that the interconnect  
20 charge be sufficient to cover cost. In other words, in  
21 kind traffic exchange does not ensure that the charge is  
22 sufficient to cover the cost where the terminating  
23 network costs are different.

24

25 Q. In your opinion, will traffic be in balance?



1     A.    No.  In some cases I believe it will be close, but there  
2           will also be situations where it is out of balance.  A  
3           five week study of traffic between four other ILECs and  
4           Sprint/United shows the traffic to be out of balance by  
5           an average of 12.6%.  The range of the out of balance  
6           traffic was between 1.5% for ALLTEL and 80.1% for Vista-  
7           United.  Given that Vista-United serves predominantly  
8           business customers, this suggests that in the competitive  
9           marketplace, ALECs serving niche markets or predominantly  
10          business customers, may have traffic patterns that are  
11          not in balance.  The testimony of Mr. Devine regarding  
12          the imbalance of traffic between MFS and NYNEX supports  
13          the premise that traffic will not be in balance.

14

15          Another example is cellular traffic, where the ratio of  
16          mobile to land is approximately five times the land to  
17          mobile traffic.  If the traffic is not in balance and the  
18          LEC is terminating more traffic from ALECs than it is  
19          terminating to them, then in kind compensation clearly  
20          does not meet the statutory requirement that  
21          interconnection charges cover costs.

22

23          Given the above, without some empirical evidence in the  
24          record to the contrary, the Commission cannot rely on an  
25          unsupported "in balance" traffic premise to justify in

1 kind compensation rather than a per port or minute of use  
2 compensation plan.

3

4 Q. What cost standard should the Commission use in setting  
5 the rates for local interconnection?

6

7 A. Sprint-United/Centel's intrastate interexchange access  
8 rates were set based on a revenue requirement cost  
9 recovery methodology. Sprint-United/Centel proposes that  
10 those same rates and rate elements, excluding the Carrier  
11 Common Line (CCL) and Residual Interconnection Charge  
12 (RIC) would serve as the basis for local interconnection  
13 rate setting. This rate could be expressed either on a  
14 minute of use or per port basis. If the ALECs select the  
15 minute of use arrangement, the charges would be  
16 applicable in the same manner as interexchange access  
17 charges are billed. For the port charge arrangement,  
18 actual usage would not be measured, but the port charge  
19 itself would be set based on the same per minute rate.  
20 The port charge would be based on the number of minutes  
21 that could be terminated over the port in a month  
22 (estimated at 216,000 minutes), assuming a P.01 grade of  
23 service.

24

25 Q. Are there other reasons the Commission should establish

1 local interconnection rates based on interexchange access  
2 charge rates?

3

4 A. Yes. First, local interconnection facilities will carry  
5 both local and toll traffic. However, on terminating  
6 traffic, it is not possible to distinguish between toll  
7 and local for billing purposes. Thus, maintaining a  
8 relationship between the toll and local rates will help  
9 to mitigate arbitrage between terminating local and toll  
10 traffic. Second, from an administrative perspective  
11 there is already a great deal of familiarity with the  
12 access charge rate elements and the underlying basis for  
13 the rate elements. Third, the rate elements are related  
14 to the underlying cost elements. And fourth, such an  
15 arrangement has been accepted by the industry and the  
16 Commission in the Stipulation and Agreement between  
17 BellSouth and a number of ALECs.

18

19 Q. Why not use total service long run incremental cost  
20 (TSLRIC) for rate setting?

21

22 A. First, it is generally accepted that incremental costing  
23 methods are not used for price setting but are rather a  
24 price floor which is used to test for cross-  
25 subsidization. Second, firms have other costs in

1 addition to the incremental cost of products and services  
2 which must be recovered if the firm is to maintain  
3 profitability. These other costs can generally be  
4 categorized as shared or joint costs and overhead costs.  
5 An example of shared cost would be a software program  
6 which provides two features, for example, call waiting  
7 and three-way calling. By the definition of an  
8 incremental cost study, the shared software cost would  
9 not be included in the incremental cost of either of the  
10 individual features. However, unless you had that  
11 software in place you could not provide the service and  
12 unless you could recover the software cost with revenues  
13 from one or both features, it would not be a financially  
14 prudent decision to offer the services.

15  
16 In addition to shared costs, there are also overhead  
17 costs. From a facilities perspective, the ~~997 network~~<sup>air conditioning</sup>  
18 would be a good example of an overhead cost. ~~It is a~~  
19 ~~network manager that makes all the other pieces work more~~  
20 ~~efficiently.~~ These, and many more real costs, do not get  
21 included in the economic definition of an incremental  
22 cost study. However, they are necessary to efficiently  
23 and effectively provide the capability being considered,  
24 and they do need to be recovered for the firm to be  
25 profitable.

1 Q. Is there another reason why prices should be set above  
2 incremental cost?

3

4 A. Yes. Another reason why the interconnect prices should  
5 be set above incremental cost is related to the above  
6 shared and overhead costs that are not included in an  
7 incremental analysis.

8

9 Assume two competing interconnectors, an ILEC and an  
10 ALEC, are exchanging traffic on an equal basis. They are  
11 each sending the same number of calls to the other to be  
12 terminated and they charge each other the same rate, the  
13 rate is set at incremental cost, and their costs are the  
14 same for incremental, shared and overhead costs. In this  
15 case it really does not matter what the price is because  
16 it will cancel out.

17

18 However, in the real world we know this will never really  
19 occur. What will occur though is that costs will be  
20 different; e.g., tandem versus end office termination,  
21 and traffic volumes will not be the same. When this  
22 occurs and prices are set at the higher incremental cost  
23 of the two interconnectors, the competitor having the  
24 higher cost will have no recovery of its shared and  
25 overhead costs while the competing interconnector will

1 recover more than its incremental cost and thus receive  
2 a contribution toward its shared and common costs. For  
3 the higher cost company, its shared and common costs, if  
4 recovered, will have to be recovered, in part, through  
5 charges to its end users. The problem is compounded when  
6 the higher-cost company is also terminating more traffic  
7 from the ALEC than it terminates to the ALEC. The net  
8 effect is that the higher cost interconnector is  
9 disadvantaged in that there is a higher proportion of  
10 shared and overhead costs that must be recovered from its  
11 customers. Obviously, this creates a competitive  
12 disadvantage for the ILEC competitor. Since the ILEC  
13 already has the universal service and carrier of last  
14 resort requirements, this additional burden should not be  
15 passed to the ILEC.

16  
17 Q. Would Sprint-United/Centel then have the incentive to be  
18 inefficient to pass higher costs to its competitors?

19  
20 A. No. In the first place, these higher costs are not the  
21 result of inefficiencies, but rather the fact that the  
22 ILEC is providing more service, in terms of geographic  
23 area, and associated facilities than the ALEC, and must  
24 serve all customers regardless of the costs they impose  
25 on the ILEC. In addition, there is no benefit to Sprint-

1 United/Centel from a price increase because with mutual  
2 compensation there is a corresponding increase in the  
3 rates charged to Sprint-United/Centel for terminating its  
4 traffic to the ALEC.

5  
6 Such a claim also overlooks the fact that Sprint-  
7 United/Centel has proposed that its access charge rates,  
8 less the RIC and CCL, be the basis of local  
9 interconnection. By statute, the companies are required  
10 annually to reduce access charge rates by 5% annually  
11 until the rates are at the December 31, 1994, interstate  
12 rate level.

13  
14 Q. Would it be logical to attempt to recover all shared and  
15 overhead costs only from end users?

16  
17 A. No, for several reasons. First, many large end users  
18 will demand that prices be set as low as possible. They  
19 are sophisticated customers and are very knowledgeable of  
20 tariffs and pricing alternatives. They will demand  
21 pricing on the same basis as interconnectors. Secondly,  
22 if the ILEC has a separate rate for end users, which  
23 includes recovery of shared and overhead costs, the ALEC  
24 purchasing interconnection at only incremental cost would  
25 have a tremendous advantage over the ILEC. The ALEC

1           could undercut the ILEC's price, especially to the large  
2           users, and still pocket extra profits.

3

4       Q.   Does having some of its shared and overhead costs  
5           included in interconnection charges shield these costs  
6           from market pressure?

7

8       A.   Absolutely not.   ILECs have significant pressures to  
9           reduce costs and increase productivity to compete  
10          effectively in the marketplace.   The idea that these  
11          cost-cutting activities will be divided between  
12          competitive and non-competitive services is totally  
13          illogical.

14

15      Q.   Do historical pricing policies impact this issue as well?

16

17      A.   Yes.   Based on all the evidence I have seen, and  
18          logically, the new entrants will be entering markets  
19          where there is a significant revenue/cost margin for the  
20          packages of services for which new entrants will be  
21          competing with the LECs.   These revenue/cost margins  
22          result from the social pricing of LECs' services under  
23          rate base, rate of return regulation.   Under rate base,  
24          rate of return regulation, a LEC's basic service rates  
25          were developed based on a residual revenue requirement



1 basis; cost of individual services was not a factor.  
2 Basic service prices were kept low with the shortfall of  
3 revenues being made up from other services, e.g., toll,  
4 access and other discretionary services.

5  
6 The net result of these prior pricing decisions is that  
7 revenues from Sprint-United/Centel's high density low  
8 cost exchanges provide contribution to its high cost low  
9 density exchanges. In the historical monopoly  
10 environment, such pricing could be maintained. However,  
11 with local competition, these embedded revenue/cost  
12 mismatches, and Sprint-United/Centel's US/COLR  
13 obligations, new entrants already have significant market  
14 opportunities. Therefore, shifting additional shared and  
15 overhead costs to the LECs to attempt recovery in an  
16 environment where existing revenue/cost distortions  
17 already favor new entrants is inappropriate because it  
18 will exacerbate these revenue/cost distortions.

19  
20 Q. Please summarize your concerns in this area.

21  
22 A. ILECs are already disadvantaged in the marketplace by the  
23 fact that their rates have historically been set based on  
24 the social objective to maintain low local service rates.  
25 This social objective has resulted in the prices of other

1 LEC services; e.g., access and toll, being priced higher  
2 than would otherwise be the case. The result is that new  
3 entrants already have many opportunities to undercut  
4 LECs' prices without shifting additional shared and  
5 overhead costs to the LECs' end users as a result of  
6 underpricing local interconnection charges.  
7

8 Q. With respect to the minute-of-use compensation  
9 alternative, would Sprint-United/Centel have an incentive  
10 to ensure that the "high cost" of measurement is not  
11 unnecessarily costly, since it will be passed on to its  
12 rivals?  
13

14 A. Sprint-United/Centel's position has been from the start  
15 of these proceedings that port charges are the  
16 appropriate mutual compensation arrangement because it is  
17 less costly than the minute of use alternative, in terms  
18 of measurement costs, but still meets the statutory  
19 obligations to establish an interconnection charge which  
20 covers cost. Sprint-United/Centel has not made any  
21 reference to passing any billing costs on to the ALECs.  
22 In fact, it was not until Sprint-United/Centel began  
23 negotiations and realized that several ALECs apparently  
24 preferred a minute of use charge over the port charge  
25 arrangements that Sprint-United/Centel included a per

1 minute of use alternative. Again by statute, the  
2 Companies are required to reduce access charges by 5%  
3 annually.

4  
5 Sprint-United/Centel has only proposed that it be  
6 compensated in the same manner as this commission has  
7 already approved in the Cellular and Local Transport  
8 Restructure dockets. In both of these dockets the  
9 Commission approved access and cellular interconnection  
10 rates which reflected the underlying cost characteristics  
11 of the services being provided. There is no reason in  
12 this proceeding to change from the basic rate structure  
13 rate philosophy already approved by the Commission.

14  
15 Q. Will Sprint-United/Centel incur additional measurement  
16 cost if a minute-of-use charge is implemented?

17  
18 A. Yes. That is why Sprint-United/Centel has proposed a per  
19 port charge rather than a minute-of-use charge. Sprint-  
20 United/Centel can measure terminating traffic at both the  
21 access tandem and end office using FGD-type records.  
22 However, for traffic which is routed between ALECs, IXCs,  
23 cellular providers and other ILECs, a special software  
24 package is required for measurement. This software is  
25 relatively expensive and will only be provided at the

1 access tandems. The software is the same software which  
2 provides for cellular SS7 interconnection and has been  
3 ordered for that purpose, but will not be provided in end  
4 offices. Thus, where Sprint-United/Centel is to function  
5 as an intermediary between other interconnectors, that  
6 traffic only will need to be routed to an access tandem.

7  
8 Q. Does a separate rate for tandem interconnection, versus  
9 end office, create an incentive for ALECs to mirror the  
10 technology of ILECs?

11  
12 A. It is short-sighted to believe that installing a tandem  
13 for compensation purposes is appropriate. When ALECs  
14 have sufficient subscribers to justify additional  
15 switches, there will most likely be sufficient traffic to  
16 the switch to justify direct end office connection by an  
17 ILEC. Similarly, when ALECs have increased traffic  
18 volumes, they will directly connect to ILEC end offices  
19 to avoid the tandem charges. This leads to increased  
20 infrastructure development, but gives all competitors the  
21 option to design their networks efficiently.

22  
23 Q. If one uses an interconnection rate derived from switched  
24 access rates, should that rate be imputed into the ILEC's  
25 own local exchange rates to avoid a "price squeeze"?

1 A. No. To effect a price squeeze, total costs to the new  
2 entrant would have to exceed total revenues. You cannot  
3 look only at the basic local service component of the  
4 total package of services for which new entrants will be  
5 competing. Because of the legislative constraints on an  
6 ILECs' pricing of basic services and the current  
7 revenue/cost relationships of ILECs' services resulting  
8 from years of social pricing, any price squeeze analysis  
9 would have to consider total revenues to total costs. In  
10 fact, one of the biggest drivers creating the competitive  
11 entry opportunity is the mismatch of revenues and costs  
12 for ILECs' existing services. Because of this mismatch,  
13 which can be linked to ILECs universal service and  
14 carrier of last resort requirements, new entrants that do  
15 not have the US/COLR responsibilities should at a minimum  
16 cover all of the indirect costs associated with the cost  
17 of interconnection.

18  
19 Q. If the Commission sets rates, terms and conditions for  
20 interconnection between the ALECs and Sprint  
21 United/Centel, should Sprint United/Centel tariff the  
22 interconnection rate(s) or other arrangements?

23  
24 A. Yes, Sprint United/Centel would tariff its  
25 interconnection arrangements.

1 Q. What are the appropriate technical and financial  
2 arrangements which should govern interconnection between  
3 ALECs and Sprint United/Centel for the delivery of calls  
4 originated and/or terminated from carriers not directly  
5 connected to ALEC facilities.

6  
7 A. Sprint proposes that this type of intermediary function  
8 can be provided based on tandem switching and transport  
9 rate elements similar to the local transport rate  
10 elements already approved by this Commission. The tandem  
11 switching rate element should be based on full recovery  
12 of the access tandem investment rather than the 20%  
13 recovery used for the interLATA access tariff tandem  
14 switching rate element. The difference being that in the  
15 access tariff, the other 80% of the investment was  
16 recovered in the RIC. However, since the proposed local  
17 interconnection charges exclude the RIC and CCL rate  
18 elements, full recovery should be included in the tandem  
19 switching rate applicable to local interconnection.

20  
21 Q. What are the appropriate technical and financial  
22 requirements for the exchange of intraLATA 800 traffic  
23 which originates from an ALEC's customer and terminates  
24 to an 800 number served by or through Sprint  
25 United/Centel?

1 A. The ALEC, after completing an 800 query function, would  
2 route the calls to Sprint United/Centel via  
3 interconnection facilities. The ALEC would record the  
4 call and forward the record to a clearinghouse which  
5 forwards the record to Sprint United/Centel for billing.  
6 Sprint United/Centel would compensate the ALEC for  
7 originating access charges. A reciprocal arrangement  
8 should also be applicable for Sprint United/Centel  
9 originated calls terminating to the ALEC. Sprint  
10 United/Centel will compensate ALECs for the origination  
11 of 800 traffic terminated to the Sprint companies  
12 pursuant to tariffed originating switched access charges,  
13 excluding the database query. The ALECs will need to  
14 provide the appropriate records necessary for Sprint  
15 United/Centel to bill its customers and compensate the  
16 ALECs. The records should be provided in the standard  
17 industry format (EMR). Sprint United/Centel will  
18 compensate the ALECs based on its tariffed rates for this  
19 function. At such time as an ALEC elects to provide 800  
20 services, the ALEC will reciprocate this arrangement.

21

22 Q. What are the appropriate technical arrangements for the  
23 interconnection of ALEC's networks to Sprint  
24 United/Centel's 911 provisioning networks such that the  
25 ALEC's customers are ensured the same level of 911

1 service as they would receive as a customer of Sprint  
2 United/Centel?

3

4 A. For basic 911 service, Sprint United/Centel will share  
5 emergency number data with the ALECs for those  
6 municipalities that subscribe to basic 911 services. For  
7 Enhanced 911 (E911) service, Sprint United/Centel will  
8 offer a daily update to the companies' data bases of  
9 ALECs' emergency information when provided to Sprint  
10 United/Centel. Sprint United/Centel will work with the  
11 ALECs to define record layouts, media requirements and  
12 procedures for the process. The ALECS will be provided  
13 access to Sprint United/Centel E911 tandem switches for  
14 routing their customers' E911 calls to the various  
15 emergency agencies.

16

17 To the extent that administering and providing E911  
18 access facilities to ALECs increases Sprint  
19 United/Centel's costs, such costs should be recovered  
20 from the ALECs. However, those costs should only be  
21 recovered from ALECs to the same extent that they are  
22 recovered from other LECs for the same service.

23

24 Q. What procedures should be in place for the timely  
25 exchange and updating of the ALECs' customer information



1 for inclusion in appropriate E911 databases?

2

3 A. Daily updates would be required from ALECs in order to  
4 maintain the accuracy of the 911 data-base information.  
5 Sprint-United/Centel will work with the ALECs to define  
6 the requirements for records, and other database related  
7 procedures.

8

9 Q. What are the appropriate technical and financial  
10 requirements for operator handled traffic flowing between  
11 the ALECs and Sprint United/Centel, including busy line  
12 verification and emergency interrupt services?

13

14 A. Sprint United/Centel and the ALECs shall mutually provide  
15 each other busy line verification and emergency interrupt  
16 services pursuant to tariff. It will be necessary to  
17 establish dedicated trunk groups between each company's  
18 operator services system.

19

20 Q. What are the appropriate arrangements for the provision  
21 of directory assistance services and data between the  
22 ALEC's and Sprint United/Centel?

23

24 A. Sprint United/Centel will include ALECs' customer  
25 information in its directory assistance (DA) database and

1 provide DA operator services on the same terms and  
2 conditions as those services are provided to other LECs  
3 and IXCs. Sprint United/Centel will work cooperatively  
4 with the ALECs on issues concerning timeliness, format  
5 and listing information content.

6

7 Q. Under what terms and conditions should Sprint  
8 United/Centel be required to list ALECs' customers in its  
9 white and yellow page directories and to publish and  
10 distribute these directories to ALEC's customers?

11

12 A. The cost for directories should be shared on a prorata  
13 basis by Sprint United/Centel and the ALECs for the basic  
14 directory printing and distribution services. In  
15 addition, Sprint United/Centel pays its affiliated  
16 directory company for any informational pages Sprint  
17 United/Centel requires over a base number of pages. If  
18 the ALECs wish to provide customer information pages to  
19 Sprint United/Centel for inclusion in the directory, the  
20 ALECs should pay whatever it would cost Sprint  
21 United/Centel to have such pages included. Sprint  
22 United/Centel should not be required to incur additional  
23 costs on behalf of ALECs and be expected to absorb those  
24 costs. While it is in Sprint United/Centel's best  
25 interest to offer the best directory products possible,

1 it is equally as valuable and important to the ALECs.

2

3 Q. What are the appropriate arrangements for the provision  
4 of billing and collection services between the ALECs and  
5 Sprint United/Centel, including billing and clearing  
6 credit card, collect, third party and audiotex calls?

7

8 A. Appropriate interconnection facilities to the Access  
9 Tandem TOPS Center will be required. Sprint  
10 United/Centel will work with the ALECs to define the  
11 interconnection activities required. Billing would be  
12 handled via tariff or contract rates on a mutual  
13 compensation basis.

14

15 Q. What arrangements are necessary to ensure the provision  
16 of CLASS/LASS services between ALECs and Sprint  
17 United/Centel's networks?

18

19 A. Sprint United/Centel will provide Common Channel  
20 Signaling (CCS) on a reciprocal basis, where available in  
21 conjunction with all traffic in order to enable full  
22 interoperability of CLASS features and functions.

23

24 Q. What are the appropriate arrangements for physical  
25 interconnection between the ALECs and Sprint

1 United/Centel, including trunking and signaling  
2 arrangements?

3

4 A. Sprint United/Centel is willing to review engineering  
5 requirements on a quarterly basis and establish forecasts  
6 for trunk utilization. New trunk groups will be  
7 implemented as dictated by engineering requirements for  
8 both Sprint United/Centel and the ALEC.

9

10 Q. To the extent not addressed in the number portability  
11 docket, Docket No. 950737-TP, what are the appropriate  
12 financial and operational arrangements for interexchange  
13 calls terminated to a number that has been "ported" to  
14 the ALECs?

15

16 A. For terminating toll traffic ported to the ALEC, Sprint  
17 United/Centel will bill the IXC tandem switching, the  
18 residual interconnection charge and a portion of the  
19 transport, and the ALEC should bill the IXC local  
20 switching, the carrier common line and a portion of the  
21 transport. If Sprint United/Centel is unable to provide  
22 the necessary access records to permit the ALECs to bill  
23 the IXCs directly for terminating access to ported  
24 numbers, then Sprint United/Centel will work  
25 cooperatively to develop a surrogate method to

1 approximate the access minutes and revenues, and develop  
2 a settlement process based on the above distribution. If  
3 intraLATA calls are delivered to the other party via a  
4 ported number, the originating party will pay the  
5 terminating party.

6

7 Q. What arrangements, if any, are necessary to address other  
8 operational issues?

9

10 A. Operational issues, such as repair service arrangements,  
11 are most appropriately resolved through the negotiation  
12 process. Operational issues will be different for each  
13 ALEC and can best be addressed as the parties develop  
14 more specific operational details and procedures and  
15 actual points of interconnection. Should issues arise  
16 between the parties that cannot be resolved, the existing  
17 complaint procedures are the appropriate means for  
18 resolution. Sprint United/Centel will address them in  
19 this manner.

20

21 Q. What arrangements, if any, are appropriate for the  
22 assignment of NXX codes to the ALECs?

23

24 A. Numbering policy must be broadly developed and  
25 administered in a competitively neutral manner. The LEC

1           must not be able to control the administration and  
2           assignment of numbering resources. NXX assignments must  
3           be handled in a neutral and nondiscriminatory manner.  
4

5           Q.    Does this conclude your direct testimony?  
6

7           A.    Yes, it does.  
8  
9  
10  
11  
12  
13  
14  
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1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   REBUTTAL TESTIMONY

3   OF

4   F. BEN POAG

5  
6 Q.    Please state your name, business address and title.

7  
8 A.    My name is F. Ben Poag. I am employed as Director-Tariff  
9        and Regulatory Management for United Telephone Company of  
10       Florida ("United"). My business mailing address is Post  
11       Office Box 165000, Altamonte Springs, Florida 32716-5000.  
12       I am responsible for state regulatory matters for United  
13       and its affiliate, Central Telephone Company of Florida.

14  
15 Q.    Have you previously filed testimony in this proceeding?

16  
17 A.    Yes, I filed prepared direct testimony and rebuttal  
18        testimony addressing ~~the FCPA and~~ AT&T's witnesses, ~~Mr.~~  
19        ~~Crossland~~ and Mr. Guedel, respectively in this proceeding.

20  
21 Q.    What is the purpose of this testimony?

22  
23 A.    This testimony is being filed to respond to the testimony  
24        filed by Mr. Devine for MFS-FL and Dr. Cornell and Mr.  
25        Price for MCI Metro and additional testimony filed by Mr.

1 Guedel.

2

3 Q. On Page 18, beginning on line 13, Mr. Devine proposes that  
4 MFS-FL would have the right to extend its own facilities or  
5 to lease dark fiber facilities from Sprint-United/Centel or  
6 a third party. Further, he maintains that MFS-FL would  
7 designate the appropriate junction point. Would Sprint-  
8 United/Centel agree to such terms?

9

10 A. No. Sprint-United/Centel does not lease dark fiber and  
11 does not allow direct interconnection of third party  
12 facilities via Sprint-United/Centel's collocation  
13 arrangements. Expanded interconnection tariffs were filed  
14 for interconnection with Sprint-United/Centel, not between  
15 ALECs. Such interconnection arrangements will require some  
16 type of facility. To the extent they are on Sprint-  
17 United/Centel premises they should be installed and  
18 maintained by Sprint United/Centel.

19

20 Sprint-United/Centel with MFS-FL should jointly determine  
21 where facilities will be interconnected, it should not be  
22 a unilateral decision of MFS-FL as suggested by Mr. Devine.  
23 The decision needs to be a cooperative decision which does  
24 not create any unnecessary costs or inefficiencies for  
25 either carrier. Sprint-United/Centel will interconnect



1 where technically and economically feasible.

2

3 Q. On page 19, beginning on line 1, Mr. Devine proposes that  
4 MFS-FL should have the right to lease such facilities under  
5 the most favorable tariff or contract terms Sprint-  
6 United/Centel offer. Is this acceptable to Sprint-  
7 United/Centel?

8

9 A. No. Sprint-United/Centel will tariff its interconnection  
10 rates and make services available per the tariffed terms  
11 and conditions. To the extent that special non-tariff  
12 arrangements are requested, they will be provided by  
13 contract. Once a service has been provisioned under  
14 contract, rates will not be changed because of different  
15 rates in a subsequent situation which may take advantage of  
16 different economic and/or competitive market situations.

17

18 Q. On page 19, beginning on line 4, Mr. Devine proposed that  
19 incremental cross-connection charges should not be  
20 applicable for interconnection via a collocation facility.  
21 Do you agree?

22

23 A. No. The rates in the Companies' approved collocation  
24 tariffs, i.e., expanded interconnection, would be  
25 applicable. These tariffs are applicable to other

1 interconnectors and should also apply for ALECs.

2

3 Q. On page 26, beginning on line 11, Mr. Devine proposes bill  
4 and keep as the ideal interim reciprocal compensation  
5 arrangement until rates can be set at long run incremental  
6 cost. Do you agree?

7

8 A. No. As stated in my direct testimony, I do not believe  
9 that bill and keep meets the statutory requirement that the  
10 interconnection charge cover its costs. Additionally, bill  
11 and keep would not be as effective in encouraging network  
12 infrastructure development.

13

14 Further, since local interconnection arrangements may be  
15 used for terminating both local and toll calls, tying the  
16 interconnection rate to access charges mitigates the impact  
17 of arbitrage. As discussed in my direct testimony and the  
18 rebuttal testimony of Mr. Michaelson, pricing at  
19 incremental cost is inappropriate and creates additional  
20 burdens for ILECs who already have universal service and  
21 carrier of last resort requirements.

22

23 Sprint-United/Centel has proposed two alternative methods  
24 for interconnection, a per port charge at the DS1 level or  
25 a minute of use charge. Sprint-United/Centel prefers the

1 port charge as it is administratively simple, does not  
2 require extensive measurement and billing, and provides a  
3 rate structure which tracks the underlying cost structure.  
4

5  
6 Q. Do you agree that Sprint-United/Centel will need to provide  
7 MSF-FL with trunk connections to its 911/E911 selective  
8 routers/911 tandems for the provision of 911/E911 services  
9 and for access to all sub-tending Public Safety Answering  
10 Points (PSAPs)?  
11

12 A. Yes, where Sprint-United/Centel provide the selective  
13 router, however, this will not always be the case. There  
14 are situations that exist today where there is no selective  
15 routing involving Sprint-United/Centel. There are  
16 situations where a selective router may serve one or more  
17 counties, as well as situations where the selective router  
18 utilized by Sprint-United/Centel may be provided by either  
19 another LEC or someone other than another LEC. For  
20 example, while Sprint/United is involved in the  
21 provisioning of E911 service in both Orange and Seminole  
22 Counties, we do not provide the selective routing  
23 information or the actual selective routing function.  
24 Thus, Sprint-United/Centel, in this situation, cannot be  
25 responsible for the ALEC selective routing functions since

1 we are not the service provider.

2

3 Q. Should Sprint-United/Centel be responsible for providing  
4 MSF-FL with the Master Street Index Guide ("MSAG") so that  
5 MSF-FL can ensure the accuracy of data transfers?

6

7 A. No. The MSAG is the property of the county and only the  
8 county can provide the information. The provision of the  
9 MSAG to MFS-FL would be dependent on the county and the  
10 operation of the county 911/E911 system.

11

12 Q. Is there a need for Sprint-United/Centel to provide the  
13 ten-digit POTS number of each PSAP to MSF-FL?

14

15 A. No. There should be no need for MFS-FL to use the ten-  
16 digit number of the PSAP. In most cases, calls to the PSAP  
17 must route via 911/E911 trunks. Dependent on the switch,  
18 access to the PSAP obtained by dialing the ten-digit number  
19 will be blocked to eliminate erroneous calls. These  
20 numbers are not currently provided today, but are  
21 programmed in the switch to handle call routing. Any  
22 contact numbers required by MSF-FL should be obtained from  
23 the appropriate 911/E911 coordinators or the agencies  
24 themselves. Due to differences or potential differences in  
25 local service areas, the ALECs are in the best position to

1 identify their customers geographic locations and the  
2 appropriate 911/E911 requirements.  
3

4 Q. Do you agree that it is the responsibility of Sprint-  
5 United/Centel to provide a direct real-time electronic feed  
6 or a daily or monthly magnetic tape listing the appropriate  
7 billing listing and effective daily rate for each  
8 information service by telephone number?  
9

10 A. No. the current procedure, as supported by Tariff, is that  
11 the information provider assumes responsibility of making  
12 suitable arrangements with the appropriate telephone  
13 company for the provisioning of service and billing of  
14 charges for those calls to 976 numbers that originate  
15 outside the Sprint-United/Centel service area. It is the  
16 position of Sprint-United/Centel that MSF-FL would need to  
17 block all calls to pay-per-call numbers until such time as  
18 an information provider would provide the necessary billing  
19 information to them. Conversely, any information provider  
20 contracting for such a service with MSF-FL would be  
21 responsible for contacting Sprint-United/Centel to provide  
22 the information for call completion and billing, it would  
23 not be the responsibility of MFS-FL to provide.  
24

25 Q. Should Sprint-United/Centel be responsible for working with

1 MSF-FL to develop a LATA-wide NXX code(s) to use in  
2 conjunction with this type of service?

3  
4 A. No. Sprint-United/Centel is not the numbering plan manager  
5 and therefore not in control of NXX assignment.

6  
7 Q. What provisions should apply for the exchange of billing  
8 information?

9  
10 A. MFS-FL proposes that Sprint-United/Centel should employ the  
11 calendar month billing period for meetpoint billing.  
12 Sprint-United/Centel's billing system utilizes a bill cycle  
13 basis. Bill cycles are established for several reasons.  
14 First, due to the volume of third party billing in our  
15 access billing system, the processing and administrative  
16 functions need to be distributed evenly through the month.  
17 Secondly, Sprint has negotiated specific bill cycles for  
18 interexchange carriers which operate throughout the Sprint-  
19 United/Centel system. In addition, Sprint-United/Centel  
20 generally does not coincide its third party billing with  
21 other connecting companies.

22  
23 Q. How should billing to third parties be accomplished?

24  
25 A. MFS-FL states that initial billing to third parties for

1 jointly provided switched access service between MFS-FL and  
2 Sprint-United/Centel should be accomplished through single  
3 bill/multiple tariff. Sprint-United/Centel's access  
4 billing system cannot support this type of billing  
5 methodology.

6  
7 MFS-FL asserts that the meetpoint billing arrangement shall  
8 be at the preference of MFS-FL. Sprint-United/Centel's  
9 access tariffs state that the Exchange Telephone Companies  
10 involved in the provision of jointly provided service must  
11 agree to the meetpoint billing methodology. Also, it is  
12 common in the industry for companies to agree upon the  
13 appropriate meetpoint arrangement.

14  
15 Other meetpoint billing arrangements which were mentioned  
16 were single bill/single tariff, single bill/multiple  
17 tariff, multiple bill/single tariff and multiple  
18 bill/multiple tariff. Sprint can no longer advocate single  
19 bill/single tariff method of meetpoint billing. Sprint  
20 takes this position due to differing pricing and structural  
21 initiatives being introduced across the industry which are  
22 producing an environment that may compromise billing  
23 accuracy for our carrier customers.

24  
25 The multiple bill/single tariff could not apply in jointly

1 provided services between Sprint-United/Centel and MFS-FL  
2 unless MFS-FL concurred with Sprint-United/Centel's  
3 tariffs. In addition, multiple bill/single tariff is  
4 rarely, if ever, the meetpoint arrangement between LECs.

5  
6 Considering the reasons identified above, Sprint-  
7 United/Centel recommends multiple bill/multiple tariff.  
8 Each company renders billing under its rates, terms and  
9 conditions for the portion of the service it provides.  
10 Multiple bill/multiple tariff better fits a changing and  
11 competitive environment. Multiple bill/multiple tariff  
12 creates more separation and no longer requires the close  
13 coordination of rate levels and rate structure between the  
14 connecting companies.

15

16 Q. On page 16, beginning on line 10, Mr. Devine proposes that  
17 the interconnection charge (RIC) go to the end office  
18 provider rather than the access tandem provider, do you  
19 agree?

20

21 A. No, the RIC rate was developed based on 80% of the access  
22 tandem revenue shortfall and the interoffice transport  
23 revenue shortfall. Given the above makeup of the RIC rate,  
24 the carrier providing the access tandem switching function  
25 should receive the RIC revenues. Further, to the extent



1 that these revenues have been identified as contribution,  
2 they are contribution to shared and overhead costs and  
3 should be retained by the carrier with universal service  
4 and carrier of last resort requirements.

5  
6 Q. How does MFS-FL's D-NIP proposal maximize the efficiency of  
7 the network?

8  
9 A. Sprint-United/Centel agrees with MFS-FL's opposition to any  
10 interconnection plan which mandates too specifically where  
11 interconnection should take place. Sprint-United/Centel  
12 offers interconnection with alternative local exchange  
13 companies on a meetpoint or virtual collocation at the end  
14 office or access tandem basis.

15  
16 Q. Mr. Devine, on page 45, beginning on line 15, proposes that  
17 Sprint-United/Centel should implement a commission program  
18 whereby MFS-FL may act as a sales billing and collection  
19 agent for Yellow Pages. Do you agree?

20  
21 A. No, Sprint-United/Centel does not provide yellow pages.  
22 Yellow page directories are provided by Sprint Publishing  
23 and Advertising, Inc., Centel Directory, the Reuben H.  
24 Donnelley Corp. and UniDon. Thus, MFS-FL would need to  
25 deal directly with the publishing company(ies) for any

1 yellow page advertising agreements.

2

3 Q. On page 48, beginning on line 12, Mr. Devine states that  
4 the ALEC should receive the access revenues associated with  
5 a toll call terminated to MFS-FL via a ported number. Do  
6 you agree?

7

8 A. No. First, Sprint-United/Centel will be providing the  
9 tandem switching and transport function for an MFS-FL end  
10 office subtending a Sprint-United/Centel tandem. Under a  
11 meet point billing arrangement MFS-FL would not be entitled  
12 to all of the terminating access revenues. That is, MFS-FL  
13 should receive the CCL, line termination, local switching  
14 and a portion of the transport; Sprint-United/Centel should  
15 receive the tandem switching, the other portion of  
16 transport and the RIC. With a call delivered to MFS-FL via  
17 a ported number, Sprint-United/Centel would still provide  
18 the same terminating access functions, incur the associated  
19 costs and should receive the revenues associated with the  
20 access rate elements as split above.

21

22 In contrast to his testimony on page 48, on page 51,  
23 beginning on line 1, Mr. Devine does propose that Sprint-  
24 United/Centel should compensate MFS-FL "except that certain  
25 transport elements should not be paid to MFS-FL." However,

1 he does not include the RIC as one of the elements that  
2 should be retained by Sprint-United/Centel. As stated  
3 earlier, the RIC rate element includes 80% of the tandem  
4 switching revenue shortfall and the shortfall from local  
5 transport restructure, clearly the provider of tandem  
6 switching and a portion of the transport, i.e., Sprint-  
7 United/Centel should retain the RIC revenues.

8  
9 Q. Mr. Guedel states that there is no underlying cost  
10 associated with the RIC rate element, is that true for  
11 Sprint-United/Centel?

12  
13 A. No, the RIC, or residual interconnection charge was  
14 developed based on the shortfall of revenue requirements  
15 cost formerly recovered through the access charge transport  
16 rate element. With local transport restructure, 20% of the  
17 access tandem switching cost was recovered in the tandem  
18 switching rate element, the remaining 80% of the former  
19 transport revenue requirement was included in the RIC rate  
20 element. While most of the costs associated with the RIC  
21 are not direct costs, they are considered contribution to  
22 shared and overhead costs. The recovery of these costs in  
23 this manner has contributed to the universal service  
24 objective by keeping basic residential service rates lower  
25 than they would otherwise be, especially in rural high cost

1 areas. There is no justification whatever for these  
2 contributions to universal service to go to the ALECs.

3

4 Q. On page 5 of his testimony Mr. Price claims that Sprint has  
5 no basis to claim a right to any terminating access charges  
6 because the rates established for temporary number  
7 portability were above economic costs of providing RCF. Is  
8 this correct?

9

10 A. No, Mr. Price is mixing apples and oranges. Terminating  
11 access costs were not included in Sprint United/Centel's  
12 cost for RCF.

13

14 Q. Mr. Price states that the ILECs should be required to  
15 implement automated systems for interconnection (unbundling  
16 order processing within a year). Is this a reasonable  
17 request?

18

19 A. No, it is totally unreasonable. Even if it were possible  
20 to develop a system for MCI, it would be inappropriate to  
21 offer if other ALECs could not use same systems.

22

23 Q. Are the systems that Sprint uses to order and provision its  
24 retail services automated?

25

- 1 A. Sprint uses a variety of systems to submit orders and  
2 provision its retail services. Some of the processes are  
3 more automated than others, many require manual  
4 intervention.  
5
- 6 Q. Should Sprint provide the system interfaces demanded by  
7 ALECs?  
8
- 9 A. It certainly makes sense to provide interfaces where it is  
10 practical and economically efficient for all the parties  
11 involved. However, developing such systems will require  
12 input from ALECs to determine needs, standards and  
13 appropriate interfaces.  
14
- 15 Q. What are some of the problems with providing the requested  
16 interfaces?  
17
- 18 A. First, there are no standards agreed to by the industry.  
19 Standards are very important, minimizing the cost to each  
20 company, and ultimately the consumer. Second, no one  
21 really knows the total cost of these interfaces. Our  
22 legacy systems do not have the type of security that would  
23 be required to keep one company from accessing another  
24 company's data. Sprint has had some discussions with  
25 interexchange carriers at the corporate level discussing

1 electronic bonding. It is expected that such system  
2 modifications will cost millions of dollars to provide.  
3 These discussions do not encompass all the systems involved  
4 for local interconnection. Once the requirements and costs  
5 are determined, cost recovery must also be established. In  
6 today's environment, interexchange carriers pay for those  
7 programming changes that are not industry standard that  
8 they specifically request.

9  
10 Q. Is the industry developing standards?

11  
12 A. The industry Ordering and Billing Forum (OBF) is working to  
13 develop national standards for the local competitive  
14 business. They have been doing this for the access  
15 environment for the past several years with success. It is  
16 not practical to spend significant sums on interfaces until  
17 these standards are developed.

18  
19 Q. What is your recommendation regarding the request to  
20 develop order processing arrangements within one year?

21  
22 A. Before we can build, we need to know what to build.  
23 Without standards and cost quantification it is  
24 inappropriate to proceed. As the industry develops  
25 standards, priorities will be established and those

1 interfaces that make the most economic sense will be  
2 implemented. This will not happen overnight, but when  
3 accomplished, if done properly will benefit all competitors  
4 by increasing productivity and, in the long run, reducing  
5 the cost to serve customers.

6

7 Q. On page 14, beginning on line 8, Dr. Cornell states that  
8 "it is virtually certain that the amount of compensation  
9 between networks will be 'exactly' offset." Do you agree?

10

11

12 A. No. As shown in my direct testimony, traffic is not in  
13 balance on the EAS routes that Sprint-United/Centel have  
14 with other ILECs.

15

16 Q. On page 14, line 11, Dr. Cornell states that Sprint/GTEFL  
17 has the incentive to be inefficient to pass higher cost on  
18 to its competitors for call termination. Do you agree?

19

20 A. No. As with most, if not all, of her testimony, Dr.  
21 Cornell's statement is based on underlying assumptions.  
22 Her assumptions do not properly reflect Sprint's testimony  
23 in this docket. First, Sprint has proposed mutual  
24 reciprocal compensation. Thus, there would be no assured  
25 benefit to Sprint of a price increase if there is a

1 corresponding increase in the rates charged to Sprint for  
2 terminating its traffic to the ALEC. Secondly, Sprint has  
3 proposed that its access charge rates, less the RIC and  
4 CCL, be the basis of local interconnection. By statute,  
5 the companies are required annually to reduce access  
6 charge rates by 5% annually until the rates are at the  
7 December 31, 1994, interstate rate level. Third, as  
8 previously stated, Sprint-United/Centel's preferred method  
9 of compensation is port charges which would require very  
10 limited additional billing costs.

11

12 A. On page 16 of her testimony, beginning on line 2, Dr.  
13 Cornell states that under mutual traffic exchange, Sprint  
14 cannot impose costs on its rivals through how it provides  
15 or bills for compensation. Dr. Cornell goes on to state  
16 that under any measurement mechanism which is unnecessarily  
17 costly, Sprint could seek to pass that cost along to its  
18 rivals. Please respond to Dr. Cornell's concerns.

19

20 A. Sprint's position has been from the start of these  
21 proceedings that port charges are the appropriate mutual  
22 compensation arrangement because it is not unnecessarily  
23 costly. Sprint-United/Centel has not made any reference to  
24 passing any billing costs on to its ALECs. In fact, it was  
25 not until Sprint-United/Centel began negotiations and



1 realized that several ALECs apparently preferred a minute  
2 of use charge over the port charge arrangements that  
3 Sprint-United/Centel included a per minute of use  
4 alternative. Again by statute, the Companies are required  
5 to reduce access charges by 5% annually, this will ensure  
6 that costs are not passed along to ALECs.

7  
8 Q. Beginning at the bottom of page 16, Dr. Cornell suggests  
9 that mutual traffic exchange will create at least some  
10 incentive for the incumbent LECs to cooperate in the  
11 development of true number portability. Do you agree?

12  
13 A. No, I do not understand her logic. For some reason, Dr.  
14 Cornell does not include residence customers in her  
15 analysis and seems to forget that with number portability  
16 the LECs are terminating traffic to the ALECs that would  
17 not occur with true number portability. Thus, Sprint-  
18 United/Centel would have an incentive to move to true  
19 number portability to avoid compensating the ALECs for  
20 terminating ported traffic. Additionally, in the long  
21 term, Sprint-United/Centel will benefit from true number  
22 portability as the companies compete for the ALECs'  
23 customers that have ALEC telephone numbers.

24  
25 Q. Dr. Cornell states that the best compensation arrangement

1 is payment in kind, do you agree?

2

3 A. No. A major assumption underlying Dr. Cornell's rationale  
4 for supporting the in kind compensation is the assumption  
5 that traffic will be in balance (page 17, line 20).

6

7 With regard to this assumption, Dr. Cornell provides no  
8 evidence to support her conclusion. However, Mr. Devine's  
9 direct testimony (page 30, lines 13-19) indicates that  
10 there is an imbalance between MFS and NYNEX in New York.  
11 Additionally, there can be a significant imbalance even  
12 between ILECs, especially where there are differences in  
13 the ratio of business to residence customers served. One  
14 such example is between Vista United and United. There is  
15 no reason to believe these same relationships will not  
16 exist with ALECs and especially niche market competitors.  
17 In these instances, the imbalance could be even greater.  
18 Another example is cellular traffic, where the ratio of  
19 mobile to land is approximately five times the land to  
20 mobile traffic. If the traffic is not in balance and the  
21 LEC is terminating more traffic from ALECs than it is  
22 terminating to them, then in kind compensation clearly does  
23 not meet the statutory requirement that interconnection  
24 changes cover costs.

25

1 In addition to the above reasons, since local  
2 interconnection arrangements may be used to terminate both  
3 toll and local services, compensation is necessary to  
4 mitigate the potential for arbitrage. Further, to the  
5 extent a compensation mechanism is in place, it will  
6 provide an incentive for infrastructure development. Both  
7 ALECs and ILECs will have an incentive to provide direct  
8 termination of traffic to customers of each other who have  
9 high volumes of incoming traffic. This is similar to the  
10 use of dedicated special access facilities by IXCs to avoid  
11 switched access charges

12  
13 Q. Would there be other circumstances where in kind  
14 compensation would not meet the statutory requirement that  
15 interconnection charges cover costs?

16  
17 A. Yes. Where the LEC provides additional services that the  
18 ALEC does not provide. If the payment is in kind, but the  
19 LEC's cost to terminate traffic is higher than the ALEC's  
20 cost, the LEC is incurring more cost than the value of the  
21 in kind compensation, and thus not recovering its costs.

22  
23 Q. Dr. Cornell argues that Sprint is using interconnection  
24 costs to create an entry barrier. Do you agree?

25

1 A. No. In fact, Sprint-United/Centel has proposed port  
2 charges as an alternative to minute of use charges to  
3 minimize cost yet meet the statutory obligation.  
4 Additionally, Sprint-United/Centel has not imposed any  
5 restriction on the physical form of interconnection. That  
6 is, interconnection may be via collocation, point of  
7 presence, or meet point.

8  
9 Sprint-United/Centel has only proposed that it be  
10 compensated in the same manner as this Commission has  
11 already approved in the Cellular and Local Transport  
12 Restructure dockets. In both of these dockets the  
13 Commission approved access and cellular interconnection  
14 rates which reflected the underlying cost characteristics  
15 of the services being provided and included contribution to  
16 the companies' shared costs. There is no reason in this  
17 proceeding to change from the basic rate structure rate  
18 philosophy already approved by the Commission.

19  
20 Q. Do you agree with Dr. Cornell's supposition that developing  
21 such a measurement and billing system could more than  
22 double the cost of the switching function for terminating  
23 traffic?

24  
25 A. If developing and deploying specifically for local

1 interconnection measurement and billing, I would not  
2 disagree. However, I need to clarify that most of the  
3 software is or will already be in place for generating the  
4 billing records required for local interconnection.  
5 Terminating usage at the end office and access tandem  
6 switches can be measured using the same capabilities which  
7 are used to measure and record interexchange access usage.  
8 For intermediary switching, additional software is being  
9 added at the access tandem to record this traffic.  
10 However, this software was ordered to provide for cellular  
11 carriers, and thus, is shared cost rather than incremental  
12 cost for local interconnection. This is not to say that  
13 there are not additional costs associated with measuring  
14 and billing. Sprint-United/Centel's preferred method is to  
15 bill based on port charges to minimize costs and yet meet  
16 the statutory requirement that the charge for  
17 interconnection cover cost.

18

19 Q. On page 22 of her testimony, Dr. Cornell indicates that the  
20 use of switched access rates create an intolerable price  
21 squeeze. Is this a valid real world concern?

22

23 A. Obviously not, numerous ALECs have already signed  
24 stipulations based on the use of switched access rates for  
25 local interconnection.

- 1 Q. Why does the use of switched access rates not create a  
2 price squeeze as explained by Dr. Cornell?  
3
- 4 A. Using Dr. Cornell's assumption of traffic being in balance  
5 as long as each party is compensating the other, only the  
6 differential between what the interconnectors pay each  
7 other is at issue. Secondly, to the extent that the  
8 differential is based on additional facilities that one  
9 party, i.e., the ILEC, must use to terminate the ALEC's  
10 usage, the differential would need to be reduced by the  
11 ILEC's internal cost and adjusted further to reflect the  
12 ratio of traffic originated and terminated on the ALEC's  
13 network. For example, using the rates from the BellSouth  
14 Stipulation and Agreement, since it has already been  
15 accepted by a number of ALECs, the differential between  
16 tandem and end office switching is \$.00114. Assuming that  
17 the ILEC's incremental cost is one-half of the \$.00114, the  
18 net differential to the ALEC is \$.00057. Assuming 500  
19 monthly minutes of use (MOU) for each residential customer,  
20 the net impact is \$.285 per residential customer. Given  
21 that the areas where ALECs have requested interconnection,  
22 revenues are higher and costs lower per customer than in  
23 the rural exchanges, where not one ALEC has requested  
24 interconnection, the \$.285 per customer does not even come  
25 close to a price squeeze. Further, the \$.285 is overstated

1 to the extent that as ALECs increase market share they will  
2 interconnect at ILEC's end office switches, reducing the  
3 per customer differential. The differential is also  
4 reduced by the fact that some of the traffic terminates on  
5 the ALEC's own network.

6

7 Q. But what if traffic is not in balance?

8

9 A. If traffic is not in balance, the net compensation paid  
10 will go up or down depending upon the direction of  
11 imbalance. However, both parties have the capability and  
12 incentive to reconfigure their networks and to directly  
13 connect to end user customers, other ALECs and other ILECs  
14 to enhance their position in the market.

15

16 Q. Should this Commission be concerned about a price squeeze  
17 for local service?

18

19 A. No, as shown above, not only do the numbers do not support  
20 theory, but ALECs have already agreed to a compensation  
21 mechanism using switched access rates. Further, because of  
22 the legislative constraints on LECs' pricing of basic  
23 services and the current revenue/cost relationships of  
24 LECs' services resulting from years of social pricing, any  
25 price squeeze analysis must include total revenues to total

1 costs and imputed costs. The biggest driver creating the  
2 competitive entry opportunity is the mismatch of revenues  
3 and costs for LECs' existing services. Because of this  
4 mismatch, which can be linked to LECs' universal service  
5 and carrier of last resort requirements, new entrants that  
6 do not have the US/COLR responsibilities, have an  
7 incredible market advantage.

8  
9 Q. On page 31, beginning on line 14, and on page 32, line 5,  
10 Dr. Cornell discusses tandem and end office connections.  
11 Do you agree with her conclusions?

12  
13 A. No. In my direct testimony I stated that special software  
14 was required for "recording" usage, and would be installed  
15 at the access tandem. We can measure total usage without  
16 the software, however, the software is required to record  
17 the different types of usage, ALEC to ALEC, ALEC to IXC,  
18 ALEC to other LEC, for billing purposes.

19  
20 Q. On page 34, lines 23 to 25, Dr. Cornell addresses the needs  
21 of entrants to keep its cost as low as possible, is this  
22 unique to entrants?

23  
24 A. Obviously not. Contrary to Dr. Cornell's allegations that  
25 ILECs want to increase costs, ILECs have and are continuing



1 to reduce costs to be more competitive. This is evidenced  
2 by the many announced force reductions by ILECs. What is  
3 unique about Dr. Cornell's position is that she would  
4 minimize her client's cost by requiring all shared and  
5 overhead costs be borne by the ILECs to drive up the prices  
6 of ILECs' services (or forego earnings) so that her client  
7 will have additional market advantages.

8

9 Q. Does this conclude your rebuttal testimony?

10

11 A. Yes.

1 Q (By Mr. Fons) Mr. Poag, would you please  
2 summarize your testimony?

3 A Yes. Commissioners, in my summary I'm only  
4 going to address Issues 1, 3, 8, and 12. And I'm  
5 going to apologize to you up front. My summary is a  
6 little bit long, but I can assure you I've been up  
7 here many times and had short ones, so I'm going to  
8 even out the average here a little bit.

9 And also, I'm going to take the issues in  
10 reverse order because the one I really want to focus  
11 on is No. 1, and I believe I can get through the other  
12 three issues rather quickly.

13 Issue 12 addresses the financial and  
14 operational arrangements for interexchange calls  
15 terminated to an ALEC. The issue is which company,  
16 Sprint or the ALEC, should get the residual  
17 interconnection charge. Our position is that the RIC  
18 should go to Sprint. And the reason it should go to  
19 Sprint is that the RIC was developed in proceedings  
20 before this Commission in which local exchange  
21 companies restructured their local transport portion  
22 of the interexchange access charges. The RIC rate  
23 element represents 80% of the access tandem revenue  
24 requirement that the local exchange companies were  
25 collecting in their local transport before the

1 restructure.

2           So to the extent that the local exchange  
3 companies continue to provide the access tandem  
4 switching function, then they should continue to  
5 receive that revenue; they will still be providing  
6 that functionality. And in addition, when they  
7 provide that functionality on a ported number using  
8 the interim number portability arrangement, they will  
9 actually be in a position where they will use the  
10 access tandem and transport twice. They'll use the  
11 access tandem with a call coming into the access  
12 tandem from the interexchange carrier. It would then  
13 go to the local exchange companies subtending end  
14 office. At the subtending end office where the number  
15 is ported or forwarded via the interim number  
16 portability to the ALEC, it will go back up to the  
17 access tandem and then be ported across the  
18 interconnection facilities to the ALEC. So you are  
19 actually using the access tandem functionality twice.

20           Now, you look at the argument from the other  
21 side, and why should they get the RIC. Well, number  
22 one, they want to use our access tandem, and they want  
23 to use it for free. They don't want to pay for it.  
24 They don't want to pay a differential for that. They  
25 didn't go through local transport restructure. They

1 don't have a revenue requirement cost recovery  
2 shortfall associated with it. There is no  
3 justification for that revenue to go to the other  
4 parties.

5           Now, they've based their argument on the  
6 fact that local exchange companies distribute the RIC  
7 based on the fact that it's collected at the end  
8 office by local exchange companies. But that was  
9 nothing more than an administrative efficiency,  
10 because that's the only way we have to bill that is at  
11 the end office. But when we went through the process  
12 of developing what that bucket of revenues was, we  
13 knew how many minutes of use we had going to our end  
14 offices. And if there was a subtending other local  
15 exchange company, we backed out their minutes of use,  
16 and we divided our revenue shortfall by the minutes of  
17 use going through our switch. And we developed that  
18 rate based on the minutes of use going through our  
19 switch.

20           They're under the impression that, well, the  
21 end office gets it. What the other local exchange  
22 company gets when they get the RIC is not part of my  
23 revenue shortfall, but when they developed their RIC,  
24 they developed the amount that rate element based on  
25 the minutes of use coming through their end office.

1 So there's a big misconception about the RIC and who  
2 should get it and why. And most of that is the result  
3 of a misunderstanding on their part as to how it was  
4 developed and why it's billed at the end office.

5 Issue 8 addresses the printing and  
6 distribution of directories. We're willing to work  
7 very cooperatively with the ALECs. We are going to do  
8 everything we can to be sure that we produce the  
9 highest quality telephone directory that be produced,  
10 and we want their numbers in there. There is a value  
11 to having their numbers in there.

12 All we would like to ask is that if we have  
13 got 900 customers and they have got 100 customers,  
14 that they pay on a pro rata basis for the amount of  
15 books that are distributed to their customers. And if  
16 they want additional informational pages put into the  
17 books, that they should pay for those. That's all we  
18 ask. We just want them to pay their fair share.

19 Issue No. 3 has to do with intermediary  
20 connections. And there are basically two of these  
21 situations. One is switched, and one is dedicated.  
22 But with regard to the dedicated -- and the  
23 presumption here is that they will be collocated  
24 within our facilities in our access tandem building  
25 most likely, our central office building. But they

1 would be -- you know, the ALECs A and B, located in  
2 that building.

3           Now, if you recall in the expanded  
4 interconnection docket, we were ordered by the  
5 Commission to checkerboard the ALECs so we don't have  
6 them sitting next to each other so that if one wants  
7 to increase the facilities they need, then they'll be  
8 space there for them to do that. But collocation, or  
9 expanded interconnection, was ordered at the FCC level  
10 so that they could compete with us for the transport  
11 business. And the transport business is from the  
12 interexchange facilities of the interexchange carrier  
13 down to the telephone company's customer providing  
14 the end office, the end office where we are providing  
15 lines out to the customer. And that required us to  
16 allow them with virtual or physical collocation to  
17 have access to our customers in that building. It did  
18 not allow us to interconnect them directly at that  
19 building with anybody else. That was not the purpose  
20 of expanded interconnection.

21           We have expanded interconnection tariffs,  
22 and we are willing to interconnect them. But what  
23 we're saying is if they want to interconnect from one  
24 ALEC to an interexchange carrier, to another ALEC, or  
25 to a cellular carrier in that building, then we will

1 do it for them; and we will do it based on our  
2 tariffed services for expanded interconnection.

3           Now, there is not a single rate that will be  
4 applicable there that I'm aware of. Well, I believe  
5 it could be one rate and it might be one rate most of  
6 the time, there may be many different types of  
7 facilities required. And all I'm saying is that they  
8 order those out of our existing tariffs which you  
9 approved, and those tariffs which you approved have  
10 contribution to shared and overhead costs. And the  
11 analogy I point out here is that that's a situation  
12 when we are competing with them, we have an essential  
13 input to the process. But you, as well as the FCC,  
14 agreed that they should contribute to our shared and  
15 our common costs. That's just a side point.

16           And just so you'll get an order of the  
17 magnitude of what I'm talking about here, the  
18 cross-connect element which we would ask that they pay  
19 if that's the minimum amount that's required, is \$1.30  
20 a month for a voice grade or what we call a DSO type  
21 circuit. And if it's a high capacity type facility  
22 which included the capability to interconnect 24  
23 equivalent voice grade circuits, that rate is \$4.40.  
24 So we are not talking about a huge number here for  
25 them to interconnect from one facility to another

1 facility.

2           Now, to the extent that they may not be  
3 located right next to each other, there may be more  
4 than one cross connect required and there may be some  
5 internal cabling and conduit required. That is also  
6 tariffed, and I would say those rates would apply.

7           I do not want to be put in the position,  
8 though, of saying because there are two ALECs there  
9 that I need to split that \$1.30 per month and bill  
10 half of it to one and half of it to the other. That  
11 increases transaction costs, and we all know how bad  
12 that is. But we'll chat about that some more later,  
13 too.

14           The second situation occurs, is not when  
15 they are necessarily physically collocated, but when  
16 they want to use our tandem switch to interconnect  
17 them to another ALEC or to an interexchange carrier.  
18 In that situation, what we are saying is that they  
19 should pay the tariffed tandem switching rate plus  
20 transport, plus two-tenths of one cent. And that  
21 two-tenths of one cent goes to help us recover the  
22 cost on that rate element. Because if you recall,  
23 when we set those rate elements, we took 80% of that  
24 rate, and we put it in the RIC. And they're not going  
25 to be -- we're proposing in our rates for local



1 interconnection that the rate and the carrier of  
2 common line not be included because we are not  
3 including it in the interconnection rate. It is our  
4 position that it's appropriate to include it at the  
5 access tandem to help us recover some of those joint  
6 and common costs there.

7 Issue 1, Issue 1 deals with in-kind  
8 compensation or per-minute-of-use charges, or as  
9 proposed by Sprint-United, port charges. You've seen  
10 essentially two arguments relative to -- against  
11 compensation. One is that traffic will be in balance.  
12 Well, there's only been hard evidence in the case  
13 provided by myself and Mr. Devine regarding what that  
14 traffic will look like. Both he and I have provided  
15 data that clearly shows that existing traffic today  
16 between LECs -- and in the case of his data from New  
17 York, between MFS and NYNEX -- is not in balance.

18 Now, in my mind, under the statute, if I'm  
19 terminating more traffic than I'm -- receiving more  
20 traffic than I'm terminating to the other party, I am  
21 not recovering my cost of termination. And I don't  
22 think that's what the statute called for, but I'm not  
23 a lawyer.

24 There's one other problem with in kind. In  
25 kind makes a big assumption. It says you are trading

1 whole wheat buns for white buns. They are of equal  
2 value, but that's not true. In the expanded  
3 interconnection docket in the local transport  
4 restructure, we established prices based on the  
5 functionality of the services provided to the  
6 customer. In the case of AT&T, MCI, and all of the  
7 other interexchange carriers, when they interconnect  
8 at the access tandem, they pay us to transport -- they  
9 pay us for that switching, and they pay us to  
10 transport it down to the ultimate end office where it  
11 goes out to the customer. When they put the  
12 infrastructure in -- and this is another reason you  
13 want to do this, because it promotes infrastructure  
14 development. But when they put the facilities in to  
15 interconnect with me down at that end office, they get  
16 a lower rate because they are not using our access  
17 tandem and they are not using all my transport  
18 facilities.

19           They can interconnect with me in Winter Park  
20 at my access tandem, and they can have access to over  
21 500 square miles of central offices and transport  
22 facilities throughout my service territory. I think  
23 that that's got some value with it; it has some  
24 additional costs associated with it.

25           Mr. Wood indicated the other day in that

1 area that they were only going to serve a small  
2 portion of that. So if he's only going to serve --  
3 and I don't know what the area is -- a small portion,  
4 is he providing the investment that I'm providing to  
5 terminate his call? Is the value equal? No. If the  
6 value is not equal, then I cannot cover my costs.

7 CHAIRMAN CLARK: Mr. Poag, I don't think  
8 that's necessarily true. The value may be unequal,  
9 but you may still be recovering your costs.

10 WITNESS POAG: If the price is appropriate.  
11 My assumption was in-kind compensation though. If  
12 it's in-kind compensation where there is no exchange  
13 of cash --

14 CHAIRMAN CLARK: Well, what something costs  
15 and its value to the purchaser may be very different.  
16 And just because it's not of equal value does not mean  
17 that it's not covering its cost.

18 WITNESS POAG: Well, I'm not sure I'm  
19 following you. I pretty obviously have got my mind  
20 made up. I guess what I'm saying, the cost is  
21 different internally within my own network. In other  
22 words, if I complete a call that goes through my  
23 access tandem to another end office --

24 CHAIRMAN CLARK: I would agree that the  
25 facilities you may provide and their cost is greater

1 than the facilities that they are going to provide to  
2 you. It's a question of cost though, not of value.

3 WITNESS POAG: Okay, I see your point, yes.  
4 I see your point, thank you.

5 While we are on the subject of cost, that's  
6 the next area I would like to talk about. And  
7 specifically, as I discussed in my testimony, I don't  
8 think you ought to price at incremental cost local  
9 interconnection or anything else. And I just want to  
10 emphasize that I believe Dr. Cornell yesterday  
11 indicated don't price anything else at incremental  
12 cost, just local interconnection. And you can look at  
13 the transcript on that.

14 So now I really just want to focus on local  
15 interconnection. So anything I say here, I'm really  
16 driving -- it applies generically to a lot of things,  
17 but I really want to focus on the local  
18 interconnection.

19 I want to make one reference to a definition  
20 of "total service long run incremental cost," and that  
21 was in the deposition of Dr. Cornell. And Dr. Cornell  
22 at Page 12, Lines 12 through 17, defining total  
23 service long-run incremental cost as, and I quote, "A  
24 total service long run incremental cost says, what is  
25 the total cost if I were to have all the right, you

1 know" -- and this is what's important -- "the optimal  
2 equipment in place to provide today's output."

3 And she goes on: "What would be the total  
4 cost if I had the optimal amount of equipment in place  
5 to provide everything I provide today except the cost  
6 of the object in question."

7 Now, in Dr. Cornell's discussion yesterday  
8 here, she also used the term -- I wrote it down --  
9 "forward-looking costs." And I only bring that up  
10 because it relates to her definition, and I'm agreeing  
11 with her on what she has said here. But I want to  
12 bring up the forward looking, too, because that's a  
13 big part of that.

14 And what I'm suggesting to you is that cost  
15 studies are generally pretty complex. You have to do  
16 a lot of assumptions, but there's some specific  
17 economic definitions that relate to cost studies and  
18 what should go into them and what should not go into  
19 them. But basically, what it says is, using her words  
20 here, and I agree with them -- that it assumes that  
21 you have got the latest and greatest technology, the  
22 optimum technology in place. And that's what you do  
23 when you develop a forward-looking cost study.

24 It also assumes that you have the exact  
25 amount of equipment in place that you use. So in

1 theory, you are in the perfect world. But that is not  
2 the way we build our plant.

3           We can't buy the optimum amount every day,  
4 and we can't go out and replace our entire network  
5 with the optimum type of facilities. We have got some  
6 of the older stuff out there, and it's not optimum.  
7 We have got some capacity out there that's for future  
8 use that's not being used today that I'm not getting  
9 revenues on it. And because you can't live in the  
10 real world with a theoretical cost model, you have got  
11 to make some allowances for that. And the way you do  
12 that is that you put some contribution in your prices  
13 for those types of deficiencies.

14           And I don't mean to say you don't use cost  
15 studies and you don't do them, there's a place for  
16 them. But you need to understand what the assumptions  
17 are that underlie those studies. I'm going to give  
18 you an analogy, by the way, a little bit later, and I  
19 think it will bring that out very dramatically.

20           Now, I know that you all have, again, been  
21 consistent with that. You and the FCC have  
22 consistently allowed us to put contribution in our  
23 prices. Again, even where it's something that we are  
24 competing with somebody else for, access charges,  
25 expanded interconnection, cellular rates, you have

1 consistently done that. What I'm getting concerned  
2 about is that you are getting a little bit too close  
3 to it, and we need to think about what that cost study  
4 really is and what it represents and what's not in it.

5 Now, what Dr. Cornell has proposed is that  
6 we price down to that incremental cost amount and that  
7 those other costs, those common costs and those shared  
8 costs, get transferred to our end users. And  
9 essentially what that says is if they come in and they  
10 take my customers and I was recovering X amount of  
11 dollars in my services from those customers, but they  
12 took some of those customers and they took the  
13 contributions to shared and common costs that were in  
14 there, the rest of my customers are going to get a  
15 price increase, or else I'm going to forego profits.  
16 And I'll show you that in the analogy that we are  
17 going to do later.

18 Now, one other thing that you need to look  
19 at when I look at when you're talking about these cost  
20 studies -- and this is in response to Dr. Cornell's  
21 deposition to a question. And I'll read the question  
22 and I'll read the answer because I don't want to  
23 misquote anything. I want to be as precise as I can  
24 with this.

25 "Question: Let me see if I understand that.

1 For example, in a central office, would the central  
2 processor of the switch, would that be considered a  
3 joint and a common cost, the cost for that?

4 Dr. Cornell responded as follows: "Well  
5 there is a raging debate about whether the central  
6 office processor every exhausts. Personally, I tend  
7 to believe that at least part of the cost of the  
8 processor really is a cost of service as part of the  
9 incremental cost. But that's a fact debate, that is.  
10 As I say, it depends upon whether it really is true  
11 that the smallest possible module is a processor that  
12 never exhausts."

13 A couple of things here. Costs are  
14 definitional and there are, in fact, debates about not  
15 only what goes into them, but how you quantify what  
16 goes into them. If you ask me to go out here and do a  
17 really precise study, you are talking about putting an  
18 incredible amount of resources in that. So you are  
19 going to have to make assumptions, and you are going  
20 to have to have debates about what should or should  
21 not be included in there.

22 The point I want to make on that one,  
23 though, is this, in our study that we filed with this  
24 Commission, we do have some of the processor cost in  
25 there if it was projected to exhaust. But by the same



1 token, if it wasn't projected to exhaust, then we do  
2 not have that cost in our incremental cost study. So  
3 the point is -- and I think it's kind of what  
4 Dr. Cornell was saying -- is that that processor is  
5 used by the local interconnector. Whether it exhausts  
6 or it doesn't exhaust, it still gets used, and they  
7 need to pay some contribution to that common and that  
8 shared cost.

9           Getting near the end.

10           You all are going to have to help me with  
11 this one a little bit, but I tried to work all this  
12 through and tried to come down to some sort of a  
13 layman's type approach to this economics. Let's see  
14 how this works.

15           And in this analogy, we have a land  
16 developer who is also a builder. He has the only land  
17 for right now. We'll invent some more land a little  
18 bit later, but right now he has the only land. So he  
19 goes out, and he develops this land, and he puts up a  
20 very expensive decorator wall all across the front of  
21 it. He puts up a beautiful gated landscaped lighted  
22 entryway. He puts in main feeder routes. He brings  
23 in sewer lines. He pays to get sewer lines to the  
24 subdivision. He pays to get waterlines to the  
25 subdivision. He pays for underground utilities.

1           He sets his price of the lots to cover all  
2 of his costs. He wants to recover all of the cost of  
3 getting that subdivision started. The cost is \$5  
4 million. He has 100 lots, so he sets his price at  
5 \$50,000.

6           Now, Builder No. 2 comes along and says, I  
7 like your subdivision. It's got a nice wall; it's got  
8 a nice entryway. I'd kind of like to build some  
9 houses, too. Let's see, you've got this main feeder  
10 road, and it goes to the back of your property, and  
11 you still own some property that you haven't quite  
12 developed yet. Why don't you just go ahead and extend  
13 that road a little bit and extend those sewers a  
14 little bit and sell me those additional lots at your  
15 incremental cost. That's fair. You are going to pay  
16 me your incremental cost, right?

17           Now, let's see what happens when we do that.  
18 Let's assume that my cost to build a house is \$50,000.  
19 But this other builder is not as efficient, and this  
20 other builder's cost is \$60,000. Assume I sell him  
21 the lots at 25,000, okay? My price in that  
22 subdivision is my \$50,000 for the lot, and it's my  
23 \$50,000 for the house. Builder No. 2's price is  
24 \$25,000 for the lot, \$60,000 for the house, cost.  
25 Cost which in this case will equate the price.

1 I have sold at incremental cost. That  
2 builder can undercut my price by \$15,000 and is not  
3 nearly as efficient. There is no way I will recover  
4 my investments in this business under that scenario.

5 Now, let's back up just a little bit. Let's  
6 suppose of these 100 lots I don't extend the  
7 subdivision to get the additional 10 lots, but instead  
8 the builder comes to me and says, if you were to  
9 extend it, this is what your incremental cost would  
10 be. So if you need more lots, you can extend the  
11 subdivision. It would only cost you 25,000 a piece,  
12 so give me 10 of your existing lots at \$25,000 a  
13 piece. And if I'm not very prudent financially, I  
14 might do that.

15 But now what happens is this, the second  
16 builder's cost is still the \$60,000 for the house, the  
17 \$25,000 for the lot. But now since I didn't get my  
18 original \$50,000 for those 10 lots I gave him, if I'm  
19 going to come out of this whole, I have got to go back  
20 and increase the price on all of the other 90 lots,  
21 again increasing the potential profitability of  
22 potentially an inefficient entrant. This is not the  
23 way competition is supposed to work.

24 If that other builder is an efficient  
25 builder -- and this is probably where you get away

1 from the analogy a little bit, but I don't think it's  
2 totally inappropriate because eventually as you have a  
3 network of networks out there and there are lots of  
4 interconnectors, there's going to be many ways in  
5 which there will be alternatives to the local exchange  
6 company. You have that today already with the  
7 alternative access vendors. I think that's going to  
8 proliferate.

9           But with my point I'm trying to get at is  
10 the point of economic efficiency. And that is, assume  
11 builder No. 2 is more efficient and I sell him the lot  
12 at 50,000 and they build a \$90,000 house, then my  
13 price has got to come down to be competitive. And if  
14 I am inefficient, then my price should come down.

15           Now, if this other builder is more efficient  
16 and can go across the street and develop an entire  
17 subdivision, then maybe they can cut their price to  
18 \$80,000 because they are more efficient as a developer  
19 and they are more efficient as a house builder.

20           The scenario where you want me to sell at  
21 incremental cost is what MCI wants. That's what their  
22 witness is telling you. They are telling you that's  
23 economically efficient. That's one economist's  
24 opinion.

25           Dr. Baumol who has been in the business for

1 40 years has written a book called "Toward Competition  
2 and Telephony." And Chapter 7 addresses inputs --  
3 here, I'll read it.

4 MR. MELSON: Chairman Clark, I'm going to  
5 object at this point. I had hoped that he would get  
6 this out of his system before I started cross  
7 examination, but it's gone a little long. And at this  
8 point I think this is clearly hearsay. He is not an  
9 economist, and it looks like he is preparing to read  
10 from a book. I believe that's beyond the scope of a  
11 proper summary.

12 CHAIRMAN CLARK: Mr. Fons.

13 MR. FONS: Chairman Clark, I agree that this  
14 summary is lengthy, but Mr. Poag was kind enough to  
15 tell us all that it was going to be long. And this  
16 does relate to his direct and rebuttal testimony.  
17 It's not supplemental testimony. It goes along with  
18 exactly what he has said in his direct and his  
19 rebuttal testimony on these points.

20 MR. COHEN: Chairman Clark, I have a  
21 different problem with it. It has nothing to do with  
22 the length of the summary that Mr. Poag is offering,  
23 it has to do, as Mr. Melson said, with the hearsay  
24 nature of this book or treatise. And to the best of  
25 our knowledge, it hasn't been offered as an exhibit.

1 It wasn't a prefiled or a previously listed exhibit,  
2 and now we are going to hear quotes from a treatise  
3 that we can't cross examine on, the authors of that;  
4 and they're certainly not here to corroborate that  
5 testimony.

6 CHAIRMAN CLARK: Commissioner Kiesling, I  
7 noticed you hit your button.

8 COMMISSIONER KIESLING: Well, yeah. I  
9 wanted to know where in either the direct or rebuttal  
10 that was prefiled, this book or author and his  
11 opinions were mentioned.

12 WITNESS POAG: Commissioners --

13 CHAIRMAN CLARK: Mr. Poag, let Mr. Fons  
14 answer that one.

15 MR. FONTS: Well, again, we are in a  
16 Commission proceeding. The rule on hearsay is very --

17 CHAIRMAN CLARK: Mr. Fons, we want to  
18 know --

19 COMMISSIONER KIESLING: I want to know where  
20 this book is mentioned.

21 CHAIRMAN CLARK: Where it's covered in his  
22 direct.

23 MR. FONTS: It's not covered in his direct.

24 CHAIRMAN CLARK: Mr. Poag, please keep your  
25 summary to the subjects that you have discussed in

1 your prefiled direct or rebuttal testimony.

2 WITNESS POAG: All I was going to do is just  
3 give you the chapter. That concludes my summary.

4 CHAIRMAN CLARK: Thank you, Mr. Poag.

5 MR. FONS: The witness is available for  
6 cross examination.

7 COMMISSIONER DEASON: Let me ask a question  
8 on your analogy, Mr. Poag, before we start cross.

9 What if there's a situation where Developer  
10 A, who we'll say is the incumbent developer --

11 WITNESS POAG: Yes, sir.

12 COMMISSIONER DEASON: -- on all of the land  
13 that could be developed in an area. And for whatever  
14 reason, another developer comes in, and he acquired a  
15 small piece of that land, whether that was a quark  
16 that made it, the big developer who had the monopoly  
17 to do that, or for whatever reason. I'm trying to  
18 stretch your analogy a little bit.

19 WITNESS POAG: Okay, yeah.

20 COMMISSIONER DEASON: Whatever. So let's  
21 say the incumbent developer still has property where  
22 he can develop, say, a thousand homesites. The new  
23 developer comes in. He's just starting out. He can  
24 only develop 100 homesites. The incumbent developer  
25 puts in the wall, the streets, the sewers, the water,

1 underground utilities, all that you mentioned, for his  
2 entire thousand lot development. The new entrant  
3 developer does the same thing for his, but obviously  
4 it's only 100 that he can develop, but he puts it in  
5 there. So they both have costs.

6 Now, what would be wrong with those two  
7 developers saying, well, I build a certain style  
8 house, and the other developer builds another style of  
9 house. And they get together and they say, well, what  
10 if I have a customer that wants my style house, but he  
11 wants it located in your development. And visa versa,  
12 another customer comes to me and wants my style house,  
13 but wants it in this other development. Why don't we  
14 just have an agreement that if that situation arises,  
15 since all the costs are the same on a per lot basis  
16 that we will agree that if a customer comes to me and  
17 he wants my style house but he wants it in your  
18 development, I will acquire that lot; and I'll trade  
19 you one of my lots over here, and we'll just be even.  
20 What's wrong with that?

21 WITNESS POAG: Yeah, a couple of assumptions  
22 there, I think. And that is, is that there is  
23 equality. And if the second builder did, in fact,  
24 contribute to the building of the wall, to the  
25 entryway, and to the cost of -- if he contributed to



1 all of those costs to the same degree that the  
2 incumbent builder did, then --

3 COMMISSIONER DEASON: But he just puts in  
4 his own infrastructure, his own wall around his own  
5 lots -- his own development rather.

6 WITNESS POAG: Then in my opinion, he is not  
7 efficient if his costs then are the same as the  
8 incumbent builder. I don't know see how he can come  
9 in and have the same costs and not put in the same  
10 infrastructure and be as efficient.

11 COMMISSIONER DEASON: Well, maybe my  
12 assumption is incorrect. What I'm assuming is that  
13 for his 100 lot development, he puts in the same wall,  
14 he puts in the same sewer lines, everything is exactly  
15 the same. It's just a smaller scale. And he is  
16 willing to trade you one of his lots if he can get one  
17 from yours, and vice a versa, depending on whether the  
18 customer wants to build a house. And aren't you both  
19 better off?

20 WITNESS POAG: If all things are totally  
21 equal -- and I don't think they are in the  
22 telecommunications business -- I think that's  
23 reasonable, but I would like to think about it a  
24 little bit more.

25 CHAIRMAN CLARK: Mr. Edgington.

1 MR. ERWIN: No cross.

2 CHAIRMAN CLARK: Okay. Ms. Wilson.

3 MS. WILSON: Thank you. I have one  
4 preliminary recommendation. I may be referring from  
5 time to time to the exhibits that Staff has handed  
6 out, so I would recommend that we go ahead and mark  
7 those exhibits for the record for ease of reference.

8 MS. CANZANO: Okay. The first exhibit is  
9 FBP-1, which is the deposition transcript of Mr. Poag  
10 from February 29th.

11 CHAIRMAN CLARK: That will be marked as  
12 Exhibit 38.

13 MS. CANZANO: I believe Mr. Wahlen has an  
14 errata sheet to that.

15 MR. WAHLEN: That is correct. We do have  
16 Mr. Poag's errata sheet, and I have copies for the  
17 parties, and we'd like to include that as part of the  
18 exhibit.

19 CHAIRMAN CLARK: Exhibit 38 will include the  
20 errata sheet. And if you would pass that out,  
21 Mr. Wahlen. Go ahead.

22 MS. CANZANO: FPB-2 in United/Centel's  
23 responses to Staff's Interrogatories Nos. 2 through 66  
24 and late-filed deposition exhibit.

25 CHAIRMAN CLARK: That will be marked as

1 Exhibit 39.

2 MS. CANZANO: FBP-3 United/Centel's  
3 responses to Time Warner's first set of  
4 Interrogatories No. 20.

5 CHAIRMAN CLARK: That will be marked as  
6 Exhibit 40.

7 MS. CANZANO: FBP-4, United/Centel's  
8 responses to MFS' first set of interrogatories 1  
9 through 74.

10 CHAIRMAN CLARK: That will be marked as  
11 Exhibit 41.

12 MS. CANZANO: FBP-5 is United/Centel's  
13 responses to MCI Metro's first set of interrogatories  
14 6 through 17.

15 CHAIRMAN CLARK: That will be marked as  
16 Exhibit 42.

17 MS. CANZANO: The next exhibit is a  
18 confidential exhibit, and those are original responses  
19 to Staff's interrogatories in 1-POD. And that's  
20 FBP-6.

21 CHAIRMAN CLARK: Confidential Exhibit FBP-6  
22 will be marked as Exhibit 43.

23 MS. CANZANO: And then we have revised  
24 responses to those, Nos. 1 and No. 64B, which we have  
25 indicated as FBP-7.

1 CHAIRMAN CLARK: All right. It's a  
2 confidential exhibit?

3 MS. CANZANO: It's is also confidential.

4 CHAIRMAN CLARK: The confidential exhibit  
5 which is revisions to interrogatories and PODs will be  
6 marked as Exhibit 44.

7 (Exhibit Nos. 38 through 44 marked for  
8 identification.)

9 MS. CANZANO: Thank you.

10 CHAIRMAN CLARK: Go ahead, Mrs. Wilson.

11 **CROSS EXAMINATION**

12 BY MS. WILSON:

13 Q Good morning, Mr. Poag, I'm Laura Wilson  
14 representing the Florida Cable Telecommunications  
15 Association.

16 A Good morning.

17 Q I'd just like to start over by confirming  
18 that your title is Director of Tariff and Regulatory  
19 Management for United; is that correct?

20 A Correct.

21 Q And would it be fair to say that in that  
22 capacity you have a walking-around working kind of  
23 knowledge of Chapter 364?

24 A Yes.

25 Q Okay. I just want to be clear consistent

1 with some of the testimony that we'll talk about  
2 today. I'm not interested in any legal conclusions  
3 from you today. I just want to draw upon your working  
4 knowledge of Chapter 364, which may be right or wrong,  
5 but just basically your layman's opinion, is that  
6 okay?

7 A Yes.

8 Q And is it fair to say, Mr. Poag, that you're  
9 generally familiar with the provisions of law relating  
10 to local interconnection?

11 A Generally, yes.

12 Q Okay. And I'd like to draw your attention  
13 first to your testimony filed on February 6th. I  
14 don't need to do that. Let me just ask you, would you  
15 agree with me that the new law requires parties to  
16 negotiate interconnection terms before petitioning the  
17 Commission?

18 A Yes.

19 Q Okay. And based upon that language,  
20 Mr. Poag, wouldn't it be reasonable to conclude that  
21 the legislature intended to encourage negotiated  
22 settlements of interconnection issues?

23 A Yes, I believe so.

24 Q Okay. And wouldn't you agree with me that  
25 Sprint-United/Centel has acted in good faith

1 consistent with that intent in this proceeding?

2 A Yes.

3 Q And indeed Sprint-United/Centel and FCTA  
4 have negotiated some, haven't they?

5 A Correct.

6 Q Okay. And indeed you've reached an  
7 agreement with one party, Intermedia; isn't that  
8 correct?

9 A Correct.

10 Q And based upon that experience, Mr. Poag,  
11 versus what you witnessed in the past couple of days,  
12 wouldn't Sprint-United/Centel prefer an amicable  
13 resolution of interconnection issues if at all  
14 possible?

15 A Yes.

16 Q Now, Mr. Poag, don't you recommend the  
17 adoption of the rate structure contained in the  
18 BellSouth FCTA agreement?

19 A Generally. I think we had the difference of  
20 the line termination charge in our local  
21 interconnection because that's in our interexchange  
22 access tariffs. I think generally that was about the  
23 only difference in structure.

24 Q Okay. And aren't you also recommending in  
25 this proceeding that the Commission adopt the terms

1 that are contained in the Intermedia-United/Centel  
2 agreement?

3 A Yes. I would be satisfied with those terms  
4 on an interim basis.

5 Q Okay. And, Mr. Poag, would you be able to  
6 go one step further and say that in an ideal world  
7 isn't it more likely the consumer choice for local  
8 service will develop more quickly when parties are  
9 able to reach negotiated settlements that the parties  
10 believe are fair resolutions of these issues?

11 A I'm not sure I can shed any light on that  
12 assumption.

13 Q Okay. Would you then agree with me that the  
14 existence of these agreements demonstrates that there  
15 are reasonable and fair solutions out there for the  
16 parties involved based upon the circumstances at the  
17 time?

18 A Yes.

19 Q And I'd just like to talk to you a little  
20 bit about what principles you believe should guide the  
21 Commission in establishing fair terms of  
22 interconnection in resolving the issues in this  
23 proceeding.

24 Isn't it your opinion that the Commission  
25 must establish a charge sufficient to cover the cost

1 of furnishing interconnection?

2 A Yes.

3 Q And isn't it also your position that the  
4 Commission should ensure that the terms do not act as  
5 a barrier to competition?

6 A Yes.

7 Q And shouldn't the Commission establish terms  
8 and encourage infrastructure development?

9 A Yes.

10 Q Okay. And isn't it your position that the  
11 Commission should set nondiscriminatory terms of local  
12 interconnection?

13 A Yes.

14 Q And local providers cannot discriminate  
15 against other local providers in furnishing  
16 interconnection, can they?

17 A That's correct.

18 Q And would you agree with me that carriers  
19 should not be allowed to act anticompetitively in  
20 furnishing local interconnection?

21 A Yes.

22 Q Okay. And finally shouldn't the terms of  
23 interconnection encourage providers to be efficient?

24 A Yes.

25 Q Now, since you testified a minute ago that



1 you would recommend generally the adoption of the type  
2 of structure that's in the BellSouth-Cable agreement,  
3 and the structure that's in the United agreement with  
4 Intermedia, I'd like to talk a little bit briefly  
5 about what is in those agreements.

6 A Do I need a copy?

7 Q Do you have a copy?

8 A Let me see. (Pause)

9 MS. CANZANO: There's a copy in FPP-3, I  
10 believe starting on Page 10. That's the  
11 Intermedia-Centel agreement.

12 A I have a copy. The date on it is February  
13 1, 2-30. I received it on 2-23, so if that's what  
14 we're talking about. That's the Intermedia one.

15 Q (By Ms. Wilson) Okay. To save time I'm  
16 going to speak in broad strokes, but if at any point  
17 you want to jump in with further clarification I would  
18 encourage you to do that, okay?

19 Is the Intermedia agreement an agreement  
20 that lasts for approximately two years?

21 A Yes.

22 Q And is the intent of that agreement to  
23 compromise for the purpose of introducing competition?

24 A Yes.

25 Q Okay. And in Section B containing terms of

1 unbundling resale, that's the subject of another  
2 docket but I would just can ask you is the Intermedia  
3 agreement similar to the BellSouth agreement on those  
4 terms?

5 A I believe they both relate to special access  
6 for unbundled services.

7 Q Okay.

8 A That would be loop services.

9 Q Would you say they are essentially the same?

10 A I believe so.

11 Q Okay. And with respect to Section C,  
12 universal service and carrier of last resort, would  
13 you say that the Intermedia agreement with United  
14 versus the Cable agreement with BellSouth is  
15 essentially the same?

16 A I believe so.

17 Q Well, I need to ask you does United/Centel  
18 in the Intermedia agreement guarantee the provision of  
19 universal service through a carrier of last resort for  
20 two years without contributions from the interim  
21 universal service mechanism?

22 A Subject to the notwithstanding following.

23 Q Would it surprise you to learn that  
24 BellSouth had stipulated to guarantee universal  
25 service without contributions through the interim

1 mechanism for two years?

2 A Would it surprise me?

3 Q Yes.

4 A No, that would not surprise me.

5 Q Okay. And moving now to Section D regarding  
6 temporary number portability. Is the  
7 Intermedia-United/Centel agreement essentially the  
8 same as the Cable-BellSouth agreement?

9 A I believe it is, yes.

10 Q Okay. Now, would the terms be different,  
11 though, concerning terminating toll traffic on ported  
12 numbers requiring the use of the tandem?

13 A Yes. I believe that we kept that consistent  
14 with my testimony in this docket and that we should  
15 get the RIC.

16 Q But other than that, it would essentially be  
17 the same in Section D?

18 A I believe so.

19 Q Okay. And now I'd like to turn you back to  
20 Section A concerning the local interconnection rates.

21 A You said Section A.

22 Q I'm sorry, Section A of the Intermedia  
23 United/Centel agreement.

24 A Not Attachment A.

25 Q No.

1 A Okay.

2 Q Do you recall whether the Cable-BellSouth  
3 agreement contains a rate structure that is based upon  
4 BellSouth's switched access rate element less the RIC  
5 and CCL for the exchange of local traffic?

6 A That's my understanding for local  
7 interconnection.

8 Q And is it also your understanding that the  
9 usage sensitive charge in that agreement amounts to  
10 around a penny a minute, give or take?

11 A Yes.

12 Q Okay. Now, in the Intermedia-United/Centel  
13 agreement there are two options for the exchange of  
14 local traffic; is that correct?

15 A Yes.

16 Q And those two options are consistent with  
17 your testimony in this proceeding correct?

18 A Correct.

19 Q An Option A is a flat rate port; is that  
20 correct?

21 A Yes. I didn't offer the discounts in my  
22 testimony in this proceeding; I've subsequently, you  
23 know, done some price reductions.

24 Q Okay. But you would be willing to provide  
25 those discounts --

1 A Yes.

2 Q -- to ALECs.

3 A For the interim.

4 Q Okay. Now, both Option A and Option B are  
5 based upon United/Centel's switched access rate  
6 element, are they not?

7 A Yes.

8 Q Less the RIC and CCL, correct?

9 A Correct.

10 Q With respect to Option B, the usage  
11 sensitive rate, that amounts to about two cents a  
12 minute, does it not?

13 A Yes. I think it's .01882.

14 Q Okay. And that's almost twice as much as  
15 the BellSouth rate; is that correct?

16 A A little less than 80% more.

17 Q Okay. And the difference in those two rates  
18 is, as you mentioned before, the line termination  
19 charge; is that correct?

20 A Correct.

21 Q Okay. I'd like to talk to you for a minute  
22 just a little bit about the charge that you're  
23 recommending in this proceeding.

24 Isn't it your conclusion that the  
25 Commission -- based upon your layman's reading of the

1 statute, that the Commission must order a charge or  
2 money exchange for the exchange of local traffic?

3 A Yes.

4 Q Does the federal law preclude a bill and  
5 keep arrangement for the exchange of local traffic?

6 A I'm not really prepared to address the  
7 federal law.

8 Q Do you recall being asked that question in  
9 your deposition, Mr. Poag?

10 A No, I do not.

11 Q Okay.

12 A After five and a half hours.

13 Q Do you have Exhibit No. 30A in front of you?

14 A Yes.

15 Q Which is your deposition transcript. And I  
16 would refer you to Page 82.

17 A Okay.

18 Q And beginning on Line 11 do you recall being  
19 asked, "Are you aware also that the statute", and it  
20 was referring to the federal law "specifically states  
21 the interconnection compensation requirements do not  
22 preclude bill and keep arrangements."

23 MR. FONS: I'm going to object to the  
24 question. It's not clear at all from this deposition  
25 transcript that the reference was to the federal law.

1 It just says "Are you aware also that the statute  
2 specifically states." If you can point out to me  
3 where in the previous questions it relates to the  
4 federal statutes.

5 MS. WILSON: I think what I'm going to do is  
6 move on.

7 Q (By Ms. Wilson) Mr. Poag, in the Intermedia  
8 agreement with Sprint-United/Centel, is there 105% cap  
9 on traffic imbalance?

10 A Yes.

11 Q And that cap only applies to local calls?  
12 Is that correct?

13 A Yes.

14 Q If Intermedia terminates more local traffic  
15 for United/Centel than United/Centel does for  
16 Intermedia every month, it's entirely possible that  
17 United/Centel would pay Intermedia for furnishing  
18 local interconnection every month under that  
19 agreement; isn't that correct?

20 A I'm sorry, Laura, either you flipped it or I  
21 flipped it in my mind.

22 Q I think that was confusing.

23 A Pardon?

24 Q If I didn't have that written out I think  
25 I'd be confused too. Let me ask you again.

1           Is it entirely possible that Intermedia  
2 could terminate more local traffic under the agreement  
3 for United/Centel than United/Centel terminates for  
4 Intermedia?

5           A     Yes.

6           Q     Okay. And if Intermedia terminates more  
7 traffic for United/Centel, isn't it possible that  
8 United/Centel would be paying Intermedia every month  
9 under the agreement?

10          A     Yes.

11          Q     Now, obviously you had not proposed that cap  
12 here if you thought that that arrangement would not  
13 cover cost, would you?

14          A     Repeat the question, please?

15          Q     Obviously you would not recommend the  
16 Commission adopt that cap if you thought that you  
17 would not be able to cover costs. Isn't that correct?

18          A     Yes.

19          Q     Under Option A in the Intermedia agreement,  
20 the flat rate port charge, isn't it true that  
21 connections at the end office level would be  
22 essentially at a bill and keep rate?

23          A     Yes.

24          Q     And obviously you would not propose that the  
25 Commission accept that unless it covered its cost;



1 isn't that correct?

2 A Correct.

3 Q Now, a minute ago we talked about the fact  
4 that in the Intermedia-United/Centel agreement there's  
5 a line termination charge element.

6 A Yes.

7 Q Does United/Centel propose that that element  
8 be phased out of the local interconnection rate?

9 A Yes.

10 Q And when would United/Centel propose that  
11 that be phased out?

12 A Under the statute we have to reduce our  
13 intrastate access charges by 5% each year until they  
14 are to the level of the December 1994, I believe,  
15 interstate access charges. So we would be doing a  
16 filing to be effective October 1.

17 And my proposal is that in that filing that  
18 we make on October 1, we take that full 5% on the line  
19 termination rate element, which will take care of  
20 about 35, 40% of the current rate that you have there,  
21 and that the balance of that line termination rate be  
22 moved to the carrier common line rate elements. And  
23 this I think is very similar to what General Telephone  
24 did to get rid of their line termination rate element.

25 Q At the time that United/Centel takes that

1 course of action, could an interested party challenge  
2 that action?

3 A Yes.

4 Q So wouldn't it be fair to say that there's  
5 no guarantee that the line termination charge will be  
6 phased out under your proposal?

7 A Correct.

8 Q Let's assume that it's November, and, in  
9 fact, the line termination charge is now eliminated.

10 A Okay.

11 Q Would the local interconnection charge paid  
12 by ALECs for interconnection cover your cost?

13 A Assuming the rates that I have proposed,  
14 yeah.

15 Q Well, now, Mr. Poag, if it covers your cost,  
16 why not just take it out now?

17 A A couple of reasons, okay?

18 Number one, everybody that I've talked to  
19 has indicated to me they're not going to have a  
20 significant amount of traffic before October 1 to  
21 start out with.

22 Number two, by doing it at the same time  
23 that I'm doing a 5% reduction, I think there's less  
24 likelihood of someone coming in and opposing my tariff  
25 filing.

1 Q Are you finished?

2 A Well, there's a third one, too. The third  
3 one is we want to maintain the integrity our local  
4 interconnection and our access tariffs.

5 Q Well, now I want to ask you about  
6 maintaining the integrity of your access tariffs.  
7 You're not proposing that local providers pay the RIC,  
8 are you?

9 A Correct.

10 Q And you're not proposing that they provide  
11 the CCL, are you?

12 A Correct.

13 Q And you're also not proposing that they --  
14 that you charge each other originating access charges,  
15 are you, for local calls?

16 A I don't know -- there may be a situation  
17 where originating access charges might be appropriate.  
18 For example, on the exchange of intraLATA toll  
19 traffic.

20 Q Okay. But I'm talking about for the  
21 exchange of local traffic.

22 A Off the top of my head I can't think of a  
23 situation where you would have a reason to apply  
24 originating local interconnection traffic.

25 Q And indeed those originating access charges

1 are not part of your Intermedia-United/Centel  
2 agreement, are they?

3 A Correct.

4 Q So aren't you just picking and choosing when  
5 you want to be consistent with your network access  
6 rate elements, Mr. Poag?

7 A No.

8 MS. WILSON: Could I have just a minute?

9 (Pause)

10 Q (By Ms. Wilson) Mr. Poag, were you in the  
11 room day before yesterday when Chairman Clark asked  
12 Mr. Fons about the entity Sprint-United/Centel and who  
13 Mr. Fons was representing in this proceeding?

14 A Was that at the beginning of the  
15 proceedings?

16 Q It could have been. It's a long hearing.

17 A I think it was and I didn't get here until a  
18 little bit late, so I guess my answer is no.

19 Q Well, then, I'd just like to make the record  
20 clear if I can. On whose behalf are you testifying  
21 today?

22 A As I indicated earlier.

23 CHAIRMAN CLARK: I think she wants you to  
24 repeat that.

25 WITNESS POAG: I'm testfying on behalf of

1 Sprint-United Telephone and Sprint-Centel Telephone  
2 Companies.

3 Q (By Ms. Wilson) Just to be clear what that  
4 means, you're not testifying on behalf of the entity  
5 called Sprint Telecommunications Venture, are you?

6 A No.

7 Q And you're not testifying today on behalf of  
8 Sprint Long Distance Company, are you?

9 A I am only testifying on behalf of the two  
10 entities which I've indicated I was testifying on  
11 behalf of.

12 Q Okay. Well, then I'm just wondering do you  
13 recall being asked in your deposition by Mr. Crosby  
14 whether your position in this proceeding is consistent  
15 with Sprint corporate's position?

16 A Yes.

17 Q And what was your response?

18 A I don't recall.

19 Q Okay.

20 A I hope it was consistent, though.

21 Q Okay. Well, let's look at that. It's  
22 Exhibit No. 38, and I would refer you to Page 113.  
23 And beginning at Line 11, Mr. Crosby says "My question  
24 is that the contribution contained in line termination  
25 seems to be at variance with that policy and I was

1 wondering if you agree." And you answered "No, I  
2 don't agree." And Mr. Crosby asked "Why not?" And  
3 you answered "And, Don, I don't mean to be  
4 argumentative but I can assure you that my corporate  
5 folks have reviewed my testimony and there's no  
6 disagreement." Do you recall that?

7 A Yes.

8 Q Who were you referring to when you said  
9 "corporate folks"?

10 A I filed four sets of testimony, so a number  
11 of people at Corporate looked at them, and I think  
12 Bill Cheek would probably be the primary one that I  
13 talked with up there.

14 Q Were you referring to Sprint Corporation  
15 when you said corporate folks?

16 A Yes.

17 Q Okay. I would like to read some statements  
18 to you to see if you could agree with them.

19 A Could I have a copy of them?

20 Q Not yet. They are just straightforward  
21 questions. I'd like to see if you agree.

22 Do you agree, Mr. Poag, that bill and keep  
23 has a number of advantages over a usage sensitive  
24 local interconnection charge?

25 A It has some transactional and measurement

1 advantages, and if I were to apply those same  
2 advantages to the collection of access charges, I  
3 wouldn't bill interexchange carriers for access  
4 charges.

5 Q Do you agree that bill and keep is simple to  
6 administer?

7 A Laura, I don't want to give you a hard time,  
8 but you're oversimplifying the process.

9 With the new environment we're going to have  
10 local calls, we're going to have toll calls, we're  
11 going to have intercompany calls. We're going to have  
12 to manage and keep track of what kind of traffic is  
13 going over our network. Otherwise, we're going to  
14 find out we're being arbitrated. So you don't just  
15 say bill and keep gets rid of all of these concerns  
16 and all of these audits.

17 We've got to know what the toll is, we've  
18 got to know what the intermediary traffic is. I've  
19 already got -- I'm sitting here and I have got trunk  
20 engineering records, and these records go back to  
21 1984, that tell me what my traffic is over EAS trunks.

22 Now, Dr. Cornell says I don't have these.  
23 And I thought that was kind of interesting that I  
24 didn't have them and I was looking at them when she  
25 said that.

1           And this is something that I called my  
2 engineer, and I said, "Look, I need some information  
3 on traffic." And they produced these documents.

4           So the measurement and the recording is  
5 being done.

6           Q     Thank you, Mr. Poag.

7           Do you agree that bill and keep obviates the  
8 need for separate or new billing and accounting  
9 systems?

10          A     I'm not sure.

11          Q     Okay.

12          A     No -- yes, it probably would. And let me  
13 just suggest to you that in the agreement that we have  
14 with ICI, that we put some language in there that  
15 indicated where there were problems with developing,  
16 recording and measurement and billing that we would  
17 use some sort of a surrogate method for that.

18          Q     Okay. And, finally, would you agree that  
19 bill and keep prevents incumbent LECs from charging  
20 excessive interconnection rates which can skew the  
21 positioning of a competitor in the market?

22          A     There are a number of ways to avoid that.

23          Q     But would you agree that that's --

24          A     That's one of many.

25          Q     -- bill and keep is one way?



1 A That's one of many.

2 Q Okay. I'm going to pass out a document.  
3 I'd like it to be identified for the record.

4 CHAIRMAN CLARK: The document entitled  
5 "Comments of Sprint Corporation in Docket No. 95-185,  
6 before the FCC" will be marked as Exhibit 45.

7 (Exhibit No. 45 marked for identification.)

8 CHAIRMAN CLARK: Go ahead, Ms. Wilson.

9 Q (By Ms. Wilson) Mr. Poag, do you recognize  
10 this document?

11 A No.

12 Q Okay. I'd like to refer you to Page 7.

13 A Okay.

14 Q And to the paragraph entitled "Sprint's  
15 Proposed Compensation for Interconnected Traffic  
16 Section A. Bill and keep is the appropriate interim  
17 arrangement for PCS-LEC interconnection."

18 And would you please read that first  
19 paragraph for me?

20 A "Sprint supports the use of bill and keep  
21 arrangements for the PCS-LEC interconnection during an  
22 interim period, until access reform has been completed  
23 and PCS networks are up and running on a reasonably  
24 widespread basis. For these interim purposes, bill  
25 and keep has a number of advantages as recognized by

1 the Commission. See EG 61" -- Page 61, 62, Paragraph  
2 61, 62, whatever that is.

3 "Bill and keep is simple to administer. It  
4 obviates the need for separate or new billing and  
5 accounting systems, and it prevents incumbent LECs  
6 from charging excessive interconnection rates which  
7 can skew the positioning of PCS in the market."

8 Q Would you say that your testimony in this  
9 proceeding is consistent with what you just read?

10 A This relates to PCS, okay. And also in this  
11 situation you do not have a statutory requirement that  
12 says that your interconnection charges will cover  
13 their cost.

14 COMMISSIONER KIESLING: Was that a yes or a  
15 no?

16 WITNESS POAG: I think the answer is no.

17 Q (By Ms. Wilson) Mr. Poag, did you just say  
18 there's no statutory requirement that the charge cover  
19 its cost?

20 A I hope that's not what I said.

21 Q Well, didn't you just say that in this  
22 particular situation that there's no statutory  
23 requirement that the charge for interconnection cover  
24 its cost.

25 MR. FONS: I'll object to the form of the

1 question because it's unclear what you mean by "in  
2 this situation." Whether you mean the federal or you  
3 mean the state of Florida.

4 MS. WILSON: Could I have the court reporter  
5 read his response back to me?

6 COMMISSIONER DEASON: Which response,  
7 Ms. Wilson?

8 MS. WILSON: The response when I asked him  
9 the question if this is consistent with his testimony;  
10 if this paragraph is consistent with his testimony in  
11 this proceeding. Could I have that response read back  
12 to me?

13 (The question an answer were read back by  
14 the reporter.)

15 BY MS. WILSON:

16 Q Mr. Poag, what statutory requirement were  
17 you just referring to in giving that response?

18 A The Florida Statute. I can't quote you the  
19 section and page and whatever.

20 Q The Florida Statute does not have a  
21 requirement that the charge cover its cost?

22 A The Florida Statute does have a requirement  
23 that the charge cover its cost.

24 That was in one of the four sets of  
25 testimonies that I provided. I can look that up for

1 you. I reference you to my February 6 testimony,  
2 Page 2.

3 Q But, again, Mr. Poag, you're not familiar  
4 with the requirements of the federal law, are you?

5 A No. I have reviewed that but I think  
6 there's a lot of things that are going to have to be  
7 resolved there, much like they are being resolved here  
8 in the state, and I don't think I'm in a really good  
9 position to make decisions or to project what certain  
10 things in that statute mean.

11 Q Okay. I'm going to move on.

12 COMMISSIONER DEASON: Ms. Wilson, how much  
13 more do you have for this witness?

14 MS. WILSON: Probably, the way it's going, I  
15 would say about half an hour.

16 COMMISSIONER DEASON: We'll go ahead and  
17 take a lunch break at this point. We'll reconvene at  
18 12:45.

19 MS. WILSON: Thank you.

20 (Thereupon, lunch recess was taken at  
21 12:05 p.m.)

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23 (Transcript continues in sequence in  
24 Volume 12.)

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