1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY**

3 **OF**

4 **DAVID T. REARDEN**

5

6 **Q. Please state your name and business title.**

7 A.   My name is David T. Rearden. I am a Manager of Regulatory Policy for Sprint

8   Communications Co., Limited Partnership.

9

10 **Q. Are you the same David T. Rearden who filed Direct Testimony in this**

11   **docket on November 1, 2000?**

12 A.   Yes.

13

14 **Q. What is the purpose of your Rebuttal Testimony?**

15 A.   I respond to the Direct Testimony of Mr. Ruscilli for BellSouth on the issue of

16   reciprocal compensation for dial-up ISP traffic.

17

18 **Q. What are Mr. Ruscilli's principal arguments on this issue?**

19 A.   Mr. Ruscilli makes four basic arguments with respect to this issue. One, he

20   argues that ISP-bound traffic is interstate and therefore not eligible for

21   reciprocal compensation as other local traffic. BellSouth does agree that it will

22   abide by previous Commission Orders that reciprocal compensation is due for

23   such traffic. Two, any payments made should be subject to true-up when the

24   FCC reaches a 'final' decision on intercarrier compensation methods for all

25   types of traffic. Three, if reciprocal compensation is ordered for ISP dial-up

1   traffic, then the local switching rate calculated based on the holding times of

2   voice calls ought to be adjusted for that ISP dial-up traffic's longer holding

3   times. And four, he provides a method to adjust the local switching rate for the

4   longer holding times of ISP-bound traffic.

5

6   **Q.**   **What is a common thread to Mr. Ruscilli's conclusions?**

7   A.   Mr. Ruscilli attempts to isolate dial-up traffic bound for the internet from all

8   other types of local traffic. As an example, consider a corporate intranet. I can

9   dial-up the Sprint intranet from my home, which is a local call in the Kansas

10   City area. But I can access sites on that intranet that may be hosted in other

11   states. Is that intrastate or interstate traffic? Certainly, I can send e-mail to

12   other employees of Sprint with offices in other states. Is that interstate or

13   intrastate? The answer to this question depends on the same criteria as the

14   answer to the jurisdiction of internet traffic. Similarly, I used an example in my

15   direct testimony where the customer is a call-in radio station. The cost to

16   terminate this type of traffic may differ from that to deliver traffic to an

17   individual household on a per minute basis. Should there be different

18   reciprocal compensation rates for each customer or type of customer? The

19   keys to resolving the question of the proper rate is to match the cost of the

20   service and the rate charged for the service. That is best accomplished

21   through the bifurcated rate structure for switching for ALL local calls. In

22   particular, one type of call (i.e. dial-up ISP calls) should not be unreasonably

23   discriminated against simply because it has a traffic pattern that results in

24   more payments to one carrier.

25

1   **Q.**   **Please respond to Mr. Ruscilli's first assertion, namely that ISP-bound**

2   **traffic is interstate in nature.**

3   A.   Although my direct testimony addresses this argument, I should add that

4   BellSouth's discriminatory position on ISP-bound traffic theoretically leads to a

5   different compensation scheme for each different type of traffic. Sprint argues

6   that the reciprocal compensation rates for the exchange of all local traffic

7   should be consistent.

8

9   **Q.**   **Please respond to Mr. Ruscilli's second point that any reciprocal**

10   **compensation payments made should be subject to true-up pending a**

11   **final decision by the FCC.**

12   A.   BellSouth's proposal constitutes an unreasonable use of true-ups. The true-up

13   could continue for years due to the lag from the FCC's decision and an almost-

14   certain judicial review of that decision. No carrier has control of that regulatory

15   lag.   If true-ups for reciprocal compensation revenues are hanging over

16   CLECs' plans, their ability to compete is impaired. CLEC revenue streams

17   would be subject to review and recount and hence uncertainty. As a result,

18   lenders and investors may be loath to fund CLECs. CLECs already have an

19   apparently difficult task breaking into the local market. Saddling them with this

20   additional uncertainty unnecessarily and unfairly degrades their market

21   position.

22

23   **Q.**   **Please respond to Mr. Ruscilli's third point involving the adjustment of**

24   **the switching rate to account for the longer holding times of ISP-bound**

25   **calls.**

1   A. Sprint agrees that a constant switching rate for each minute does not correctly

2   recover costs of calls that have holding times different than the average

3   holding time. Sprint's bifurcated switching proposal which is intended to apply

4   to ALL local traffic is the best manner to correct the problem. If a bifurcated

5   rate is not adopted for switching, then it is acceptable to establish bands that

6   depend on the average length for all local calls. That is, rate bands can

7   establish rates that are reasonably equivalent to a bifurcated rate. But Sprint

8   does not agree that a separate rate should be established specifically and

9   solely for calls to dial-up ISPs. As discussed above, it is important that

10   different types of traffic receive consistent treatment.

11

12   **Q.** **Please respond to Mr. Ruscilli's fourth point regarding BellSouth's**

13   **proposed methodology to calculate the local switching rate.**

14   A. Sprint urges the Commission not to make rate decisions based on

15   unreasonable discrimination between different types of local traffic. Different

16   rates should not be charged for different types of traffic. Sprint's proposed

17   bifurcated rate structure or rate bands for all types of local traffic adequately

18   addresses the concern regarding longer holding times. And this is superior to

19   a separate rate just for dial-up ISP traffic.

20

21   **Q.** **Does this conclude your Rebuttal Testimony?**

22   A. Yes.

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