

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **ADDITIONAL DIRECT TESTIMONY**

3 **OF**

4 **JULIE L. WARD**

5  
6 **Q. Please state your name and business address.**

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8 A. My name is Julie L. Ward. I am Manager-Regulatory Policy, for Sprint  
9 Corporation. My business address is 6360 Sprint Parkway, Overland  
10 Park, Kansas 66251.

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12 **Q. What is your educational background and business experience?**

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14 A. I received a Bachelor of Science Degree from the University of Kansas in  
15 1996 with a major in Business Administration. From 1996 to 1998, I was  
16 employed as a Cash Management Consultant for Ernst & Young's  
17 National Cash Management Consulting Practice. I joined Sprint/United  
18 Management Company in July, 1998 as an Administrator – Network  
19 Costing in the Cost Support area. In that role, I was responsible for  
20 developing UNE cost studies for interoffice transport, loop and dark fiber.  
21 In my current position as Manager - Regulatory Policy for Sprint/United  
22 Management Company, I am responsible for the coordination of regulatory  
23 policies with various Sprint business units.

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1       **Q.    Have you previously testified before this Public Service**  
2       **Commission?**

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4       **A.    No, I have not.**

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6       **Q.    What is the purpose of your testimony?**

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8       **A.    The purpose of my testimony is to address, on behalf of Sprint, Issue 13 of**  
9       **the Phase II Supplemental Issues List. Sprint includes Sprint**  
10       **Communications Company Limited Partnership and Sprint Florida,**  
11       **Incorporated, who are Parties in this docket.**

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13       **Issue 13: How should a “local calling area” be defined, for purposes of**  
14       **determining the applicability of reciprocal compensation?**

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16       **Q.    How should a “local calling area” be defined, for purposes of**  
17       **determining the applicability of reciprocal compensation?**

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19       **A.    The ILEC’s local calling scope, as defined by tariff and including**  
20       **mandatory EAS, should define the appropriate local calling scope for**  
21       **reciprocal compensation purposes for wireline carriers. The local calling**  
22       **scope of the ILEC, including mandatory EAS, establishes a logical**  
23       **boundary upon which reciprocal compensation can be determined and is**  
24       **both fair and practical because ILECs generally have well-established,**  
25       **flat-rated local calling scopes, with tariffed access charges applicable**

1 outside the local calling scope. Furthermore, there is a longstanding  
2 history of utilizing the ILEC local calling scope for purposes of reciprocal  
3 compensation for ILEC to ILEC local calling and there are no compelling  
4 reasons for changing this definition of "local" for intercarrier compensation  
5 purposes that has successfully been applied over the years.

6

7 **Q. Does Sprint seek to restrict how ALECs define their local calling**  
8 **areas for pricing the retail services they offer their end users?**

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10 A. No. Sprint has no intentions of dictating how ALECs establish their local  
11 calling boundaries for purposes of setting rates for the services that they  
12 offer their end users. Sprint fully believes that ALECs have the right to  
13 designate their own flat-rated calling scope for the retail services that they  
14 offer their end users.

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16 **Q. What is the Commission's jurisdiction in this matter?**

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18 A. Pursuant to Paragraph 1035 of the FCC's First Report and Order, state  
19 commissions have the authority to determine what geographic areas  
20 should be considered "local areas" for the purpose of applying reciprocal  
21 compensation obligations for wireline carriers under section 251(b)(5).

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23 **Q. Should the Commission establish a default definition of local calling**  
24 **area for the purpose of intercarrier compensation, to apply in the**  
25 **event parties cannot reach a negotiated agreement?**

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A. Yes, as long as it does so consistently with its authority under Florida Statutes. Sprint does not believe the Commission has statutory authority to alter an ILEC's local calling area or change an ILEC's rates under chapter 364, Florida Statutes. These legal issues will be fully addressed in Sprint's brief.

**Q. Should the default definition of local calling area for purposes of intercarrier compensation be: 1) LATA-wide local calling, 2) based upon the originating carrier's retail local calling area, or 3) some other default definition/mechanism?**

A. As is stated above, Sprint contends that the Commission should base the default definition of local calling area upon the ILEC's local calling scope, including mandatory EAS. Below, Sprint will address several of its concerns with the Commission establishing a LATA-wide local calling scope for purposes for reciprocal compensation.

**Q. Please describe some of Sprint's concerns with the use of a LATA-wide local calling scope for intercarrier compensation?**

A. As stated above, Sprint believes that the ILEC local calling scope should be used to define the local calling area for reciprocal compensation purposes. However, should the Commission determine that the LATA is

1 the most appropriate local calling area, Sprint believes that this new  
2 intercarrier compensation arrangement established between LECs would  
3 put IXCs at a severe competitive disadvantage. Specifically, how could  
4 one justify the equity of allowing an ILEC to pay an ALEC reciprocal  
5 compensation for terminating its traffic when the IXC must pay the ALEC  
6 terminating access for a similar call that terminates within the LATA?  
7 Clearly this would be discriminatory and there appears to be an equity  
8 issue that must be dealt with if the Commission were to find that the LATA  
9 serves as the best default local calling scope for reciprocal compensation  
10 purposes. If this were to occur, Sprint would propose that intrastate-  
11 intraLATA access charges would need to be reduced to the reciprocal  
12 compensation rate in order for IXCs to continue to effectively compete for  
13 the end users' retail intraLATA toll services. Otherwise, IXCs would be, in  
14 essence, priced out of the market and consumer choices would decline.  
15 However, the Commission does not have the authority under Florida law  
16 to change access service prices.

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18 **Q. How are access charges assessed when an intraLATA toll call is**  
19 **handed off from ILEC to ALEC, or ALEC to ILEC?**

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21 **A.** Today, the switch will record the originating and terminating NPA/NXXs  
22 which it will use to determine the jurisdictional nature of the call – local or  
23 toll. Generally, when Sprint terminates an intraLATA toll call that is  
24 originated by an ALEC, Sprint will bill the ALEC based on our existing  
25 access services tariff rates and on Sprint's local calling area. When the

1 ALEC terminates an intraLATA toll call that is originated by Sprint, the  
2 ALEC will bill Sprint their existing access rates based on Sprint's local  
3 calling area. .

4

5 **Q. What would be the financial impact on Sprint as an ILEC and as an**  
6 **IXC if what are currently intraLATA toll calls between ILECs and**  
7 **ALECs instead become subject to reciprocal compensation?**

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9 A. Precise quantification of revenue impacts is difficult, at best, in a  
10 dynamic environment where the impacts are dependent on changing  
11 market shares and prices. However, there are clearly millions of dollars at  
12 risk for both IXCs' and ILECs' intraLATA toll revenues as well as millions  
13 of dollars for ILECs' intraLATA access revenues. It is inappropriate for a  
14 regulatory agency to establish policies or to make decisions that  
15 discriminate between carriers in the application of charges for the same  
16 services. Such discrimination, i.e., the application (or lack thereof) of  
17 access charges for ALECs versus IXCs and ILECs, substantially  
18 advantages one carrier over another, and distorts the appropriate  
19 economic mechanisms which should drive competition in the market. This  
20 is especially significant given the magnitude of the revenues involved and  
21 the market advantage conferred via regulatory fiat to one group of carriers  
22 versus their competitors.

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24 **Q. Does Sprint have a concern if the LATA-wide local calling area is**  
25 **used only as a default should negotiations fail?**

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A. Yes. Sprint believes that the Commission establishing a LATA-wide local calling scope as a default has the same result, in essence, as establishing the LATA-wide local calling scope as a rule. The ALECs would have no incentive to negotiate anything different and the LATA would essentially become the presumptive local calling area for intercarrier compensation purposes.

**Q. What is the relationship between the local calling areas for intercarrier compensation purposes and the local calling areas established for retail purposes?**

A. As stated above, Sprint believes the ILEC's local calling areas established for retail purposes should drive the local calling areas established for intercarrier compensation purposes.

**Q. Have any other state commissions specifically addressed the issue of local calling scopes for the purposes of reciprocal compensation?**

A. Yes. Several states have addressed this issue in either arbitrations or generic dockets. The Public Utilities Commission of Nevada issued an Order Adopting Revised Arbitration Decision on April 12, 1999 in Docket No. 98-10015, an arbitration between Pac-West Telecomm, Inc. and

1 Nevada Bell and Docket No. 99-1007, an arbitration between Advanced  
2 Telecom Group, Inc. and Nevada Bell that addressed the issue of local  
3 calling scopes for reciprocal compensation between two carriers.  
4 Specifically, paragraph 69, of the Revised Arbitration Decision states that  
5 “reciprocal compensation obligations should apply to traffic that originates  
6 and terminates within state-defined local calling areas”. In addition,  
7 paragraph 77 further clarified that reciprocal compensation between  
8 Nevada Bell and Pac-West or ATG would be determined on the basis of  
9 whether “customers are located within the same Nevada Bell local calling  
10 area”. Thus, the Nevada Commission has determined that the ILEC’s  
11 local calling area is the basis for determining whether reciprocal  
12 compensation is due or not.

13 In addition, the Texas Commission reached a similar conclusion in their  
14 Arbitration Award between SWBT and Interconnection CLECs in Docket  
15 No. 21982, Proceeding to examine Reciprocal Compensation Pursuant to  
16 Section 252 of the Federal Telecommunications Act of 1996. In this  
17 docket, despite AT&T’s contention, the Commission “reaffirms its previous  
18 determination that reciprocal compensation arrangements apply to calls  
19 that originate from and terminate to an end-user within a mandatory single  
20 or multi-exchange local calling area, including the mandatory EAS/ELCS  
21 areas comprised of SWBT exchanges and the mandatory EAS/ELCS  
22 areas comprised of SWBT exchange and exchanges of independent  
23 ILECs...The Commission reiterates that this Award does not preclude  
24 CLECs from establishing their own local calling areas or prices for  
25 purpose of retail telephone service offerings.”



1           Furthermore, the Ohio Commission addresses this issue in their Local  
2           Service Guidelines in IV(C). Specifically, these guidelines state, "As  
3           NECs (new entrant carrier) establish operations within individual ILEC  
4           service areas, the perimeter of ILEC local calling area, as revised to reflect  
5           EAS, shall constitute the demarcation for differentiating local and toll call  
6           types for the purpose of traffic termination compensation."

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8           **Q. Does that conclude your testimony?**

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10          **A. Yes.**

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