

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **DIRECT TESTIMONY**

3   **OF**

4                                   **MITCHELL S. DANFORTH**

5                                   **DOCKET NO. 041144-TP**

6

7   **Q.    Please state your name and business address.**

8    A.    My name is Mitchell S. Danforth. My business address is 6480 Sprint Parkway,  
9           Overland Park, Kansas, 66251.

10

11 **Q.    By whom are you employed and in what capacity?**

12 A.    I am a Manager in Strategic Sales and Account Management for Sprint Corporation.  
13           In this proceeding I am testifying on behalf of Sprint-Florida, Incorporated.

14

15 **Q.    Please describe your educational background and work experience.**

16 A.    I received a Bachelor of Business Administration degree from the University of  
17           Missouri – Kansas City in 1986.

18

19           I began my career with Sprint in 1987 as an Access Analyst I for Sprint Long Distance  
20           in the Access Verification Department in Kansas City, Missouri. I was responsible for  
21           the audit and payment of long distance access billing rendered by carriers that provided  
22           Sprint Long Distance access to its long distance network. From 1988 – 1991 I was a  
23           Senior Analyst in Access Verification performing more complicated audits of long

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1 distance access billing and reviewing work prepared by other analysts. From 1991 -  
2 1994 I held two positions, Operations Analyst and Billing Manager, with United  
3 Telephone Long Distance, a Sprint subsidiary. My responsibilities included managing  
4 billing systems, auditing access charges, project management, financial analysis,  
5 budgeting and maximizing network efficiency. In 1994 I returned to the Long  
6 Distance Access Verification Department at Sprint and held multiple management  
7 positions. My responsibilities included managing the daily activities of a staff of five to  
8 twenty access analysts and supervisors, and coordinating the audit, payment and  
9 dispute resolution of complex access charge bills. In addition, I was responsible for  
10 the development of processes and financial controls for the audit of new types of  
11 access charges. In 2001 I assumed the responsibility of developing an access  
12 verification department within Sprint's Local Telephone Division. The department  
13 was responsible for the audit, payment, dispute resolution and financial analysis for  
14 inter-carrier reciprocal compensation charges billed by CLECs and wireless providers.

15  
16 In 2003 I started my current position as Manager – Carrier Accounts within Strategic  
17 Sales and Account Management. I am responsible for the dispute resolution and  
18 settlement negotiations for open claims with CLECs and wireless providers. I am also  
19 responsible for the development of internal access processes and the delivery of access  
20 audit tools.

21  
22 **Q. What is the purpose of your testimony in this proceeding?**

1    **A.**    The purpose of my testimony is to support Issue 8. My testimony provides the  
2           calculation and the explanation of the local reciprocal compensation overpayment  
3           claim that Sprint filed against KMC Telecom.

4  
5    **Q.**    **Could you please provide an overview of your testimony?**

6    **A.**    Yes. In my testimony, I will outline the facts concerning Sprint's overpayment of  
7           reciprocal compensation charges to KMC, caused by KMC routing access traffic over  
8           Sprint's local interconnection trunks. KMC is interconnected with Sprint for the  
9           exchange of local traffic and ISP-bound traffic. The basis for Sprint's claim resides in  
10          the FCC's Order released April 27 2001 in Dockets No. 96-98 and 99-68 entitled *In*  
11          *the Matter of Implementation of the Local Competition Provisions in the*  
12          *Telecommunications Act of 1996; Intercarrier Compensation for ISP-Bound Traffic*  
13          ("ISP Remand Order"). Sprint compensated KMC for local reciprocal compensation  
14          traffic based on the interim compensation regime set forth in the ISP Remand Order. I  
15          provide support as to why Sprint's position is consistent with the FCC rules, how the  
16          overpayment occurred, and why the overpayment should to be refunded to Sprint.

17  
18   **Q. You refer to the ISP Remand Order. What is the ISP Remand Order,**  
19          **and how does it apply to these proceedings?**

20   **A.**    On April 27, 2001, the FCC released the ISP Remand Order. The FCC's ISP Remand  
21          Order established the interim compensation regime addressing intercarrier  
22          compensation of telecommunication traffic delivered to internet service providers  
23          (ISPs) and the treatment and compensation of local traffic. A key element of the

1 FCC's order was the assumption that where two carriers were exchanging traffic, if  
2 one carrier's traffic exceeded the other carrier's traffic by a factor of three (3), all  
3 traffic above the 3:1 ratio was presumed to be ISP-bound traffic and compensated at  
4 the ISP-bound traffic rate as set forth in the FCC's order. Because KMC sent non-  
5 local access traffic over the local interconnection facilities between Sprint and KMC,  
6 Sprint was compensating KMC for the traffic Sprint was sending to KMC, threefold  
7 for each non-local access minute KMC sent to Sprint over the local interconnection  
8 facilities.

9  
10 **Q. Please explain how Sprint implemented the interim compensation regime**  
11 **established in the ISP Remand Order.**

12 **A.** Specifically, for intercarrier compensation after February 1, 2002, Sprint compensated  
13 CLECs for traffic that it presumed to be ISP-bound at the FCC rates based on the  
14 following methodology outlined in the ISP Remand Order: To determine the number  
15 of local minutes to be compensated at the reciprocal compensation rates specified in  
16 the interconnection agreement, the number of minutes originated by the CLEC and  
17 terminated to Sprint was multiplied by three. This calculation determined the number  
18 of Sprint-originated minutes that were below the 3:1 ratio (presumed by Sprint to be  
19 local minutes) and the number of Sprint-originated minutes that were above the 3:1  
20 ratio (presumed by Sprint to be ISP-bound minutes). The Sprint-originated minutes  
21 above the 3:1 ratio (presumed by Sprint to be ISP-bound minutes) and under the  
22 growth cap were compensated at the rates described in the FCC's *ISP Remand Order*.

23 The interim compensation regime also provided a method to calculate and apply a

1 growth cap to the number of ISP-Bound minutes, but the growth cap is not at issue in  
2 this proceeding.

3

4 **Q. On what specific section of the ISP Remand Order is Sprint basing its**  
5 **overpayment claim?**

6 A. Specifically, in Paragraph 79 the FCC states that “traffic delivered to a carrier,  
7 pursuant to a particular contract, that exceeds a 3:1 ratio of terminating to originating  
8 traffic is ISP-bound traffic that is subject to the compensation mechanism set forth in  
9 this Order.” The FCC further describes how to compensate for traffic below the 3:1  
10 ratio. The ISP Remand Order states “LECs remain obligated to pay the presumptive  
11 rate (reciprocal compensation rates) for traffic below a 3:1 ratio”. ILECs may elect to  
12 offer the interim compensation regime on a state-by-state basis. Sprint offered the  
13 interim compensation regime in Florida effective February 1, 2002. One of the  
14 difficulties associated with applying a different rate to ISP-bound traffic involves being  
15 able to correctly identify what constitutes ISP-bound traffic. The ISP Remand Order  
16 allows carriers to apply a 3:1 ratio as a presumption for making this determination.  
17 The number of minutes above the 3:1 ratio is presumed to be ISP-bound traffic and  
18 compensable at the rates established by the FCC in the ISP Remand Order. All  
19 minutes below the 3:1 ratio are presumed to be voice or Local Traffic as defined in the  
20 interconnection agreement and compensable at the reciprocal compensation rates in  
21 the interconnection agreement. In this case, three times the number of KMC-  
22 originated minutes terminated by Sprint is presumed to be the number of Sprint-  
23 originated voice or Local traffic terminated by KMC.

1 **Q. Please explain how application of the 3:1 ratio in this instance caused Sprint to**  
2 **overcompensate KMC?**

3 A. By sending non-local access minutes over the local facilities KMC inflated the amount  
4 of Local or 'voice' traffic and, as a result, Sprint overpaid reciprocal compensation by  
5 three times for the minutes-of-use that KMC incorrectly routed in this fashion.  
6 Because the contractual Local or 'voice' rates are substantially higher than the ISP-  
7 bound traffic rates, Sprint overpaid by that rate differential multiplied by the number of  
8 minutes that were sent incorrectly as if they were Local or voice traffic.

9  
10 **Q. Can you please describe how Sprint overpaid KMC for the traffic**  
11 **below the 3:1 ratio?**

12 A. Yes. Sprint has calculated that it overpaid KMC \$ [REDACTED]. This calculation is based  
13 on [REDACTED] minutes-of-use that KMC delivered to Sprint from July 2002 – June  
14 2003. Sprint, believing this traffic to be local, billed KMC for termination of these  
15 minutes as local at the reciprocal compensation rate in the interconnection agreement  
16 (\$.006467) and included these minutes in the 3:1 calculation.

17  
18 As a result of the application of the 3:1 ratio in the ISP Remand Order, Sprint  
19 overpaid KMC 3 times the volume of Local or voice minutes at the reciprocal  
20 compensation rates ( $[REDACTED] \text{ minutes} \times 3 = [REDACTED] \times \$0.006467 =$   
21  $\$ [REDACTED]$ ), [REDACTED] is the number of minutes delivered by KMC and  
22 terminated by Sprint and [REDACTED] is the number of minutes delivered by Sprint

1 and terminated by KMC that were presumed to be local traffic. (Please see Exhibit  
2 MSD-1 for further explanation)

3

4 **Q. How is the adjustment handled for the reciprocal compensation KMC was billed**  
5 **for the access minutes that were sent over the local interconnection facilities?**

6 **A.** The adjustment for the local compensation billing amount is made by Mr. Kenneth  
7 Farnan in his calculation of the access charges that are due to Sprint as a result of  
8 KMC misrouting this traffic as local instead of terminating access.

9 **Q. What are the appropriate payment arrangements for KMC to follow if the**  
10 **Commission determines that KMC owes Sprint compensation for traffic**  
11 **delivered by KMC that is subject of this complaint, and for refunds for Sprint's**  
12 **overpayment of reciprocal compensation?**

13 **A.** KMC should be required to pay Sprint within ten days all monies awarded to Sprint.  
14 The payment should be wired transferred to Sprint at the following bank account:

15 Bank Name: Fifth Third Bank

16 Bank City/State: Cincinnati, Ohio

17 Transit Routing Number: 0420-0031-4

18 Bank Account Number: 99942515

19

20 **Q. Would you please summarize your testimony?**

21 Yes. Sprint has overpaid KMC \$ [REDACTED] in reciprocal compensation. This occurred  
22 because KMC sent 38,214,362 minutes of non-local traffic to Sprint over local  
23 interconnection trunks that resulted in the treatment of that traffic as local. Sprint

1 compensated KMC for reciprocal compensation based on the ISP Remand Order  
2 interim compensation regime and paid three (3) times for each minute of incorrectly  
3 routed traffic. Sprint is requesting a refund of \$ [REDACTED]

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5 **Q. Does this conclude your testimony?**

6 **A. Yes, it does.**

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Docket No. 041144-TP  
Exhibit \_\_\_ (MSD-1)  
Reciprocal Compensation Expense Overpayment Calculation

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