

1 **BEFORE THE PUBLIC SERVICE COMMISSION**

2 **DIRECT TESTIMONY**

3 **OF**

4 **PETER SYWENKI**

5

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

7 **A.** My name is Peter Sywenki. I am Director – Regulatory Policy, for Sprint
8 Corporation. My business address is 6450 Sprint Parkway, Overland Park,
9 Kansas 66251.

10

11 **Q. Please summarize your educational and professional background.**

12 **A.** I hold Bachelor of Science degrees in Marketing and Finance from Elizabethtown
13 College. I have worked in telecommunications industry for nearly 18 years. I
14 started my career at United Telephone Company in Carlisle, Pennsylvania and
15 have held various positions within Sprint with a wide array of responsibilities,
16 including carrier settlements, cost separations and allocation, regulatory reporting,
17 access rate development, interconnection agreement negotiation and arbitration,
18 and public policy development and advocacy. In my current position, I am
19 responsible for coordinating regulatory and legislative public policy on behalf of
20 Sprint's wireless, incumbent LEC, competitive LEC, and Long Distance interests.

21

22 **Q. Have you testified before any regulatory commissions?**

23 **A.** Yes. I have provided testimony before the state commissions in

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1 Missouri, Maryland. Yes. I have provided testimony before the state
2 commissions in Missouri, Maryland, Nebraska, New York, Pennsylvania,
3 Virginia, and Wyoming. In addition, I have appeared in NARUC and FCC
4 proceedings.

5
6 **Q. On whose behalf are you testifying?**

7 **A.** I am testifying on behalf of Sprint – Florida, Incorporated (hereafter referred to as
8 “Sprint”).

9
10 **Q. What is the purpose of your Direct Testimony?**

11 **A.** The purpose of my Direct Testimony is to address Sprint’s positions regarding the
12 following 5 outstanding issues:

13 **ISSUE 5** How should “local traffic” be defined?

14

15 **ISSUE 36** What terms should apply to establishing Points of Interconnection
16 (POI)?

17

18 **ISSUE 37** What are the appropriate terms for transport and termination
19 compensation for:

20 (a) local traffic

21 (b) non-local traffic

22 (c) ISP-bound traffic?

23

1 **ISSUE 5** How should “local traffic” be defined?

2
3 **Q. Please explain the local traffic definition issue dispute.**

4 **A.** Sprint and FDN disagree how Local Traffic should be defined for the purposes of
5 applying intercarrier compensation. It is Sprint’s position that “Local Traffic”
6 should be defined to include calls originating and terminating within Sprint’s
7 local calling area (including mandatory EAS areas). FDN wishes that all calls
8 within a LATA be considered “local”.

9
10 **Q. What is Sprint’s desired outcome for this issue?**

11 **A.** Sprint desires that the Commission adopt Sprint’s definition of local traffic.
12 Specifically:

13 1.73 “Local Traffic” for the purposes of this Agreement the Parties shall
14 agree that “Local Traffic” means traffic (excluding CMRS traffic) that is
15 originated and terminated within Sprint’s local calling area, as defined by
16 the Commission or, if not defined by the Commission, then as defined in
17 existing Sprint tariffs. For this purpose, Local Traffic does not include
18 any ISP-Bound Traffic.

19
20 **Q. Why is the definition of Local Traffic important?**

21 **A.** This definition will be the basis for determining when reciprocal compensation
22 applies to traffic exchanged between FDN and when access charges apply. Under
23 today’s rules, reciprocal compensation applies to the exchange of local traffic

1 whereas access charges apply to the origination and termination of long distance
2 traffic. Because of the significant rate disparity between reciprocal compensation
3 and access charges under the current intercarrier compensation regime, how
4 “local” is defined will have a significant impact on how Sprint and FDN traffic is
5 compensated. Specifically, if “local” is redefined and expanded to mean all
6 traffic exchanged within a LATA, as FDN proposes, Sprint will be exposed to
7 significant reductions in access revenue.

8
9 **Q. How would expanding the definition of “Local Traffic” reduce Sprint’s**
10 **revenue?**

11 **A.** Sprint’s retail rates and intercarrier compensation rates are subject to incumbent
12 LEC regulation. Specifically, the rates and rate structures are designed based on
13 historical geographically defined calling areas subject to Commission regulation.
14 If the local calling area boundary is redrawn as proposed by FDN, it will change
15 the form of intercarrier compensation that applies to non-local calls today. Calls
16 formerly subject to long distance intrastate access compensation would become
17 subject to local reciprocal compensation. Because intrastate access rates are
18 higher than reciprocal compensation rates and because intrastate access provides
19 revenue for originating traffic whereas reciprocal compensation does not,
20 redefining long distance calls as local calls would reduce the amount of
21 intercarrier compensation revenue opportunity for Sprint. This is particularly
22 significant in Florida because, under the interim universal service mechanism
23 approved by the Commission, access charge revenues continue to provide

1 significant support for basic local service rates. Because Sprint, as an ILEC, is not
2 permitted to adjust its regulated rates without Commission approval, it has no
3 alternative opportunity to recover the loss of intercarrier compensation revenue
4 caused by redrawing the local traffic boundary line.

5

6 **Q. Is FDN harmed by Sprint's definition of Local Traffic?**

7 **A.** No. Since both parties will be subject to the same designation for access and local
8 traffic compensation, there is no competitive disparity between the parties. FDN
9 will be able to collect access charges and reciprocal compensation on the same
10 basis as Sprint and will pay reciprocal compensation and access charges on the
11 same basis.

12

13 **Q. Is Sprint dictating that FDN use the historical ILEC local calling area**
14 **boundaries for purposes of its retail service offerings?**

15 **A.** No. FDN is free to choose its own local calling area for purposes of its retail
16 offering to its customers.

17

18 **Q. Does FDN's proposal create competitive disparities?**

19 **A.** Yes. Unlike FDN, Sprint as an ILEC is obligated to serve as "carrier-of-last
20 resort" required to provide basic local service at rates strictly regulated by the
21 Commission. The revenue Sprint would lose under FDN's proposal helps support
22 Sprint's ability to meet this obligation. Because FDN has flexibility in choosing
23 who to serve and at what price, it would not be impacted like Sprint would from a

1 change in intercarrier compensation. Moreover, FDN would gain an advantage
2 over Sprint and other carriers that would still be subject to the existing ILEC local
3 calling areas for determining compensation. For example, a long distance
4 intraLATA call from an AT&T customer to a Sprint local customer would require
5 AT&T to pay terminating access, but the exact same call from the same customer
6 served by FDN would allow FDN avoid paying terminating access and instead
7 pay the much lower reciprocal compensation rate.

8
9 **Q. Is Sprint suggesting that the historical ILEC local calling area boundaries**
10 **must forever be used to determine intercarrier compensation?**

11 **A.** No. Sprint is a strong proponent of reforming intercarrier compensation to
12 replace the current regulatory traffic distinctions between local and long distance
13 compensation with a uniform compensation mechanism and to permit ILECs the
14 opportunity to recover any lost access revenue from intercarrier compensation
15 reform. However, until such reform is implemented, the existing ILEC local
16 calling areas are the appropriate areas for distinguishing local from long distance
17 traffic for intercarrier compensation purposes. Instead of competitively neutral
18 reform, the FDN proposal to expand the definition of Local Traffic from the local
19 calling area to an entire LATA solely for FDN, would create inappropriate
20 competitive disparities and would put revenue that supports Sprint's carrier-of-
21 last-resort obligations at risk. If there is a redrawing of the line that distinguishes
22 local and long distance traffic, it should occur in a proceeding where the outcome

1 applies to all carriers and in which incumbent LECs are provided an opportunity
2 to recover lost access revenue.

3
4 **ISSUE 36** What terms should apply to establishing Points of
5 Interconnection (POI)?
6

7 **Q. Please explain the disagreement with regard to the POI locations.**

8 **A.** FDN will not agree to Sprint's proposal to maintain one POI per LATA with a
9 POI at each tandem where FDN terminates traffic, unless Sprint agrees to FDN's
10 expanded definition of Local Traffic. In the absence of agreement on Local
11 Traffic definition, it is unclear to Sprint what FDN's position is for establishing
12 POIs.

13
14 **Q. What is Sprint's proposal for this issue?**

15 **A.** Sprint proposes to maintain a minimum of one POI per LATA with a POI at each
16 Sprint tandem where FDN terminates traffic. Specifically:

17 54.2.1 Physical Point of Interconnection. Unless interconnecting with
18 Sprint on an indirect basis subject to Section 60, CLEC must establish a
19 minimum of one Physical POI within each LATA, at any technically
20 feasible point on Sprint's network. To the extent CLEC terminates traffic
21 to Sprint end-users served by different tandems, CLEC must interconnect
22 at each tandem where it terminates traffic.
23

1 **Q. What is a POI?**

2 **A. A Point of Interconnection (POI) is a physical network location point designating**
3 **where carrier networks interconnect for the mutual exchange of traffic. The POI**
4 **establishes the point on Sprint's network where FDN's interconnection facilities**
5 **must connect.**

6
7 **Q. Please explain the rationale behind Sprint's POI proposal.**

8 **A. Sprint's proposal to maintain a minimum of one POI per LATA with a POI at**
9 **each Sprint tandem is necessary in order to avoid unnecessary "double-**
10 **tandeming."**

11
12 **Q. What do you mean by "double-tandeming"?**

13 **A. Double-tandeming occurs when calls pass through two tandem switches on route**
14 **to their final destination. For example, a call destined for a customer served by**
15 **end office A which subtends tandem A is dropped off at tandem B. A call to this**
16 **customer would enter a trunk port into tandem B, get tandem switched, exit a**
17 **trunk port onto a trunk headed for tandem A, enter a trunk port on tandem A, get**
18 **tandem switched again, exits a trunk port onto a trunk headed for end office A**
19 **where it is switched onto the end user's loop for completion. Establishing a POI**
20 **at tandem A and tandem B would eliminate the need for two tandem B trunk ports**
21 **and would eliminate tandem switching at tandem B.**

22

1 receives from end user customers and neither Party pays the other Party
2 for terminating the traffic which is subject to the Bill and Keep
3 arrangement.

4 55.2.1 The “Bill and Keep” arrangement is applicable if terminating
5 traffic between the Parties is balanced within 10%. The Parties agree to
6 cooperate on traffic studies and share results of such studies upon request
7 of the other Party in order to detect an out of balance condition. Should a
8 traffic study indicate an out of balance condition, the Parties shall begin to
9 pay reciprocal compensation to each other, retroactive to the start of the
10 traffic study

11

12 **Q. What is the nature of FDN’s dispute with Sprint on this issue?**

13 **A.** As discussed above, it appears that the dispute is not necessarily with the
14 intercarrier compensation rates, but rather the dispute centers on the traffic to
15 which the rates apply. FDN wants local reciprocal compensation to apply to
16 intraLATA long distance calls. Furthermore, FDN apparently does not want
17 access charges to apply to long distance VoIP and VNXX calls.

18

19 **Q. What is Sprint’s position on this issue?**

20 **A.** Sprint’s position is very simple. Intercarrier compensation is based on the
21 originating and terminating end points of the call. Calls originating and
22 terminating within the local calling area are subject to bill and keep (or to
23 reciprocal compensation if the traffic is out of balance). Calls that do not

1 originate and terminate within the local calling area are subject to access charge
2 tariffs. This is true whether the traffic is VoIP or non-VoIP, VNXX or non-
3 VNXX.

4

5 **ISSUE 38** What are the appropriate terms for compensation and costs
6 of calls terminated to end users physically located outside
7 the local calling area in which their NPA/NXXs are homes
8 (Virtual NXXs)?

9

10 **Q. Please explain the disagreement regarding the use of virtual NXX to**
11 **terminate calls outside the local calling area of the originating end user..**

12 **A.** FDN and Sprint disagree about the appropriate compensation for call terminated
13 to end users physically located outside the local calling area in which their
14 NPA/NXXs are homed.

15

16 **Q. What is Sprint's desired outcome for this issue?**

17 **A.** VNXX traffic should be subject to long distance access charges. Specifically:
18 55.4 Calls terminated to end users physically located outside the local
19 calling area in which their NPA/NXXs are homed (Virtual NXXs), are not
20 local calls for purposes of intercarrier compensation and access charges
21 shall apply. For Sprint-originated traffic terminated to CLEC's Virtual
22 NXXs, Sprint shall not be obligated to pay reciprocal compensation,
23 including any shared interconnection facility costs, for such traffic.

1 **Q. Please describe this issue.**

2 **A.** A virtual NXX or VNXX occurs when a telephone number NPA-NXX associated
3 within the geographic local calling area is assigned to a customer who is not
4 physically located in the local calling area. Use of VNXXs is very typical by
5 CLECs serving dial-up internet service providers. While Sprint does not oppose
6 use of a VNXX by a CLEC to allow retail end users to dial-up the internet without
7 incurring toll charges, for intercarrier compensation purposes the form of
8 compensation is based on the geographic end points of the call. With regard to
9 VNXX calls, since the originating customer and terminating customer are not
10 located within the local calling area, VNXX calls are not local calls and not
11 subject to reciprocal compensation. The CLEC is an interexchange carrier for
12 VNXX calls and originating access charges apply to these long distance calls. The
13 Commission's Order No. PSC-02-1248-FOF-TP, issued September 10, 2002 in
14 Docket No. 000075-TP, addressing reciprocal compensation issues, supports
15 Sprint's position. In ruling on the appropriate intercarrier compensation for virtual
16 NXX traffic, the Commission stated "We find that calls terminated to end-users
17 outside the local calling area in which their NPA/NXXs are homed are not local
18 calls for purposes of intercarrier compensation; therefore, we find that carriers are
19 not obligated to pay reciprocal compensation for this traffic."

20

21 **ISSUE 39** What are the appropriate terms for compensation and costs
22 of calls that are transmitted, in whole or in part, via the
23 public Internet or a private IP network

1 **Q. Please describe the nature of the dispute on this issue.**

2 **A.** FDN and Sprint disagree about the appropriate compensation for voice calls that
3 are transmitted in whole or in part via the public internet or a private IP network
4 (VoIP).

5
6 **Q. What is Sprint's proposal for this issue?**

7 **A.** Sprint's proposal is that intercarrier compensation for VoIP traffic be the same as
8 compensation for non-VoIP traffic. Specifically, Sprint initially proposed the
9 following language:

10 55.5 Voice calls that are transmitted, in whole or in part, via the public
11 Internet or a private IP network (VoIP) shall be compensated in the same
12 manner as voice traffic (e.g. reciprocal compensation, interstate access and
13 intrastate access).

14
15 As an alternative, if FDN is not seeking to terminate interexchange VoIP traffic at
16 this time, Sprint proposed the following language to be contained in the
17 interconnection agreement:

18 55.5 Neither Party will knowingly send voice calls that are transmitted by
19 a Party or for a Party at that Party's request, at any point, in whole or in
20 part, via the public Internet or a private IP network over local
21 interconnection trunks for termination as local traffic by the other Party,
22 nor shall either Party engage a third party for the purpose of sending such
23 calls where the Party has actual knowledge that the third party shall do so,

1 until a mutually agreed Amendment is effective. Except that either Party
2 may send the other VoIP traffic that is also Local Traffic based on the
3 originating and terminating geographical locations prior to executing such
4 amendment. The Parties further agree that this Agreement shall not be
5 construed against either Party as a "meeting of the minds" that VOIP
6 traffic is or is not local traffic subject to reciprocal compensation in lieu of
7 intrastate or interstate access. By entering into this Agreement, both
8 Parties reserve the right to advocate their respective positions before state
9 or federal commissions whether in bilateral complaint dockets, arbitrations
10 under Sec. 252 of the Act, commission established rulemaking dockets, or
11 in any legal challenges stemming from such proceedings.

12
13 **Q. Please explain Sprint's position on this issue.**

14 **A.** It is Sprint's position that VoIP traffic should not be afforded special intercarrier
15 compensation treatment. Intercarrier compensation should be the same for VoIP
16 traffic that uses Sprint's circuit switched network the same way non-VoIP traffic
17 uses Sprint's circuit switched network. Otherwise, Sprint is exposed to the
18 damaging erosion of access revenue that today supports local service and carrier-
19 of-last-resort obligations. Additionally, special treatment for VoIP traffic
20 provides an artificial regulatory advantage over carriers using non-VoIP
21 technology. As I mentioned earlier in my testimony, Sprint is not trying to prop
22 up the antiquated intercarrier compensation regimes. Sprint strongly supports
23 intercarrier compensation reform. Competition and new technologies (such as

1 VoIP) expose problems with the current intercarrier compensation and universal
2 service regulations. However, truly uniform and competitively-neutral reform
3 must apply rule changes to all carriers and all forms of traffic. Permitting VoIP to
4 have special treatment over non-VoIP with respect to intercarrier compensation is
5 not competitively-neutral and threatens universal service public policy goals.

6
7 **Q. Please summarize your Direct Testimony.**

8 **A.** Sprint seeks an interconnection agreement that will allow both parties to
9 interconnect and exchange traffic and compete effectively. In my direct
10 testimony, I have described Sprint's position on interconnection and intercarrier
11 compensation issues. The Commission should adopt Sprint's proposed language
12 to appropriately define Local Traffic, to establish efficient points of
13 interconnection, and to ensure proper compensation for all forms of traffic.

14
15 **Q. Does this conclude your testimony?**

16 **A.** Yes.

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