TESTIMONY OF MARC B. STERLING

ON BEHALF OF

VERIZON WIRELESS

DOCKET NOS. 050119-TP and 050125-TP

BACKGROUND

Q. State your name, address, and occupation.

A. My name is Marc B. Sterling. I am Member Technical Staff – Contract Negotiator for Verizon Wireless, and my office address is One Verizon Place, Alpharetta, Georgia 30004. Verizon Wireless was formed as a result of the merger between the wireless properties formerly held by AirTouch Communications, Cellco Partnership d/b/a Bell Atlantic Mobile, GTE Wireless Incorporated, and PrimeCo Personal Communications, LP.

Q. What are your qualifications to be a subject matter expert with respect to interconnection?

A. I have been employed in the telecommunications industry for twenty (20) years and in wireless for sixteen (16) years. My work experience in this industry includes financial analysis, business planning, partnership relations, and negotiation of acquisitions and divestitures of wireless licenses and partnership interests. Since 1997, I have been negotiating interconnection agreements and private line transport lease agreements. I have negotiated interconnection agreements with RBOCs (Ameritech, BellSouth, Pacific Bell, and Southwestern Bell), national ILECs (Alltel and Sprint-United), and rural ILECs. I have also testified on behalf of Verizon Wireless in interconnection arbitration hearings in the states of North Carolina, Pennsylvania, and Tennessee.

Q. What has your experience been with regard to negotiating interconnection agreements directly with independent local exchange carriers?

A. On behalf of Verizon Wireless, I have negotiated direct and indirect interconnection agreements with independent local exchange carriers in various states. Verizon Wireless typically pursues an interconnection agreement with an independent LEC when Verizon Wireless intends to offer wireless telephone numbers rated in one or more of the independent LEC's exchanges or in rate centers that are within the extended area service ("EAS") call scope of the independent LEC. Having numbers rated to an independent LEC's rate centers enables the ILEC's subscribers to call Verizon Wireless's customers without incurring toll charges, which is a benefit to both carriers' subscribers because many ILEC customers desire wireless services that are local to their business or home exchanges. Where Verizon Wireless is able to get local calling for its subscribers, we find that the volume of land-to-mobile traffic increases and the traffic originated by Verizon Wireless and the traffic originated by the ILEC tends to become roughly balanced. The converse is also true, that where local treatment of landline-originated calls to CMRS NPA- NXX codes is not established through an interconnection agreement, the amount of traffic originated by an ILEC tends to be lower and the relative traffic exchange is less balanced.

Where the volume of traffic exchanged between Verizon Wireless and an ILEC is significant, Verizon Wireless pursues direct interconnection with the ILEC because at higher traffic volumes such arrangements become economically more efficient than indirect interconnection.

Regardless of whether enough traffic is exchanged with an ILEC to justify direct trunking arrangements, Verizon Wireless generally seeks to include direct and indirect arrangements in the same agreement to avoid the time and expense necessary to amend interconnection agreements and to file any resulting amendments with state commissions. In some cases, where the parties cannot agree to rates, terms and conditions for direct interconnection, however, Verizon Wireless will enter agreements that only cover the exchange of indirect traffic. Often times, rural ILECs will not afford local treatment of calls to Verizon Wireless's customers without the establishment of direct connection facilities, regardless of the fact that the traffic exchanged is minimal and the arrangements are not economically efficient. In some of these cases where the traffic volumes exchanged are low, even though we do not believe there is a legal requirement to establish direct connection to enable locally rated NXX codes, Verizon Wireless has agreed to direct arrangements for the benefit of its customers, and the customers of the originating ILEC. It has been my experience that many ILEC customers that are assessed toll charges for calls completed to CMRS numbers that appear local to them, mistake the imposition of such toll charges as being the fault of the CMRS provider. As a result, such consumers bring complaints to Verizon Wireless or the various state Commissions. By getting what I call "rating" parity in our interconnection agreements, we can satisfy both our customers and the ILEC's customers. However, as the direct arrangements made in these instances are not economically feasible or justified by efficient engineering principals, these determinations are made on a case-by-case basis depending on the level of consumer demand in a particular market for locally rated numbers.

Q. Why is the offering of locally rated NPA- NXX codes to wireless customers an important objective?

A. Wireless customers want numbers that are rated locally to an independent LEC's rate centers to enable wireline subscribers in those areas to call them without incurring toll charges. Because this tends to increase the incentive for landline customers to call wireless customers, this is a benefit to both carriers' subscribers. Verizon Wireless's interconnection agreements also provide for compensation between Verizon Wireless and the independent LEC for any local traffic exchanged between the carriers.

Q. Should CMRS carriers be required to directly interconnect with ILECs in order to receive land-to-mobile calls to local or EAS-rated numbers as local calls?

A. No. There is no legal or regulatory rule that I am aware of that requires a CMRS provider to establish a direct interconnection before it can receive local calling. It is my understanding that pursuant to 47 U.S.C. § 251(a)(1), each telecommunications carrier has the duty to interconnect directly *or indirectly* with the facilities and equipment of other telecommunications carriers. In addition, the FCC's rules expressly require that, "A local exchange carrier must provide the type of interconnection reasonably requested by a mobile service licensee or carrier." See 47 C.F.R. § 20.11(a). It seems to me that this would require an ILEC to offer direct and indirect interconnection on basically the same terms. Decisions on whether to interconnect directly or indirectly should be left to the discretion of each interconnecting carrier and based on economic and engineering criteria. That being said, I am not aware of any technical reason why the establishment of direct trunks is required for local calling to be implemented. The advent of local number portability also highlights the need, and consumer demand, for ILECs to recognize their responsibility to exchange traffic indirectly. Where an ILEC's landline customers port their numbers to a CMRS carrier that exchanges traffic indirectly with the ILEC, the ILEC should, as its other landline customers would expect, continue to provide local calling to such ported-out numbers.

Q. What, if any, agreements have you been able to reach with independent LECs in Florida?

A. Verizon Wireless has agreements covering direct and indirect interconnection in Florida with ALLTEL Florida, Inc., GTC, Inc. d/b/a GT Com, and Smart City Telecommunications, LLC d/b/a Smart City Telecom. Verizon Wireless has also successfully negotiated agreements covering direct and indirect interconnection with several independent LECs in other BellSouth states.

SPECIFIC ISSUES

Q. Have you had the opportunity to review the issues list prepared by the FPSC staff in these consolidated dockets?

A. Yes, I have. Some of the issues are not necessarily applicable to Verizon Wireless. But many of them are of great importance, and I will endeavor to explain my company's perspective on those issues below.

Q. What are your views on the three "General Issues" outlined by the FPSC staff? (Issue Nos. 1-3)

A. With respect to Issue One, Verizon Wireless's only concern is that the terms in any BellSouth transit tariff should not affect the terms of interconnection and reciprocal compensation arrangements between originating and terminating carriers. I would also add that under no circumstances should the costs of transit be born by a terminating carrier, because a terminating carrier has no control over how the call was sent to its network, and therefore it should not be subject to the costs of transporting that call. With regard to the second issue as to the responsibilities of the originating carrier and the third issue of who should pay BellSouth for transit services, those issues are inextricably intertwined. In a nutshell, the originating carrier is responsible for delivering its traffic to BellSouth in such a manner that it can be identified, routed, and billed. The originating carrier further is responsible for paying the transit charges for the traffic it originates over a third party's network. This cost allocation is fair, because the originating carrier may choose alternative routes if the indirect route is not economically efficient. .

Q. Are you aware of any regulations or rulings that support your understanding that the originating carrier is responsible for transit costs?

A. Yes. Both state commissions in the BellSouth region who have ruled on this issue – Tennessee and Georgia – have concluded the originating carrier is responsible for transit charges. Two federal Circuit Courts of Appeal have also issued rulings making it clear that the originating carrier is responsible for transit costs. In March of this year, the Tenth Circuit issued its ruling in Atlas Telephone Co. v. Oklahoma Corporation Commission, 400 F.3d 1256 (10th Cir. 2005), and essentially rejected all of the rural ILEC arguments on transit traffic that have been floated before state regulatory commissions for the past few years. That decision was consistent with the D.C. Circuit Court of Appeals Order in Mountain Communications, Inc. v. FCC, 355 F.3d 644 (D.C. Cir. 2004). All these rulings further are consistent with 47 CFR § 51.703(b) which directly states, "A LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network."

Q. Please explain Verizon Wireless's position on the "Trunking and Routing" issues. (Issue Nos. 4-10.)

A. With regard to Issue No. 4, I shall defer to BellSouth to explain their network arrangement. As to Issue No. 7, BellSouth and the Small LECs can best respond. Issue Nos. 5, 8, and 9 are closely related, and I shall attempt to respond in one combined answer. In general, the FPSC should refrain from establishing terms and conditions affecting the interconnection obligations for direct and indirect arrangements. The FCC's Declaratory Ruling and Report and Order in CC

Docket No. 01-92 released February 24, 2005 (the "T-Mobile Decision") made it clear that the 1996 Act calls for negotiation and arbitration of direct and indirect interconnection arrangements. Therefore, if any carrier determines its most efficient network option entails routing calls through BellSouth's tandem, regardless of whether that carrier is a CMRS provider or a Small LEC, that carrier is entitled to request interconnection with BellSouth and negotiate/arbitrate as necessary.

With regard to Issue No. 6 and whether the FPSC should determine traffic thresholds, the FPSC should allow carriers to make their own network engineering and economic determinations as to whether traffic volumes warrant shifting from indirect to direct connections. Those thresholds may well vary from carrier to carrier, and because the FCC's T-Mobile Decision authorizes any carrier to initiate negotiation/arbitration, there is no need for the FPSC to mandate a rigid volume threshold.

Finally, as to Issue No. 10 regarding ISP traffic, Verizon Wireless does not handle such traffic and thus takes no position.

Q. What is your position with respect to the issues identified under "Rates, Compensation and Cost Recovery"? (Issue Nos. 11-14.)

A. Verizon Wireless has negotiated transit rates with BellSouth as a part of its interconnection agreement with them in nine states. Verizon Wireless has paid, and continues to pay, BellSouth for transit service both before and after February 11, 2005. Per our interconnection agreement with BellSouth, we pay at the rate of $0.002 per minute of use for transiting Verizon Wireless-originated traffic via a

BellSouth tandem to other carriers in the same LATA. As to Issue No. 14, the FPSC should take no unilateral action. As stated above, the Small LECs have procedural options since the T-Mobile Decision that obviate the need for generic FPSC action. If the FPSC should choose to act, it should be mindful of the maxim addressed above that the originating carrier is responsible for transit fees. Further, should any individual ILEC pursue recovery of its costs incurred to deliver its originated traffic indirectly, it should do so through a rate case intended to impact the rates charged to all of its landline subscribers. The ILECs should not discriminate against CMRS carriers, and should not be permitted to recover their costs of doing business by imposing charges only on calls to CMRS numbers.

Q. What are your views on the "Administrative Issues"? (Issue Nos. 15-17.)

A. BellSouth should issue invoices for transit services to the originating carrier. The invoices should identify the minutes transited by terminating end office CLLI code. BellSouth, as the provider of transit service, should provide records to the terminating carrier that enable the terminating carrier to bill accurately the originating carrier for call termination. At a minimum, this information should include originating carrier name, originating carrier OCN, and minutes of use. Terminating carriers also have the option of implementing their own measurement systems. Verizon Wireless typically agrees to accept charges from terminating carriers based on usage data provided by BellSouth and typically bills such carriers for reciprocal compensation on traffic terminated by Verizon Wireless based on application of an agreed upon traffic factor to billed mobile-to-land usage. Any billing disputes should be resolved pursuant to the process outlined in the applicable interconnection agreement.

Q. Does this conclude your testimony?

A. Yes, at this time.

CERTIFICATE OF SERVICE

DOCKET NO. 050119/050125-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. Mail this 16th day of December, 2005 to the following:

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