

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE PETITION OF )  
WWC HOLDING CO. INC. FOR ) Docket No. 03-2403-02  
ARBITRATION OF AN INTERCONNECTION ) DPU Exhibit No.3  
AGREEMENT )

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**DIRECT TESTIMONY**

**OF**

**PEGGY N. EGBERT**  
**DIVISION OF PUBLIC UTILITIES**

**DEPARTMENT OF COMMERCE**  
**STATE OF UTAH**

**January 5, 2004**

**Q. PLEASE STATE YOUR NAME.**

**A. My name is Peggy N. Egbert.**

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT ARE YOUR RESPONSIBILITIES?**

**A. I am employed by the State of Utah, Department of Commerce, as a technical consultant in the Division of Public Utilities, Telecommunication Section. My work address is 160 East 300 South, Salt Lake City, Utah. My general responsibilities include regulated service and operations evaluations, cost and rate studies, competitive entry and related issues, quality of service monitoring and Extended Area Service (EAS), Utah Universal Service Fund (USF) qualifying analysis and development and analysis of Total Element Long Range Incremental Cost (TELRIC) models and studies.**

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**Q. WHAT ARE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS?**

**A. My qualifications are summarized on the attached Exhibit 3.1**

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**Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.**

**A. The purpose of this testimony, is to present the technical adjustments the Division made to the input values of the HAI 5.2a Cost Model.**

**Q. WHAT WERE THE BASIC ASSUMPTIONS THE DIVISION USED IN DETERMINING ITS ADJUSTMENTS TO THE INPUT VALUES OF THE MODELS?**

**A. Based on the Division's interpretation of the FCC's guidelines , which states:**

**that the development of network costs are better reflected if the model applies new technologies to an architecture which assumes that wire centers will be placed at the incumbent LEC's current wire center locations, but that the reconstructed local network will employ the most efficient technology for reasonably foreseeable capacity requirements.**

**For these reasons the Division, is primarily using the HAI 5.2a cost model with Commission Ordered Adjustments in Docket 01-049-85.**

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**\_\_\_\_\_ The Division developed a cost methodology which assumes that Uintah Basin Telephone Company (UBTA), UBET, South Central Telephone Association (SCUTA), Gunnison, and Manti wire centers or central offices and their subtending remote switches exist in locations they currently occupy. However, it should be pointed out that the remote switches are not necessarily considered remote in an efficient forward looking network, they may be considered to be small switches. Additionally, existing residence and business lines have been identified although there are no telephone facilities in existence. The Division assumes the telephone network is not an overlay network of an existing or embedded incumbent local exchange network.**

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**\_\_\_\_\_ By following this procedure, we believe we have replicated an forward-looking network which is reflective of the costs a new telecommunications provider would incur when constructing a telephone network from scratch. Moreover, by adjusting input values to those ordered by the Commission, the Division attempts to eliminate, to the extent possible, inherent biases and positions of the various Companies.**

The parties have agreed to use the HAI 5.2a cost model allowing the focus of this proceeding to be on the refinement of the input value adjustments. If the input values and assumptions are correct, the models, in turn will develop a fair wholesale rate for a competitive provider while allowing a fair return on investment for the incumbent LEC's, in this case.

Moreover, the Division believes that using the above stated basic assumptions along with economic decisions, the Division's adjustments to the input values will result in rates that are in a "range of reasonableness" and will determine the appropriate and accurate rate to be used for the transport and switching interconnection agreement, as defined in the 1996 Telecommunication's Act, Sec. 252 (2)(D).

**Q. USING THE ASSUMPTIONS AND METHODOLOGY AS STATED ABOVE, WHAT IS THE TRANSPORT AND SWITCHING INTERCONNECTION RATES THAT THE DIVISION HAS CALCULATED IN THIS CASE.**

**A. All of the piece parts for interconnection have been generated by the Division. The total rate that the interconnecting company will be assessed will be dependent on where it chooses to interconnect. It is the Division's understanding that Western Wireless is interconnecting at the ILEC's End Office. The rates that are proposed are predicated on this assumption and the assumptions discussed above. Input value adjustments will be discussed later in my testimony. The transport and switching interconnection rates the Division has developed are as follows: INTERCONNECTION RATES FOR**

**END OFFICE WITH NO REMOTE SWITCHES**

	UBTA	UBET	MANTI	SCUTA	GUNNISON
End Office Switch Port					\$8.59
<b>END OFFICE</b>	N/A	N/A	N/A	N/A	
ISUP (Signaling at End Office)					.00016
<b>Total End Office</b>					<b>0.00016</b>
<b>TANDEM</b>	N/A	N/A	N/A	N/A	
ISUP (Signaling) - Tandem					.00016
Common Transport					.00156
Tandem Switching					.00147
<b>Total Tandem</b>					<b>0.00319</b>

**Table 1**

**INTERCONNECTION RATES FOR  
END OFFICE WITH HOST - REMOTE SWITCHES**

	UBTA	UBET	MANTI	SCUTA
End Office Switch Port	\$7.82	\$4.92	\$7.32	\$8.11
<b>END OFFICE</b>				
ISUP (Signaling at End Office)	.00284	.00016	.00034	.00197
Host/Remote Switching(MOU)	.00052	.00046	.00051	.00046
Common Transport	.02705	.00153	.00509	.02417
<b>Total End Office</b>	<b>0.03041</b>	<b>0.00215</b>	<b>0.00594</b>	<b>0.02660</b>
<b>TANDEM</b>				
ISUP (Signaling) - Tandem	.00284	.00016	.00034	.00197
Common Transport	.02705	.00153	.00509	.02417
Tandem Switching	.00057	.00059	.00089	.00054
<b>Total Tandem</b>	<b>0.03046</b>	<b>0.00228</b>	<b>0.00632</b>	<b>0.02668</b>

**TABLE 2**

**Q. WHY DOES TABLE 2 CONTAIN BOTH END OFFICE RATES AND TANDEM RATES?**

**A. At the current time none of the Companies in this Docket have Tandem switches, however, the end office “Host” switch performs like a tandem when there is a host/remote configuration. For this reason the Division has included rates for elements that are required to assure connection to a consumer in a remote end office. Moreover, the Division included Tandem Switch rates in the event the companies choose to introduce a tandem switch into their networks. Tandem switch rates were calculated from the rural wire center to the closest Qwest Tandem, ie, Salt Lake, Panguitch, Ceder City, etc.**

**Q. DID HAI 5.2A GENERATE DEDICATED (MOU) TRANSPORT RATES.**

**A. Dedicated Transport is a direct connection between the Interconnecting Company Point of Presence (POP) and the Rural Independent Company’s wire center. Since Dedicated Transport is generally purchased by the CLEC or interconnecting company through the Rural Independent Company’s Private Line or Special Access tariff, the Division believes that it is not appropriate to include dedicated (MOU) transport rate in the rate totals listed in Table 1 & 2. In the event that a unique situation requires the assessment of Dedicated Transport**

**(MOU), the rates for each Company are as follows:**

**DEDICATED TRANSPORT (MOU) RATES**

	End Office	Tandem
Gunnison	-	0.00156
Manti	0.00507	0.00507
SCUTA	0.00425	0.00425
UBET	0.00138	0.00138
UBTA	0.02322	0.02322

**Table 3**

**Q. ARE THEIR TIMES WHEN HOST/REMOTE SWITCHING SHOULD NOT BE INCLUDED IN END OFFICE**

**INTERCONNECTION RATES?**

**A. Yes. For example, Gunnison (Table 1) does not have remote switches in its network, therefore, the only charges an interconnecting company would be assessed would be for signaling and dedicated transport into Gunnison's end office. There would be no switching or common transport elements used.**

**Q. DO THE COST MODELS SUBMITTED IN THIS DOCKET CONTAIN REALISTIC FORWARD-LOOKING ASSUMPTIONS AS THEY PERTAIN TO THE ENGINEERING OF A TELECOMMUNICATIONS NETWORK?**

**A. From an engineering perspective, the HAI model is using forward-looking network components that are currently used in the rural telecommunications networks. Moreover, the Division has conducted an intensive investigation to assess what an appropriate switch rate would be for rural telephone companies. I will discuss this later in my testimony.**

**Q. YOU STATED THAT THE DIVISION USED THE HAI 5.2a COST MODEL WITH THE COMMISSION ORDERED ADJUSTMENTS, PLEASE EXPLAIN.**

**A. The Division believes that it is appropriate to use most of the same model input adjustments that were ordered in Docket 01-049-85, since the model contains data for both high cost areas as well as low cost areas. Adjustments were made to the base AT&T HAI 5.2a cost model as a result of the comments, agreements and Commission Ordered adjustments. Moreover, the Division's cost model has been critiqued by various parties in both oral and written testimony. The Division considers its cost model to be reasonable and reflective of**

costs companies entering the market in Utah would incur.

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**Q. DID THE DIVISION USE ANY OTHER METHOD OF COMPARISON TO TEST IF ITS RATES ARE “REASONABLE?”**

**A. In Docket 01-049-85, the Division Staff conducted two other methods of comparison to determine if the input value changes were reasonable. First we ran a sensitivity analysis on the adjusted input value as compared to the default input value, to assess the degree of impact the change would make. Secondly, we compared our assumptions and input changes with those contained in the Colorado  and Arizona  Orders to determine if our changes were in the range of reasonableness.**

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**Q. DID THE DIVISION MAKE FURTHER ADJUSTMENTS IN THE COST STUDIES FOR THE FIVE COMPANIES IN THIS DOCKET?**

**A. Yes, the Division developed a cost model for each individual Company in this Docket. The Division Staff used the capital and depreciation structure that has been used in recent rate cases for the independent companies. It is our belief that it is not plausible to use the same capital and depreciation structure for rural companies as those that are used for large companies since costs and overhead expenses differentiate dramatically between large and small companies.**

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**It is the Division Staff’s goal to develop costs that reflect the true character of rural companies without duplicating the embedded network. In making the changes in the capital and depreciation structure in the Division’s cost model, we perceive that we have accomplished our goal.**

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**Q. PLEASE EXPLAIN HOW YOU WILL PROCEED WITH YOUR DISCUSSIONS ON CHANGES MADE TO THE MODELS?**

**A. I believe that it will be easier to understand if the input value changes are sectionalized. Therefore, I will discuss the adjustments in the following manner:**

\_\_\_\_\_ **I. Changes to Capital/ Expense Ratio and Depreciation**

\_\_\_\_\_ **II. Structure Sharing**

III. Changes to Cable Placement percentages

IV. Changes to Switching

**I. CAPITAL AND DEPRECIATION ADJUSTMENTS**

**Q. DID THE DIVISION ADJUST THE CAPITAL EXPENSE AND DEPRECIATION FACTORS?**

**A. Yes, as discussed above, the Division modified the “cost of capital” factors to be the same for all companies. These rates are similar to those used in recent rate cases. They are as follows:**

Debt Fraction	50.0%
Cost of Debt	7.60%
Cost of Equity	12.5%
Weighted Avg. Cost of Capital	10.05%

**Table 4**

**Q. WHY DID THE DIVISION MAKE THE DETERMINATION TO USE THE “COST OF CAPITAL FACTORS” OF AND DEPRECIATION RATES OF THE RURAL COMPANIES, RATHER THAN USING QWEST’S “COST OF CAPITAL” STRUCTURE THAT WAS SET IN DOCKET 01-049-85?**

**A. The Division believes that it is not appropriate to set rates based on the capital structure of a large telecommunications company such as Qwest. The smaller companies have an entirely different capital structure, and like Qwest each Company has unique depreciation rates that are set by the Commission.**

**For “cost of capital,” the Division chose to use 10.05% for all companies since it is representative of the percentage that has been used in recent rate cases for independent companies and accepted by the Commission. Moreover, Division Staff chose to use individual company depreciation rates that have been set by the Commission. By employing this methodology, the Division believes that rates are derived on small company costs and expenses, rather than predicated on a large ILEC, such as Qwest.**

**Q. DID THE DIVISION USE 26.7% AS AN OVERHEAD FACTOR FOR THE RURAL COMPANIES, AS ORDERED BY THE COMMISSION FOR QWEST.**

**A. The Division Staff did not apply the 26.7% Overhead Factor used for Qwest in Docket 01-049-85 and 00-049-**

105, for the development of rates for rural companies. Based on the research that we have conducted, it is our understanding that the rural companies, do not experience the same overhead expenses that a large company, such as Qwest, encounters.

GWNW had submitted overhead percentages in the HAI 5.0 Cost Model initially submitted in this Docket. The Division verified that the factors are within a reasonable range, with the exception of SCUTA, based on overhead factors used in recent rate cases. The rates the Division has chosen to use are reflective of the operation structure of rural companies.

Q. DID THE DIVISION APPLY THE AT&T 5.2A DEFAULT CORPORATE OVERHEAD RATE OF 10.4% TO THE COST STUDIES FOR THE FIVE COMPANIES IN THIS DOCKET?

A. No. The AT&T HAI 5.2a model reflects approximately a 14% overhead factor (10.4 corporate overhead factor and other miscellaneous expenses and taxes). The Division believes that the default rate is too low, therefore, has used overhead rates that were submitted by GWNW (with the exception of SCUTA) as they are in the range of reasonableness for rural companies. The changes made are as follows:

	Gunnison	Manti	SCUTA	UBTA	UBET
Overhead Factor	17%	12.2%	10.4%	12.5%	10.9%

**Table 5**

The Division did not accept the overhead rate submitted for SCUTA as it believed that 5.4% was too low. After discussing this anomaly with GWNW, GWNW notified the Division that there was an error in the calculation. The Overhead Factor for SCUTA was changed by GWNW, to the AT&T default rate of 10.4%, as no other data was readily available.

Q. WAS THE “FORWARD-LOOKING NETWORK OPERATIONS FACTOR” IN THE DIVISION’S VERSION OF HAI MODEL (5.5.6) ADJUSTED TO SHOW THE SAVINGS A COMPANY WOULD EXPERIENCE IF THEY INSTALLED A NEW ROBUST TELECOMMUNICATIONS NETWORK?



A. Yes. The Division adjusted the “Forward Looking Network Operations Factor” to reflect 85% which was ordered by the Commission in Docket 01-049-85. This indicates that there would be some savings in network operations, if a new system were to be developed. The Division maintains that this assumption holds true for rural companies since the telecommunication network was pieced together over many years and therefore, in theory, does not reflect the most efficient telephone network. It is assumed that the Commission, by the input adjustments reflected in their Order, acknowledge that even in a new telecommunications network there will be a need to repair and maintain cable and associated systems and therefore, believes that the savings would not be as high as 50% as set in the default AT&T/MCI HAI model.

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For modeling purposes the Division Staff assumes that Network Operation systems are no longer antiquated and network operations and maintenance have been streamlined to meet CLEC demand. We maintain that going forward, after all of the improvements that have been made, that rural companies will experience some Network Operations savings. Therefore, the Division believes that it is reasonable to estimate that there will be some Network Operations savings.

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The Staff believes that the assumptions in the AT&T/MCI HAI default Cost Model have caused an unrealistic overestimation of the Network Operations savings. It is impractical to believe that network operations would be reduced by 50%. In many instances this is an uncontrollable factor since cables are often cut by third parties or affected by the weather.

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All estimates are arbitrary. To our knowledge, there has been no data presented in this case or in another state that has verifiable information to determine what real savings would be achieved if a totally new network were to be constructed. The Division believes that the 85% Ordered by the Commission is reasonable and recognizes that there will be a Network Operations savings, but does not impose an unrealistic assumption that expenses will be significantly reduced.

## II - STRUCTURE SHARING

### Q. PLEASE EXPLAIN THE DIVISIONS “STRUCTURE SHARING” ADJUSTMENT.

A. Structure Sharing is defined as *the percentage of time it is assumed that the outside plant placement of*

facilities will be shared by the ILEC, cable operators, gas, sewer and electric utilities. In the HAI model the structure sharing percentage represents the percentage of structure costs that are paid for by entities other than the ILEC.

The decision that the Division had to make was, realistically, how much opportunity to share would there be if a new telecommunications provider came to Utah to construct facilities. The real paradox is; does one assume that utilities are already in place, are there other telecommunications providers allowed under TELRIC, are homes and businesses where they are today? In an attempt to answer some of these questions and to add a sense of reasonableness to our model, the Division spoke with rural company officials and GVNW who focus on facility placement for new cable placement. It was their feeling that they would never share facilities with a new provider or gas and electricity.

Moreover, during our meeting with a Salt Lake City Engineer, he explained that from his experience most new providers would rather place their own facilities, than share with another telecommunication provider for competitive reasons. Additionally, he verified that companies would rarely place with other utilities due to the separation requirements between electric, gas, and sewer which pose potential problems of coordination and cost of separation. Additionally, it was pointed out that sharing with other utilities in developed areas is far more difficult, since sharing is dependent on if a company is going to redo the existing method of placement and mimic that of the new telephone provider.

Based on the knowledge we have gathered thus far, the Division is assuming that in a TELRIC environment sharing opportunities would occur, however in a rural area would be less prevalent. Division Staff believes that it is unrealistic to assume that sharing would be set at zero as proposed by GVNW. It is our belief that if poles are existing, and space is available, that a new provider would attempt to attach to a pole rather than go to the expense of burying facilities. For this reason we have increased the percentage of sharing for aerial plant. Additionally, we have been sensitive to buried plant since we know that in Utah there are restrictions due to city ordinances that would drive a company to place buried plant to a higher degree.

Once again the sharing percentages used in the models are arbitrary. The percentages used by all

parties are derived on assumptions based on the knowledge of the model developer.

Understanding that the percentage used in the HAI model is the amount of structure costs the telephone company will incur, the Division used the following sharing percentages based on the knowledge we have gathered, which is a more reasonable approach as it pertains to Utah:

Structure Percent Assigned to Telephone Company

Distribution Feeder

Density Zone	Aerial	Buried	Underground	Aerial	Buried	Underground
0-5	50%	90%	95.0%	50%	90%	95%
5-100	50%	90%	90.0%	50%	90%	90%
100-200	50%	85%	85.0%	50%	85%	85%
200-650	50%	72.5%	77.5%	50%	72.5%	77.5%
650-850	50%	72.5%	77.5%	50%	72.5%	77.5%
850-2,550	50%	72.5%	77.5%	50%	72.5%	77.5%
2,550 - 5,000	50%	68%	65%	50%	72.5%	65%
5,000-10,000	50%	68%	65%	50%	72.5%	65%
10,000	50%	68%	65%	50%	68.5%	65%

Table 6

These sharing percentages for the rural areas are the same as was Ordered by the Commission in the Qwest Docket 01-049-85. It is assumed that the percentages set in the Qwest rural areas are similar to the rural areas of the Independent Companies in this Docket. When reviewing the sharing percentages for the rural density zones they appeared to reflect a reasonable approach if a CLEC were to enter the rural market.

III - DISTRIBUTION CABLE STRUCTURE FRACTION (PLANT MIX)

Q. DID THE DIVISION ADJUST THE DISTRIBUTION CABLE STRUCTURE FRACTIONS, BETTER KNOWN AS PLANT MIX?

A. First, it is important to explain what this input value is. The “cable structure fraction” or “Plant Mix” is the percentage of network facilities that are aerial, buried or underground which equals to 100% of total facility placed.

Prior to the decision to adjust the structure assignments for aerial, buried and underground plant, the Division reviewed the actual plant records of the companies in this Docket to ascertain what the historical trend was for these rural companies. In reviewing the reports, we determined that the actual aerial, buried and underground plant was very different when compared to Qwest.

Inasmuch as rural companies place cable selectively and at a slower pace than Qwest, we believed that it was appropriate to adjust the plant mix percentages to match the average current plant placement practices for the rural companies, rather than to use the Commission Ordered "Plant Mix" for Qwest. The following chart indicates the percentages that were used in the Division's cost model for each Company:

**Gunnison**

Density Range	Aerial	Buried	Underground
0	0.00%	100.0%	0.00%
5	0.00%	100.0%	0.00%
100	0.00%	100.0%	0.00%
200	0.00%	100.0%	0.00%
650	0.00%	100.0%	0.00%
850	0.00%	100.0%	0.00%
2550	0.00%	100.0%	0.00%
5000	0.00%	100.0%	0.00%
10000	0.00%	100.0%	0.00%

**Table 7**

**Manti**

Density Range	Aerial	Buried	Underground
0	5.00%	81.0%	14%
5	5.00%	81.0%	14%
100	5.00%	81.0%	14%
200	5.00%	81.0%	14%
650	5.00%	81.0%	14%
850	5.00%	81.0%	14%
2550	5.00%	81.0%	14%
5000	5.00%	81.0%	14%
10000	5.00%	81.0%	14%

**Table 8**

**SCUTA**

Density Range	Aerial	Buried	Underground
0	5.00%	95%	0%
5	5.00%	95%	0%
100	5.00%	95%	0%
200	5.00%	95%	0%
650	5.00%	95%	0%
850	5.00%	95%	0%
2550	5.00%	95%	0%
5000	5.00%	95%	0%
10000	5.00%	95%	0%

**Table 9**

**UBET**

Density Range	Aerial	Buried	Underground
0	5.00%	95%	0%
5	5.00%	95%	0%
100	5.00%	95%	0%
200	5.00%	95%	0%
650	5.00%	95%	0%
850	5.00%	95%	0%
2550	5.00%	95%	0%
5000	5.00%	95%	0%
10000	5.00%	95%	0%

**Table 10**

**UBTA**

Density Range	Aerial	Buried	Underground
0	0.00%	100.0%	0.00%
5	0.00%	100.0%	0.00%
100	0.00%	100.0%	0.00%

200	0.00%	100.0%	0.00%
650	0.00%	100.0%	0.00%
850	0.00%	100.0%	0.00%
2550	0.00%	100.0%	0.00%
5000	0.00%	100.0%	0.00%
10000	0.00%	100.0%	0.00%

**Table 11**

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**We continue to believe that the forward-looking trend in Utah is for distribution plant to be buried, which is demonstrated in the buried percentages used in the model for the various Companies. Past experience has proven that aerial plant in rural areas is subject to damage from vandalism (target practice) and is extremely vulnerable to weather conditions. For these reasons the Division Staff only added aerial plant when it was reflected that a Company currently has aerial plant in its network.**

**Q. DID THE DIVISION ADJUST BURIED EXCAVATION FACTORS AND PERCENTAGES FOR THE RURAL AREAS?**

**A. No, we did not. The Division believes that it took precautions to assure that the rural density zones contained data that was appropriate for the individual density zones in Docket 01-049-85. The data contained in the Division's cost model has been argued in both written and oral testimony by both ILEC and CLEC. The data contained in Buried Excavation is reflective of the decisions made in Docket 01-049-85. The Division has not received any additional data in this proceeding that would support changing the input values.**

**IV - SWITCH COST ADJUSTMENTS**

**Q. PLEASE DISCUSS THE CHANGES THE DIVISION STAFF MADE TO THE SWITCHING COSTS IN THEIR VERSION OF THE HAI COST MODEL.**

**A. During a technical conference held in Docket 01-049-85, the switching costs were discussed in great detail. It was pointed out that the AT&T/MCI HAI model does not calculate switch costs in the same manner traditionally employed by ILEC's. Rather, it uses the "switching investment" which is an input value by the user and then costs are calculated on a per line basis. After considering the positions of all parties in Qwest's UNE case, the Commission Ordered a switch investment per line of \$89.00.**

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In this Docket the Division believed that an \$89.00 per line switch investment might be low since the rural companies do not experience the same buying power and discounts that Qwest does. Based on this assumption, the Division Staff conducted further review of the data that was provided by GVNW and found the investment per line to be extremely high. After discussing our concerns with the parties, GVNW requested a quote from the vendor who has provided switches to rural companies. In the request the vendor was asked to prepare a bid taking into consideration the type of switches that had been purchased. The vendor complied with GVNW's request and the data was provided to the Division.

After reviewing the data the Division contacted the vendor and discussed the parameters that were used in the proposal. After detailed discussions and much deliberation, the Division chose to use an average cost per line, taking into consideration the switch types that were currently in place for each Company.

The vendor requested that the Division treat the data, as highly confidential and proprietary, since it contains market sensitive information. For this reason the Division Staff is only providing the "average investment per line" that was used to derive switching costs in its cost model.

To derive the "average investment per line" the Division Staff calculated the total cost of the various switches by switch type, dividing the resulting calculation by the total line capacity of the switches in each category. We then applied the average cost by switch type to the number of switches that currently serve in each of the companies serving area. For switch costs by company please refer to table below.

**SWITCH INVESTMENT PER LINE**

Gunnison	Manti	SCUTA	UBET	UBTA
\$275.00	\$220.95	\$268.55	\$163.23	\$229.96

**Table 12**

We believed that there is merit in using a "generated switch cost" since it takes into consideration actual switch costs and rural discount rates. We believe that this methodology is more reasonable than using the outdated National Average contained in the default AT&T HAI 5.2a Cost Model.

The Division forced its cost model to use the calculated switch costs as shown in Table 11, by setting the “End Office Amalgamated Switch Cost Per Line” at the investment per line calculation (Table 11) and zeroing out other related switch values. This allows the switch investment derived by the Division, to be multiplied by the number of lines per company.

The Switch Port Administrative Fill changed from 94% to 90%. The percentage used in the Division’s cost model was ordered by the Commission in Docket 01-049-85.

**Q. IS THE DIVISION PROPOSING A FLAT SWITCH PORT RATE OR A PER MINUTE SWITCH RATE?**

**A. The Division believes that a flat rate for a switch port has merit, rather than setting a per minute switch rate. The consumer will have the same calling patterns no matter who its provider is, therefore, Switching will not increase if a customer is ported to a CLEC. If it is found that there is an increase in usage, companies can assess a high usage charge according to their tariffs, which will allow for switch augmentation recovery. The most important detail is to set the rate so that it recovers its cost.**

**Q. WHEN WILL THE SWITCH PORT RATE BE ASSESSED TO AN INTERCONNECTING COMPANY?**

**A. A switch port rate is assessed to a CLEC when it purchases unbundled switching of the ILEC and thus benefits from the use of a portion of the ILEC’s switch to serve consumers. Otherwise, it is assumed that the Rural Independent Company’s recover the switch port rate from end users, in local rates.**

When the interconnecting company chooses to use the ILEC’s switch then the “End Office Switch Port” rate (Tables 1&2) is assessed in addition to the per minute of use rates.

In most instances the interconnecting company will interconnect at a meet point in or near the ILEC central office and pass signaling to the end user of the ILEC that a call needs to be terminated. The majority of interconnecting companies will switch their own traffic and will not rely on the ILEC for this functionality.

**Q. WHAT IS THE DIVISION’S RECOMMENDATION FOR INTERCONNECTION RATES FOR WESTERN WIRELESS?**

**A. The Division is recommending that the Commission adopt the rates, as shown in Tables 1 & 2 to be used by**



the Companies for interconnection with Western Wireless.

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As discussed in this testimony and that of Jonathan Lee, the Division's cost model has been refined over time through various proceedings and Commission Orders. Consequently, the cost model is capable of developing reasonable interconnection rates for Western Wireless. The rates developed can be applied whether Western Wireless chooses to interconnect at the End Office or to the closest Tandem.

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Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes it does.

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### **Exhibit 3.1- Qualifications**

- **Bachelor of Science, Business Management Degree, Westminster College**
- **Extensive BELLCORE Marketing and Technical training in the telecommunication industry.**
- **NARTE Certified Engineer ( National Association of Radio and Telecommunication Engineers)**  
**Senior Master Endorsement.**
- **Over 20 years of experience in the telecommunication industry. Extensive background in facility and switch planning, developing and analyzing long range incremental cost studies, conducting local loop integrated planning, designing SONET/digital transmission systems for interoffice facilities.**
- **Instrumental in the development and direction of the fiber based Broadband strategies, and the establishment of survivability and diversity for the U S WEST switch and facility network.**
- **Participated on a Regional Task Force to design strategies for the deployment of new technologies in the Network.**
- **Interactively participated with vendors, community, state and business groups to design and develop communication systems and develop the expansion of the public network.**
- **Monitored and initiated modernization strategies for U S WEST's interoffice facility and switch network in Utah. Provide company direction for orderly economic network evolution; includes making recommendations to high level managers.**
- **Initiated strategic business case development and economic analysis for U S WEST business customers, Rural Independent Companies and Interexchange Carriers.**
- **Translated customer needs to technical requirements and analyzed future emerging technologies and network elements.**
- **•Analyzed and determined telecommunication system and operational problems.**
- **Prepared, and tracked capital and expense operating budget through project approval, co-ordination and completion.**
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