

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and employment.**

3 **A.** My name is Krystal Fishlock. My business address is Heber M. Wells Office Building,
4 160 East 300 South, Salt Lake City, Utah, 84114.

5
6 **Q. Please describe your educational background and work experience?**

7 **A.** Attached as Exhibit No. DPU-1.1 is my resume detailing my educational background and
8 experience. My general responsibilities with the Utah Division of Public Utilities
9 (“Division”) include cost studies, separations studies, depreciation studies, compliance
10 audits, and other financial related reviews. I provide assistance with monitoring the
11 accounting of Universal Service Fund receipts and payments, and Deaf Relay and
12 Lifeline funding. I also provide data compilation and financial review services for other
13 Division personnel.

14
15 **Q. Please describe the purpose of your testimony.**

16 **A.** The purpose of my testimony is to provide rebuttal to the direct testimony of Raymond
17 Hendershot and Chad A. Duval on behalf of Gunnison Telephone Company, Manti
18 Telephone Company, South Central Utah Telecommunications Association, Inc., Uintah
19 Basin Telecommunications Association, Inc. (“UBTA”) and UBET Telecom, Inc.
20 (“UBET”), hereafter referred to as “ILECs”. I will also provide rebuttal to the direct
21 testimony of WWC Holding Co., Inc. (“WWC”) witness Ron Williams. The main focus
22 of my testimony is 1) the traffic subject to reciprocal compensation according to the

1 FCC's rules and orders, and 2) what constitutes the "local calling area." My testimony is
2 directly related to unresolved issues #2 (Scope of Reciprocal Compensation Obligation)
3 and #8 (Dialing Parity) identified in the direct testimony of both WWC and the ILECs. It
4 should be noted that the conclusion and position taken for these two issues affect other
5 issues. I will also discuss the Division's concerns about the use of a combined cost study
6 for UBTA and UBET.

7
8 **II. TRAFFIC SUBJECT TO RECIPROCAL COMPENSATION**
9 **AND DISCUSSION ON THE "LOCAL CALLING AREA"**

10 **Q. What is the Division's position on Unresolved Issue No. 2?**

11 **[Unresolved issue No. 2 – (Scope of Reciprocal Compensation Obligation): What**
12 **Traffic is subject to reciprocal compensation in accordance with the FCC's rules?].**

13
14 **A.** This docket is to determine the appropriate reciprocal compensation of an interconnection
15 agreement between an ILEC and WWC for the transport and termination of local
16 telecommunications traffic. Reciprocal compensation is the agreed upon rate per minute
17 that will be charge by the ILEC to WWC for the exchange of wireless and landline
18 traffic. Basically, the local telecommunications traffic to be considered in reciprocal
19 compensation is the traffic originating from customers of the ILEC to customers of
20 WWC customers and visa versa. The Division interprets the FCC's reciprocal
21 compensation rules to apply to local telecommunications traffic as defined for the ILEC,
22 and do not to apply to traffic that is currently subject to access charges. To not be

1 repetitious, I refer to pages 4 through 19 of the Direct Testimony of Mr. Hendershot on
2 behalf of Gunnison Telephone Company, Manti Telephone Company, South Central
3 Utah Telecommunications Association, Inc., Uintah Basin Telecommunications
4 Association, Inc., and UBET Telecom, Inc., (“ILECs”). Mr. Hendershot’s testimony
5 outlines the important sections of the FCC’s rules and adopted reports for determining the
6 traffic subject to reciprocal compensation. With the exception discussed below, the
7 Division agrees that Mr. Hendershot’s application of the FCC’s reciprocal compensation
8 rules.

9
10 **Q. What is the Division’s position on Unresolved Issue No. 8?**

11 **[Unresolved Issue No. 8 – (Dialing Parity): Whether Western Wireless’ numbers**
12 **rated out of an ILEC end office receive the same dialing treatment as other numbers**
13 **within the local calling area or extended area service area?]**

14 **A.** Consistent with the Division’s position on Unresolved Issue #2, the Division interprets
15 the FCC rule as requiring that all “local” traffic be subject to reciprocal compensation.
16 The Division believes that once a phone number has been rated out of a specific end
17 office, the local calling area for that end office applies to all calls within that local calling
18 area, regardless of whether the call originates or terminates at the wireless
19 interconnection facility. Additionally, as discussed more fully below, the Division
20 contends that an ILEC’s extended area service (“EAS”) area is the “local calling area” for
21 purposes of reciprocal compensation and interconnection agreements. Consequently, as
22 supported by state law as discussed below, the Division concludes that all traffic

1 originating and terminating within an EAS area is “local telecommunications traffic.”

2 Also discussed below, telecommunications traffic, which extends beyond the local calling
3 area is “toll.” Toll calls and the facilities to transport toll calls are not part of the local
4 exchange service or local calling areas as defined in state law or Public Service
5 Commission rules. The Division agrees with the position of the ILECs that toll calls
6 should not be included in reciprocal compensation between a wireless company and an
7 ILEC, but should remain as currently charged by toll (long distance) providers.

8
9 **Q. How does the Division respond to the ILECs’ position on Unresolved Issue No. 8?**

10 **A.** On Page 3, Exhibit RAH-1 of the Direct Testimony of Mr. Hendershot, he states
11 “Western Wireless is not entitled to extended area service unless Western Wireless or its
12 customers pay for EAS.” The Division believes that this statement is misleading. Based
13 on the Division’s position that traffic within an EAS area is considered “local,” the
14 Division believes that all wireless to landline and landline to wireless traffic originating
15 and terminating within the EAS area is subject to reciprocal compensation and the rates
16 agreed to for interconnection would apply (assuming the applicable phone numbers are
17 rated to an end office within the EAS area). Conversely, if the ILECs mean to say that
18 Western Wireless should pay an amount additional to reciprocal compensation, or that
19 there should be some alteration to the calculations for reciprocal compensation as allowed
20 under FCC rules, then the Division does not agree with the ILECs position that Western
21 Wireless should “pay.”

22

1 **Q. The Division’s position on Unresolved Issues No. 2 and 8. relies on the interpretation**
2 **of what constitutes “local telecommunications traffic.” Please outline the Division’s**
3 **determination that EAS traffic is local traffic for purposes of interconnection.**

4 **A.** The Division has historically considered EAS as a “local exchange service.” The
5 Division’s position is supported by §54-8b-2(8) of the Utah Code which states “‘Local
6 exchange service’ means the provision of telephone lines to customers with the
7 associated transmission of two-way interactive, switched voice communications within
8 the geographic areas encompassing one or more local communities as described in maps,
9 tariffs, or rate schedules file with and approved by the commission.”

10
11 **Q. Is there a term that defines that “geographic area encompassing one of more local**
12 **communities?”**

13 **A.** Yes. Section 54-8b-2(8) is referring to the provision of local exchange service in what is
14 commonly termed a “local exchange area.” The term “local exchange area” in some
15 cases is used synonymously with the term “local calling area.”

16
17 **Q. Do the Public Service Commission’s EAS rules define a local exchange area?**

18 **A.** Yes. R746-347C of the Public Service Commission’s rules defines the “Local Exchange
19 Area” as “A geographic area used by a local exchange carrier to furnish and administer
20 telecommunications services in accordance with its local exchange service tariffs. It may
21 consist of one or more contiguous central offices service areas as further defined in R746-
22 340-1.”

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Q. Do the Public Service Commission’s EAS rules allow for changes in the geographical boundary of a local exchange area?

A. Yes. Public Service Commission rules for extended area service (“EAS”) allow for the expansion of the local exchange area to an area termed a “local calling area.” R746-347-2B of the Public Service Commission rules states “‘Local Calling Area’ – An area encompassing one or more local exchange areas between which public telecommunications service are furnished by the local exchange carrier in accordance with its local exchange service tariffs, *without message telephone service or toll charges.*” [emphasis added.]

Q. How does the Commission define EAS?

A. R746-347-2A of the Public Service Commission Rules defines EAS as “A local exchange public telecommunications service that enlarges *the toll-free calling area to include two or more local exchange area for which pre-EAS calls incurred long distance charges.* A larger local calling area may result in an increase in the separately itemized EAS rate that local exchange carriers charge for local telephone service.” [emphasis added.] The Division and the industry in Utah have historically equated local telephone service with local exchange service as defined above.

Q. Does the Division conclude from these code and rule sections that EAS is a “local calling area?”

1 **A.** Yes. Basically, the local calling area or “EAS” area is defined geographically as the area
2 in which calls originating and terminating within its boundaries are not subject to toll
3 charges. The Division concludes that the EAS area is the local calling area in cases
4 where EAS exists. All traffic originating and terminating within the EAS boundary is
5 therefore considered local exchange traffic within the scope of local exchange services.

6
7 **Q.** **Have you looked at other states to ascertain their position on EAS as the local**
8 **calling area?**

9 **A.** Yes. Generally, other states, consistent with Utah, use the term “EAS” synonymous with
10 “local calling area.” In fact, some states have EAS but do not charge a separate line item
11 as part of local exchange service. Although the Division has not compiled a listing of all
12 states’ charging practices for EAS, I personally however have discussed EAS on monthly
13 conference calls with other state regulators. One state the Division was most interested in
14 reviewing was Montana. To resolve disputes among telecommunications providers,
15 namely ILECs, wireless, and competitive local exchange carriers (“CLECs”), the
16 Montana Legislature passed legislation re-defining “local telecommunications” as
17 follows:

18 (6) "Local telecommunications" means:

19 (a) telecommunications originating in a wireline local calling area,
20 *including extended area service areas* [emphasis added], and terminating
21 in the same wireline local calling area or extended area service area; or
22 (b) commercial mobile radio service that originates from or terminates
23 to a commercial mobile radio service provider within the same major
24 trading area as defined in 47 CFR 24.202(a).

25 (7) "Nonlocal telecommunications" means:

26 (a) wireline telecommunications traffic carried by either an interlocal
27

1 access transport area carrier or an intralocal access transport area toll
2 provider that originates in one wireline local calling area and terminates in
3 another wireline local calling area; or

4 (b) commercial mobile radio service that originates in a major trading
5 area and terminates in a different major trading area as defined in 47 CFR
6 24.202(a).¹
7

8 Similar to Utah’s laws, this re-definition focused on the geographical area to define what
9 is “local.” Also, Montana’s law does not restrict the definition of local
10 telecommunications to landline service.
11

12 **Q. Do you have any additional comments to support the position that service provided**
13 **within an EAS constitutes local telecommunications service?**

14 **A.** Yes. The Division and the telecommunications industry have historically used the term
15 “local” synonymously with services provided by an ILEC. The commonly used term of
16 ILEC (incumbent local exchange carrier) is synonymous with “incumbent telephone
17 corporation.” An “incumbent telephone corporation” defined by Utah statute, “means a
18 telephone corporation, its successors or assigns, which, as of May 1, 1995, held a
19 certificate to provide *local exchange services* in a defined geographic service territory in
20 the state.”² Consequently, the term “long distance” is commonly accepted as
21 telecommunications traffic that extends beyond the local calling area and is provisioned
22 (transported) by Inter-Exchange Carriers (“IXCs”).
23

24 **Q. Do Utah ILECs provide toll directly to end-user customers?**

¹ Montana Code §69-3-803 [emphasis added.]

² Utah Code §54-8b-2(6) [emphasis added.]

1 **A.** No. In 1995, state legislation was enacted to exempt ILECs with fewer than 30,000
2 access lines from being required to provide intrastate toll to its customers.³ Essentially,
3 intrastate toll was deregulated for the ILECs. Subsequently, Utah ILECs removed
4 intrastate long distance service from their local exchange service operations. In most
5 cases the intrastate toll operations were moved to an affiliate company to the ILEC. It
6 should be noted that a few of ILECs have some residual intrastate long distance service,
7 but the amount of traffic is very minimal.

8

9 **Q.** **Is EAS a substitute for “toll,” or long distance?**

10 **A.** In some cases, the Division and others have described EAS as a “substitute” for toll. The
11 basis for this position was premise that expanding a local calling area shifts long distance
12 traffic to local. However, since the ILECs no longer provide toll (intrastate long
13 distance), the “toll substitution” position is no longer relevant. In today’s cases, EAS, the
14 expansion of a customer’s local calling area, results in a decrease in access minutes
15 billable to long distance carriers, or IXC’s. As noted above, the Division contends that
16 EAS is merely a local exchange service an ILEC provides in an expanded local calling
17 area.

18

19 **Q.** **How does the Division categorize EAS revenue for financial purposes?**

20 **A.** EAS revenue has historically been categorized as “local,” even before intrastate long
21 distance was deregulated. ILEC rate cases before the Commission categorize EAS

³ Utah Code §54-8b-2.1(5)

1 revenue as local revenue in determining revenue requirement consistent with the FCC's
2 accounting rules for public utilities. EAS revenue is also reported in each ILECs
3 financial statements and reports to the Commission as "local network service revenue."
4

5 **Q. To restate an earlier question, should EAS be separated from "local" for the**
6 **purpose of determining reciprocal compensation and negotiating interconnection**
7 **agreements?**

8 **A.** No. As stated above, the Division believes that EAS should not be identified separately
9 from the ILECs local exchange service or geographically defined local calling areas. Mr.
10 Hendershot's in his testimony, "In §51.701(a) (adopted in the First Report) the FCC
11 defines the scope of the rules for reciprocal compensation for transport and termination of
12 local telecommunications traffic as follows:

13
14 (a) The provisions of this subpart apply to reciprocal compensation for
15 transport and termination of local telecommunications traffic between
16 LECs and other telecommunications carriers."⁴
17

18 This docket is to determine the appropriate reciprocal compensation of an interconnection
19 agreement between an ILEC and WWC for the "transport and termination of local
20 telecommunications traffic" (see citation above.) Based on the Division's conclusion that
21 EAS traffic is local exchange traffic, the Division consequently concludes that EAS
22 traffic is "local telecommunications traffic" referred to in the citation above and should
23 not be separated for interconnection purposes.
24

⁴ Direct Testimony of Raymond Hendershot, Page 14.

1 **III. COMBINED COMPANY STUDY VERSUS SEPARATED**

2 **Q. What is the Division's concern with using a combined study for UBTA and UBET to**
3 **calculate interconnection rates and reciprocal compensation?**

4 **A.** The Division's general concern in combining UBTA and UBET into one study for
5 calculating interconnection rates is that there are distinct costs to provide interconnection
6 for each company that need to be recovered. Each company's revenue requirement is
7 considered separately for setting intrastate rates and calculating state USF needs. Using a
8 combined interconnection rate in essence will result in UBET collecting interconnection
9 revenue on behalf of UBTA. UBTA owns over 80% of the transport facilities owned by
10 UBTA and UBET combined including the transport facilities that will now become part
11 of local calling in UBTA and UBET's newly established EAS area, see Docket No. 02-
12 053-02. However, WWC and UBET Wireless, UBET's wireless affiliate, interconnect
13 directly with UBET.

14
15 **Q. How would charging one interconnection rate for both companies cause disparity in**
16 **revenue requirement and USF support for each company?**

17 **A.** The combined study does not consider each company's facilities or associated costs. One
18 indicator of difference in costs is shown in the results of the UBTA stand-alone study
19 versus the combined study filed with the Direct Testimony of Mr. Hensershot. UBTA's
20 results are higher than the combined study which indicates that UBET's average costs are
21 not as high as UBTA's. Charging one rate would create an under-recovery of costs for
22 UBTA and an over-recovery of costs for UBET. This cost recovery disparity would

1 affect each company's intrastate revenue requirement used to determine the intrastate
2 rates and state USF support payments.

3
4 **Q. If the studies were separate, would UBTA be compensated for its network facilities**
5 **used to provide interconnection to a company interconnecting with UBET?**

6 **A.** Potentially, yes. UBET's interconnection rates should be adequate to cover its estimated
7 costs, on a TELRIC basis, as allowed pursuant to the FCC's reciprocal compensation
8 rules. These costs should include any costs paid to UBTA to complete calls within the
9 local calling area between the two companies, the new basin-wide EAS area. The
10 recently approved Uintah Basin (basin-wide) EAS, resulted in a local calling area (EAS
11 area) that encompasses the entire local exchange serving areas of both UBTA and UBET,
12 see Docket No. 02-053-02. I will defer details on the costs studies to Peggy Egbert and
13 Jonathon Lee, Division witnesses who are also filing testimony in this case. Even if a
14 combined study was used, the Division would request the combined companies
15 additionally file separated studies to determine the impact on each company's revenue
16 requirement for state regulatory purposes, specifically, rate setting and USF eligibility
17 determination.

18
19 **Q. Does this conclude your testimony?**

20 **A.** Yes it does.