

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

**REBUTTAL TESTIMONY ON COST ANALYSIS
FOR INTERCONNECTION RATES**

OF

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

**DEPARTMENT OF COMMERCE
STATE OF UTAH**

February 3, 2004

Q. PLEASE STATE YOUR NAME.

A. My name is Peggy N. Egbert.

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING, ON THE INTERCONNECTION RATES DERIVED
FROM THE DIVISION'S TELRIC COST MODEL?**

A. Yes I did.

Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.

**A. The purpose of this testimony, is to respond to the Direct Testimony of Chad A. Dual, representing GVNW
on behalf of Gunnison Telephone Company, Manti Telephone Company, South Central Telephone Association,**

Uintah Basin Telecommunications, and UBET Telecom Inc.

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Q. DOES THE DIVISION STAFF AGREE WITH MR. DUVAL'S REPRESENTATION OF DEDICATED AND COMMON TRANSPORT?

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A. No, we do not. Mr. Duval infers that Dedicated Transport should be included in end office and tandem interconnection rates as illustrated in the attachments to their testimonies and through discussion of Dedicated Transport. This is not a correct assumption.

Dedicated Transport is common to an interoffice facility between an ILEC wire center and a Competitive Provider's wire center or facility. The dedicated facility is generally purchased as a flat rated facility (DSO, DS1, DS3) from the rural ILEC's tariff, or at the conclusion of this proceeding, can be purchased on a wholesale basis. The facility is dedicated precisely for the use of a particular carrier and is not shared with other providers. The FCC has stated in its rules and has referenced in FCC DA 03-2738, paragraph 495,

"that dedicated transport costs are to be recovered through flat-rated rather

than through usage sensitive, charges."

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For this reason the Division separated Dedicated Transport from its proposed End Office and Tandem Interconnection Rates. However, we have identified a usage sensitive cost for Dedicated Transport in the event that a telecommunication provider requires this type of interconnection.

Moreover, as addressed in Mr. Lee's (DPU) Rebuttal Testimony, Dedicated Transport rates should not be calculated outside of the HAI 5.2a TELRIC Cost Model using actual or embedded minutes-of-use (MOU). This approach goes against TELRIC principals and the Commission should reject GVNW's proposed methodology.

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Q. SHOULD GVNW USE A 70/30 % SPLIT WHEN DETERMINING FLAT-RATED UNBUNDLED SWITCH PORT RATES AS DISCUSSED BY MR. DUVAL ON PAGES 12-14?

A. No. GVNW's proposal presumes that Western Wireless traffic should be treated similar to an Inter-Exchange carrier's traffic, thus using the same formula when calculating the ACCESS charges. This is not an accurate

assumption. Western Wireless is not an IXC Provider and should not be assessed ACCESS charges by the ILEC's in this proceeding. Western Wireless is a wireless carrier and is purchasing interconnection and unbundled elements from the ILEC's. Part 69 of the FCC's rules, referred to in Mr. Duval's Direct Testimony, do not apply to competing carriers.

To further explain, the calculation for a flat-rated switch port unbundled element should not incorporate the use of a 70% traffic sensitive and 30% non-traffic sensitive split, when developing a flat-rated switch port rate as has been done by GVNW.

The flat-rated Switch Port is an unbundled local switching element that is purchased, independently, by a competitive provider for its own use in instances when the company does not provide the switching functionality for its own end-users. Therefore, the port is considered 100% non-traffic sensitive since all costs are recovered in the Switch Port monthly rate and there should be no usage sensitive costs associated with the use of the port.

This conclusion is based on a finding of the FCC in the Verizon vs. AT&T Interconnection Arbitration.

The price if imposed on both competitive LECs that purchase the incumbent LEC's line ports and the incumbent LEC's end-users, would fully compensate the incumbent LEC for all of its switch costs. Competitive LECs that pay a flat, per line port price for unbundled end-office switching should not, therefore, pay the incumbent LEC any additional amount for use of end-office switching to terminate reciprocal compensation traffic.

Moreover, the Minnesota Public Utilities Commission found that due to the adoption of flat-rate pricing for the local switching element, a zero rate is appropriate for usage-sensitive end office switching.

The Division Staff believes that the Rural ILEC's and Western Wireless are both recovering switching costs from their end-users in their customer-based rates. For this reason the Division used a 100% non-traffic sensitive input adjustment to develop the unbundled flat-rated switch port rate, rather than accepting the 70/30 % split that was used by GVNW.

On the other hand, the Division did appropriate a usage-sensitive end office switch rate for instances when the Rural ILEC does have to transport a Western Wireless message to a Remote Switch, and also when the competing carrier (in this case Western Wireless), interconnects at a Tandem. In both of these instances the Rural ILEC does utilize switching functionality to deliver the call.

Q. DO YOU AGREE WITH MR. DUVAL'S THEORY AS PRESENTED ON PAGE 16, LINE 14 OF HIS DIRECT TESTIMONY, REGARDING COST RECOVERY USING USAGE-SENSITIVE SWITCHING COSTS?

A. Yes and no. Mr. Duval's reference to the FCC's definition of termination is correct, however, as discussed above, he has not interpreted correctly further rule making and FCC decisions in other cases, nor has he referenced the FCC's decisions on flat-rated switching ports that I have discussed above in this testimony. The FCC had definitively said that switching should be purchased as a flat-rated port and that there should be no associated usage-sensitive costs when a carrier purchases a flat-rated switch port from an ILEC to provide end office switching for end users. The FCC concluded that switching costs are recovered from each company's end-users therefore switching costs should be set at zero unless a competing provider elects to purchase a switch port from an ILEC at the flat-rated switch rate.

Q. WHAT IS THE DIVISION'S RECOMMENDATION AS IT PERTAINS TO SWITCHING RATES?

The Division recommends that the Commission continue to adhere to its own Order in the UNE Docket 00-049-105 and adopt a flat-rate switch port unbundled element. Additionally, follow the direction of the FCC and the Minnesota Public Utilities Commission's finding that there should not be a usage-sensitive switch component in the development of the flat-rate switch port. These facts are reflected in the Division's adjustments to the models submitted in this case, therefore, the Division encourages the Commission to adopt its input adjustments for switching.

Q. MR. DUVAL STATES ON PAGE 15 OF HIS DIRECT TESTIMONY THAT QWEST'S MODEL SHOULD NOT BE ADOPTED FOR THE RURAL COMPANIES IN THIS DOCKET, DO YOU AGREE?

A. Absolutely not. When the Division modified the HAI 5.2a Cost Proxy Model for Qwest, it paid considerable attention to the unique attributes of rural areas. There were comments and discussions during the hearing in Qwest's UNE Loop Docket 01-049-85 and the Other UNE Docket 00-049-105, on all of the density zones and what the appropriate input values for a particular density zone should be.

The Division strongly supports the use of the Qwest Loop Model that was modified according to Commission Order as a base or starting point to determine interconnection rates for Western Wireless. The

HAI 5.2a Model that is used by the Division is a tool to ascertain the appropriate rates competing carriers should pay to the ILEC. Even though the Division Staff started with the HAI 5.2a Model developed for Qwest, we did make further adjustments for rural areas in this Docket to account for the unique capital structure, switching costs and transport layout of the companies in this Docket. These adjustments were discussed in the Direct Testimony of Jonathan Lee and Peggy Egbert.

_____ The Division did not “blatantly ignore fundamental differences” as they pertain to switching and transport. Each and every input adjustment was analyzed and when appropriate was adjusted to fit the scenario.

_____ The rates that were determined in the Qwest UNE case were developed to assure that Qwest would be compensated for loop, switching and transport in both urban and rural areas, when CLEC’s chose to use Qwest elements to provide service to their customers. UNE rates and Reciprocal Compensation rates are developed for one purpose, to compensate an incumbent telecommunication provider for used of its network elements by a competing carrier. There is no difference between the rates set for Qwest rural areas and the rates set for Western Wireless as portrayed by Mr. Duval other than the changes that have been discussed in the Direct Testimony of Jonathan Lee and Peggy N. Egbert.

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Q. MR. DUVAL HAS RECOMMENDED A MODIFIED APPROACH TO DEVELOP COMMON TRANSPORT RATES, DO YOU AGREE WITH HIS METHODOLOGY?

A. No, I do not. As discussed in Dedicated Transport cost development. Common transport rates should be determined using the HAI 5.2a model. The minutes-of-use developed through the model reflects an optimal network configuration and these minutes should be applied in the calculation, rather than using actual minutes derived through a study conducted by GVNW for UBTA and SCUTA.

_____ The Division opposes the methodology recommended by Mr. Duval to calculate dedicated and common transport . Mr. Duval’s methodology violates TELRIC principals by using embedded minutes-of-use rather than those minutes generated by the model for an optimal network as discussed above.

_____ The Division recommends that the Commission reject GVNW’s methodology for determining both dedicated and common transport and rely on the Division’s HAI 5.2a model to generate costs based on the minutes of use derived in the model.

Q. DOES THE DIVISION HAVE REBUTTAL TO THE TESTIMONY OF MR. BRIAN F. PITKIN WHO FILED TESTIMONY ON BEHALF OF WESTERN WIRELESS?

A. Not at this time. Mr. Pitkin did not file a TELRIC cost study for the parties to review, therefore, the Division will comment when and if a cost study is submitted in this Docket on the behalf of Western Wireless.

Q. WHAT ARE THE INTERCONNECTION RATES PROPOSED BY THE DIVISION IN THIS DOCKET?

A. The rates are as follows:

**INTERCONNECTION RATES FOR
END OFFICE WITH NO REMOTE SWITCHES**

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

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

	UBTA	UBET	MANTI	SCUTA	GUNNISON
End Office Switch Port	\$7.82	\$4.78	\$7.32	\$8.11	
END OFFICE					N/A
ISUP (Signaling at End Office)	.00284	.00019	.00034	.00197	

Host/Remote Switching(MOU)	.00052	.00045	.00051	.00046	
Common Transport	.02705	.00341	.00511	.02417	
Total End Office	0.03041	0.00405	0.00596	0.0266	
TANDEM					N/A
ISUP (Signaling) - Tandem	.00284	.00019	.00034	.00197	
Common Transport	.02705	.00341	.00511	.02417	
Tandem Switching	.00057	.00057	.00089	.00054	
Total Tandem	0.03046	0.00417	0.00634	0.02668	

DEDICATED TRANSPORT (MOU) RATES

	End Office	Tandem
Gunnison	-	0.00156
Manti	0.00509	0.00509
SCUTA	0.00425	0.00425
UBET	0.00296	0.00296
UBTA	0.02322	0.02322

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.