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LOS ANGELES  
SAN FRANCISCO  
PRINCETON  
FLORHAM PARK  
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WILMINGTON

February 3, 2004

*Via Federal Express and Email*

Hon. Wayne L. Weismandel  
Office of the Administrative Law Judge  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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FEB 03 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU


RE: Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996, Docket No. A-310489F7004

Dear Judge Weismandel:

I enclose a copy of the Direct Testimony of Marc B. Sterling on behalf of Cellco Partnership, marked as Verizon Wireless Statement No. 1, which has been supplemented to reflect information gathered subsequent to January 23, 2003. The document is substantively identical in all respects to the document served on January 23, 2004, with the addition of (a) information relative to Issue 30 in the answer commencing on line 10 of page 20 and (b) a related exhibit. The new information conforms to a supplemental interrogatory response that has been served on the parties.

DOCUMENT

Sincerely yours,

  
Christopher M. Arfaa

CMA/cms  
Enclosure

cc: James J. McNulty, Secretary (Certificate of Service Only)  
Certificate of Service  
Stephen B. Rowell, Esq.

CERTIFICATE OF SERVICE

I, Christopher M. Arfaa, hereby certify that I have this day caused to be served a copy of:  
the foregoing document in Docket No. A-310489F7004 upon the persons listed below by the  
means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

Via Federal Express - Overnight Delivery and E-mail

D. Mark Thomas, Esq.  
Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500  
dmthomas@ttanlaw.com  
parmstrong@ttanlaw.com

Administrative Law Judge Wayne L. Weismandel  
Second Floor  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120  
wweismande@state.pa.us

Via First Class Mail

Charles F. Hoffman, Esq.  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105

Irwin A. Popowsky, Esq.  
Office of Consumer Advocate  
555 Walnut Street, 5th Floor  
Forum Place  
Harrisburg, PA 17101-1923


Carol Pennington, Esq.  
Office of Small Business Advocate  
1102 Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dated: February 3, 2004

  
Christopher M. Arfaa  
Drinker Biddle & Reath  
One Logan Square  
18th & Cherry Streets  
Philadelphia, PA 19103  
(215) 988-2700

Counsel for  
Cellco Partnership d/b/a Verizon Wireless

*Thomas, Thomas, Armstrong & Niesen*  
*Attorneys and Counsellors at Law*

SUITE 500  
212 LOCUST STREET  
P. O. BOX 9500  
HARRISBURG, PA 17108-9500

ORIGINAL

PATRICIA ARMSTRONG

Direct Dial: (717) 255-7627  
E-Mail: [parmstrong@ttanlaw.com](mailto:parmstrong@ttanlaw.com)

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FIRM (717) 255-7600  
FAX (717) 236-8278

CHARLES E. THOMAS  
(1913 - 1998)

February 3, 2004

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

DOCUMENT  
FOLDER

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2004 FEB - 3 PM 4: 09  
SECRETARY'S BUREAU

In re: Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996 to Establish an Interconnection Agreement With ALLTEL Pennsylvania, Inc.  
Docket No. A-310489F7004

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of Petition for Protective Order in the above referenced proceeding. Christopher Arfaa has authorized us to represent that they do not oppose adoption of the enclosed Order.

Copies of the Petition for Protective Order have been served in accordance with the attached Certificate of Service.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By

  
Patricia Armstrong

Enclosures

cc: Certificate of Service  
Stephen B. Rowell, Esquire (w/encl.)

ORIGINAL

Before the  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Cellco Partnership d/b/a Verizon Wireless : Docket No. A-310489F7004  
For Arbitration Pursuant to Section 252 of the :  
Telecommunications Act of 1996 :

SECRETARY'S BUREAU

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MAR 17 2004

PETITION FOR PROTECTIVE ORDER

TO THE HONORABLE WAYNE L. WEISMANDEL, ADMINISTRATIVE LAW JUDGE:

Pursuant to 52 Pa. Code §5.423, ALLTEL Pennsylvania, Inc. ("ALLTEL"), by its counsel and with the consent of Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless") (collectively "Parties"), hereby respectfully request Your Honor to provide protective or confidential treatment of certain proprietary information involved in the above-captioned matter. In support thereof, the Parties submit the following:

1. This proceeding involves the Petition filed by Verizon Wireless on November 26, 2003, seeking arbitration pursuant to Section 252 of the Telecommunications Act of 1996 ("Act"). On December 22, 2003, ALLTEL filed its Response to the Petition. The Petition has been docketed at A-310489.

2. The information subject to the requested Protective Order is information provided in the course of this proceeding, including but not limited to information exchanged formally and informally in discovery and party negotiations and anticipated to be provided in testimony to be filed in this proceeding, and comprising documents or testimony disclosing information regarding the Parties' costs to provide service as well as other information regarding the development of

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rates and underlying cost support; pricing methodologies; traffic studies, traffic factors and their development. The Parties consider this information to be confidential and proprietary, and not otherwise obtainable in the public domain. Disclosure of this information to the public and/or the Parties' competitors could interfere with the Parties' business relations and the development of a competitive market for telecommunications services. Specifically, competitors could use this information to develop marketing and other strategies to unfairly compete with the Parties or otherwise place the Parties at a competitive disadvantage. As neither ALLTEL nor Verizon Wireless has available to it similar information regarding their competitors, it is unfair and inequitable to require disclosure by either ALLTEL or Verizon Wireless of this information. Additionally, any other materials which the Parties furnish in this proceeding which are claimed to be proprietary or confidential and which are so designated should be subject to the requested Protective Order, (hereinafter collectively referred to as "Proprietary Information"). As such, the potential harm to ALLTEL and Verizon Wireless is substantial, and the need for protection of this Proprietary Information outweighs any need for public disclosure at this time. 52 Pa. Code §5.423(a).

3. The Parties hereby seek an Order granting protective status with respect to the PROPRIETARY and CONFIDENTIAL Information. ALLTEL and Verizon Wireless request that the PROPRIETARY and CONFIDENTIAL Information be sealed and not be made available for public inspection. The Parties also request that any documents referencing this confidential record produced by the Commission or other parties be placed in a confidential folder and treated consistent

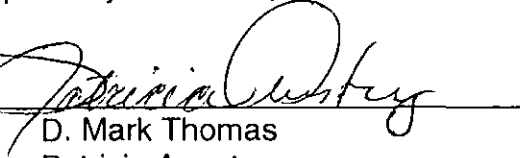
with the treatment of confidential information. The Parties also request other reasonable assurances regarding the handling, review, disclosure and use of this information by interested parties, consistent with Section 5.423(b) of the Commission's regulations.

4. ALLTEL and Verizon Wireless will provide Public Versions of the information each considers to be proprietary and confidential upon request and as necessary. That information, as may be requested, will be more than sufficient to inform interested parties of the substance of the information. To the extent ALLTEL, Verizon Wireless or another party desires to view the proprietary information, ALLTEL and Verizon Wireless will endeavor to make reasonable accommodations, consistent with their confidentiality concerns and subject to the Protective Order. As such, ALLTEL and Verizon Wireless submit that their competitive concerns outweigh any other party's interest in unfettered access to this ALLTEL and/or Verizon Wireless specific information.

5. As established above, good cause exists for the entry of a Protective Order in the form attached hereto as Appendix "A." The attached Protective Order is substantially identical to Protective Orders entered in other telecommunications proceedings where sensitive information regarding a telecommunications' carrier's presence or operations was disclosed. Therefore, entry of a Protective Order is necessary to protect ALLTEL's and Verizon Wireless' business and customer information.

WHEREFORE, ALLTEL Pennsylvania, Inc. and Cellco Partnership d/b/a Verizon Wireless respectfully request that Your Honor enter the attached Protective Order.

Respectfully submitted,

By: 

D. Mark Thomas  
Patricia Armstrong  
Regina L. Matz

Attorneys for  
ALLTEL Pennsylvania, Inc.

THOMAS, THOMAS, ARMSTRONG & NIESEN  
212 Locust Street, Suite 500  
P.O. Box 9500  
Harrisburg, PA 17108-9500  
(717) 255-7600

Dated: January 23, 2004

F:\CLIENTS\Utility\APM\TOPP\Verizon-A-310489\Documents\Petition (Joint) for Protective Order.wpd

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SECRETARY'S BUREAU

**Before the  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Re: Cellco Partnership d/b/a Verizon Wireless : Docket No. A-310489F7004  
For Arbitration Pursuant to Section 252 of the :  
Telecommunications Act of 1996 :

**PROTECTIVE ORDER**

IT IS ORDERED THAT:

1. This Protective Order is hereby granted with respect to all materials and information identified at Ordering Paragraph 2 which are filed with the Commission, produced formally or informally in discovery, or otherwise presented during these proceedings. All persons now and hereafter granted access to the materials and information identified in Ordering Paragraph 2 shall use and disclose such information only in accordance with this Order.

2. The materials subject to this Order are all correspondence, documents, data, information, studies, methodologies and other materials which a party or an affiliate of a party furnishes in this proceeding pursuant to Commission rules and regulations, discovery procedures or cross-examination or provides as a courtesy to the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate or any other party, which are claimed to be of a proprietary or confidential nature and which are designated now or hereafter as "PROPRIETARY" (hereinafter collectively referred to as "Proprietary Information").

In addition, parties may designate extremely sensitive Proprietary Information as "HIGHLY CONFIDENTIAL" (hereinafter referred to as "Highly Confidential

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Information”) and thus secure the additional protections set forth in this Order pertaining to such material.

3. Proprietary Information shall be made available to the Commission and its Staff for use in this and any related proceeding and for all internal Commission analyses, studies, or investigations. For purposes of filing, to the extent that Proprietary Information is placed in the Commission's report folders, such information shall be handled in accordance with routine Commission procedures inasmuch as the report folders are not subject to public disclosure. To the extent that Proprietary Information is placed in the Commission's testimony or document folders, such information shall be separately bound, conspicuously marked, and accompanied by a copy of this Order. Public inspection of Proprietary Information shall be permitted only in accordance with this Order.

4. Proprietary Information and Highly Confidential Information shall be made available to counsel of record in this proceeding pursuant to the following procedures:

a. Proprietary Information. To the extent required for participation in this proceeding, a party's counsel may afford access to Proprietary Information made available by another party (the “Producing Party”) to the party's expert(s), subject to the following restrictions:

i. Such expert(s) may not hold any of the following positions with any competitor of the Producing Party: (a) an officer, board member, stockholder, partner, owner than stock or employee who is primarily involved in the pricing, development, and/or marketing of products or services that are offered in

competition with those of the Producing Party; or (b) an officer, board member, stockholder, partner owner other than stock of any affiliate of a competition of the Producing Party; provided, however, that any expert shall not be disqualified on account of being a stockholder, partner or owner unless his/her interest in the business constitutes a significant potential for violations of the limitations of permissible use of the Proprietary Information. For purposes of this Order, stocks, partnership, or other ownership interest valued at less than \$100,000 and/or constituting less than a 2% interest in a business does not, in itself, establish a *significant potential for violation*.

ii. If a party's independent expert, another member of the independent expert's firm or the independent expert's firm generally also serves as an expert for, or as a consult or advisor to a competitor or any affiliate of a competitor of the Producing Party said independent expert must: (1) advise the Producing Party of the competitor's or affiliate's name(s); (2) make reasonable attempts to segregate those personnel assisting in the expert's participation in this proceeding from those personal working on behalf of a competitor of the Producing Party; and (3) if segregation of such personnel is impractical, the independent expert shall give to the Producing Party written assurances that the lack of segregation will in no way jeopardize the interests of the Producing Party. The Producing Party retains the right to challenge the adequacy of the written assurances that its interests will not be jeopardized.

b. Highly Confidential Information. Information designated as Highly Confidential shall be produced for inspection by counsel of record only. If the

inspecting lawyer desires copies of such material, or desires to disclose its contents to persons other than counsel of record, she or he shall submit a written request to the Producing Party's counsel. If the requesting and producing parties are unable to reach agreement with respect to such a request, they may submit the issue orally to the *presiding Administrative Law Judge for resolution.*

c. No other persons may have access to Proprietary Information or Highly Confidential Information except as authorized by order of the Commission or of the presiding Administrative Law Judge. No person who may be entitled to receive, or who is afforded access to any Proprietary Information or Highly Confidential Information shall use or disclose such information for the purposes of business or competition , or any purpose other than the preparation for and conduct of this proceeding or any administrative or judicial review thereof.

5. Prior to making Proprietary Information or Highly Confidential Information available to any person as provided in ordering paragraph 4, counsel for a party of record shall deliver a copy of this Order to such person and shall receive a written acknowledgment from that person in the form attached to this Order and designated as Appendix A. Counsel shall promptly deliver to the Producing Party a copy of this executed acknowledgment form.

6. A Producing Party shall designate data or documents as constituting or containing Proprietary Information or Highly Confidential Information by affixing an appropriate proprietary stamp or typewritten designation on such data or documents. Where only part of data compilations or multi-page documents constitutes or contains Proprietary Information or Highly Confidential Information,

the *Producing Party*, insofar as reasonably practicable within discovery and other time constraints imposed in this proceeding, shall designate only the specific data or pages of documents which constitute or contain Proprietary Information or Highly Confidential Information.

7. Any federal agency which has access to and/or receives copies of the Proprietary Information or Highly Confidential Information will consider and treat the Proprietary Information or Highly Confidential Information as within the exemption from disclosure provided in the Freedom of Information Act as set forth at 5 U.S.C.A. §552(b)(4) until such time as the information is found to be non-proprietary.

8. Any state agency which has access to and/or receives copies of the Proprietary Information or Highly Confidential Information will consider and treat the Proprietary Information or Highly Confidential Information as *with in the exemptions* from disclosure provided in the Pennsylvania Right-to-Know Act as set forth at 65 P.S. §66.1(2) until such time as the information is found to be non-proprietary.

9. Any public reference to Proprietary Information or Highly Confidential Information by the Commission or by counsel or persons afforded access thereto shall be to the title or exhibit reference in sufficient detail to permit persons with access to the Proprietary Information or Highly Confidential Information to fully understand the reference and not more. The Proprietary Information or Highly Confidential Information shall remain a part of the record, to the extent admitted, for all purposes of administrative or judicial review.

10. Part of any record of this proceeding containing Proprietary Information or Highly Confidential Information, including but not limited to all exhibits,

writings, testimony, cross examination, argument, and responses to discovery, and including reference thereto as mentioned in ordering paragraph 9 above, shall be sealed for all purposes, including administrative and judicial review, unless such Proprietary Information or Highly Confidential Information is released from the restrictions of this Order, either through the agreement of the parties or pursuant to an Order of an Administrative Law Judge or the Commission. Unresolved challenges arising under paragraph 11 shall be decided on motion or petition by the presiding officer and/or the Commission as provided in 52 Pa. Code §5.423(a). All such challenges will be resolved in conformity with existing rules, regulations, orders, statutes, precedent, etc., to the extent such guidance is available.

11. The parties affected by the terms of this Order shall retain the right to question or challenge the confidential or proprietary nature of Proprietary Information or Highly Confidential Information; to question or challenge the admissibility of Proprietary Information or Highly Confidential Information on any proper ground, including but not limited to irrelevance, immateriality or undue burden; to seek an order permitting disclosure of Proprietary Information or Highly Confidential Information beyond those provided in this Order. If a challenge is made to the designation of a document or information as Proprietary or Highly Confidential, the party claiming that the information is Proprietary or Highly Confidential retains the burden of demonstrating that the designation is necessary and appropriate.

12. Upon completion of this proceeding, including any administrative or judicial review, all copies of all documents and other materials, including notes,

which contain any Proprietary Information or Highly Confidential Information shall be immediately returned upon request to party furnishing such Proprietary Information or Highly Confidential Information. In the alternative, parties may provide an affidavit of counsel affirming that the materials containing or reflecting Proprietary Information or Highly Confidential Information have been destroyed. This provision shall not apply to the Commission or its Staff.

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Wayne L. Weismandel  
Administrative Law Judge

**APPENDIX A**

**Before the  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Re: Cellco Partnership d/b/a Verizon Wireless : Docket No. A-310489F7004  
For Arbitration Pursuant to Section 252 of the :  
Telecommunications Act of 1996 :

**PETITION FOR PROTECTIVE ORDER**

TO WHOM IT MAY CONCERN:

The undersigned is the \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (the retaining party) and is not, or has no knowledge  
or basis for believing that he/she is: (1) an officer, board member, stockholder,  
partner or owner other than stock of any competitor of \_\_\_\_\_  
\_\_\_\_\_ (the "Producing Party") or an employee of any competitor of the  
Producing Party who is primarily involved in the pricing, development, and/or  
marketing of products or services that are offered in competition with those of the  
Producing Party; or (2) an officer, board member, stockholder, partner, or owner  
other than stock of any affiliate of a competitor of the Producing Party.

The undersigned has read and understands the proposed Protective Order  
entered or to be entered in the above-referenced proceeding, which Order deals  
with the treatment of Proprietary and Highly Confidential Information. The  
undersigned agrees to be bound by, and comply with, the terms and conditions of  
said Order. In the case of an independent expert, the undersigned represents that  
he/she has complied with the provisions of paragraph 4(a)(ii) of the Order prior to  
submitting this Affidavit.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Employer

Dated: \_\_\_\_\_, 2004

Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Cellco Partnership d/b/a Verizon : Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to :  
Section 252 of the Telecommunications :  
Act of 1996 to Establish an :  
Interconnection Agreement With :  
ALLTEL Pennsylvania, Inc. :

CERTIFICATE OF SERVICE

I hereby certify that I have this 3<sup>rd</sup> day of February, 2004, served a true and correct copy of the Petition for Protective Order upon the persons and in the manner indicated below:

**VIA E-MAIL AND HAND DELIVERY**

Honorable Robert A. Christianson  
Chief Administrative Law Judge  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2<sup>nd</sup> Floor West  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Honorable Wayne L. Weismandel  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
2<sup>nd</sup> Floor West  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**VIA E-MAIL AND FEDERAL EXPRESS**

Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103

Elaine D. Critides, Esquire  
Associate Director, Regulatory  
Verizon Wireless  
Suite 400 West  
1300 Eye Street, N.W.  
Washington, DC 20005

  
Patricia Armstrong

SECRETARY'S BUREAU

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PRINCETON  
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BERWYN  
WILMINGTON

February 3, 2004

*Via Federal Express and Email*

Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500

DOCUMENT  
FOLDER

RE: Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996, Docket No. A-310489F7004

Dear Ms. Armstrong:

I enclose the First Supplement to Responses of Cellco Partnership to First Set of Interrogatories of Alltel Pennsylvania, Inc. Directed to Verizon Wireless in the referenced matter.

Please do not hesitate to contact me if you have any questions regarding this matter.

Very truly yours,

  
Christopher M. Arfaa

CMA/cms  
Enclosure

cc: James J. McNulty, Secretary (w/o encl.)  
Attached Certificate of Service (w/encl.)

*Established*  
1849

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2004 FEB -5 AM 2:16  
FBI P.U.C.  
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I, Christopher M. Arfaa, hereby certify that I have this day caused to be served a copy of: First Supplement To Responses Of Cellco Partnership To First Set Of Interrogatories Of Alltel Pennsylvania, Inc. Directed To Verizon Wireless in Docket No. A-310489F7004 upon the persons listed below by the means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

Via Federal Express - Overnight Delivery and E-mail

D. Mark Thomas, Esq.  
Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500  
dmthomas@ttanlaw.com  
parmstrong@ttanlaw.com

Via First Class Mail


Charles F. Hoffman, Esq.  
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Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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Harrisburg, PA 17105

Irwin A. Popowsky, Esq.  
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Forum Place  
Harrisburg, PA 17101-1923

Carol Pennington, Esq.  
Office of Small Business Advocate  
1102 Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

RECEIVED  
2004 FEB -5 AM 2:16  
PA P.U.C.  
SECRETARY'S BUREAU

Dated: February 3, 2004

  
\_\_\_\_\_  
Christopher M. Arfaa  
Drinker Biddle & Reath  
One Logan Square  
18th & Cherry Streets  
Philadelphia, PA 19103  
(215) 988-2700

Counsel for  
Cellco Partnership d/b/a Verizon Wireless

February 4, 2004

Via Federal Express – Over Night Delivery and E-mail

Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500

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FEB 04 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RE: Petition of Celco Partnership d/b/a Verizon Wireless For Arbitration  
Pursuant to Section 252 of the Telecommunications Act of 1996,  
Docket No. A-310489F7004

Dear Ms. Armstrong:

I enclose documents responsive to ALLTEL Interrogatories I-1 and I-2 as required by ALJ Weismandel's order granting in part and denying in part ALLTEL's motion to dismiss objections and compel responses. Verizon Wireless's answers to interrogatories, supplemented pursuant to the order, are being transmitted under separate cover. Due to the volume of documents, copies will be made available to the inactive parties to this proceeding upon request.

Please do not hesitate to contact me if you have any questions regarding this matter.

DOCUMENT

Very truly yours,

*Christopher M. Arfaa*  
Christopher M. Arfaa  
CMA

CMA/cms  
Enclosure

cc: ALJ Wayne L. Weismandel (w/o encl. via federal express)  
James J. McNulty, Secretary (w/o encl. via federal express)  
Charles F. Hoffman, Esq. (w/ o encl. via first class mail)  
Irwin A. Popowsky, Esq. (w/o encl. via first class mail)  
Carol Pennington, Esq. (w/o encl. via first class mail)

Established  
1849

CERTIFICATE OF SERVICE

I, Christopher M. Arfaa, hereby certify that I have this day caused to be served a copy of the foregoing document on behalf of Verizon Wireless in Pennsylvania PUC Docket No. A-310489F7004 upon the persons listed below by the means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

Via Federal Express – Over Night Delivery and E-mail

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FEB 04 2004

D. Mark Thomas, Esq.  
Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500  
dmthomas@ttanlaw.com  
parmstrong@ttanlaw.com

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dated: February 4, 2004

*Christopher M. Arfaa*

Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
18<sup>th</sup> and Cherry Streets  
One Logan Square  
Philadelphia, PA 19103-60996  
(215) 988-2700

Counsel for  
Cellco Partnership d/b/a Verizon Wireless

Law Offices

One Logan Square  
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NEW YORK

WASHINGTON

LOS ANGELES

SAN FRANCISCO

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February 4, 2004

*Via Federal Express and Email*

Hon. Wayne L. Weismandel  
Office of the Administrative Law Judge  
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Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

RE: Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration  
Pursuant to Section 252 of the Telecommunications Act of 1996,  
Docket No. A-310489F7004

Dear Judge Weismandel:

I enclose the Rebuttal Testimonies of Marc B. Sterling and Don J. Wood in the above-referenced matter. Please note that Mr. Wood's testimony contains information that ALLTEL has designated "proprietary" under the protective order. We have therefore also provided a "redacted" version.

Please do not hesitate to contact me if you have any questions regarding this matter.

**DOCUMENT  
FOLDER**

Respectfully,

*Christopher M. Arfaa / cms*

Christopher M. Arfaa

CMA/cms  
Enclosures

cc: James J. McNulty, Secretary (w/o encl., w/Certificate of Service)  
Attached Certificate of Service (w/encl.)

**RECEIVED**

FEB 04 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Established  
1849

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FEB 04 2004

CERTIFICATE OF SERVICE

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

I, Christopher M. Arfaa, hereby certify that I have this day caused to be served upon the Rebuttal Testimony of Marc B. Sterling on behalf of Verizon Wireless in Pennsylvania PUC Docket No. A-310489F7004, and the Rebuttal Testimony of Don J. Wood on behalf of Verizon Wireless in Pennsylvania PUC Docket No. A-310489F7004 upon the persons listed below by the means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

Via Federal Express – Over Night Delivery and E-mail

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Patricia Armstrong, Esq.  
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Administrative Law Judge Wayne L. Weismandel  
Office of the Administrative Law Judge  
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Charles F. Hoffman, Esq.  
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Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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Dated: February 4, 2004

  
Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
18<sup>th</sup> and Cherry Streets  
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Counsel for  
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CHARLES E. THOMAS  
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SECRETARY'S BUREAU

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February 5, 2004

**VIA E-MAIL AND FEDERAL EXPRESS**

Christopher M. Arfaa  
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Philadelphia, PA 19103

DOCUMENT

In re: Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996  
Docket No. A-310489F7004

Dear Mr. Arfaa:

I enclose the First Supplement to Response of ALLTEL Pennsylvania, Inc. to First Set of Interrogatories of Cellco Partnership d/b/a Verizon Wireless Directed to ALLTEL Pennsylvania, Inc. in the above referenced matter.

Please do not hesitate to contact me if you have any questions regarding this matter.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By

  
Patricia Armstrong

Enclosure

cc: Certificate of Service  
Honorable Wayne L. Weismandel (w/o encl.)  
James J. McNulty, Secretary (w/o encl.)

Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION


Re: Cellco Partnership d/b/a Verizon :  
Wireless For Arbitration Pursuant to : Docket No. A-310489F7004  
Section 252 of the Telecommunications :  
Act of 1996 :

CERTIFICATE OF SERVICE

I hereby certify that I this 5<sup>th</sup> day of February, 2004, served a true and correct copy of ALLTEL Pennsylvania, Inc.'s First Supplement to Response of ALLTEL Pennsylvania, Inc. to First Set of Interrogatories of Cellco Partnership d/b/a Verizon Wireless upon the persons listed below via e-mail and Federal Express:

Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
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18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103

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Associate Director, Regulatory  
Verizon Wireless  
Suite 400 West  
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CHARLES E. THOMAS  
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February 6, 2004

**VIA E-MAIL AND FEDERAL EXPRESS**

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Philadelphia, PA 19103

DOCUMENT  
FOLDER

In re: Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section  
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Docket No. A-310489F7004

Dear Mr. Arfaa:

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By

  
Patricia Armstrong

Enclosure

cc: Certificate of Service  
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James J. McNulty, Secretary (w/o encl.)

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Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Re: Cellco Partnership d/b/a Verizon :  
Wireless For Arbitration Pursuant to : Docket No. A-310489F7004  
Section 252 of the Telecommunications :  
Act of 1996 :

---

CERTIFICATE OF SERVICE

---

I hereby certify that I this 6<sup>th</sup> day of February, 2004, served a true and correct copy of ALLTEL Pennsylvania, Inc.'s Amended First Supplement to Response of ALLTEL Pennsylvania, Inc. to First Set of Interrogatories of Cellco Partnership d/b/a Verizon Wireless upon the persons listed below via e-mail and Federal Express:

Christopher M. Arfaa  
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\_\_\_\_\_  
Patricia Armstrong

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BERWYN  
WILMINGTON

February 6, 2004

Via Federal Express

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2nd Floor, Room-N201  
400 North Street  
Harrisburg, PA 17120

RE: Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration  
Pursuant to Section 252 of the Telecommunications Act of 1996,  
Docket No. A-310489F7004

Dear Secretary McNulty:

I enclose for filing in the above-referenced matter the original and three copies of the Initial Offer of Cellco Partnership d/b/a Verizon Wireless. *Please note that Appendix IV contains information designated as "Proprietary" by ALLTEL Pennsylvania, Inc., pursuant to the Protective Order issued by ALJ Weisman del in this matter on February 4, 2004.*

Thank you for your assistance. Please do not hesitate to contact me if you have any questions regarding this matter.

Very truly yours,

DOCUMENT

  
Christopher M. Arfaa

CMA

Enclosures

cc: ALJ Wayne L. Weisman del  
Certificate of Service

45

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FEB 06 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

ORIGINAL

Petition of Cellco Partnership d/b/a Verizon :  
Wireless For Arbitration Pursuant to :  
Section 252 Of the Telecommunications : A-310489F7004  
Act of 1996 to Establish an Interconnection :  
Agreement With ALLTEL Pennsylvania, Inc. :

INITIAL OFFER OF CELLCO PARTNERSHIP d/b/a VERIZON WIRELESS

Pursuant to the Arbitration Proceeding Order issued January 8, 2004, by Administrative Law Judge Wayne L. Weisman, Petitioner, Cellco Partnership d/b/a Verizon Wireless (Verizon Wireless) submits this Initial Offer with respect to the open issues in the above-captioned arbitration.<sup>1</sup>

DOCKETED

APR 08 2004

Verizon Wireless's Positions

**Issue 1:** Are Rural LECs subject to the negotiation and arbitration process set forth in Section 252(b) for disputes under Section 251(b)(5) for traffic indirectly exchanged between CMRS providers?

**Verizon Wireless position:** Yes. The arbitration process of Section 252(b) applies to any disputes arising under Section 251(a)-(c). This issue is not "moot" or "resolved" as asserted by ALLTEL because ALLTEL has "reserved" its alleged right to invoke the rural exemption for certain purposes. ALLTEL has waived any rural exemptions, which may have applied, by negotiating and arbitrating this case.

DOCUMENT

<sup>1</sup> The Arbitration Proceeding Order provides: "These offers are to contain each participant's position on each outstanding issue, in the order of final issues presented in the Status Report due on January 15, 2004. They are to include whatever statements, affidavits, exhibits, or documents the participant believes should be included in the record for resolution of each issue."

**Issue 2:** Do the FCC's rules interpreting the scope of an ILEC's reciprocal compensation obligations under 251 (b)(5) apply to IntraMTA traffic that is exchanged indirectly through a third-party LEC's Tandem facilities?

**Verizon Wireless position:** The FCC's reciprocal compensation rules apply to all traffic defined as "telecommunications traffic" by section 51.701(b)(2) of the FCC's rules, 47 CFR § 51.701(b)(2). This issue is not "moot" or "resolved" as asserted by ALLTEL because while ALLTEL has conceded in its Response that reciprocal compensation will apply to intraMTA traffic, the rates proposed by ALLTEL and the scope of the transport charges which it agrees to pay are inconsistent with Verizon Wireless's interpretation of the FCC's reciprocal compensation requirements.

**Issue 3(a):** Does Section 251 (b)(5) impose an obligation on the originating LEC to pay a CMRS provider for its traffic when it transits the network of a third party LEC and terminates on the network of a CMRS provider?

**Verizon Wireless position:** Yes. Section 251(b)(5) of the Act, 47 U.S.C. § 251(b)(5), obligates the originating carrier to bear the costs of transport and termination of telecommunications traffic terminated on a CMRS provider's network. Like Issue 2, this issue is not "moot" or "resolved" as asserted by ALLTEL because while ALLTEL has conceded in its Response that reciprocal compensation will apply to intraMTA traffic, it has asserted during negotiations that Verizon Wireless is responsible for certain costs of transport and termination for calls originated by ALLTEL and terminated by Verizon Wireless. Furthermore, without a definitive ruling on this issue, the parties will be unable to agree on language addressing this issue—language such as ALLTEL has proposed with respect to Issues 27 and 31. Conversely, a definitive ruling on this issue will resolve Issues 27 and 31.

**Issue 3(b):** Pursuant to Section 251(b)(5), is a LEC required to pay any transit charges on traffic it originates indirectly to a CMRS provider?

**Verizon Wireless position:** Yes. The FCC's rules obligate the originating carrier to pay transit charges due third-party carriers for telecommunications traffic terminated on a CMRS providers network. When ALLTEL originates traffic indirectly, it causes the transit provider to incur costs for transport and termination of the call to the terminating carrier. In this scenario, ALLTEL causes the transit expense, and it should therefore bear the costs of transit fees when it originates traffic to a transit provider. *See* 47 C.F.R. § 51. 703(b).

**Issue 4:** Does a third party transit provider "terminate" traffic within the meaning of Section 251(b)(5)?

**Verizon Wireless position:** No. The FCC has ruled that a transiting carrier is not the "terminating carrier" for the purposes of recovery under the principles of reciprocal compensation. Only the originating and terminating carriers pay and receive reciprocal compensation under Section 251(b)(5). ALLTEL incorrectly uses the term "terminate" with respect to third-party transit providers such as Verizon Pennsylvania, which could lead to an erroneous conclusion that Verizon Pennsylvania is functioning as an IXC. *See* ALLTEL Response at 21. Because this term has legal significance with respect to the payment of reciprocal compensation, this issue remains unresolved and requires clarification to avoid ambiguity in the interconnection agreement.

**Issue 5:** Where a third party provider provides indirect interconnection facilities, must the interconnection agreement that establishes the terms and conditions for the exchange of the traffic between the originating and terminating carriers include the terms and conditions on which the originating carrier will pay the third party transiting provider for transiting service?

**Verizon Wireless position:** No. The reciprocal compensation requirements imposed by the Act and implemented by the FCC set up a system for two parties to establish arrangements and bill each other for traffic terminating on their respective networks. It is the responsibility of the originating carrier to arrange the means by which it transports traffic to the terminating carrier, whether those means are the originating carrier's own network or the network of a transiting carrier.

**Issue 7:** Is an incumbent local exchange provider required to provide dialing parity to a CMRS provider's NPA NXXs that are locally rated where traffic is exchanged indirectly?

**Verizon Wireless position:** Yes. Where Verizon Wireless has numbers rated as local to ALLTEL's local calling areas and extended local calling areas, CMRS-originated calls should be afforded dialing parity and be treated as local calls. ALLTEL has proposed contract language addressing this issue in its response to Verizon Wireless's arbitration petition. Verizon Wireless has agreed to the contract language proposed by ALLTEL provided it is applicable to both direct and indirect traffic. ALLTEL has agreed to that clarification. Therefore, this issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 8:** Should a LEC be required to share in cost of dedicated two-way interconnection facilities between its switch and the CMRS carriers switch?

**Verizon Wireless position:** Yes. Where the parties have agreed to construct or lease two-way interconnection facilities on a dedicated basis, both parties should share in their proportionate use of such facilities, regardless of whether such facilities extend beyond the LEC's rate center boundary or "interconnected network."

**Issue 9:** What is the appropriate pricing methodology for establishing a reciprocal compensation rate for the exchange of indirect traffic?

**Verizon Wireless position:** Sections 251(b)(5) and 252(d)(2) of the Act and Section 51.701 of the FCC's rules require the reciprocal compensation for indirect traffic between Verizon Wireless and ALLTEL that originates and terminates within Verizon Wireless's MTA to be based upon forward-looking costs. The FCC's reciprocal compensation rules alternatively provide that a state commission may adopt a "bill-and-keep" arrangement, as provided in 47 CFR 51.713. Alternatively, the Commission may adopt the cost-based transport and termination rates of Verizon Pennsylvania as interim rates pending determination of permanent rates for ALLTEL in a future proceeding. *See* 47 CFR § 51.715. Verizon Wireless proposes a symmetrical, composite reciprocal compensation rate of \$.0078 applicable to Type 2A, Type 2B, and Indirect Connection for the transport and termination of telecommunications traffic.

**Issue 10:** Can the Parties implement a traffic factor to use as a proxy for the mobile-to-land and land-to-mobile traffic balance if the CMRS provider does not measure traffic?

**Verizon Wireless position:** Yes. There are circumstances under which a Party may need to use factors to determine traffic balances for purposes of reciprocal compensation. The factor would be available and used by a party to the extent that a party can not measure actual terminating minutes. If ALLTEL can measure the amount of traffic it terminates indirectly, a traffic factor can be used by Verizon Wireless to estimate the amount of traffic ALLTEL originates indirectly to Verizon Wireless. In light of the fact ALLTEL has not produced any measurements or estimates of the amount of traffic it originates indirectly to Verizon Wireless, use of traffic factors will be required, since Verizon Wireless cannot measure this traffic.



**Issue 11:** Where a CMRS provider's switch serves the geographically comparable area of LEC tandem, can it charge a termination rate equivalent to a tandem rate for traffic terminated in the Land to Mobile direction?

**Verizon Wireless position:** Yes. Verizon Wireless proposes to charge ALLTEL's tandem rate. This rate is a symmetrical rate.

**Issue 12:** Should the Parties establish a factor to delineate what percentage of traffic is interMTA and thereby subject to access rates? If so, what should the factor be? (Appendix A.II)

**Verizon Wireless position:** Yes. The parties have agreed that the factor will be 3%. Therefore, this issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 13:** After a requesting carrier sends a formal request for interconnection under Section 252 (b) of the Act, what interim reciprocal compensation terms apply to the parties until an agreement has been negotiated and arbitrated by the Commission?

**Verizon Wireless position:** Section 51.715 of the FCC's rules provides for interim reciprocal compensation rates, where a requesting carrier has requested negotiations of an interconnection agreement: "In a state in which a state commission has established transport and termination rates based on forward-looking cost studies, an incumbent LEC shall use these state-determined rates as interim transport and termination rates." 47 CFR §51.715(b)(1). The Pennsylvania Public Utility Commission has approved transport and termination rates for Verizon Pennsylvania, an incumbent LEC. Verizon Pennsylvania's rates therefore apply as interim reciprocal compensation rates.

**Issue 14:** Under what circumstances should either party be permitted to terminate the agreement or block traffic as a remedy in cases of default or breach?

**Verizon Wireless position:** Verizon Wireless has accepted the resolution of this issue proposed by ALLTEL in its Response, pursuant to which the parties will incorporate the following language into the interconnection agreement: "Either Party will have the right to terminate this Agreement at any time upon written notice to the other Party in the event a Party is in material breach of the provisions of this Agreement and that breach continues for a period of thirty (30) days after the other Party notifies the breaching Party of such breach, including a reasonable detailed statement of the nature of the breach." This issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 15:** Payment due date, General Terms and Conditions, paragraph 8.2 and Attachment 3, paragraph 1.1 of Verizon's Exhibit 1.

**Verizon Wireless position:** The contract should provide that "Payment for all undisputed charges is due within thirty (30) days of receipt of the invoice."

**Issue 16:** Bona Fide Dispute, General Terms and Conditions, paragraph 9.1.1.3

**Verizon Wireless position:** Verizon Wireless has offered language that clarifies either party's right to withhold validly disputed amounts pursuant to the billing dispute provisions of the agreement. Verizon Wireless also seeks to allow for recovery, by either party of lost interest for amounts paid by a disputing party, which are later reimbursed after a successful billing dispute. The proposed language is in boldface:

Bona Fide Dispute, General Terms and Conditions, paragraph 9.1.1.3. and 9.1.1.4. Whether the agreement should include the following: "A Bona Fide dispute does not include the refusal to pay all or part of a bill or bills when no written documentation is provided to support the dispute, nor should a Bona Fide dispute include the refusal to pay other **undisputed amounts** owed by the disputing Party pending resolution of the dispute. Claims by the disputing Party for **special damages** of any kind should not be considered a Bona Fide dispute." And,

therefore, whether once a Bona Fide dispute has been processed in accordance with this subsection 9.1.1, the disputing party must make payment on any of the disputed amount owed to the billing party by the next billing due date, or the billing party must have **the right to pursue any remedy applicable at law or equity**. Any credits due to the disputing party resulting from the Bona Fide dispute process would be applied to the disputing party's account by the billing party by the next billing cycle upon resolution of the dispute.

**Issue 17:** Removal of Bona Fide in the dispute language, General Terms and Conditions, paragraph 9.1.1.4

**Verizon Wireless position:** Verizon Wireless believes that either party should be able to pursue any legal or equitable remedy, if the billing dispute mechanism for bona fide disputes does not successfully resolve a billing dispute. The meaning of the term "normal treatment procedures" is not defined and has no ordinary legal meaning.

**Issue 18:** Limitations on disputes, General Terms and Conditions, paragraph 9.1.2.

**Verizon Wireless position:** The parties have agreed to the language proposed by Verizon Wireless in Petition Exhibit 1: "No action or demand for arbitration, regardless of form, arising out of the subject matter of this agreement may be brought by either party more than two (2) years after the cause of action has accrued. The Parties waive the right to invoke any different limitation on the bringing of actions provided under state or federal law unless such waiver is otherwise barred by law." Therefore, this issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 19:** Arbitration, General Terms and Conditions, paragraph 9.6.1

**Verizon Wireless position:** The parties have agreed to Verizon Wireless's proposal reflected in Petition Exhibit 1, i.e., that consensual commercial arbitration shall be an elective

remedy. Therefore, this issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 20:** Most Favored Nation, General Terms and Conditions, paragraph 31.1

**Verizon Wireless position:** Section 252(i) of the Act provides interconnecting carriers the right to "most favored nation" or "MFN" treatment with respect to agreements subsequently negotiated by the interconnecting ILEC. The parties' interconnection agreement must reflect the law. If the parties cannot agree to language on this term, the provision should be left out of the agreement. Verizon Wireless will not limit the scope of Section 252(i) in an interconnection agreement.

**Issue 21:** Identification of parties to the agreement.

**Verizon Wireless position:**

The parties have agreed to reinstate the language identified by ALLTEL in its Response to the Petition for Arbitration. This issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 22:** Type 1 Interconnection Facilities to be grandfathered, Attachment 2, paragraph 1.1.1.

**Verizon Wireless position:** The parties have agreed that the following language shall be added to Verizon Wireless's Attachment 2, § 1.1.1: "CMRS Provider shall not request new Type 1 facilities. Existing Type 1 facilities as of the effective date of this interconnection agreement may be retained until the parties migrate the Type 1 facilities to Type 2B facilities." Therefore, this issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 23:** Type 2A and Type 2B, Attachment 2, paragraph 1.1.2 and paragraph 1.1.3 of Verizon's Exhibit 1.

**Verizon Wireless position:** The parties have agreed that ALLTEL will provide SS7 signaling where it is available and that where multi-frequency signaling is the only signaling available in ALLTEL's network, it will continue to be utilized. This issue will be resolved upon the Arbitrator's ratification of the parties' agreement.

**Issue 24:** Incumbent Local Exchange Carrier Requirement, Attachment 2, paragraph 1.4.2 of Verizon's Exhibit 1.

**Verizon Wireless position:** Where the parties have agreed to construct or lease two-way interconnection facilities on a dedicated basis, both parties should share in their proportionate use of such facilities, regardless of whether such facilities extend beyond the LEC's rate center boundary or "interconnected network."

**Issue 25:** Direct Routed Traffic Mobile to Land Traffic, Attachment 2, paragraph 2.1.1.1, paragraph 2.1.1.2, paragraph 2.1.2.1, and paragraph 2.1.2.2 of Verizon's Exhibit 1.

**Verizon Wireless position:** Where the parties have agreed to construct or lease two-way interconnection facilities on a dedicated basis, both parties should share in their proportionate use of such facilities, regardless of whether such facilities extend beyond the LEC's rate center boundary or "interconnected network."

**Issue 26:** Direct Routed Traffic Land to Mobile Traffic, Attachment 2, paragraph 2.1.2.2 of Verizon's Exhibit 1.

**Verizon Wireless position:** Where the parties have agreed to construct or lease two-way interconnection facilities on a dedicated basis, both parties should share in their proportionate use of such facilities, regardless of whether such facilities extend beyond the LEC's rate center boundary or "interconnected network."

**Issue 27:** Indirect Network Interconnection, Attachment 2, paragraph 2.1.5 of Verizon's Exhibit 1.

**Verizon Wireless position:** Verizon Wireless is willing to utilize the 257,000 combined MOU threshold ALLTEL has proposed, but only to the extent the end office traffic is exchanged at ALLTEL's tandem locations. To the extent Verizon Wireless must establish facilities physically connecting to ALLTEL's end offices, the threshold should be 500,000 MOUs in the mobile-to-land direction.

**Issue 28:** NPA-NXX's with different rating and routing points, Attachment 2, paragraph 2.1.

**Verizon Wireless position:** The FCC's rules obligate the originating carrier to pay transit charges due third-party carriers for telecommunications traffic terminated on a CMRS providers network. When ALLTEL originates traffic indirectly, it causes the transit provider to incur costs for transport and termination of the call to the terminating carrier. In this scenario, ALLTEL causes the transit expense, and it should therefore bear the costs of transit fees when it originates traffic to a transit provider. *See* 47 C.F.R. § 51.703(b).

**Issue 29:** Factors for billing of direct routed traffic instead of actual call recordings, Attachment 3, Section 1.1 of Verizon Exhibit 1.

**Verizon Wireless position:** The parties have agreed that where actual measured usage is not available, the parties will use a traffic factor to estimate usage.

**Issue 30:** Land to Mobile traffic factor, Attachment 4 of Verizon's Exhibit 1.

**Verizon Wireless position:** The Land to Mobile factor should be 40% land-originated, 60% mobile-originated.

**Issue 31:** Definition of Interconnection Point, Attachment 8 of Verizon Exhibit 1.

**Verizon Wireless position:** Resolution of this issue will be determined by the resolution of Issues 3(a), 8 and 24. Please see above.

**Issue 32:** Definition of Interexchange Carrier

**Verizon Wireless position:** The inclusion of the definition of Interexchange Carrier in the parties' agreement is necessary in order to ensure that ALLTEL does not later argue that third-party LECs providing transiting services are Interchange Carriers for purposes of reciprocal compensation.

**Material to Be Included in the Record for Resolution of Issues**

The following materials are to be included in the record for resolution of the foregoing issues:

Petition for Arbitration, with exhibits (previously filed)

Direct Testimony of Marc B. Sterling, with exhibits, as supplemented February 3, 2004 (Appendix I hereto)

Direct Testimony of Don J. Wood, with exhibits (Appendix II hereto)

Rebuttal Testimony of Marc B. Sterling, with exhibits (Appendix III hereto)

Rebuttal Testimony of Don J. Wood, with exhibits (appendix IV hereto)

In addition, the transcript of the hearing of this matter and any cross-examination exhibits introduced by Verizon Wireless at that time, and Verizon Wireless's briefs are also to be included in the record.

Respectfully submitted,



Christopher M. Arfaa  
Drinker Biddle & Reath  
One Logan Square  
18th & Cherry Streets  
Philadelphia, PA 19103  
(215) 988-2700

Counsel for Cellco Partnership d/b/a  
Verizon Wireless

DATED: February 6, 2004



**APPENDIX I**

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February 5, 2004

*Via Federal Express and Email*

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RE: Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration  
Pursuant to Section 252 of the Telecommunications Act of 1996,  
Docket No. A-310489F7004

Dear Ms. Armstrong:

I enclose the Second Supplement to Responses of Cellco Partnership to First Set of Interrogatories of Alltel Pennsylvania, Inc. Directed to Verizon Wireless in the referenced matter.

Please do not hesitate to contact me if you have any questions regarding this matter.

Very truly yours,

  
Christopher M. Arfaa

CMA/cms  
Enclosure

cc: James J. McNulty, Secretary (w/o encl. via federal express)  
Attached Certificate of Service (w/encl. via first class mail)

DOCUMENT  
FOLDER

*Established*  
1849

## CERTIFICATE OF SERVICE

I, Christopher M. Arfaa, hereby certify that I have this day caused to be served a copy of: Second Supplement To Responses Of Cellco Partnership To First Set Of Interrogatories Of Alitel Pennsylvania, Inc. Directed To Verizon Wireless in Docket No. A-310489F7004 upon the persons listed below by the means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

### *Via Federal Express - Overnight Delivery and E-mail*

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### *Via First Class Mail*

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February 6, 2004

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James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

In re: Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252  
of the Telecommunications Act of 1996 to Establish an Interconnection Agreement  
With ALLTEL Pennsylvania, Inc.  
Docket No. A-310489F7004

Dear Secretary McNulty:

Enclosed for filing are two (2) copies of the Initial Offer of ALLTEL Pennsylvania, Inc. to the  
Petition for Arbitration of Cellco Partnership d/b/a Verizon Wireless in the above referenced  
proceeding along with the statements, exhibits and documents ALLTEL believes should be  
included in the record for resolution of each issue as directed in footnote 1 of the January 8, 2004  
Arbitration Proceeding Order of Judge Wayne L. Weismandel.

Copies of the Initial Offer and supporting statements have been served in accordance with  
the attached Certificate of Service.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By   
Patricia Armstrong

Enclosures

cc: Certificate of Service  
Stephen B. Rowell, Esquire (w/encl.)  
Lynn Hughes (w/encl.)

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

APPENDIX A  
Resolved Issues

## APPENDIX A

### RESOLVED ISSUES AS AGREED TO BY PARTIES

- Issue No. 7 Is an incumbent local exchange provider required to provide dialing parity to a CMRS provider's NPA NXXs that are locally rated where traffic is exchanged indirectly? Refers to Verizon Wireless' Issue 7 in its Petition for Arbitration.
- Status: Resolved.
- Issue No. 12 Should the Parties establish a factor to delineate what percentage of traffic is interMTA and thereby subject to access rates? If so, what should the factor be? (Appendix A.11)
- Status: Resolved and the factor will be 3%.
- Issue No. 14: Under what circumstances should either party be permitted to terminate the agreement or block traffic as a remedy in cases of default or breach?
- Status: Resolved.
- Issue No. 18 Limitations on disputes, General Terms and Conditions, paragraph 9.1.2. Refers to ALLTEL's Issue 18 in its Response to Verizon Wireless's Petition for Arbitration.
- Status: Resolved.
- Issue No. 19 Whether the agreement should provide for commercial arbitration only by consent of the parties as provided in Arbitration, General Terms and Conditions, paragraph 9.6.1 of Verizon Wireless Petition Exhibit 1?
- Status: Resolved.
- Issue No. 21 Whether the agreement should identify all the parties to the agreement?
- Status: Resolved
- Issue No. 22 Whether with respect to the section of the agreement referred to as , "Type 1 Interconnection Facilities to be grandfathered," Attachment 2, paragraph 1.1.1, there should be included the following language: "CMRS Provider shall not request new Type 1 facilities. Existing Type 1 facilities as of the effective date of this interconnection agreement may be retained until the parties migrate the Type 1 facilities to Type 2B facilities."
- Status: Resolved

Issue No. 23      Whether Verizon Wireless can require SS7 signaling from ALLTEL at all locations, even if SS7 is not available from ALLTEL at a location and only multi-frequency signaling is available?

Status:            Resolved.

Issue No. 26      Whether it is appropriate to insert language with respect to indirect connection to tandems into a section that addresses direct connection, specifically, the section entitled "Direct Routed Traffic Land to Mobile Traffic," Attachment 2, paragraph 2.1.2.2 of Verizon's Exhibit 1?

Status:            Resolved.

Issue No. 29      Whether, ALLTEL should be required to bill by factor rather than actual minutes, even though ALLTEL can record the actual terminating traffic minutes originating from Verizon Wireless that is routed through a direct interconnection and terminated to ALLTEL?

Status:            Resolved

**APPENDIX B**  
**(Testimony and Exhibits of S. Lynn Hughes)**  
**ALLTEL Statement 1**  
**ALLTEL Statement 1R**  
**Exhibit 1A**



**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the matter of: )  
 )  
Petition of Cellco Partnership d/b/a Verizon ) Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to Section )  
252 of the Telecommunications Act of 1996 )

**DIRECT TESTIMONY OF LYNN HUGHES**

1 **Q. Please state your name and business address.**

2 **A.** My name is Lynn Hughes. My business address is One Allied Drive, Little Rock,  
3 Arkansas 72202.

4 **Q. By whom are you employed and in what capacity?**

5 **A.** I am employed by ALLTEL Communications as Director of Negotiations.

6 **Q. Please describe your experience in the telecommunications industry.**

7 **A.** I have been employed with ALLTEL since 1989. I have held several managerial  
8 positions in ALLTEL's Wholesale Billing Services and Account Management  
9 organizations. I was named Director of Negotiations in 2002. My responsibilities  
10 in this position include management and oversight of the negotiation of  
11 interconnection agreements with Wireless Providers and Competitive Local  
12 Exchange Carriers.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 **A.** I am testifying on behalf of ALLTEL Pennsylvania, Inc. (ALLTEL). I will  
3 address the unresolved issues, except for issue 9 regarding the pricing  
4 methodology, including those identified in the Petition filed by Verizon Wireless  
5 in this matter, as well as those identified in ALLTEL's Response. These issues  
6 include routing and compensation of indirect traffic between the Parties and  
7 compensation to a third party transit provider, dialing parity for local rated calls  
8 routed indirectly between the Parties, sharing of costs for dedicated  
9 interconnection facilities, utilization of a traffic factor for billing of reciprocal  
10 compensation between the parties, and the proposed application of a tandem rate  
11 by Verizon Wireless for all land to mobile traffic. Initially, I incorporate  
12 ALLTEL's Response on these issues as part of my direct testimony.

13 **Q. What is ALLTEL's position on whether a Rural LEC is subject to Section**  
14 **252(b) arbitration? (Verizon Issue 1).**

15 **A.** ALLTEL's position is that this issue is moot in as much as ALLTEL has agreed  
16 to submit to arbitration.

17

18 **Q. What is ALLTEL's position on including terms and conditions in the**  
19 **interconnection agreement for both direct and indirect traffic? (Verizon**  
20 **Issues 2 and 3a).**

21 **A.** This is moot, as the parties have agreed to terms and conditions for both types of  
22 interconnection in the agreement. The parties have agreed to apply reciprocal

1 compensation between them, thereby providing compensation for transport and  
2 termination of telecommunications traffic that originates and terminates within  
3 the same Major Trading Area between a LEC and a CMRS provider.

4 **Q. What is ALLTEL's position on Verizon Issue 4?**

5 **A.** The issue posed by Verizon Wireless is very uncertain. To the extent that it  
6 relates to other issues, our position on those issues are incorporated in response to  
7 this issue.

8

9 **Q. What facilities should be utilized in routing indirect traffic between the**  
10 **Parties? (Verizon Issues 6 and 8).**

11 **A.** At the request of Verizon Wireless, and only on the condition that Verizon  
12 Wireless pick up any costs associated with taking this traffic beyond ALLTEL's  
13 service territory, ALLTEL agrees to continue to route the traffic indirectly to  
14 Verizon Wireless through the facilities currently established between ALLTEL  
15 and the third party tandem provider, Verizon ILEC. ALLTEL has not agreed to  
16 be responsible for costs associated with delivering traffic to a point outside its  
17 service territory. ALLTEL's responsibility for the facilities used in transporting  
18 the indirect traffic would only include those facilities within ALLTEL's  
19 franchised territory. ALLTEL and Verizon Wireless have agreed to include terms  
20 in the interconnection agreement for establishing direct facilities when the volume  
21 of indirect traffic reaches an agreed threshold. As later noted on page 21, an issue  
22 exists as to the appropriate threshold for establishing direct trunking between the  
23 parties. Verizon Wireless is proposing a threshold of 500,000 minutes of usage

1 (MOUs) per month to a specific ALLTEL end office; however, industry standard  
2 indicates that an end office direct interconnection should be established when the  
3 volume of traffic to an ALLTEL NPA-NXX is at a DS1 level.

4  
5 **Q. Which party is responsible for compensating the third party transit provider**  
6 **for land to mobile local traffic transported indirectly from ALLTEL to**  
7 **Verizon Wireless? (Verizon Issue 3b).**

8 **A.** Verizon Wireless argues that ALLTEL is responsible to pay for the transit charges  
9 assessed by a third party for local traffic originating on the ALLTEL network  
10 terminating to Verizon Wireless which transits a Verizon ILEC tandem. While  
11 Verizon attempts to rely on 47 C.F.R. §51.701(b)(2), that rule clearly outlines the  
12 requirements only between a LEC and CMRS provider and does not address the  
13 third party transit provider

14 In fact, responsibility for any compensation due third party transit  
15 providers is an issue being decided at the state commission level. For example,  
16 the New York Public Service Commission has ruled on the issue of compensation  
17 to the third party carrier for indirect traffic originating from an Independent  
18 Telephone Company and terminating to a CLEC or a CMRS Provider. The New  
19 York decision provides that Independent Telephone Companies are responsible  
20 for bringing meet-point facilities only to their borders, consistent with the long  
21 standing arrangements in place today for trunks used in the provision of local  
22 calling between the Independent ILECs and the RBOC. Thus, in New York,  
23 ILEC responsibility is limited to delivering traffic to its service area borders.

1           Competing carriers must either provide their own interconnection facilities or  
2           lease facilities to that meet point. Verizon Wireless has signed interconnection  
3           agreements with Independent ILECs in New York agreeing to pay any third party  
4           *tandem switching and tandem transport charges that may be assessed by the*  
5           tandem operator to deliver land-originated traffic from the Independent LEC's  
6           exchange boundary to the wireless carrier. The same result must be reached here.

7                         It must be recognized that Verizon Wireless is the party requesting the use  
8           of a third-party tandem provider in lieu of establishing a direct interconnection in  
9           each of ALLTEL's service territories.

10   **Q.   Please explain how the transit cost issue relates to Verizon Wireless's**  
11       **demand to utilize virtual NXXs?**

12   **A.**   Verizon Petition Exhibit 1, Attachment 2, Section 2.1, addresses transport and  
13       termination of traffic to a Verizon Wireless Virtual NPA-NXX within an  
14       ALLTEL rate center. In that situation Verizon Wireless proposes to establish an  
15       NPA-NXX within an ALLTEL rate center to receive local calling from ALLTEL  
16       customers, while the associated switch for this NPA-NXX is located outside of  
17       the ALLTEL territory, thus causing indirect routing of all traffic to a distant  
18       location via this virtually rate centered NPA-NXX. The costs arising in  
19       connection with this indirect routing are costs directly attributable to Verizon  
20       Wireless and should not be borne by ALLTEL.

1 **Q. Is the traffic routing and cost imposition proposed by Verizon Wireless**  
2 **comparable to any other existing arrangement between ILECs and other**  
3 **carriers (ALLTEL Issue 28)?**

4 **A.** No. Verizon's proposed routing configuration and cost imposition has not  
5 historically existed in the telecommunications industry. In establishing local  
6 calling between telecommunications companies, for example in an EAS  
7 arrangement, each of the LECs' NPA-NXXs that are included in the local calling  
8 area are in separate and distinct rate centers that are directly connected. In this  
9 situation, Verizon Wireless has established an NPA-NXX within an ALLTEL rate  
10 center to receive local calling from ALLTEL customers and the associated switch  
11 for this NPA-NXX is located outside of the ALLTEL territory thus causing  
12 indirect routing of all traffic to this NPA-NXX. ALLTEL should not incur any  
13 third party transit charges associated with the routing of traffic to Verizon merely  
14 due to Verizon's choice, for purely Verizon's own economic reasons, of a distant  
15 network location. To my knowledge, an independent ILEC has never been  
16 required to incur additional costs to carry traffic to a point outside its service  
17 territory simply to suit the economic choice of a competitor.

18 Here Verizon Wireless has specifically chosen not to establish direct  
19 interconnection facilities to ALLTEL and is attempting to place the costs of  
20 reaching Verizon's network on ALLTEL and ultimately upon ALLTEL's  
21 customers. Verizon Wireless argues that ALLTEL must be financially responsible  
22 for either constructing or using a transport facility to transport traffic originated  
23 by its customers to a point of interconnection with Verizon Wireless at any point

1 designated by Verizon Wireless, irrespective of the distance from ALLTEL's  
2 network to that point of interconnection. There is no logical basis for Verizon  
3 Wireless's demand that ALLTEL obtain a service from Verizon ILEC for which  
4 ALLTEL must pay Verizon ILEC to transport traffic beyond ALLTEL's network.  
5 Nor does ALLTEL have any obligation to establish an interconnection point with  
6 Verizon Wireless at a point outside of ALLTEL's network. Section 251(c)(2)(B)  
7 of the Act requires ALLTEL to interconnect with Verizon "at any technically  
8 feasible point within [ALLTEL's] network." ALLTEL has no obligation to  
9 establish and pay for interconnection with other requesting carriers at any point  
10 outside ALLTEL's network due to Verizon Wireless' desire not to establish a  
11 direct interconnection. While Verizon Wireless has the choice to interconnect  
12 *indirectly in lieu of a direct interconnection, it cannot force ALLTEL to undertake*  
13 *obligations beyond ALLTEL's own network responsibilities and to incur costs to*  
14 *deliver traffic outside its network simply to accommodate Verizon Wireless'*  
15 *choice.*

16 While Bell operating companies have established a single point of  
17 interconnection ("POI") with CMRS providers in a LATA, even though the POI  
18 may be outside the local calling area it is still on Verizon ILEC's network.  
19 Verizon ILEC's network in Pennsylvania is not synonymous with ALLTEL's  
20 network. While Verizon Wireless may wish otherwise, the FCC has not required  
21 a LEC to establish an interconnection point with another carrier at a point not on  
22 the LEC's network. The imposition of such a requirement on ALLTEL to  
23 establish interconnection beyond its own network would be a requirement that is

1 more onerous than any requirement that has been imposed on RBOCs or that is  
2 imposed for direct interconnections under Section 251(c) of the Federal Act.

3

4 **Q. If ALLTEL had to pay any costs to transport traffic outside its network,**  
5 **where will ALLTEL recover those costs?**

6 **A.** The only means for recovery of these traffic sensitive costs would be to recover  
7 those costs from its customers. Those would be new costs not previously incurred  
8 by ALLTEL and that it has not reflected in end user charges. Therefore, these  
9 calls would have to be surcharged or in effect converted to toll calling to be paid  
10 by the customers making those calls. Verizon Wireless also opposes allowing  
11 ALLTEL to bill its end users for these costs. It must be recognized that such  
12 costs would be imposed upon ALLTEL on a per minute of use basis while  
13 ALLTEL charges its end users on a flat rate basis.

14

15 **Q. Should the terms and conditions for compensation to a third party transit**  
16 **provider that provides indirect interconnection between the parties be**  
17 **included in the interconnection agreement? (Verizon Issue 5).**

18 **A.** Yes. Because the third party transit provider may attempt to impose charges for  
19 handling transit traffic, it is important and necessary, as between originating and  
20 terminating carriers (here ALLTEL and Verizon Wireless), to establish  
21 responsibility in their agreement for payment of any transiting charges that may  
22 be imposed. This is essential in this instance, because ALLTEL is not responsible



1 for charges resulting from Verizon Wireless's choice to demand interconnection  
2 at a location somewhere outside ALLTEL's network.

3 **Q. How are the minutes of use determined for billing of both direct and indirect**  
4 **traffic termination (mobile to land and land to mobile)? (Verizon Issue 10;**  
5 **ALLTEL Additional Issues 29 and 30).**

6 **A.** ALLTEL can bill direct routed traffic originating from Verizon Wireless and  
7 terminating to ALLTEL (mobile to land) through actual call detail records  
8 recorded at an ALLTEL end office or the ALLTEL tandem, depending on  
9 whether Verizon's traffic comes through an ALLTEL tandem, or comes to an  
10 ALLTEL end office through a Verizon ILEC tandem. ALLTEL can bill indirect  
11 routed traffic originating from Verizon Wireless and terminating to ALLTEL  
12 (mobile to land) via the meet point billing records that must be provided by the  
13 third party transit provider.

14 Verizon Wireless proposes the use of factors, however, for billing both  
15 direct and indirect traffic (land to mobile and mobile to land) because Verizon  
16 does not measure the traffic originating from ALLTEL and terminating to  
17 Verizon Wireless (land to mobile). This proposal conflicts with proposed  
18 language the parties have agreed upon. Attachment 3, Section 1.1 of Verizon  
19 Exhibit 1 provides that the parties should use either actual call recordings or data  
20 (either Meet Point Billing records or a report) provided by the transit provider for  
21 billing the other party. ALLTEL does not need a factor for billing Verizon  
22 Wireless. Consistent with the parties' negotiated language, actual recordings

1 should be used where available. The billing of traffic based upon actual call  
2 detail records or a report from the transit provider produces an accurate and  
3 auditable bill for the traffic terminated to each party. The utilization of factors  
4 only provides an estimate for the billing of the traffic terminated on a party's  
5 network. ALLTEL does not oppose Verizon's use of traffic factors for billing  
6 ALLTEL, if Verizon must do so; however, ALLTEL can bill based on actual data  
7 and, accordingly, should not be forced to use an estimate.

8 *If the parties were to use a land to mobile factor (which ALLTEL opposes*  
9 *because it has the ability to bill based on actual minutes), Verizon Wireless is*  
10 *inconsistent as to the factor proposed in Attachment 4 to Verizon Exhibit 1. In*  
11 *its Attachment 4, Verizon proposes a 60/40 land to mobile factor. In that same*  
12 *Attachment, Verizon Wireless agreed to a shared facilities factor of 70/30 land to*  
13 *mobile traffic. The shared facilities factor is based upon the balance of traffic in a*  
14 *land to mobile direction, therefore the 60/40 land to mobile factor proposed by*  
15 *Verizon is inconsistent with the shared facilities factor agreed to by the parties*  
16 *during negotiations and Verizon Wireless has not provided any basis for changing*  
17 *this agreed to factor.*

18 **Q. What is the billing process for facilities utilized in routing direct and indirect**  
19 **traffic terminated mobile to land and land to mobile? (Verizon Issue 8).**

20 **A.** ALLTEL is responsible for facilities utilized in transporting traffic to Verizon  
21 Wireless for both direct and indirect interconnection within the ALLTEL  
22 interconnected network. ALLTEL cannot be responsible for any facilities or  
23 expenses associated with the use of any third party's facilities outside ALLTEL's

1 interconnected network for local calls between the parties. Today, when there is  
2 a mandatory Extended Area Service (EAS) arrangement between two local  
3 exchange carriers (LECs), each LEC is responsible for the facilities contained in  
4 its respective franchise territory and recovers its' costs from its' end users. Each  
5 LECs' facilities and costs responsibility end at the meet point. This is precisely  
6 the scenario envisioned by the FCC in 47 CFR §51.5 where "meet point" is  
7 defined as "a point of interconnection between two networks, designated by two  
8 telecommunications carriers, at which one carrier's responsibility for service  
9 begins and the other carrier's responsibility ends." In the EAS scenario, neither  
10 company is assessed a charge for the use of any facilities outside its franchise  
11 territory. To make ALLTEL interconnect at a point outside its network and be  
12 responsible for the costs of constructing or using facilities beyond its network,  
13 would be totally inconsistent with §251(c)(2)(B) of the Act.

14

15 **Q. How has responsibility for these costs been assigned historically?**

16 **A.** Today, the arrangement is exactly how ALLTEL is proposing in this preceeding.  
17 ALLTEL and Verizon Wireless have agreed to share in the cost of the direct  
18 interconnection facilities established in Pennsylvania that are located within the  
19 ALLTEL network. ALLTEL does not share in any of the cost of the facilities  
20 outside of ALLTEL's franchised territory.

21

1 Q. Is it not a fact that the indirect interconnection for which Verizon Wireless is  
2 seeking the application of reciprocal compensation rates with ALLTEL is  
3 already in place?

4 A. Yes. At the present time, the indirect traffic is being exchanged between Verizon  
5 Wireless and ALLTEL through the ITORP process.

6  
7 Q. Please briefly explain the ITORP process?

8 A. ITORP is an intrastate intraLATA toll settlement process between Pennsylvania  
9 local exchange companies (LECs) that was started on January 1, 1986, whereby  
10 each ILEC including ALLTEL applies its toll tariff to their customers for  
11 origination of intraLATA toll calls and records the revenues collected from these  
12 calls as its intraLATA toll revenues and applies its access charge tariffs to other  
13 ILECs for terminating toll calls in their territory.

14 The incumbent local exchange carriers in Pennsylvania implemented the  
15 ITORP process through execution of a company-specific Telecommunications  
16 Services and Facilities Agreement or TSFA. This TSFA specifies terms and  
17 conditions for the joint provision of certain services and facilities between  
18 Verizon ILEC and each independent company. The TSFA provides for the  
19 services and facilities associated with intraLATA telecommunications services,  
20 including toll and exchange access services, and each carrier has been assigned  
21 only cost responsibility for services and facilities in its respective operating area.  
22 Specifically, in Appendix 1 to the TSFA provides:

23 C. Each party will provide such services and facilities in its  
24 operating area as are necessary to terminate IntraLATA

1 Telecommunications Services traffic originated by other parties.  
2 These services and facilities are to be provided as specified in the  
3 Telecommunications Services and Facilities Agreement in effect  
4 between the parties.  
5  
6

7 **Q. What does ITORP have to do with the exchange of wireless traffic?**

8 **A.** Beginning in 1991, the ITORP process, specifically the TSFA, was amended to  
9 accommodate wireless traffic, including specifically the terms and conditions for  
10 the provision of billing to cellular carriers, compensation to the independent  
11 carriers such as ALLTEL for the access services they perform in the termination  
12 of wireless traffic through a Verizon ILEC tandem over the ITORP joint-use toll  
13 trunks. These terms and conditions are identified in Exhibit G to Appendix 2 to  
14 the TSFA.

15 On or about January 26, 1993, ALLTEL and Verizon ILEC executed  
16 Exhibit G to Appendix 2 ("Exhibit G") and made it an integral part of ITORP to  
17 govern the termination by Verizon ILEC of CMRS traffic from the Verizon ILEC  
18 tandem and intra-LATA joint use trunk group to ALLTEL. Exhibit G addresses  
19 compensation obligations of Verizon ILEC with respect to termination of CMRS  
20 traffic that originates on a CMRS carrier's network and transits a Verizon ILEC  
21 tandem and intra-LATA joint use trunk group. In recognition that the wireless  
22 traffic is being carried over an access network, Section II.A.5. of Exhibit G  
23 obligates Verizon ILEC (i.e., the tandem owning local exchange carrier) to bill  
24 the appropriate CMRS carrier based upon the terminating carrier's access charges  
25 and remit the appropriate revenues to the terminating carrier.  
26

1 **Q. Is Verizon Wireless proposing any changes in the three-party indirect**  
2 **ITORP facilities?**

3 **A.** No. However, contrary to the cost responsibility upon which ITORP was based,  
4 Verizon Wireless is seeking to force ALLTEL to bear the cost of transporting the  
5 traffic beyond its service territory. This proposal, as before stated, is  
6 objectionable and contrary to the basis upon which the ITORP network was  
7 developed.

8  
9 **Q. What is ALLTEL's position on Verizon Wireless's proposal to charge a**  
10 **termination rate equivalent to a tandem rate for all local traffic terminated**  
11 **in the land to mobile direction. (Verizon Issue 11).**

12 **A.** As outlined in 47 CFR §51.711(a), rates must be reciprocal and symmetrical.  
13 Verizon Wireless is proposing to charge ALLTEL a tandem rate for terminating  
14 all local calls it receives from ALLTEL, regardless of the transport arrangement,  
15 *i.e.*, regardless of whether the call is received through indirect interconnection,  
16 end office direct interconnection or tandem direct interconnection. In some areas  
17 of Pennsylvania, ALLTEL's network does not include an ALLTEL tandem, but  
18 instead the ALLTEL end office subtends another ILEC's tandem. ALLTEL will,  
19 therefore, not be billing Verizon Wireless the tandem rate in those areas. If  
20 Verizon Wireless were to bill ALLTEL tandem rates at those locations as it is  
21 attempting to do, Verizon's rate would exceed ALLTEL's rate and, therefore, the  
22 rates charged each other at those locations would not be reciprocal and  
23 symmetrical. For end office direct interconnection, an ALLTEL tandem is not

1 used at all. In seeking to charge ALLTEL the tandem rate Verizon refers to 47  
2 CFR §51.711(a)(3), which provides that “a carrier may charge a rate equivalent to  
3 a tandem rate where its end office serves a geographic area comparable to a  
4 LEC’s tandem switch.” This reliance is misplaced, as ALLTEL will not send any  
5 traffic to Verizon Wireless through an ALLTEL tandem, except where the parties  
6 establish direct trunking through ALLTEL’s tandem.

7 Verizon’s proposal violates the basic premise of §51.711 in its entirety  
8 because the parties’ rates would not be symmetrical and reciprocal. 47 C.F.R. §  
9 51.711(a)(3) refers to the “geographic area comparable to the area served by the  
10 incumbent LEC’s tandem switch.” When ALLTEL originates traffic that travels  
11 to Verizon through a Verizon ILEC tandem, the ILEC with the comparable  
12 geographic area and the tandem switching charge (Verizon ILEC in this case) will  
13 not be a party to this interconnection agreement. Since the traffic won’t be going  
14 through an ALLTEL tandem, ALLTEL will not be charging Verizon a tandem  
15 rate. Under §51.711 (which provides for symmetrical reciprocal compensation),  
16 Verizon Wireless should not charge a tandem rate to ALLTEL either. ALLTEL  
17 appropriately proposes to include its tandem rate in the reciprocal rates only when  
18 the network layout for ALLTEL traffic includes an ALLTEL tandem and Verizon  
19 Wireless is connecting directly to the ALLTEL tandem.

20 **Q. Have the courts addressed this issue?**

21 **A. Yes. In U.S. West Communications, Inc. v. Washington Utilities and**  
22 **Transportation Commission, et.al, 255 F.3d 990 (\_\_\_ Cir., 2001), AT&T Wireless**

1 was allowed to charge the tandem rate to US West when AT&T connected to the  
2 US West tandem. This decision did not provide for the unilateral assessment of a  
3 tandem charge to US West for all types of interconnection, i.e. direct to the end  
4 office and indirect. To allow Verizon Wireless to charge a tandem rate in all  
5 circumstances would violate the principal of symmetrical rates as outlined in 47  
6 C.F.R. §51.711(a).

7  
8 **Q. After a requesting carrier sends a formal request for interconnection under**  
9 **Section 252 (b) of the Act, what interim reciprocal compensation terms apply**  
10 **to the parties until an agreement has been negotiated and arbitrated by the**  
11 **Commission? (Verizon Issue 13).**

12 **A.** The question concerning whether and what interim rate may be applicable is  
13 ultimately a legal question. I will limit my testimony to outlining certain facts  
14 that may be relevant to the determination. Direct traffic was subject to an  
15 interconnection agreement between the parties dated September 17, 1997. The  
16 rate specified in that agreement was 1.2¢ per minute of use and was applied  
17 reciprocally and symmetrically between the parties. That agreement was  
18 terminated on or before March 17, 2003. Subsequent to the termination of that  
19 interconnection agreement, the parties have continued to exchange traffic and  
20 compensate one another consistent with the rate and terms of that agreement for  
21 direct traffic only. Neither party has billed or paid one another for any traffic  
22 other than direct traffic under that agreement.

23 With respect to indirect traffic, prior to April 2002, ALLTEL was paid  
24 approximately 3¢ per minute of traffic that Verizon Communications terminated on



1 ALLTEL including all wireless traffic originated by Verizon Wireless. This termination  
2 and compensation arrangement was pursuant to the Commission approved ITORP  
3 process. Prior to April, 2002 only direct traffic was addressed by the interconnection  
4 agreement between Verizon Wireless and ALLTEL, and indirect traffic was terminated  
5 and compensated pursuant to the ITORP process.

6 However, in early 2002, Verizon Wireless, contending that indirect traffic was also to be  
7 terminated and compensated pursuant to the interconnection agreement that had  
8 previously only been applied to direct traffic, directed Verizon Communications to no  
9 longer compensate ALLTEL pursuant to ITORP. While ALLTEL disagreed and  
10 protested, Verizon Communications ceased paying ALLTEL anything for indirect traffic.  
11 ALLTEL filed a complaint at Docket No. C-20039321. No decision in that proceeding  
12 has been issued. If ALLTEL prevails in the complaint proceeding, then ITORP is still in  
13 effect and the applicable rate for indirect traffic today would be the ITORP rates. In  
14 these negotiations and this proceeding, ALLTEL has agreed to negotiate and present to  
15 the Commission for approval a new agreement that would address both direct and  
16 indirect traffic and that would in part modify the ITORP process as it pertains to  
17 ALLTEL's exchange of traffic with Verizon Wireless. Of course, before any  
18 modifications could be implemented, there would have to be a new agreement with  
19 Verizon ILEC.

20  
21 **Q. Are there unresolved issues not identified in Verizon Wireless's Petition?**

22 **A.** Yes. ALLTEL has identified additional issues that have not been agreed to by the  
23 Parties during contract negotiations. Each of these issues is addressed below.

1 Q. **When should the Parties submit payment for undisputed bills? (ALLTEL**  
2 **Additional Issue 15**

3 ALLTEL's position is payment for all undisputed charges should be due 30 days  
4 after the date of the invoice. This is industry standard. To accept Verizon's  
5 position that payment should be due 30 days from receipt of the invoice, the  
6 billing company would not know the date from which to determine the due date  
7 because it would not know when the billed company received the invoice. The  
8 billing company must have a date certain from which to calculate a due date. The  
9 invoice date is the most practical and accepted date for this purpose. ALLTEL's  
10 billing system is Ordering and Billing Forum (OBF) standard and calculates the  
11 payment due date of 30 days from the invoice date to all the carriers. Verizon  
12 Wireless has stated this extended time is needed for the bill verification process in  
13 place within their company. Contrary to this assertion, Verizon Wireless is  
14 refusing to agree to terms it has agreed to with other local exchange carriers in  
15 Pennsylvania. For example, in the executed interconnection agreement between  
16 Verizon Wireless and Bell Atlantic – Pennsylvania, Inc. (now Verizon ILEC),  
17 section 23.8.1 requires payment of billed amounts under the agreement, whether  
18 billed on a monthly basis or as otherwise provided, shall be due in immediately  
19 available U.S. funds within thirty (30) days of the date of such statement.

20

1 **Q. Have the terms for a Bona Fide dispute been agreed to by the Parties?**  
2 **(ALLTEL Additional Issue 16 and 17).**

3 **A.** No, the interconnection agreement should include terms and conditions governing  
4 a Bona Fide dispute regarding payment. The language proposed by ALLTEL  
5 provides that neither party may withhold payment to the other party pending  
6 resolution of another dispute. It also requires both parties to pay all undisputed  
7 amounts by the due date. If the undisputed amounts were not paid, then the party  
8 may pursue normal collection procedures. This language applies to both parties.

9 **Q. Should Verizon Wireless be allowed to opt out of the proposed agreement**  
10 **and into a totally different interconnection agreement during the term of the**  
11 **agreement that results from this proceeding? (ALLTEL Additional Issue 20).**

12 **A.** No. The Act does not provide Verizon Wireless the right to simply walk away  
13 from a valid effective agreement in favor of another agreement. The basis for  
14 negotiating and executing an interconnection agreement between two parties is to  
15 provide a commitment by both parties to the terms and conditions of the  
16 agreement as well as certainty to the relationship during the term of the  
17 agreement. The interconnection agreement provides for a contract term that  
18 specifies the duration of the contract. Contrary to this demand by Verizon  
19 Wireless, it has agreed in the General Terms and Conditions, §4.2 not to seek  
20 termination or renegotiation within the two-year duration window of the contract.

21 **Q. Should the agreement define the ALLTEL network for purposes of direct**  
22 **interconnection? (ALLTEL Additional Issues 24 and 25).**

1    A.    Being the product of a merger of several independent telephone companies,  
2           ALLTEL's franchise territories are for the most part segregated and may only be  
3           connected through a third party tandem.  In this network layout, ALLTEL's  
4           various service areas are not necessarily interconnected by ALLTEL owned  
5           facilities.  ALLTEL has provided contract language that allows for Verizon  
6           Wireless to directly interconnect with ALLTEL within ALLTEL's interconnected  
7           network.  This proposed language allows Verizon Wireless to establish a single  
8           point of interconnection within ALLTEL's network that utilizes ALLTEL owned  
9           facilities to connect the local exchange areas.  If Verizon Wireless chooses to  
10          establish a direct facility to an ALLTEL end office that is not connected to the  
11          ALLTEL network through ALLTEL owned facilities, then Verizon Wireless  
12          would only receive calls from ALLTEL end users or send calls to ALLTEL end  
13          users located in that specific end office.  To allow Verizon Wireless to remove  
14          the language "interconnected network" could impose additional costs upon  
15          ALLTEL for transporting traffic outside of the ALLTEL network that utilizes a  
16          third party provider.  Furthermore, this would no longer be direct interconnection  
17          between the Parties since a third party would be involved in the transport of the  
18          call.  The interconnection point for exchange of direct traffic is no different than  
19          the interconnection point for the exchange of indirect traffic; it has to be within  
20          ALLTEL's network.  The only difference is Verizon's choice of who provides the  
21          transport back to its switch.

22

1 Q. **What is the appropriate threshold for establishing a direct interconnection**  
2 **facility between the Parties instead of utilizing indirect interconnection?**  
3 **(ALLTEL Additional Issue 27).**

4 A. ALLTEL has proposed additional contract language requiring the establishment  
5 of a direct interconnection facility when the volume of indirect traffic reaches a  
6 DS1 level. A DS1 level is a reasonable standard for triggering dedicated transport  
7 because a DS1 is a standard unit of network capacity, is an efficient network  
8 design and is generally accepted in the industry. A 500,000 MOU threshold,  
9 which appears to be Verizon Wireless' actual proposal (assuming "500.00" is a  
10 typographical error in the Verizon Petition) would equate to approximately two  
11 DS1s.

12 Q. **Have all definitions in the interconnection agreement been agreed to by the**  
13 **parties? (ALLTEL Additional Issues 31 and 32).**

14 A. The definitions for interconnection point and interexchange carrier are  
15 unresolved. Verizon is proposing a vague definition for interconnection point,  
16 which does not appropriately define the parties' responsibilities. While the  
17 definition does not need to limit use of this term to direct interconnection only, it  
18 must reflect that the Point of Interconnection divides the network responsibilities  
19 between the parties, and in ALLTEL's case the POI must be on its network. A  
20 vague definition could result in compensation and provisioning disputes since the  
21 demarcation point of ownership would not be specifically provided for in the  
22 definition.

1 A definition for interexchange carrier is not needed since the term is not used in  
2 the agreement.

3 **Q. Does this conclude your testimony?**

4 **A. Yes.**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the matter of: )  
)  
Petition of Cellco Partnership d/b/a Verizon ) Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to Section )  
252 of the Telecommunications Act of 1996 )

**REBUTTAL TESTIMONY OF LYNN HUGHES**

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

2 **A.** My name is Lynn Hughes. My business address is One Allied Drive, Little Rock,  
3 Arkansas 72202. I am employed by ALLTEL Communications as Director of  
4 Negotiations.

5  
6 **Q. What is the purpose of this rebuttal testimony?**

7 **A.** The purpose of this testimony is to rebut, on behalf of ALLTEL Pennsylvania,  
8 Inc. ("ALLTEL"), certain aspects of the direct testimony proffered by Marc B.  
9 Sterling on behalf of Cellco Partnership d/b/a Verizon Wireless. Mr. Sterling's  
10 testimony contains generic arguments preceding his discussion of individual  
11 issues. My rebuttal to his testimony will follow his format. While I will touch  
12 upon each of Mr. Sterling's issues, specific rebuttal to Mr. Sterling's conclusion  
13 that the FCC's rules require ALLTEL to pay costs associated with meeting  
14 Verizon Wireless at a point of interconnection that is off of ALLTEL's network  
15 and outside its certificated service territory is presented by Mr. Steven Watkins.

1 Q. Do you have any comments on Mr. Sterling's direct testimony regarding  
2 certain issues which he contends require a ruling from the Commission  
3 before the parties can successfully negotiate an interconnection agreement?

4 A. Yes. On page 4, beginning on line 21, Mr. Sterling claims that "Verizon Wireless  
5 and ALLTEL need the Commission to determine whether indirect traffic subject  
6 to Section 251(a)(1) of the Act is subject to the reciprocal compensation  
7 requirement of Section 251(b)(5) and the pricing requirement of 252(d)(2) of the  
8 Act." In my opinion, Mr. Sterling's position is not correct. ALLTEL has agreed  
9 to provide Section 251(b)(5) reciprocal compensation and to employ the pricing  
10 standard in Section 252(d)(2) in negotiating the rates for indirect traffic between  
11 Verizon Wireless and ALLTEL. Consequently, whether the 1996 Act mandates  
12 the application of Section 251(b)(5) reciprocal compensation and Section  
13 252(d)(2) forward-looking costs on this indirect traffic is a legal question that  
14 need not be addressed by the Commission in this proceeding. As Verizon  
15 Wireless acknowledges in its responses to discovery, Verizon Wireless has been  
16 unable to arbitrate certain indirect interconnection issues in Pennsylvania because  
17 of the pending remand proceeding before your Honor regarding the scope of the  
18 rural LECs' exemptions. As Verizon Wireless states, however, "[t]he substantive  
19 disputes over indirect interconnection [in the pending remand] are virtually  
20 identical to this proceeding." Thus, ALLTEL believes that rather than requiring a  
21 ruling in this proceeding to facilitate negotiations between ALLTEL and Verizon  
22 Wireless, in fact all Verizon Wireless seeks with regard to those issues to which  
23 ALLTEL has already agreed to provide Verizon Wireless - namely access to



1 arbitration, reciprocal compensation and cost-based pricing for indirect  
2 interconnections - is a ruling in a case where those matters are not in issue that  
3 Verizon Wireless could apply in the pending rural remand proceeding where  
4 those matters are squarely contested, thereby undermining and shortcutting the  
5 Commission's remand process in that proceeding and potentially affecting other  
6 negotiations.

7  
8 **Q. Please be more specific about what ALLTEL has agreed to.**

9 **A.** On page 5, lines 10 – 15, Mr. Sterling states that ALLTEL agrees to provide  
10 "some type" of reciprocal compensation for indirect traffic. The truth of the  
11 matter is that ALLTEL has agreed to provide symmetrical and reciprocal  
12 compensation to Verizon Wireless for both indirect and direct traffic. Indirect  
13 traffic would originate from one of the parties, and be transported through  
14 facilities and a tandem switch owned by Verizon ILEC for termination to the  
15 other party. There are no exceptions in the interconnection agreement proposed  
16 by ALLTEL that would preclude or alter ALLTEL's payment of reciprocal  
17 compensation to Verizon Wireless for this indirect traffic. Thus, there is no issue.  
18 Mr. Sterling asserts that the reason this issue remains open is due to the need for  
19 adequate terms and conditions for rates, the measurement of traffic applicable to  
20 the reciprocal compensation rate, and the parties' obligations to share two-way  
21 facilities charges which have not been agreed to by the parties. Each of the  
22 reasons stated by Mr. Sterling however, is included in other issues (issues 8, 9,  
23 and 10) as detailed in the arbitration petition. Mr. Sterling responds to issue 8 on

1 pages 14 and 19, to issue 9 on pages 15 and 20, and to issue 10 on page 21 of his  
2 direct testimony. Clearly, all Mr. Sterling is seeking is to have the Commission  
3 provide an advisory opinion on an issue that is not outstanding as between  
4 ALLTEL and Verizon Wireless, since both of these parties have agreed to include  
5 rates, terms and conditions for symmetrical and reciprocal compensation for  
6 indirect traffic based upon forward-looking costs. Since that advisory opinion  
7 may impact other rural ILECs not party to this proceeding, the Commission  
8 should withhold decision on the issue until it is squarely presented.

9 Mr. Sterling also states, on page 5, lines 21 – 23, that ALLTEL argues that unless  
10 the interconnection agreement covers the third-party transit arrangements used in  
11 indirect interconnection, ALLTEL is not subject to cost based reciprocal  
12 compensation obligations. As documented in Mr. Caballero's testimony,  
13 ALLTEL has provided cost based reciprocal compensation rates to Verizon  
14 Wireless. In the Verizon Wireless interconnection agreement attached as Exhibit  
15 1 to the arbitration petition filed by Verizon Wireless, Attachment 2, section 2.1.5  
16 states: "When the Parties interconnect their networks indirectly via a third LEC's  
17 tandem, compensation shall be in accordance with the terms of this Agreement as  
18 specified in Attachment 3." Attachment 3, section 2.1.1 provides the terms that  
19 will be used in billing both direct and indirect. Specifically, section 2.1.1 states  
20 "The Parties shall provide each other Reciprocal compensation for the transport  
21 and termination of Telecommunications traffic at the rates specified in  
22 Attachment 4, Pricing." Neither of these statements is in dispute between the  
23 parties, therefore, there is no basis for Mr. Sterling's statement and no need to rule

1 on issues not in dispute. Mr. Sterling continues to make these same allegations on  
2 page 6. Again, this is another attempt by Verizon Wireless to have the  
3 Commission provide a decision on an issue that is not in dispute between the  
4 parties to this arbitration, so that Verizon Wireless can use the arbitration with  
5 ALLTEL to impact Verizon Wireless' negotiations with other companies.

6  
7 **Q. Mr. Sterling makes the statement on page 6, line 1-5 of his direct testimony,**  
8 **that ALLTEL's interpretation of its obligations under Sections 251 and 252**  
9 **of the Act appears to be motivated by a desire to maximize the rate**  
10 **applicable to indirect traffic exchanged between ALLTEL and Verizon**  
11 **Wireless? Do you have a response to this statement?**

12 **A.** Well, his comment is a bit odd, since it is clear that Verizon Wireless's  
13 misapplication of the rules demonstrates that it is more than motivated by the  
14 desire to achieve the best rate applicable to that party. However, ALLTEL has  
15 offered Verizon Wireless compensation rates for the exchange of direct and  
16 indirect traffic that are reciprocal and, as identified further by ALLTEL witness  
17 Cesar Caballero, that are cost based. Moreover, we note that ALLTEL's rate is  
18 lower than the rate agreed to by Verizon Wireless for other carriers in  
19 Pennsylvania.

20

1 Q. Do you have any comments on Mr. Sterling's direct testimony stating that  
2 "Verizon Wireless expects that ALLTEL will argue the ITORP arrangement  
3 governs the indirect exchange of traffic between the parties unless ITORP is  
4 superseded or amended."?

5 A. Yes. This statement by Mr. Sterling on page 6, line 20 through page 7, line 1, is  
6 incorrect as it relates to prospective interconnection between the parties.  
7 ALLTEL is clearly willing and has been attempting to renegotiate the ITORP  
8 arrangement as it relates to Verizon Wireless. ITORP is the intrastate intraLATA  
9 toll and access settlement process between the ILECs in Pennsylvania that started  
10 on January 1, 1986, at the direction of and with the approval of the Commission.  
11 ITORP, which was implemented through a series of agreements between Verizon  
12 ILEC with independent carriers, provides the intraLATA toll and access network  
13 between the carriers and the settlement process applicable to that process.  
14 Wireless traffic transited through third-party tandems was subsequently brought  
15 into ITORP effective January 1, 1991, through agreements between Verizon ILEC  
16 and the Independent carriers. These agreements address the terms and conditions  
17 for Verizon ILEC to compensate the Independent companies for the exchange  
18 access services they perform in terminating wireless traffic transited and  
19 transported by Verizon ILEC over the ITORP access/toll trunks and the provision  
20 of billing wireless carriers by Verizon ILEC.

1 Q. Do you have any comments on Mr. Sterling's direct testimony on the method  
2 of reciprocal compensation Verizon Wireless would propose absent, as  
3 Verizon Wireless asserts, facts sufficient to establish cost-based rates?

4 A. Yes. On page 8 of his testimony, Mr. Sterling sets forth what appear to be  
5 alternative positions as to the basis on which this Commission should base  
6 reciprocal compensation absent facts sufficient to establish cost based rates.  
7 ALLTEL believes that it has presented facts sufficient to establish cost based rates  
8 as set forth in the testimony of ALLTEL witness Cesar Caballero. Mr. Sterling's  
9 alternatives to ALLTEL's cost based rates, however, each lacks support or  
10 applicability to ALLTEL.

11 Mr. Sterling first posits that a state commission may adopt a bill-and-keep  
12 arrangement, whereby instead of billing the originating carrier, the terminating  
13 carrier recovers its costs from its own end users. As Mr. Sterling acknowledges,  
14 this method of compensation is appropriate if traffic between the originating and  
15 terminating carriers is "roughly balanced."

16 The traffic exchanged between ALLTEL and Verizon Wireless is not  
17 "roughly balanced" and Mr. Sterling's claim that it should be presumed to be is  
18 based upon a misrepresentation of the negotiations that occurred between the  
19 parties prior to Verizon Wireless' filing its arbitration petition with respect to  
20 unresolved issues. In his testimony on lines 9-14 on page 8, Mr. Sterling states  
21 that when asked in discovery for the basis of its claimed traffic ratios, ALLTEL  
22 responded that "the only basis for its claimed ratios was a provision in the draft  
23 agreement between the parties." From this, Mr. Sterling concludes that ALLTEL

1 "represented it does not have any factual evidence to rebut the presumption" that  
2 traffic is roughly balanced.

3 In fact, what ALLTEL actually stated in its discovery response to Verizon  
4 Wireless' request for support for the claimed 70% mobile to land and 30% land to  
5 mobile traffic ratios was that the ratio was appropriate because it "was agreed to  
6 by both parties during negotiation of the interconnection agreement." ALLTEL  
7 Response I-18. The background and status of ALLTEL's negotiations with  
8 Verizon Wireless are necessary to understand why ALLTEL believed this issue  
9 was resolved, and why Verizon Wireless should be held to the 70%/30% factor.

10 To begin the negotiation process, ALLTEL provided Verizon Wireless the  
11 ALLTEL standard interconnection agreement. ALLTEL's standard  
12 interconnection agreement utilizes an 80/20 default traffic ratio: 80% mobile to  
13 land (traffic originated by Verizon Wireless and terminated to ALLTEL); 20%  
14 land to mobile (traffic originated by ALLTEL and terminated to Verizon  
15 Wireless). Verizon Wireless changed this percentage to 70% mobile to land and  
16 30% land to mobile on the revised interconnection agreement, containing Verizon  
17 Wireless's responsive proposal on this and other issues, which Mr. Sterling sent  
18 back to ALLTEL by email dated 11/14/03. The 70%/30% factor is Verizon  
19 Wireless's own counter proposal to ALLTEL, as evidenced by the insert  
20 identified in the Word version of the agreement itself, which tracked and  
21 identified Verizon Wireless's change as "critiel, 11/13/2003 4:12 PM: Inserted."  
22 ALLTEL accepted this change during the negotiation conference call held  
23 11/21/03 and the issue was closed. Thus, there was no need for ALLTEL to

1 conduct detailed and time consuming traffic studies or provide actual traffic  
2 counts. This, in fact, was the basis for ALLTEL's response to Verizon Wireless's  
3 discovery. However, to ALLTEL's dismay, Verizon Wireless apparently reneged  
4 on their commitment by submitting this issue as unresolved in the arbitration  
5 petition. It is unclear to ALLTEL why Verizon Wireless would change position  
6 on an issue clearly agreed to by the Parties. Since the purpose of negotiations that  
7 precede arbitration is to narrow the issues between the parties and only seek  
8 arbitration of unresolved issues, at a minimum Verizon Wireless's reversal on this  
9 issue at this stage is very troubling and in my opinion represents bad faith  
10 negotiations by Verizon Wireless. Although in discovery Verizon Wireless  
11 requested ALLTEL to provide the traffic studies supporting the ALLTEL  
12 proposed traffic factor, Verizon Wireless in essence asked ALLTEL to provide  
13 factual evidence for a factor that ALLTEL neither changed nor proposed during  
14 the negotiations, but rather was a factor proposed by Verizon Wireless and agreed  
15 to by ALLTEL. Therefore, prior to arbitration ALLTEL did not have any need to  
16 conduct traffic studies to support the factor after Verizon Wireless's surprise  
17 reversal after arbitration, ALLTEL did not have the time to conduct a proper  
18 study. Mr. Sterling's statement on lines 12 -14 that ALLTEL thus has  
19 represented that it doesn't have any actual factual evidence to rebut the  
20 presumption that the traffic between the carriers is roughly balanced is inaccurate.  
21 Further, for Mr. Sterling to contend that the traffic is roughly balanced after  
22 offering a 70/30 factor is further a sign of bad faith negotiations.

23

1 **Q. What is Mr. Sterling's other proposal for a reciprocal compensation method**  
2 **in lieu of facts sufficient to establish cost based rates?**

3 **A.** On page 8, lines 15 – 18, Mr. Sterling claims the Commission may adopt Verizon  
4 ILEC's cost-based transport and termination rates as an interim rate pending  
5 determination of permanent cost-based rates for ALLTEL in this proceeding.  
6 This, however, is not correct. The Verizon ILEC rates established in a totally  
7 separate proceeding have no application whatsoever to the current arbitration  
8 petition as Verizon ILEC's costs, network and operations bear no similarity to  
9 ALLTEL. ALLTEL has provided rates to Verizon during the negotiation process  
10 and the pricing methodology used in the development of these rates listed as issue  
11 9 in the arbitration petition. To require ALLTEL, a rural telephone company, to  
12 adopt the rates of Verizon ILEC, a Regional Bell Operating Company, would not  
13 be appropriate since the network, demographics, and geographic territories for  
14 example, are significantly different as discussed by Mr. Cabelléro. This is simply  
15 not needed, since ALLTEL has provided rates and has supported these rates  
16 through Mr. Caballero's testimony and costs models.

17 **Q. Do you have any response to Mr. Sterling's direct testimony that ALLTEL**  
18 **must agree to indirect interconnection at the LEC tandem?**

19 **A.** Mr. Watkins explains in his testimony why Rule 20.11 is not applicable.  
20 Moreover, I note that on page 10, line 2, Mr. Sterling inaccurately represents FCC  
21 Rule 20.11(a) by stating "except where indirect interconnection is technically  
22 infeasible or *commercially* unreasonable." The rule provides that ALLTEL must



1 provide the interconnection requested by Verizon Wireless, unless, as stated in  
2 FCC Rule 20.11(a), "such interconnection is not technically feasible or  
3 *economically* reasonable." The words commercially and economically have two  
4 different meanings. By interchanging these terms, Verizon Wireless changes the  
5 definition of the rule.

6  
7 **Q. What is ALLTEL's response to Mr. Sterling's direct testimony regarding**  
8 **which party to interconnection should bear the transit rate for traffic it**  
9 **originates?**

10 **A.** Mr. Sterling relies on Rule 51.703(b) as the basis for requiring ALLTEL to pay  
11 any transit charges Verizon ILEC may impose. As Mr. Sterling recognizes,  
12 however, this FCC rule applies to reciprocal compensation, not payment of transit  
13 charges to a third party for transporting indirect traffic on the third party's  
14 network. Reciprocal compensation defines the compensation process between  
15 two parties. Payment of transit charges to a third party cannot be defined as  
16 reciprocal since there is no reciprocal charge that would be assessed the third  
17 party. This transit rate can only be charged to Verizon Wireless by the third  
18 party.

19 Mr. Sterling also states that ALLTEL can establish direct connections to carry its  
20 originated traffic to Verizon Wireless if ALLTEL does not want to pay Verizon  
21 Pennsylvania for transiting service. Establishing direct interconnection facilities  
22 to the Verizon Wireless switch likewise does not address this issue which is who  
23 should bear the costs associated with Verizon Wireless's choice of an

1 interconnection point that is off of ALLTEL's network. ALLTEL should not be  
2 forced to bear additional costs due to Verizon Wireless's election to use an  
3 *indirect interconnection*. Furthermore, if ALLTEL were required to pay the  
4 transit charges or establish a direct interconnection facility to Verizon  
5 Pennsylvania outside of the ALLTEL service territory, ALLTEL would have no  
6 means of cost recovery for the expense incurred. This could ultimately force  
7 ALLTEL to recover these costs by increasing end users' rates associated with  
8 these calls.

9 Mr. Sterling also states on page 12, lines 11-13; that establishing a volume  
10 threshold should mitigate ALLTEL's concerns about transit charges on high  
11 volume of land-to-mobile traffic. Verizon Wireless is confusing the issue by  
12 stating that ALLTEL's concern is related to the amount of compensation that is  
13 due to the third party. Instead, the actual issue is who is the responsible party for  
14 the payment to the third-party tandem provider arising from Verizon Wireless's  
15 economical decision to employ an indirect interconnection.

16 Mr. Watkins further addresses Mr. Sterling's misplaced reliance on existing FCC  
17 rules and why ALLTEL cannot be held responsible for the payment of costs  
18 incurred purely as a result of Verizon Wireless's choice of an indirect  
19 interconnection at a point of interconnection off of ALLTEL's network and  
20 outside of ALLTEL's certificated service territory.

21 **Q. On page 13 of Mr. Sterling's direct testimony, lines 17-20, Mr. Sterling again**  
22 **comments on the type of traffic between wireless carriers and LECs that is**  
23 **subject to reciprocal compensation and whether the FCC's rules for**

1           **reciprocal compensation apply to both land-to-mobile traffic and mobile-to-**  
2           **land traffic. What is your response?**

3    A.    Mr. Sterling here raises the same issue he raised on page 5 of his testimony. As  
4           stated earlier in this rebuttal testimony, this issue is resolved between the parties  
5           as ALLTEL agreed during negotiations to incorporate provisions for reciprocal  
6           compensation for both indirect and direct traffic.

7  
8    **Q.    What is your response to Mr. Sterling's direct testimony regarding how the**  
9           **parties should apportion the cost of direct interconnection facilities?**

10   A.    On page 14, lines 19-22 of his direct testimony, Mr. Sterling states that it is  
11           Verizon Wireless's position that federal law requires LECs to bear the cost of  
12           delivering traffic to CMRS carriers anywhere within the MTA in which the call  
13           originated. Mr. Sterling does not cite a specific federal law or regulation  
14           requiring the LEC to bear any costs of facilities outside its franchised territory,  
15           since no such law or regulation exists. In the regulation of local exchange  
16           carriers, LECs have been responsible for the network facilities within their  
17           franchised service territories. Verizon Wireless now seeks to expand the LEC's  
18           cost responsibilities to include transport facilities to a Verizon Wireless switch  
19           that is within the MTA. If Verizon Wireless succeeds in this proposal even  
20           without a federal rule requiring this, the CMRS provider could change the  
21           location anywhere within the MTA and demand the LEC be required to pay  
22           transport to their switch, which could be out of state. For the reasons stated in  
23           Mr. Watkins' testimony, Mr. Sterling's conclusions are unsupported.

1 **Q. Do you have a response to Mr. Sterling's direct testimony regarding the**  
2 **appropriate rate to be charged by Verizon Wireless for the termination of**  
3 **ALLTEL originated traffic?**

4 **A.** Yes. On page 15, lines 17 – 20 of his direct testimony, Mr. Sterling states that  
5 there is no justification for requiring Verizon Wireless to charge the lower end  
6 office rate for land-to-mobile calls delivered over an end office connection,  
7 because Verizon Wireless's costs for terminating the traffic remain the same.  
8 From this statement, Mr. Sterling is stating that Verizon Wireless's costs for  
9 terminating to ALLTEL would only be covered by the higher tandem (Type 2A)  
10 rate and not the end office (Type 2B) rate Mr. Sterling contradicts this position in  
11 his next sentence by stating "if ALLTEL proposes one blended rate as opposed to  
12 one rate for the tandem and another lower rate for the end office, Verizon  
13 Wireless would not be seeking compensation at the tandem rate." Because a  
14 blended rate would be a weighted average calculation between the end office rate  
15 and the tandem direct rate based on traffic percentages, the resultant blended rate  
16 would always fall between the end office and tandem direct rates and therefore  
17 will always be less than the tandem rate of \$0.01891.

18 **Q. Has Verizon Wireless executed interconnection agreements with other LECs**  
19 **in Pennsylvania that contain a tandem rate and an end office rate?**

20 **A.** Yes. Verizon Wireless has executed an interconnection agreement with The  
21 United Telephone Company of Pennsylvania ("Sprint). That rate structure, as  
22 shown in Exhibit A, provides for different termination rates when interconnecting

1 directly through the Sprint tandem or through the Sprint  
2 end office. The specific rate elements that would be charged are:

3 Tandem Direct Interconnection (Type 2A): Tandem Switching,  
4 Common Transport, and End Office Switching.

5  
6 End Office Direct Interconnection (Type 2B): End Office Switching  
7 and Common Transport . (Common Transport is only charged  
8 when the call terminates to a Sprint remote office.)  
9

10 The contract language requiring Verizon Wireless to charge different rates based  
11 upon type of interconnection is located in Exhibit 1A, section 4.2.3.1.  
12

13 **Q. On Page 16 of his direct testimony, Mr. Sterling frames Issue 1 as whether**  
14 **Rural LECs are subject to the negotiation and arbitration process set forth in**  
15 **Section 252(b) for disputes under Section 251(b)(5) for traffic indirectly**  
16 **exchanged between CMRS providers. What is your response?**

17 **A.** As I have explained, ALLTEL in this proceeding need not express an opinion as  
18 to whether Section 251(b)(5) reciprocal compensation is mandated under the 1996  
19 Act for traffic indirectly exchanged between a CMRS carrier and LEC, because  
20 ALLTEL has agreed to the application of reciprocal compensation and the  
21 Section 252 arbitration process for establishing its rates on indirect traffic with  
22 Verizon Wireless. Therefore, the question raised by Verizon Wireless is not at  
23 issue in this proceeding. In fact, as it is posed by Verizon Wireless, the issue is  
24 clearly presented by Verizon Wireless within this context of this arbitration with  
25 ALLTEL purely to secure a ruling applicable to all "Rural LECs" in an effort to  
26 circumvent the pending remand proceeding involving twenty one rural ILECs,  
27 and directly affect whatever negotiations may occur between those parties.

1 Furthermore, ALLTEL's rural exemption under Section 251(f)(1) is not relevant  
2 to Section 251(b)(5) reciprocal compensation. ALLTEL's rural exemption is only  
3 applicable to Section 251(c) services. Therefore, there is no reason for the  
4 Commission to rule on Verizon Wireless's Issue 1. ALLTEL does have the right  
5 to seek Section 251(f)(2) relief depending on the result of this proceeding.  
6 Obviously, it is premature until the need for such is known.

7  
8 **Q. What is your response to Mr. Sterling's direct testimony regarding Issue 2,**  
9 **whether the FCC's rules regarding reciprocal compensation apply to**  
10 **IntraMTA traffic that is exchanged indirectly through a third party LEC's**  
11 **tandem facilities?**

12 A. As I state earlier in my rebuttal, ALLTEL believes this issue is moot. Moreover,  
13 in his discussion on page 16, lines 14 – 23, Mr. Sterling has clearly confused the  
14 issue. This issue states "Do the FCC's rules interpreting the scope of an ILEC's  
15 reciprocal compensation obligations under 252(b)(5) apply to IntraMTA traffic  
16 that is exchanged indirectly through a third-party LECs' tandem facilities." Mr.  
17 Sterling states on line 15 that ALLTEL has agreed to reciprocal compensation for  
18 indirect traffic, but Verizon Wireless doesn't agree to the rates proposed by  
19 ALLTEL. Thus, this is a rate issue. The appropriate rate to be applied to  
20 reciprocal compensation is a separate issue (Issue 9). Therefore, Mr. Sterling's  
21 reasoning for this issue to remain open has no basis. Furthermore, on line 17, Mr.  
22 Sterling states that the scope of transport charges which ALLTEL agrees to pay  
23 are inconsistent with Verizon Wireless's interpretation of the FCC's reciprocal

1 compensation requirements. While it is unclear what transport charges Mr.  
2 Sterling is referencing, these charges are appropriately addressed as a part of the  
3 resolution of issue 9. Mr. Sterling also states that during the course of  
4 negotiations, ALLTEL asserted that certain costs of transport facilities are not  
5 recoverable under the reciprocal compensation requirements. Mr. Sterling's  
6 recollection is incorrect, as ALLTEL did not make such a comment.

7 Mr. Cabellero further discusses this in his testimony since, again, this  
8 relates to issue 9.

9  
10 **Q. Do you have any comments to respond to Mr. Sterling's direct testimony**  
11 **regarding Issue 3(a): Does Section 251(b)(5) impose an obligation on the**  
12 **originating LEC to pay a CMRS provider for its traffic when it transits the**  
13 **network of a third party LEC and terminates on the network of a CMRS**  
14 **provider?**

15 **A.** Yes. I address this issue earlier in my rebuttal testimony. ALLTEL has agreed to  
16 indirect interconnection at reciprocal compensation rates and there is no issue to  
17 address.

18  
19 **Q. What is your response to Mr. Sterling's direct testimony regarding Issue**  
20 **3(b): Pursuant to Section 251(b)(5), is a LEC required to pay any transit**  
21 **charges on traffic it originates indirectly to a CMRS provider?**

22 **A.** I touch upon this issue earlier in my rebuttal testimony. As addressed in greater  
23 detail by Mr. Watkins, ALLTEL is not required to pay to transport traffic outside

1 its network to some third party selected by Verizon Wireless for Verizon  
2 Wireless's convenience and own economic benefit.

3

4 **Q. What is your response to Mr. Sterling's direct testimony regarding Issue 8:**  
5 **Should a LEC be required to share in the cost of dedicated two-way**  
6 **interconnection facilities between the switch and the CMRS carrier's switch?**

7 **A.** Mr. Sterling states both parties should share in their proportionate use of such  
8 facilities, regardless of whether such facilities extend beyond the LEC's rate  
9 center boundary or "interconnected network." Mr. Sterling's request goes well  
10 beyond a rate center boundary. Mr. Sterling is stating that ALLTEL must incur  
11 the costs associated with two-way facilities outside of and off the ALLTEL  
12 network. As I state earlier in my rebuttal testimony and as also addressed by Mr.  
13 Watkins, no FCC rule or any court decision has required incumbent LECs to pay  
14 for facility costs outside their networks.

15

16 **Q. Do you have any response to Mr. Sterling's direct testimony regarding Issue**  
17 **4: Does a third party transit provider "terminate" traffic within the meaning**  
18 **of Section 251(b)(5)?**

19 **A.** Yes. As stated previously in this rebuttal testimony, ALLTEL has agreed to  
20 provide reciprocal compensation to Verizon Wireless for indirect  
21 telecommunications traffic that transits a Verizon ILEC tandem. Therefore, Issue  
22 4 is not a question relevant to this proceeding as this issue is not in dispute  
23 between the parties. The contract language providing for this compensation can



1 be located in Verizon Wireless's Exhibit 1 in the arbitration petition in  
2 Attachment 2, section 2.1.5; Attachment 3, section 2.1.1 and Attachment 4  
3 (pricing appendix).

4  
5 **Q. Do you have any comments to Mr. Sterling's direct testimony regarding**  
6 **Issue 5: Where a third party provider provides indirect interconnection**  
7 **facilities, must the interconnection agreement that establishes the terms and**  
8 **conditions include the terms and conditions on which the originating carrier**  
9 **will pay the third party transiting provider for transiting service?**

10 **A.** Yes. It is the position of ALLTEL that the ITORP process and agreements cannot  
11 be unilaterally changed by ALLTEL and Verizon Wireless without the  
12 participation of Verizon ILEC and the approval of the Commission. ALLTEL  
13 thus needs an interconnection or other agreement with Verizon ILEC to assure the  
14 call record detail and to establish other required terms and conditions. This issue  
15 is also addressed as a part of Mr. Watkins' testimony.

16  
17 **Q. What is your response to Mr. Sterling's direct testimony regarding Issue 8:**  
18 **Should a LEC be required to share in the cost of dedicated two-way**  
19 **interconnection facilities between the switch and the CMRS carrier's switch?**

20 **A.** Mr. Sterling states both parties should share in their proportionate use of such  
21 facilities, regardless of whether such facilities extend beyond the LEC's rate  
22 center boundary or "interconnected network." Mr. Sterling's request goes well  
23 beyond a rate center boundary. Mr. Sterling is stating that ALLTEL must incur

1 the costs associated with two-way facilities outside of and off the ALLTEL  
2 network. As I state earlier in my rebuttal testimony and as also addressed by Mr.  
3 Watkins, no FCC rule or any court decision has required incumbent LECs to pay  
4 for facility costs outside their networks.

5  
6 **Q. Do you have any comment to Mr. Sterling's direct testimony regarding Issue**  
7 **10: Can the parties implement a traffic factor to use as a proxy for the**  
8 **mobile-to-land and land-to-mobile traffic balance if the CMRS provider does**  
9 **not measure traffic?**

10 **A.** Yes. ALLTEL is not opposed to Verizon Wireless using a factor for billing  
11 reciprocal compensation to ALLTEL. ALLTEL will record the traffic originating  
12 from Verizon Wireless and terminating to ALLTEL that is transported on a direct  
13 interconnection facility. ALLTEL will use these records to base the billing of  
14 direct transported calls between ALLTEL and Verizon Wireless. ALLTEL will  
15 use an actual report or industry standard billing records provided by Verizon  
16 ILEC for the billing of calls indirectly transported, provided that Verizon ILEC  
17 acknowledges or agrees to an ongoing responsibility to continue providing the  
18 traffic records. It is imperative that Verizon ILEC continue to provide the billing  
19 data ALLTEL receives today under the ITORP agreement for reciprocal  
20 compensation for indirect traffic. ALLTEL can not record the Verizon Wireless  
21 indirect traffic that is currently transported through the facilities between  
22 ALLTEL and Verizon ILEC. Traffic is commingled from multiple providers on  
23 this trunk group. In fact, different types of calls (local from a wireless provider

1 and access from an interexchange carrier) are transported over this facility.  
2 ALLTEL and Verizon Wireless have not agreed to the factor that will be used by  
3 Verizon Wireless.  
4

5 **Q. Do you have a response to Mr. Sterling's direct testimony regarding Issue 11:**  
6 **Where a CMRS provider's switch serves the geographically comparable area**  
7 **of a LEC tandem, can it charge a termination rate equivalent to a tandem**  
8 **rate for traffic terminated in the Land to Mobile direction?**

9 **A.** Yes. On page 22, lines 10 – 14 of his direct testimony, Mr. Sterling states that  
10 Verizon Wireless is not proposing to utilize asymmetrical rates, since the rates  
11 would not be derived from Verizon Wireless costs. This is contradictory to the  
12 testimony provided by Mr. Sterling on page 15, lines 15 – 18. Mr. Sterling states  
13 that Verizon Wireless's costs for terminating the traffic remain the same whether  
14 the call is terminated through an end office direct facility or through a tandem  
15 office facility. With this statement, Verizon Wireless has determined the rate  
16 from the costs Verizon Wireless incurs in terminating a call originating from  
17 ALLTEL. The FCC rules clearly offer two alternative types of rate structure,  
18 symmetrical and asymmetrical. If Verizon Wireless is allowed to charge a  
19 different rate than ALLTEL for calls that are transported over the very same  
20 facility, then this would not be a symmetrical rate structure. Verizon Wireless  
21 cannot have it both ways.  
22

1    **Q.    What is your response to Mr. Sterling’s direct testimony regarding Issue 13:**  
2    **After a requesting carrier sends a formal request for interconnection under**  
3    **Section 252(b) of the Act, what interim reciprocal compensation terms apply**  
4    **to the parties until an agreement has been negotiated and arbitrated by the**  
5    **Commission?**

6    A.    On page 23, lines 10 – 13, Mr. Sterling states that the Pennsylvania Commission  
7    has approved transport and termination rates for Verizon ILEC, an incumbent  
8    LEC, and therefore this Commission could adopt those rates to use as an interim,  
9    subject to true up to the final rates approved in the interconnection agreement.  
10   These rates are inapplicable for several reasons. Verizon ILEC’s reciprocal  
11   compensation rates approved by this Commission would only apply to calls  
12   transported over direct connections between Verizon ILEC and a CMRS provider  
13   connection, established at a Verizon ILEC end office or a Verizon ILEC tandem.  
14   Since Verizon ILEC does not utilize a third party for tandem switching, these  
15   rates would not include any costs associated with calls transported indirectly.  
16   Further, as I previously stated and as addressed in the testimony of ALLTEL  
17   witness Caballero, the Verizon ILEC rates have no applicability to ALLTEL  
18   because the companies are not comparable, there is no precedent for using RBOC  
19   rates for a rural ILEC, the companies have different demographics and ALLTEL’s  
20   cost structure is entirely different.

21  
22

1    **Q.    What is your response to Mr. Sterling’s direct testimony regarding Issue 15:**  
2           **What is Verizon Wireless’s position with respect to “Payment due date,**  
3           **General Terms and Conditions,” at paragraph 8.2 and Attachment 3,**  
4           **paragraph 1.1 of Verizon’s Exhibit 1?**

5    **A.**    On page 24, lines 7 – 9, Mr. Sterling states that ALLTEL’s position puts Verizon  
6           Wireless at risk should there be delays between the invoice date and when the  
7           invoice is mailed or received. Verizon Wireless receives an industry standard  
8           mechanized bill known as the Bill Data Tape. The Bill Data Tape was established  
9           by the national Ordering and Billing Forum (OBF). The OBF includes  
10          participants from Local Exchange Carriers, Interexchange Carriers, Competitive  
11          Local Exchange Carriers and Wireless Carriers. These participants establish  
12          Carrier Access Billing (“CABs”) standards for both a paper bill and the Bill Data  
13          Tape (“BDT”). The BDT is expressed mailed (overnight delivery) to TEOCO (a  
14          company that provides bill verification) the same day the bill is processed.  
15          Therefore the concern by Verizon Wireless that the bill will not be timely  
16          received and puts them at risk is not warranted since the vendor hired by Verizon  
17          Wireless to verify their bill receives the mechanized bill the day after the bill is  
18          processed. On the other hand, Verizon Wireless’s proposal puts ALLTEL in a  
19          position of never knowing when a payment would be late, unless it individually  
20          queried every Verizon Wireless bill to ascertain Verizon Wireless’s receipt date.  
21          This position is clearly untenable. Under ALLTEL’s proposal, Verizon Wireless  
22          would have 30 days from a date certain in which to pay. Thirty days to turn  
23          around a bill is more than sufficient to cover any potential lag in receipt that

1 Verizon Wireless may experience. However, as I stated, given the use of an  
2 industry standard CABs billing system, any delay between ALLTEL's bill date  
3 and its receipt date by Verizon Wireless should be minimal at most.

4  
5 **Q. Please respond to Mr. Sterling's direct testimony regarding Issues 16 and 17:**  
6 **What is Verizon Wireless's position regarding "Bona Fide Dispute, General**  
7 **Terms and Conditions," at paragraph 9.1.1.3 of the draft agreement?**

8 A. On page 24, lines 13 – 17, Mr. Sterling states that Verizon Wireless has offered  
9 language to ALLTEL revising paragraph 9.1.1.3, which is the contractual language  
10 in dispute. Mr. Sterling is incorrect. Verizon Wireless has not provided the  
11 language. ALLTEL's language is set forth in the agreement attached to  
12 ALLTEL's response. The statement by Mr. Sterling that Verizon Wireless also  
13 seeks to allow for recovery, by either party of lost interest for amounts paid by a  
14 disputing party was never proposed by Verizon Wireless during the negotiation  
15 process. As is evident from Verizon Wireless's Exhibit 1, General Terms and  
16 Conditions paragraph 9.1.1.3, attached to Verizon Wireless's arbitration petition,  
17 while Verizon Wireless deleted ALLTEL's proposed language, Verizon Wireless  
18 offered none for ALLTEL to consider as an alternative.

19  
20 **Q. Do you have any response to Mr. Sterling's direct testimony regarding Issue**  
21 **20: What is Verizon Wireless's position with respect to "Most Favored**  
22 **Nation, General Terms and Conditions," at paragraph 31.1 of the draft**  
23 **agreement?**

1 A. Yes. On page 25, lines 17 – 20, Mr. Sterling states that Verizon Wireless would  
2 be at a competitive disadvantage if other CMRS carriers received more favorable  
3 rates and terms and Verizon Wireless was forced to wait until the end of its  
4 contract term to receive those same rates and terms. The Most Favored Nation  
5 rules provide a means for a CMRS provider or a Competitive Local Exchange  
6 Carrier to adopt an existing interconnection agreement instead of negotiating with  
7 the Local Exchange Carrier. To allow Verizon Wireless to change the terms of a  
8 negotiated interconnection agreement that both parties would be currently  
9 operating under based upon this rule, would establish the precedent that Verizon  
10 Wireless does not have fulfill the commitment it agreed to upon execution of the  
11 interconnection agreement. If a change in law occurs, provisions are established  
12 in the interconnection agreement that provide either party the right to request  
13 renegotiations of the agreement.

14  
15 **Q. What is your response to Mr. Sterling’s revised direct testimony regarding**  
16 **Issue 30: What is Verizon Wireless’s position with respect to Land to Mobile**  
17 **traffic factor, Attachment 4, of Verizon’s Exhibit 1.**

18 A. On page 28 of Mr. Sterling’s revised direct testimony, lines 12 – 17, Mr. Sterling  
19 states Verizon Wireless has three direct interconnection facilities established with  
20 ALLTEL. Each of these facilities is directly connected to an ALLTEL tandem,  
21 which are located in Meadville, Kittanning, and St. Marys, PA. As stated by Mr.  
22 Sterling, Verizon Wireless is only transporting traffic directly to ALLTEL at the  
23 Meadville tandem. Thus, Verizon Wireless is sending traffic indirectly to

1 Verizon ILEC that will terminate to ALLTEL customers in Kittanning and St.  
2 Marys even though Verizon Wireless is connected directly to ALLTEL tandems  
3 in those areas. This makes it clear that Verizon Wireless is already using its  
4 indirect interconnection election to avoid paying ALLTEL. By routing the traffic  
5 indirectly to ALLTEL, Verizon Wireless avoids a direct reciprocal compensation  
6 charge from ALLTEL. Also, since Verizon Wireless stopped compensating  
7 Verizon ILEC for indirect traffic as required under the ITORP agreement, and  
8 Verizon Wireless ILEC thus stopped compensating ALLTEL for terminating this  
9 traffic to ALLTEL (the subject of ALLTEL's pending complaint at Docket No.  
10 C-20039321), Verizon Wireless is not charged by anyone for terminating this  
11 traffic. There is no other explanation as to why Verizon Wireless would pay for a  
12 direct interconnection facility to ALLTEL and not utilize the facility.

13 Further, the information provided by Mr. Sterling in his late filed revised direct  
14 testimony is not reliable. Foremost, as a measurement of traffic on one tandem  
15 between the parties, it is not representative of the entire traffic flow between the  
16 companies. Verizon Wireless could be transporting traffic indirectly and directly  
17 to ALLTEL for termination in Meadville. The results shown in Mr. Sterling's  
18 late filed testimony are also inconsistent with and in fact directly contrary to  
19 otherwise generally accepted land to mobile industry traffic factors. While Mr.  
20 Sterling presents aggregate MOU data, ALLTEL cannot substantiate the factor  
21 provided in Mr. Sterling's testimony and he provided no support. Finally, it is  
22 clear from the information provided by Verizon Wireless in Mr. Sterling's  
23 supplemental testimony, that Verizon Wireless is routing traffic indirectly to



1 ALLTEL where direct interconnection facilities exist. While ALLTEL reserves  
2 the right to respond further to this late filed testimony, for these reasons alone,  
3 ALLTEL believes the conclusions presented in Mr. Sterling's revised direct  
4 testimony cannot be supported.

5 As I also stated earlier in this rebuttal testimony, we believe Verizon Wireless's  
6 sudden turn around on this issue represents bad faith negotiations by Verizon  
7 Wireless by agreeing to a factor, but submitting this issue as unresolved in the  
8 arbitration. Under the negotiation concept, all issues that were agreed to by the  
9 parties during the negotiation process could be included in the arbitration.

10

11 **Q. Does this conclude your rebuttal testimony?**

12 **A.** Yes. However, as of the date this rebuttal testimony was due, ALLTEL was still  
13 awaiting a significant amount of discovery responses from Verizon Wireless.  
14 Therefore, I reserve the right to supplement this testimony to reflect Verizon  
15 Wireless's answers to ALLTEL's interrogatories as soon as practical after I have  
16 received and had a chance to review such answers

17

ALLTEL Exhibit 1A  
Docket No. A-310489F7004  
Witness: S. Lynn Hughes  
Date: \_\_\_\_\_



**Commercial Mobile Radio Services (CMRS)  
INTERCONNECTION  
AGREEMENT**

**PENNSYLVANIA**

**Effective: May 1, 2001**

**Ending: April 30, 2002**

**Verizon Wireless**

**and**

**The United Telephone Company of Pennsylvania**

This Agreement represents the positions of the parties hereto with respect to interconnection as of the date hereof based upon the particular circumstances of the parties. The parties reserve the right to modify these positions based upon further review of existing orders from or the issuance of additional orders by the Federal Communications Commission, the appropriate state public service or public utilities commission or a court of competent jurisdiction, or with respect to third parties based upon different circumstances.

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~~Verizon Wireless~~  
~~United~~

4.2.2.3 Type 2B Interconnection Charge. Sprint will bill the End Office Switching rate element, and will bill Common Transport when traffic terminates to a Sprint Remote Switch. These rate elements are reflected in Attachment I for all direct Local Traffic terminating to Sprint via a Sprint Type 2B Interconnection.

4.2.2.4 Type 1 Interconnection Charge. Sprint will bill two End Office Switching rate elements and a Common Transport rate element as reflected in Attachment I for all direct Local Traffic terminating to Sprint via a Sprint Type 1 Interconnection.

4.2.3. Traffic Terminating to Carrier

4.2.3.1. Carrier will bill Sprint the same rates as Sprint charges Carrier for Local Traffic terminating on its network.

4.2.3.1.1. Type 2A Tandem Interconnection Charge. Once Carrier has measurement capability, Carrier will bill Sprint one rate consisting of the Tandem Switching, End Office Switching, and Common Transport rate elements as reflected in Attachment I for all traffic terminating to Carrier via a Type 2A tandem interconnection with Sprint.

4.2.3.1.2. Type 2B End Office Interconnection Charge. Once Carrier has measurement capability, Carrier will bill Sprint one rate consisting of the End Office Switching and Common Transport to Remotes rate elements as reflected in Attachment I for all traffic terminating to Carrier via a Type 2B end-office interconnection with Sprint.

4.2.3.1.3 Type 1 Interconnection Charge. Once Carrier has measurement capability, Carrier will bill Sprint one rate consisting of two End Office Switching rate elements and a Common Transport rate element as reflected in Attachment I for all traffic terminating to Carrier via a Type 1 interconnection with Sprint.

4.3. Indirect Traffic Terminating to Sprint. Rate elements that may be charged to Carrier are (1) End Office Switching as set forth in Attachment I, and (2) any applicable Common Transport charges set forth in Attachment I except where the transiting LEC and Sprint End Office are collocated.

4.4. Indirect Traffic Terminating to Carrier. Rate elements that may be charged to Sprint are (1) End Office Switching as set forth in Attachment I, and (2) any applicable Common Transport charge as set forth in Attachment I except where the transiting LEC and Carrier's MSC are collocated.

*Sprint / Verizon Wireless  
CMRS Interconnection Agreement – Pennsylvania  
Effective Date: 05/01/01*

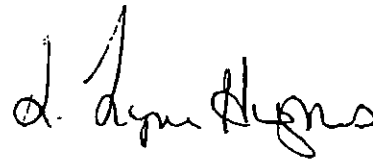
**ATTACHMENT I – PRICE LIST**

Description	State - PA
<b>SERVICE ORDER</b>	
Manual Service Order	\$22.54
<b>TERMINATING COMPENSATION</b>	
End Office Switching Per Minute of Use	\$0.005951
Tandem Switching Per Minute of Use	\$0.003050
Common Transport per Minute of Use	\$0.001833
Common Transport Remote Factor	.373271
Common Transport to Remotes per Minute of Use	\$0.0006842
<b>TRANSPORT</b>	
Inter-exchange DS1 Dedicated Transport	See rate schedule
Inter-exchange DS3 Dedicated Transport	See rate schedule
NRC DS1	\$149.09
NRC DS3	\$160.80
<b>INTERCONNECTION</b>	
Intra-exchange Interconnection DS1	See rate schedule
Intra-exchange Interconnection DS3	ICB
NRC DS1 First Line	\$195.70
NRC DS1 Additional Line	\$151.74
NRC DS3	ICB
DS1 Electrical X-Connect	\$4.40
DS3 Electrical X-Connect	\$57.70
DS1 Facility Cross Connect	\$2.20
<b>FEATURES</b>	
STP Port	\$427.19
NRC STP Port	\$271.75
STP Switching	\$.85
911 Tandem Port	\$18.74
NRC 911 Tandem Port	\$111.99

The prices in this table are for Interconnection Services as described in this Agreement. Carrier may also take such other services not covered by this Agreement as the Parties may agree either pursuant to applicable state tariffs or separate agreement ("Non-Interconnection Services"). The rates, terms and conditions for such Non-Interconnection Services shall be as designated in the applicable tariff or separate agreement. Any incidental services (e.g. Directory assistance, operator services, etc.) will be billed at the standard rates for those services.

## VERIFICATION

I, S. Lynn Hughes, hereby state that the facts set forth in the foregoing Appendix B, and as to those issues in the Initial Offer for which I am identified as the witness, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at any hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in black ink, appearing to read "S. Lynn Hughes". The signature is written in a cursive style with a large initial "S" and "L".

S. Lynn Hughes

APPENDIX C  
(Testimony and Exhibits of Cesar Caballero)\  
ALLTEL Statement 2  
Exhibit CC-1  
ALLTEL Statement 2R  
Exhibit CC-2

(Due to the size of Exhibit CC-2, we are enclosing 1 paper copy for filing.) All parties were previously served on February 4, 2004 with a paper copy of CC-2 and an electronic copy of the model itself. Exhibit CC-2 contains the same model as Exhibit CC-1 but reflects Pennsylvania specific inputs. All the detailed inputs were provided in hard copy as part of Exhibit CC-2 (and constitute the vast majority of the exhibit.) The model itself is that portion of the exhibit entitled "ALLTEL Reciprocal Compensation Total Element Long Run Incremental Costs - Pennsylvania".

FEB 06 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

<b>Petition of:</b>	)	
	)	
<b>Cellco Partnership d/b/a Verizon Wireless</b>	)	<b>Docket No. A-310489F7004</b>
<b>For Arbitration Pursuant to Section 252 of the</b>	)	
<b>Telecommunications Act of 1996</b>	)	

**INITIAL OFFER OF ALLTEL PENNSYLVANIA, INC. TO THE PETITION FOR  
ARBITRATION OF CELLCO PARTNERSHIP d/b/a VERIZON WIRELESS**

ALLTEL Pennsylvania, Inc. ("ALLTEL") respectfully submits its Initial Offer on the outstanding issues in the above-captioned arbitration in accordance with Judge Wayne L. Weisman del's January 8, 2004 Arbitration Proceeding Order.<sup>1</sup> Ten of the original thirty-two issues between the parties have been resolved as identified in Appendix A hereto. As to the unresolved issues, ALLTEL's positions set forth below are both fully supported by the facts and fully consistent with the Telecommunications Act of 1996 (the "Act") and the Federal Communications Commission's ("FCC") Orders and Rules implementing the Act.

**Issue 1: Applicability of Arbitration to this Petition.**

A. Description of Issue:

Verizon demands that the Commission answer the question:

"Are Rural LECs subject to the negotiation and arbitration process set forth in Section 252 (b) for disputes under Section 251 (b)(5) for traffic indirectly exchanged between CMRS providers?"

<sup>1</sup> Pursuant to footnote 1 of the Arbitration Proceeding Order, ALLTEL has included as attachments hereto the statements and exhibits to be included in the record for resolution of the identified issues. See Appendices B, C and D.



B. ALLTEL's Initial Offer and Rationale: ALLTEL submits that this issue is moot and should not be the subject of arbitration in this proceeding because ALLTEL has agreed to submit to arbitration for purposes of the interconnection agreement which is the subject of this proceeding. A ruling on whether ALLTEL should submit to arbitration would resolve no outstanding issue as between ALLTEL and Verizon Wireless. Notwithstanding ALLTEL's voluntary election to enter into arbitration with Verizon Wireless, Verizon Wireless seeks to have the PA PUC rule on whether arbitration is mandated under Section 252(b). ALLTEL posits that, given its agreement to voluntarily enter into arbitration, the issue of whether such arbitration is "required" is moot and should not be addressed by the PA PUC.

"[A] case is moot when the issues presented are no longer 'live' or the parties lack a legally cognizable interest in the outcome." Powell v. McCormack, 395 U.S. 486, 496, 89 S.Ct. 1944, 1951, 23 L.Ed.2d 491 (1969), citing E. Borchard, Declaratory Judgments 35-37 (2d ed. 1941). Even though some issues in a case have become moot, a court will consider the remaining "live" issues. Powell v. McCormack, *supra*; Keystone Building Corp. v. Lincoln Savings and Loan Association, 439 P. 444, 266 A.2d 648 (1970). Pennsylvania courts do not exercise jurisdiction to decide issues that do not determine the resolution of an actual case or controversy: See Pennsylvania State Police v. Paulshock, \_\_\_\_ Pa. Cmwlth. Ct. \_\_\_\_, 789 A.2d 309 (2001).

"It has long been the rule in Pennsylvania that this Court will not decide moot questions. We will do so only in rare instances [\*\*\*2] where exceptional circumstances exist or where questions of great public importance are involved:" Ridley Pk. Gen. V. Sun Ray Drug Co., 407 Pa. 230, 232, 180 A.2d 1, 3 (1962). See also, Schuster v.

Gilberton Coal Co., 412 P. 353, 194 A.2d 346 (1963); Manganese Steel F. Co. v. Commonwealth, 421 Pa. 67, 218 A.2d 307 (1966), Pa. Sup. C.R. 41. Meyer v. Strouse, 422 Pa. 136, 138 (Pa., 1966).

In order for a case to be justiciable, and not an impermissible request for an advisory opinion, there must be an actual dispute between the adverse litigants. See Ferry Cogeneration Partnership v. PECO Energy Co., 998 F. Supp 542 (1998). The general rule is that to be justiciable, an actual case or controversy must exist at all stages of the process. Petition of Global NAPS for Arbitration 1999 Pa. PUC Lexis 58.

Here, the parties have agreed to arbitration under Section 252(b) so there is no issue to decide which will determine the resolution of the case. Furthermore, the moot issue of whether such arbitration between ALLTEL and Verizon Wireless is actually required does not involve such an important issue of public interest so as to warrant exception to the general rule. Rather, this moot issue need not be decided by the PA PUC in this case. We submit that Verizon Wireless is actually seeking a ruling strictly to set a precedent in other cases and to circumvent other proceedings where this issues is in controversy.

In Verizon Wireless' response to Interrogatory I-20 it admits that this Section 252 is a matter at issue in its pending disputes<sup>2</sup> with other rural ILECs:

With respect to Pennsylvania, Verizon Wireless has been unable to arbitrate due to pending dispute concerning the scope of the rural LECs' exemptions from the Section 252 arbitration process. The substantive disputes over indirect interconnection are virtually identical to this proceeding.

---

<sup>2</sup> It would also be contrary to due process to rule on an issue impacting other carriers without affording them an opportunity to participate.

Certainly, Verizon Wireless should not be permitted to address this issue in the current proceeding in which the LEC has voluntarily agreed to proceed under the Section 252(b) arbitration process.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 2: Applicability of Reciprocal Compensation to this Interconnection Agreement**

A. Description of Issue:

Verizon demands that the Commission answer the question:

“Do the FCC’s rules interpreting the scope of an ILEC’s reciprocal compensation obligations under 252 (b)(5) apply to IntraMTA traffic that is exchanged indirectly through a third-party LEC’s Tandem facilities?”

B. ALLTEL’s Initial Offer and Rationale: ALLTEL submits that this issue is waived, moot and should not be the subject of arbitration in this proceeding because ALLTEL has agreed to the application of reciprocal compensation. ALLTEL has agreed that reciprocal compensation will apply between the parties for direct intraMTA traffic and for indirect traffic that originates and terminates within the same MTA. Consequently, whether the FCC’s rules mandate the application of reciprocal compensation to indirect third-party traffic is not at issue. See Section B under Issue 1.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 3 (a): Applicability of Reciprocal Compensation to Indirect Traffic**

A. Description of Issue:

Verizon demands that the Commission answer the question:

“Does Section 252 (b)(5) impose an obligation on the originating LEC to pay a CMRS provider for its traffic when it transits the network of a third-party LEC and terminates on the network of a CMRS provider?”

B. ALLTEL's Initial Offer and Rationale: ALLTEL submits that this issue is moot and should not be the subject of arbitration in this proceeding because ALLTEL has agreed to reciprocal compensation for purposes of the interconnection agreement which is the subject of this proceeding. ALLTEL has agreed that reciprocal compensation will apply between the parties for direct traffic and for indirect traffic that originates and terminates within the same MTA. See Section B under Issue 1.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 3 (b): Is ALLTEL required to incur the cost of extending facilities beyond its network and certificated service territory or paying transit charges to a third-party to carry traffic beyond its network and certificated service territory in order to meet Verizon Wireless at some point chosen by Verizon Wireless outside of ALLTEL's network.**

A. Description of Issue:

Verizon Wireless demands that where Verizon Wireless does not have a direct connection with ALLTEL that ALLTEL pay any transit charges that may be assessed by a third-party tandem provider on traffic originated by ALLTEL and transported outside ALLTEL's service territory boundaries to such tandem providers chosen by Verizon Wireless.

B. ALLTEL's Initial Offer and Rationale: ALLTEL is not responsible for paying a third-party chosen by Verizon Wireless for Verizon Wireless convenience to have traffic delivered to a tandem outside ALLTEL's service area. While Section 251(b)(5) of the Act addresses reciprocal compensation arrangements for the transport and termination of telecommunications traffic it does so in the context of two carriers directly interconnecting and exchanging traffic, and not to traffic transmitted through a third-

party's tandem. Verizon Wireless relies on 47 C.F.R. §51.701(b)(2). However, that rule only outlines the requirements between a LEC and a CMRS provider and does not address traffic sent through the third-party transit provider. Verizon Wireless has no support for the position that the indirect interconnection provision of Section 251(a) of the Act imposes upon ALLTEL an interconnection obligation that is more burdensome than any direct interconnection obligation imposed under Section 251(b) or (c) of the Act by requiring ALLTEL to undertake obligations outside its network and certificated service boundaries. The New York Public Service Commission has ruled that Independent ILECs<sup>3</sup> are currently responsible for bringing meet-point facilities only to their borders, consistent with the long standing arrangements in place today for trunks used in the provision of local calling between the Independent ILECs and Verizon. ILEC responsibility always has been limited to delivering traffic to its service area borders, and TCA 96 did not alter that fundamental premise. Competing carriers must either provide their own interconnection facilities to an ILEC's border or lease facilities to pick up traffic at an ILEC's border and carry it to the carrier's POI. If call volumes between an ILEC and a CMRS provider exceed the small volume level, the CMRS provider should be responsible for establishing direct trunking. Verizon Wireless has signed interconnection agreements with ILECs in New York agreeing to pay any third-party tandem switching and tandem transport charges that may be assessed by the tandem operator to deliver land-originated traffic from the independent LEC's certificated exchange boundary to the wireless carrier. The same conclusion should be reached here.

The issue of transit costs also relates to Verizon Wireless' demand to use virtual NXXs. Attachment 2, Section 2.1, as filed, addresses transport and termination of traffic

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<sup>3</sup> The rate Verizon Wireless has agreed to for indirect traffic for these ILECs is 2¢.

of a Verizon Wireless Virtual NPA-NXX within an ALLTEL rate center. In that situation Verizon Wireless proposes to establish a NPA-NXX within an ALLTEL rate center to receive local calling from ALLTEL customers while the associated switch for this NPA-NXX is located outside of the ALLTEL territory, thus causing indirect routing of all traffic to a distant location via the virtual NXX. ALLTEL should not incur any third-party charges associated with the routing of traffic to Verizon Wireless merely due to Verizon Wireless' choice of a distant network location. Verizon Wireless has specifically chosen not to establish direct interconnection facilities with ALLTEL and is attempting to place the costs upon ALLTEL, and ultimately ALLTEL's customers, to reach its facilities.

The interconnection obligations established in the Act and set forth in the FCC's rules address interconnection with a LEC's network and interconnection within the LEC's service area. LECs have no obligation either to establish interconnection with third parties to accommodate a distant POI or to provide interconnection services at a geographic point outside of their networks and in areas outside their certificated service territories where the LECs do not provide service. Accordingly, the interconnection obligations and responsibilities of ALLTEL do not extend beyond its network and certificated service areas. ALLTEL is not responsible for deployment or provisioning of network facilities or services for transport of telecommunications beyond its own network and certificated service area.

No LEC is obligated to provide interconnection at points that are not within its network service area. A LEC's interconnection responsibilities are related exclusively to its existing network and service area. The position of Verizon Wireless threatens the

viability of ALLTEL. Verizon Wireless suggests that ALLTEL must take financial responsibility to deploy facilities or use a third-party transport facility to take traffic originated by its customers to any point of interconnection designated by Verizon Wireless, irrespective of the location of that POI off of ALLTEL's network or the distance from ALLTEL's network to that point.

Verizon Wireless has no interconnection right to demand that ALLTEL obtain a service from its affiliate Verizon PA, for which ALLTEL must pay Verizon PA to transport traffic beyond ALLTEL's network. Nor does ALLTEL have any obligation to establish an interconnection point with Verizon Wireless at a point outside of ALLTEL's network service area. Consistent with applicable statutes and regulations, ALLTEL's only obligation in this regard is to establish an interconnection point with other requesting carriers at a commercially reasonable and technically feasible point on ALLTEL's network.

Verizon Wireless has not elected to establish an interconnection point on each of ALLTEL's segregated networks, but has voluntarily chosen to utilize the Verizon PA transit arrangement. While this indirect interconnection option is available to Verizon Wireless, as a choice more cost efficient for Verizon Wireless, it is Verizon Wireless that is responsible for all Verizon PA costs related to its choice.

While Bell operating companies have been required to establish a single interconnection point with CMRS providers in an MTA, this point of interconnection is on the Bell network, not the CLEC or CMRS carrier's network. While Verizon Wireless may wish otherwise, the FCC has not required a LEC to establish an interconnection point with another carrier at a point not on the LEC's network. The imposition of a

requirement on ALLTEL to establish interconnection beyond its own network would be a requirement that is more onerous than any that has been applied to Bell companies.

*Interconnection obligations arise only with respect to the LEC's actual, existing network.* To the extent the Act requires a LEC to provide interconnection, that interconnection arises only with respect to the LEC's existing network and certificated boundaries. If through a requesting carrier's choice an indirect route of interconnection is chosen, it is the carrier that chooses to use a third-party's network that must pay all costs associated with that choice.

Verizon Wireless is also asserting that ALLTEL must also bear costs of direct connection for facilities outside ALLTEL's service territory. In this scenario, again, Verizon Wireless has chosen to not extend its own network to ALLTEL's network, but has chosen to lease network facilities from another carrier and to then indirectly connect with ALLTEL's network in order to exchange traffic. While ALLTEL is willing to bear a portion of the expense of that direct connection within its service area and in proportion to its use of the direct connection, it is not willing and is not required to assist Verizon Wireless in leasing network facilities located outside of its service area. The requirement that Verizon Wireless seeks to create, without any legal support, and impose on ALLTEL is unprecedented in the telecommunications industry.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 4: Does a third-party transit provider “terminate” traffic?**

A. Description of Issue:

The question as submitted is “Does a third-party transit provider “terminate” traffic within the meaning of Section 251(b)(5)?



B. ALLTEL's Initial Offer and Rationale: It is not clear to ALLTEL what is the specific issue that Verizon seeks to arbitrate. It is immaterial and irrelevant whether the indirect traffic that the transiting company hands to or terminates on to ALLTEL's network is referred to as "terminated" or "handed to" or "transited to" or any number of other phrases the parties may chose to argue about. It is irrelevant what it is called, because the parties to this arbitration have agreed that reciprocal compensation applies to such traffic and will be paid by one party to the other.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 5: Terms and Conditions of Third-party Provider.**

A. Description of Issue:

Verizon Wireless contends that while it may require ALLTEL to use and pay a third-party transiting provider for transiting service, that the contractual terms and conditions imposed by that third-party need not be included in the interconnection agreement, and in fact need not be established or known at the time of the Verizon Wireless/ALLTEL interconnection agreement.

B. ALLTEL's Initial Offer and Rationale: While Verizon Wireless is demanding that the interconnection for delivery of most of its traffic will be through a third-party, Verizon PA, with whom it has an agreement, it sees no need for ALLTEL to establish an agreement setting forth the terms, conditions and obligations between Verizon PA and ALLTEL. Because Verizon PA (the third-party transit provider) may, for example, attempt to impose charges or conditions, it is important and necessary, that as between originating and terminating carriers (ALLTEL and Verizon Wireless), responsibility in their agreement for the terms and conditions as well as responsibility for compensation as

to any possible transiting charges be established. As explained in response to Issue 3(b) of this arbitration, ALLTEL is not responsible for charges due to Verizon Wireless' choice of location and means of interconnection outside of ALLTEL's certificated service territory.

As ALLTEL's witness Lynn Hughes has explained in her testimony, and as Verizon Wireless witness Sterling has admitted, the Verizon Wireless indirect traffic has historically been exchanged under the ITORP process subject to an access charge compensation arrangement. Verizon Wireless wants to continue to use the ITORP process with respect to physical delivery of traffic and records, but alter the compensation and billing terms of the ITORP agreements, but do so, without allowing ALLTEL to formalize the needed changes to the ITORP agreements or enter into new agreements with Verizon PA.

Verizon Wireless' position that issues regarding Verizon PA or any "transit" provider are irrelevant, is not logical. Verizon Wireless' position might be plausible if Verizon Wireless proposed to arrange to use Verizon PA trunks on a dedicated basis to transport its traffic and establish a direct point of interconnection with ALLTEL, but that is not the case. Therefore, in the absence of a formal agreement, Verizon PA cannot utilize its ITORP interconnection to ALLTEL to terminate Verizon Wireless traffic to ALLTEL. Further, without an effective agreement, ALLTEL could not demand records from Verizon PA with respect to indirect traffic actually delivered. It must be recognized that Verizon Wireless is seeking the continuation of the ITORP process whereby its traffic is commingled over the ITORP trunk groups with toll traffic. Therefore, ALLTEL lacks the technical ability to identify the nature of the traffic on the terminating end.

Only Verizon PA has the ability to record this traffic. Consequently, there must be an effective interconnection agreement in place identifying the responsibilities between Verizon PA and ALLTEL for this traffic.

Interconnection on the switched telecommunications network does not occur in the absence of the establishment of proper terms and conditions. The indirect interconnection of Verizon Wireless to ALLTEL works today because the actual physical interconnection used (i.e., the interconnection between Verizon PA and ALLTEL) was established under a framework of mutually agreed and commonly applied terms and conditions (ITORP). The indirect interconnection arrangement cannot be altered in the absence of insuring that Verizon PA maintains certain responsibilities that must be maintained in order for the indirect interconnection arrangement to function in an orderly manner. The terms and conditions must address: (a) establishment of trunking facilities and a physical interconnection point; (b) responsibility to establish proper authority for Verizon PA to deliver traffic of third parties; (c) responsibility not to abuse the scope of traffic authorized by the arrangement (i.e., the transmission of unauthorized traffic); (d) provision of complete and accurate usage records; (e) coordination of billing and collection and compensation; (f) responsibilities to resolve disputes that will necessarily involve issues where the factual information is in the possession of Verizon PA (e.g., how much traffic was transmitted, and which carrier originated the traffic); (g) responsibilities to act to implement network changes which alter or terminate the voluntary arrangement; and (h) responsibilities to coordinate appropriate actions in the event of default and nonpayment by a carrier transiting traffic. This list demonstrates the factual reality that a "transit" agreement will not and cannot work in the absence of

established terms and conditions regarding the responsibilities and obligations of the transit carrier to the terminating carrier.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 6: Can Verizon Wireless traffic be combined with other traffic over the same trunk group?**

A. Description of Issue:

Verizon demands that the Commission find that CMRS traffic can be combined with other traffic types over the same trunk group.

B. ALLTEL's Initial Offer and Rationale: There is no controversy between the parties on this issue. ALLTEL has agreed for the ongoing employment of the ITORP process whereby wireless and toll traffic is commingled over existing ITORP trunk groups. The parties have agreed that the issue is resolved except as to the threshold for direct trunks (Issue 27) and the need for Verizon PA terms and conditions to be established (Issue 5).

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 7: Resolved.**

**Issue 8: Sharing of costs beyond ALLTEL's network.**

A. Description of Issue:

Verizon demands that ALLTEL be required to share in cost of dedicated two-way interconnection facilities outside its local exchange area and network?

B. ALLTEL's Initial Offer and Rationale: This issue is a re-argument of Issue 3 (b) and another attempt by Verizon Wireless to shift a portion of Verizon Wireless' costs of the network or transport that is beyond ALLTEL certificated service territory onto

ALLTEL and its customers. As stated before, ALLTEL is responsible for facilities utilized in transporting traffic to Verizon Wireless within the ALLTEL interconnected network. ALLTEL cannot be responsible for any facilities or expenses associated with Verizon Wireless constructing facilities outside of ALLTEL's territory to establish a direct interconnection with ALLTEL's network. For example, when an extended area service ("EAS") arrangement is in place between two (2) local exchange carriers, each LEC is responsible for the facilities contained within its respective franchised territory and recovers its cost from its end-users. Each LEC's facilities and cost responsibilities end at the meet point which is at their borders. This is precisely the scenario envisioned by the FCC in 47 C.F.R. §51.5 where meet point is defined as "the point of interconnection between two networks, designated by two telecommunications carriers, at which one carrier's responsibility for service begins and the other carrier's responsibility period ends." No company may be assessed charges for another party's choice of use of facilities outside the non-choosing party's franchise territory. To make ALLTEL responsible for the cost of constructing or employing facilities beyond its network is totally inconsistent with the more onerous obligations of §251(c)(2)(B) of the Act. Finally, ALLTEL's response to Issue 3 (b) is incorporated herein by reference.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 9: Pricing methodology for reciprocal compensation rates.**

A. Description of Issue:

Verizon Wireless seeks a determination of what is the appropriate pricing methodology for establishing a reciprocal compensation rate for the exchange of indirect traffic?

B. ALLTEL's Initial Offer and Rationale: It is not clear to ALLTEL whether this Verizon Wireless issue addresses the appropriate method for determining the rates for reciprocal compensation, the rate itself or responsibility for transitting costs. If the issue is whether forward looking costs are to be used to determine the rates, the issue is moot since ALLTEL is in agreement with the establishment of the reciprocal compensation rates based upon forward looking costs. ALLTEL has submitted its studies based upon forward looking costs, and supports the rates contained therein. They are based upon a rebuild of a forward looking network reflecting advanced technologies and route optimization. The study also estimates the forward looking investment, expense and demand. The reciprocal compensation rates proposed by ALLTEL are consistent with federal law.

ALLTEL's direct and indirect rates for reciprocal compensation purposes are based on a TELRIC methodology reflecting forward looking costs plus a reasonable profit, and a factor for recovery of joint and common costs incurred in terminating Verizon Wireless calls. In fact, after developing a cost of service study using inputs from portions or all of seven states, excluding Pennsylvania, as part of its multi-state negotiations with Verizon Wireless and others, as contained in Exhibit CC-1, ALLTEL, using the exact same model and TELRIC methodology but changing only the inputs to use Pennsylvania specific inputs, developed a revised cost of service study contained in Exhibit CC-2 which resulted in a reduction of the rates claimed by ALLTEL in this proceeding. Furthermore, since Verizon Wireless had encountered such difficulty in accessing all the detail (and inputs) of the initial cost of service study, for the Pennsylvania specific study, ALLTEL provided in CC-2 a complete hard copy of not

only the model (which is that portion (Part A) entitled “ALLTEL Reciprocal Compensation Total Element Long Run Incremental Costs – Pennsylvania”), and all detail/inputs, thus resulting in the comprehensive Exhibit CC-2. The rates ALLTEL is proposing are, in fact, less than the rates contained in other Verizon Wireless agreements in Pennsylvania,<sup>4</sup> and elsewhere,<sup>5</sup> even though ALLTEL’s territory is far more rural and less dense than that of many of the other Pennsylvania carriers.

Finally, contrary to Verizon Wireless’ position, the use of Verizon PA rates as a proxy is totally unjustified. Verizon PA serves the largest cities in the Commonwealth and has 10 times the business lines per square mile of ALLTEL.

If, however, the issue is addressing transiting costs, transiting costs is addressed under Issue 3 (b).

C. Witness: Cesar Caballero. See Appendix C hereto.

**Issue 10: Propriety of using a traffic factor when actual traffic can be measured.**

A. Description of Issue:

Verizon Wireless demands that the Parties implement a traffic factor to use as a proxy for the mobile-to-land and land-to-mobile traffic because Verizon Wireless does not measure traffic.

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<sup>4</sup> North Pittsburgh. The ITORP rate and Commonwealth Telephone - 3¢.

<sup>5</sup> Most of the Independents in New York have a 2¢ rate for indirect traffic. Century Telephone of Ohio has a 1.8¢ rate. Champaign Telephone Company of Ohio has a 1.856¢ rate. Columbus Grove in Ohio has a 2.6¢ rate, and Pembroke Telephone Company in Virginia has a 2.1¢ rate for indirect traffic.

B. ALLTEL's Initial Offer and Rationale: Consistent with Section 1.1 of the Agreement, which provides that the Parties should use either actual call recordings or data (either Meet Point Billing Records or a report) provided by the transit provider for billing to the other party, ALLTEL submits that a factor should not be used where actual data exists. ALLTEL does not need a factor for billing traffic to Verizon Wireless. ALLTEL can bill direct routed traffic originating from Verizon Wireless and terminating to ALLTEL through actual call detail records recorded in an ALLTEL end office with an ALLTEL tandem whether Verizon's traffic comes through an ALLTEL tandem or comes to an ALLTEL end-office via a Verizon ILEC tandem. ALLTEL can bill indirect routed traffic originating from Verizon Wireless and terminating to ALLTEL via the meet point billing records that it received from Verizon PA, provided it has an effective agreement with Verizon PA. Consistent with the referenced language, actual recordings should be used where available. The billing of traffic based upon *actual call detail* records or a report from the transit provider produces an accurate bill for the traffic terminated to each party. The utilization of factors only provides an estimate for the billing of the traffic terminated on a party's network. Verizon Wireless proposes the use of factors for billing in both directions for both direct and indirect traffic because Verizon Wireless purportedly does not measure the traffic originating from ALLTEL and terminating to Verizon Wireless. ALLTEL does not oppose Verizon's use of traffic factors for billing ALLTEL, Verizon Wireless must do so, however, ALLTEL can bill based upon actual data and accordingly, should not be forced to use an estimate.



Furthermore, ALLTEL understands that in the interconnection agreement between Verizon Wireless and Verizon PA, Verizon Wireless has agreed with Verizon PA to utilize billing records.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 11: Applicability of charging a tandem rate.**

A. Description of Issue:

Verizon Wireless contends that its switch serves a geographically comparable area of ALLTEL's tandem and thus it can charge a termination rate equivalent to a tandem rate for traffic terminated in the Mobile to Land direction.

B. ALLTEL's Initial Offer and Rationale: Rates must be reciprocal and symmetrical. However, Verizon Wireless is proposing to charge ALLTEL a tandem rate for terminating all calls it receives from ALLTEL, regardless of the transport arrangement, i.e. regardless of whether the call is received through indirect interconnection or office direct interconnection or tandem direct interconnection. In some areas of Pennsylvania, ALLTEL's network does not include an ALLTEL tandem, but instead the ALLTEL end office subtends another ILEC's tandem. ALLTEL will, therefore, not be billing a tandem rate to Verizon at those locations. As ALLTEL will not be billing the tandem rate in those areas, if Verizon Wireless were to bill ALLTEL a tandem rate at those locations as it is attempting to do, Verizon Wireless's rate would exceed ALLTEL's rate and, therefore, the rates charged each other at those locations would not be reciprocal and symmetrical. For end-offices with direct interconnection an ALLTEL tandem is not used at all. In seeking to charge ALLTEL the tandem rate, Verizon Wireless erroneously refers to 47 C.F.R. §51.711(a)(3). Reliance on this section

is misplaced, as ALLTEL does not send any traffic to Verizon Wireless through an ALLTEL tandem except where the parties establish direct trunking through ALLTEL's tandem.

Verizon Wireless' proposal violates the basic premise of §51.711 in its entirety because the rates would not be reciprocal and symmetrical. 47 C.F.R. § 51.711(a)(3) refers to the "geographic area comparable to the area served by the incumbent LEC's tandem switch." When ALLTEL originates traffic that travels to Verizon Wireless through a Verizon PA tandem, the ILEC with the comparable geographic area and the tandem switching charge (Verizon PA) will not be a party to this agreement. Since the traffic won't be going through an ALLTEL tandem, ALLTEL will not be charging Verizon Wireless a tandem rate. Under §51.711, Verizon Wireless should not charge a tandem rate to ALLTEL either. ALLTEL appropriately proposes to include its tandem rate in the reciprocal rates only when the network layout of ALLTEL includes an ALLTEL tandem and Verizon Wireless is connecting directly to the ALLTEL Tandem. See U.S. West v. Washington Utilities and Transportation Commission, 255 F.3d 990 (2001)

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 12: Resolved.**

**Issue 13: Interim terms pending final agreement.**

A. Description of Issue:

Verizon demands that the Commission find that after a requesting carrier sends a formal request for interconnection under Section 252 (b) of the Act, that interim

reciprocal compensation terms apply to the parties until an agreement has been negotiated and arbitrated by the Commission.

B. ALLTEL's Initial Offer and Rationale: What interim rates are applicable is a legal question. As to facts relevant thereto, as referenced previously, ALLTEL has consistently asserted that indirect traffic must be compensated pursuant to the Pennsylvania Public Utility Commission existing and approved ITORP process until such time that agreements are negotiated with terms, conditions and rates that would supercede ITORP. Prior to April 2002, under ITORP, ALLTEL was paid 3¢ per minute on traffic that Verizon PA terminated on ALLTEL including all wireless traffic originated by Verizon Wireless. After that date, Verizon Wireless, exercising self help, directed Verizon PA to no longer compensate ALLTEL pursuant to ITORP. ALLTEL filed a complaint against Verizon PA which is pending before the Commission at Docket No. C-20039321. If ALLTEL prevails in the Complaint proceeding and the ITORP agreement has not been terminated, then the applicable rate for the indirect traffic today would be the ITORP rates until a new agreement is put into place as hereafter described. In these negotiations ALLTEL has agreed to negotiate and present a new agreement that would address both direct and indirect traffic on a going forward basis and modify in part the ITORP process as it pertains to ALLTEL's exchange of traffic with Verizon Wireless. The terminated interconnection agreement between ALLTEL and Verizon Wireless relative to direct interconnection did not at any time change or supercede the ITORP settlement process. Thus, the termination of the agreement did not alter this compensation method or ALLTEL's position.

C. Witness: S. Lynn Hughes, Cesar Caballero and Steve Watkins. See Appendices B, C and D hereto.

**Issue 14: Resolved.**

**Issue 15: Payment due date.**

A. Description of Issue:

Is payment due 30 days after the date of the invoice or 30 days after receipt of the invoice?

B. ALLTEL Initial Offer and Rationale: ALLTEL's position is that Payment for all undisputed charges should be due 30 days after the date of the invoice. This is industry standard. If Verizon Wireless' position of 30 days after receipt of the invoice were applied, ALLTEL would not know the date from which to determine the due date because it would not know when the billed company received the invoice. ALLTEL must have a date certain from which to calculate a due date. The invoice date is the most practical and accepted date for this purpose. ALLTEL's billing system calculates the payment due date of thirty days from the invoice date of all carriers. It would be administratively impossible to base a billing system upon some unknown date. Moreover, in the executed agreement between Verizon Wireless and Verizon PA §23.8.1 requires payment of billed amounts under that agreement whether billed on a monthly basis or as otherwise provided to be due within thirty days of the date of said statement.

Verizon Wireless' position is also inconsistent with actual practice. Verizon Wireless receives an industry standard mechanized bill known as the Bill Data Tape. The Bill Data Tape was established by the national Ordering and Billing Forum (OBF). The OBF includes participants from Local Exchange Carriers, Interexchange Carriers,

Competitive Local Exchange Carriers and Wireless Carriers. These participants establish Carrier Access Billing (“CABs”) standards for both a paper bill and the Bill Data Tape (“BDT”). The BDT is express mailed (overnight delivery) to TEOCO, the company that provides bill verification, the same day the bill is processed. Therefore the concern by Verizon Wireless that the bill will not be timely received and puts them at risk is not warranted since the vendor hired by Verizon Wireless to verify their bill receives the mechanized bill the day after the bill is processed. On the other hand, Verizon Wireless’s proposal puts ALLTEL in a position of never knowing when a payment would be late, unless it individually queried Verizon Wireless’s every bill to ascertain Verizon Wireless’s receipt dates. This position is clearly untenable. Under ALLTEL’s proposal, Verizon Wireless would have 30 days from a date certain in which to pay. Thirty days to turn around a bill is more than sufficient to cover any potential lag in receipt that Verizon Wireless may experience. However, given the use of an industry standard CABs billing system, any delay between ALLTEL’s bill date and its receipt date by Verizon Wireless should be minimal at most.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 16: Bona Fide Dispute.**

A. Description of Issue:

What are the appropriate terms for a Bona Fide Dispute?

B. ALLTEL Initial Offer and Rationale: The agreement should include terms and conditions governing a Bona Fide Dispute regarding payment. The language proposed by ALLTEL provides that neither party may withhold payment to the other party pending resolution of another dispute. It also requires both parties to pay all undisputed amounts

by the due date. If the undisputed amounts are not paid, then the party may pursue normal collection procedures. ALLTEL proposes that this language apply to both parties. Claims by the disputing party for damages of any kind should not be considered a Bona Fide dispute.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 17: Removal of Bona Fide in the dispute language.**

A. Description of Issue:

Should Bona Fide Dispute Language be in the agreement?

B. ALLTEL Initial Offer and Rationale: Yes. Once a Bona Fide dispute has been processed in accordance with the terms of the agreement, the disputing party must make payment on any of the disputed amount owed to the billing party by the next billing due date, or the billing party must have the right to pursue normal treatment procedures. Any credits due to the disputing party resulting from the Bona Fide Dispute process would be applied to the disputing party's account by the billing party by the next billing cycle upon resolution of the dispute. This would apply to both parties.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 18: Resolved.**

**Issue 19: Resolved.**

**Issue 20: Most Favored Nation ("MFN").**

A. Description of Issue:

Are the parties required to adhere to the Agreement for its term or may Verizon Wireless walk away from a valid agreement in favor of another agreement at any time.

B. ALLTEL Initial Offer and Rationale: Verizon Wireless may not MFN into another agreement during the term of the existing agreement. While it may seek changes in the agreement under the Change of Law Provision, to make it consistent with changes in law during the term, the Act does not provide Verizon Wireless the right to simply walk away from a valid agreement in favor of another agreement. The basis for negotiating and executing an interconnection agreement between two parties is to provide a commitment by both parties to the terms and conditions of the agreement as well as certain to each of the relationship during the term of the agreement. The interconnection agreement provides for a contract term that specifies the duration of the contract. MFN rights under the act are available after the agreement expires or while it does not have an agreement.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 21: Resolved.**

**Issue 22: Resolved.**

**Issue 23: Resolved.**

**Issue 24: ALLTEL's Incumbent Service Territory is where ALLTEL is providing service.**

A. Description of Issue:

Should the agreement define the ALLTEL network for purposes of direct interconnection?

B. ALLTEL Initial Offer and Rationale: ALLTEL's service territory is segregated and dispersed throughout Pennsylvania. Further, ALLTEL's service areas are not all interconnected by ALLTEL facilities. ALLTEL has provided contract language so that it

allows for Verizon Wireless to directly interconnect with ALLTEL within ALLTEL's interconnecting network. The proposed language under Issue 24 allows Verizon Wireless to establish a single point of interconnection within ALLTEL's network that utilizes ALLTEL's own facilities to connect the local exchange areas. If Verizon Wireless chooses to establish a direct facility to an ALLTEL end office that is not connected to the ALLTEL network through ALLTEL-owned facilities then Verizon Wireless would only receive calls from ALLTEL end users or send calls to ALLTEL end users located in that specific end office. To allow Verizon Wireless to remove the language *interconnected network would impose additional costs upon ALLTEL for transporting traffic outside of the ALLTEL network that utilizes a third-party provider.* Furthermore, this would no longer be direct interconnection between the parties since a third-party would be involved in the transport of a call. While the Parties have agreed that the terms and conditions specified in this agreement will apply only to the provision of services and facilities by ALLTEL in those areas where ALLTEL is the Incumbent Local Exchange Carrier, as defined by the Act, Verizon has deleted the express language on this subject from Petition Exhibit 1. ALLTEL is only authorized to provide service in its franchised area. See: SEW Exhibit 3E.

C. Witness: S. Lynn Hughes and Steve Watkins. See Appendices B and D hereto.

**Issue 25: Direct Routed Mobile to Land Traffic within ALLTEL's interconnection network.**

A. Description of Issue:

While the language "with ALLTEL's interconnection network" appears elsewhere in the agreement, Verizon Wireless objects to its inclusion in paragraph paragraph 2.1.1.1, paragraph 2.1.1.2, paragraph 2.1.2.1, and paragraph 2.1.2.2.



B. ALLTEL Initial Offer and Rationale: While Verizon Wireless had agreed in negotiations to insert the phrase “within ALLTEL’s interconnected network” within the above sections, it has removed this language from these sections for the purpose of this arbitration. Verizon Wireless has, however, agreed to keep this language in other sections of this agreement. This language is essential because as heretofore noted, ALLTEL has separate segregated networks in Pennsylvania, which are not connected to each other by ALLTEL facilities. It is essential to clarify in the agreement that when Verizon Wireless connects to one of these separate segregated networks, it is able to exchange traffic and is achieving interconnection, only with that individual segregated ALLTEL network as explained in response to Issue 24.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 26: Resolved.**

**Issue 27: Level to establish direct interconnection facility.**

A. Description of Issue:

Verizon Wireless demands a level of 500,000 MOU before direct interconnection facilities are required rather than a DS1 level.

B. ALLTEL Initial Offer and Rationale: ALLTEL submits the establishment of a direct interconnection facility when the capacity of the indirect traffic reaches a DS1 level is consistent with industry practice. A DS1 level is a reasonable standard for triggering dedicated transport because DS1 is a standard unit of network capacity, is an efficient network design and is generally accepted in the industry. A 500,000 MOU threshold, which appears to be Verizon Wireless’ actual proposal would equate to approximately 2 DS1s. At a 500,000 MOU threshold ALLTEL may be forced to expand

its existing facilities (between ALLTEL and the third-party) at ALLTEL customer expense before the threshold is met or exceeded.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 28: NPA-NXX's with different rating and routing points.**

A. Definition of Issue:

Whether Verizon Wireless may establish NPA-NXXs in ALLTEL rate center, regardless of actual delivery point of the associated calls, and require ALLTEL to bear all transport costs to the point of delivery.

B. ALLTEL Initial Offer and Rationale: ALLTEL is not responsible for any third-party charges when Verizon Wireless' rating points for an NPA-NXX are different than the actual routing points. In this situation, Verizon Wireless has established an NPA-NXX within an ALLTEL rate center to receive local calling from ALLTEL customers and the associated switch for this NPA-NXX is located outside of the ALLTEL territory, thus causing indirect routing of all traffic to this NPA-NXX that is rate centered within an ALLTEL territory. This routing configuration has not previously existed in the telecommunications industry in establishing local calling between telecommunications companies. In an EAS arrangement, each of the LECs NPA-NXXs that are included in the local calling area are in separate and distinct rate centers and are directly connected. ALLTEL should not incur any third-party charges associated with the routing of traffic to Verizon Wireless when Verizon Wireless has opted to use a third-party's network in lieu of a direct interconnection. Verizon Wireless has specifically chosen not to establish direct interconnection facilities to ALLTEL and is attempting to place the costs upon ALLTEL and ultimately upon ALLTEL's customers. Furthermore, if ALLTEL cannot

record this traffic terminating to ALLTEL, Verizon Wireless must provide a report of the MOUs that originate from these NPA-NXXs.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 29: Resolved.**

**Issue 30: Land to Mobile traffic factor.**

A. Description of Issue:

Should a 70/30 or 60/40 traffic factor of land to mobile traffic be used.

B. ALLTEL Initial Offer and Rationale: ALLTEL has the ability to record all terminating traffic originating from Verizon Wireless over direct interconnection facilities, therefore a factor is not needed by ALLTEL for billing Verizon Wireless as discussed in Issue 10. If the parties were to use a land to mobile factor (which ALLTEL opposes) Verizon Wireless' 60/40 factor is inconsistent and unreasonable. Verizon Wireless has agreed to a shared facilities factor of 70/30 land to mobile. This shared facilities factor is based upon the balance of traffic and only into mobile direction. The shared facilities factor of 70/30 land to mobile was proposed by Verizon Wireless and agreed to by ALLTEL. The shared facilities factor is based upon the percentage of land to mobile traffic, Verizon Wireless's two factors are inconsistent and Verizon Wireless has not supported the 60/40 factor.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 31: Definition of Interconnection Point.**

A. Definition of Issue:

What is the appropriate definition of Interconnection Point?

B. ALLTEL Initial Offer and Rationale: Verizon Wireless is proposing a vague definition, which does not appropriately define the parties responsibilities. While the definition does not need to limit use of this terms to direct connection only, it must reflect that the POI divides the responsibilities of network between the parties, which in ALLTEL's case will be on its network.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

**Issue 32: Definition of Interexchange Carrier**

A. Definition of Issue:

Is a definition of Interexchange Carrier needed?

B. ALLTEL Initial Offer and Rationale: The term is not used in the agreement and is therefore not needed.

C. Witness: S. Lynn Hughes. See Appendix B hereto.

## LIST OF ATTACHED APPENDICES

- Appendix A Resolved Issues
- Appendix B (Testimony and Exhibits of S. Lynn Hughes)  
ALLTEL Statement 1  
ALLTEL Statement 1R  
Exhibit 1A
- Appendix C (Testimony and Exhibits of Cesar Caballero)  
ALLTEL Statement 2  
Exhibit CC-1  
ALLTEL Statement 2R  
Exhibit CC-2

(Due to the size of Exhibit CC-2, we are enclosing 1 electronic copy and 1 paper copy for filing.) All parties were previously served on February 4, 2004 with both the paper and electronic copies. Exhibit CC-2 contains the same model as Exhibit CC-1 but reflects Pennsylvania specific inputs. All the detailed inputs were printed out as part of Exhibit CC-2 (and constitute the vast majority of the exhibit.)

- Appendix D (Testimony and Exhibits of Steve Watkins)  
ALLTEL Statement 3R and Attachments 3A, 3B, 3C, 3D and 3E

**PUBLIC VERSION**

ALLTEL Statement No. 2  
Docket No. A-310489F 7004

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the matter of:	)	
	)	
Petition of Cellco Partnership d/b/a Verizon	)	Docket No. A-310489F 7004
Wireless For Arbitration Pursuant to Section	)	
252 of the Telecommunications Act of 1996	)	

**DIRECT TESTIMONY OF CESAR CABALLERO**

1 **Q. Please state your name and business address.**

2 **A.** My name is Cesar Caballero. I am the Director of Access and Costing for ALLTEL  
3 Communications. My business address is One Allied Drive, Little Rock, Arkansas  
4 72202.

5 **Q. What is the purpose of your testimony?**

6 **A.** The purpose of my testimony is to discuss the reciprocal compensation rates and  
7 underlying cost support for the direct and indirect connections with ALLTEL  
8 Pennsylvania, Inc. I will describe the specific costing methodologies utilized by  
9 ALLTEL and demonstrate that they are consistent with the pricing standards of the  
10 Telecommunications Act of 1996 ("1996 Act" or "Act").

1 **Q. Are the interconnection rates proposed by ALLTEL consistent with current federal**  
2 **law?**

3 **A.** Yes. The reciprocal compensation rates determined by ALLTEL to be appropriate are  
4 consistent with current federal law. As will be explained in greater detail below,  
5 ALLTEL's proposed rates are based on an assumed rebuild of a forward looking network  
6 reflecting advanced technologies and route optimization. The model's simulated rebuild  
7 of the network estimated the forward-looking investment, expense and demand. Similar  
8 to most TELRIC models, the ALLTEL model uses embedded investment and costs only  
9 as a starting point for developing carrying charges and network requirements. Forward-  
10 looking factors take into account expected future network efficiencies. This methodology  
11 certainly satisfies the pricing standard in Section 252 (d)(2) of the Act.

12 **Q. Would you please explain the pricing standard in Section 252(d)(2) of the Act?**

13 **A.** Yes. Section 252(d)(2) of the 1996 Act provides that state commissions shall set terms  
14 and conditions for reciprocal compensation to provide for the mutual and reciprocal  
15 recovery by each carrier of costs associated with the transport and termination on each  
16 carrier's network facilities.

17 Section 252(d)(2) of the Act further provides that reasonable rates for Section 251 (b)(5)  
18 reciprocal compensation shall be developed as follows:

19 (2) CHARGES FOR TRANSPORT AND TERMINATION OF TRAFFIC.--

20 (A) IN GENERAL.--For the purposes of compliance by an incumbent  
21 local exchange carrier with section 251(b)(5), a State commission  
22 shall not consider the terms and conditions for reciprocal  
23 compensation to be just and reasonable unless--

- 1 (i) such terms and conditions provide for the mutual and  
2 reciprocal recovery by each carrier of costs associated with  
3 the transport and termination on each carrier's network  
4 facilities of calls that originate on the network facilities of  
5 the other carrier; and  
6 (ii) such terms and conditions determine such costs on the basis  
7 of a reasonable approximation of the additional costs of  
8 terminating such calls

9 Consistent with this language, ALLTEL's direct and indirect rates for reciprocal  
10 compensation purposes have been based on a TELRIC methodology reflecting forward-  
11 looking cost plus a reasonable profit, as well as a factor for recovery of joint and common  
12 costs, to be incurred in terminating Verizon Wireless's calls. For the purpose of this  
13 arbitration, ALLTEL is employing the TELRIC methodology to satisfy the Section  
14 251(d)(2) pricing standard for the development of reciprocal compensation rates.

15 **Q. Has the ALLTEL cost model been attached to your direct testimony?**

16 **A.** Yes. ALLTEL has developed a model that is consistent with the provisions of the Act as  
17 described above. A proprietary copy of the model is attached to my testimony as Exhibit  
18 CC-1.

19 **Q. Please briefly describe the model that was used to determine the appropriate rates.**

20 **A.** The model that we utilized estimates forward-looking costs in a multiple step process:

- 21 1) Based on inputs from existing network planning and design, the model estimates  
22 the transport and termination investment necessary to provision the network.  
23 ALLTEL simulates the rebuild of the network based on actual customer locations,  
24 rights of way, and up-to-date technologies. The resulting simulated network is  
25 based on the most cost effective and efficient technology. As a result, the model's



1 simulated hypothetical network is based on certain network parameters that differ  
2 significantly from those in the embedded network.

3 2) The model then estimates forward-looking annual or monthly costs (expenses plus  
4 capital costs) based on the estimated level of forward-looking investment. The  
5 model uses expense factors based on the historical relationship between  
6 investment and expense. Retail costs have been removed from the factors. The  
7 factors are then adjusted consistent with the FCC's approach in its Universal  
8 Service Proceeding Tenth Report and Order to more closely reflect the expected  
9 future relationship.<sup>1</sup>

10 3) The model produces per unit costs by dividing estimated annual costs (expenses  
11 plus capital costs) by the estimated forward-looking total demand for the element.

12 **Q. Please explain in more detail the methodology used by ALLTEL for developing**  
13 **reciprocal compensation rates for interconnection?**

14 **A.** In developing its rates for interconnection elements, ALLTEL actually used a TELRIC  
15 pricing methodology. ALLTEL's model:

16 1) develops forward-looking network investment on an element by element  
17 basis assuming the use of the currently available best technology,

18 2) develops forward-looking expenses (both direct and joint) by applying the  
19 ratio of the current actual expense balance by network function to the  
20 corresponding total current actual investment balance to the estimated  
21 forward-looking investment balance,

22 3) develops return to capital by using the federal authorized cost of capital,  
23 forward-looking depreciation expense based on economic asset lives and

---

<sup>1</sup> Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, Tenth Report and Order, CC Dockets 96-45 & 97-160 (FCC 99-304), Released November 2, 1999 (Tenth Report & Order), par. 346.

- 1 income taxes as a function of a composite federal and state income tax  
2 rate,
- 3 4) uses the three steps above to develop the annual or monthly forward  
4 looking cost for the element,
- 5 5) divides the estimate of total forward-looking cost of an element by the  
6 estimate of the forward-looking total network demand for an element to  
7 yield the per unit forward-looking cost, and
- 8 6) does not develop rates that consider embedded costs, retail costs,  
9 opportunity costs or uses revenues to subsidize other services.

10 In my opinion, this methodology is in total compliance with the Section 252(d)(2) pricing  
11 standard for Section 251(b)(5) reciprocal compensation.

12 **Q. What rates has ALLTEL determined are appropriate with respect to the transport  
13 and termination of direct and indirect traffic exchanged with Verizon Wireless?**

14 **A.** ALLTEL is proposing the following reciprocal compensation rates for transport and  
15 termination of traffic with Verizon Wireless:

16 **[BEGIN PROPRIETARY]**

- 17  
18 Type 2A Direct Connection: \*\*\*\*\*  
19 Type 2B Direct Connection: \*\*\*\*\*  
20 Type 1 Direct Connection: \*\*\*\*\*  
21 Indirect Connection: \*\*\*\*\*

**[END PROPRIETARY]**

22  
23  
24 **Q. Why are the rates different depending on the type of interconnection utilized?**

25 **A.** The rates differ with the manner of interconnection because different network elements  
26 are utilized by each of the means of interconnection. Consistent with the FCC TELRIC

1 methodology, each of the rates is based on the particular network elements that would be  
2 used. Below is a list of network elements used in the calculation of rates for types 2A,  
3 2B, 1 and indirect connections:

4 Type 2A: end-office switching, tandem switching, inter-exchange transport and  
5 host-remote transport.  
6 Type 2B: end-office switching and host-remote transport.  
7 Type 1: Same as Type 2B.  
8 Indirect: end-office switching, inter-exchange transport, host-remote  
9 transport.

10  
11 **Q. Is it unusual that ALLTEL's rate for direct traffic in the terminated interconnection**  
12 **agreement dated September 17, 1997 was 1.2¢ and now you are proposing a rate of**  
13 **[BEGIN PROPRIETARY] \*\*\*\* [END PROPRIETARY] for Type 2A connections**  
14 **and [BEGIN PROPRIETARY] \*\*\*\* [END PROPRIETARY] for type 2B**  
15 **connections?**

16 **A.** No. This is not unusual and easily explained. The 1.2¢ former rate was merely a  
17 negotiated rate. It was not derived from any cost studies or cost analysis. When we  
18 negotiated that rate, ALLTEL was able to do so and not concern itself with cost  
19 justification because much of the wireless traffic was terminated indirectly through the  
20 ITORP process and ALLTEL was receiving over 3¢ per minute for that traffic. Direct  
21 traffic was simply not given much attention. We are now faced with a dramatically  
22 changed situation which requires us to look at costs. We are currently receiving no  
23 compensation for indirect Verizon Wireless traffic. This is a reduction of approximately  
24 \$1.8 million dollars per year. It is essential therefore to re-price all Verizon Wireless  
25 traffic on a go-forward basis. Because Verizon Wireless is demanding that such be cost-  
26 based and is refusing to pay ITORP rates on the indirect traffic, we prepared costs studies

1 and have presented the results to provide cost-based rates for reciprocal compensation  
2 purposes.

3 **Q. How do your proposed rates compare to rates that Verizon Wireless is paying other**  
4 **rural ILECs?**

5 A. Verizon Wireless is paying most rural LECs over 3¢ per minute. In recent agreements,  
6 Verizon Wireless has agreed to pay 3¢ until May 31, 2004 and 2¢ thereafter.

7 **Q. Am I correct that ALLTEL through its employment of a TELRIC methodology is**  
8 **not raising its Section 251(f)(1) rural telephone company exemption for the**  
9 **development of Section 251(b)(5) reciprocal compensation rates?**

10 A. ALLTEL's Section 251(f)(1) rural exemption is not applicable to Section 251(b) services.  
11 However, ALLTEL reserves the right to raise its exemption should a Section 251(c)  
12 condition be mandated and to seek a Section 251(f)(2) suspension should a condition be  
13 mandated that has a significant adverse economic impact or is unduly economically  
14 burdensome.

15 **Q. Please describe ALLTEL'S service territory in Pennsylvania?**

16 A. ALLTEL serves 83 exchange areas in Pennsylvania covering a total of 5,618 square  
17 miles. On average, each exchange serves 3,000 access lines and covers 68 square miles.  
18 The largest exchange is Export serving 21,067 access lines and the smaller is Spraggs  
19 serving 348 lines.

20 **Q. What is ALLTEL Pennsylvania's line density?**

21 A. ALLTEL serves an average of 44 lines (business and residence) per square mile.  
22 ALLTEL serves close to 32 residential lines per square mile compared to other small

1 local exchange carriers with 67 residential lines per square mile. ALLTEL serves  
2 approximately 30 households per square mile as compared to 62 for other smaller local  
3 exchange carriers and 104 for Verizon-ILEC.

4  
5 ALLTEL's business base is also significantly smaller than many other companies.  
6 ALLTEL has approximately 1/10 of the business lines per square mile of Verizon-ILEC,  
7 1/4 the number of businesses per square mile and 1/8 the number of businesses with 20 or  
8 more employees per square mile.

9  
10 The above statistics show that ALLTEL has very low line density, both at the business  
11 and residential level. ALLTEL customer densities in Pennsylvania are similar to or less  
12 than those of other rural carriers. Therefore, it would be difficult to describe ALLTEL as  
13 anything but a rural telephone company with the higher costs associated with serving  
14 such a rural territory.

15  
16 **Q. Based on the densities described above whose cost structure and rates would you**  
17 **expect ALLTEL to more closely resemble, Verizon Pennsylvania or other rural**  
18 **LECs?**

19 **A.** Clearly, ALLTEL is like the other rural LECs. ALLTEL's density of lines, households  
20 and businesses resemble those of other rural LECs and not those of Verizon-ILEC. As a  
21 result, ALLTEL's network design and therefore its costs will also bear more resemblance  
22 to those of other rural LECs rather than those of Verizon-ILEC.

1 Q. Does this conclude your testimony?

2 A. Yes at this time.

# PUBLIC VERSION

ALLTEL Statement No. 2R

**Before the  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the matter of: )  
 )  
Petition of Cellco Partnership d/b/a Verizon ) Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to Section )  
252 of the Telecommunications Act of 1996 )

## **REBUTTAL TESTIMONY OF CESAR CABALLERO**

1 **Q. Please state your name and business address.**

2 **A.** My name is Cesar Caballero. I am the Director of Access and Costing for  
3 ALLTEL Communications. My business address is One Allied Drive, Little  
4 Rock, Arkansas 72202.

5 **Q. Are you the same Cesar Caballero that submitted direct testimony in this**  
6 **case on behalf of ALLTEL Pennsylvania, Inc. (“ALLTEL”)?**

7 **A.** Yes.

8 **Q. What is the purpose of your rebuttal testimony?**

9 **A.** The purpose of this testimony is to rebut certain aspects of the direct testimony  
10 proffered by Don J. Wood on behalf of Verizon Wireless in Verizon Wireless  
11 Statement No. 2 and to a limited extent certain of the testimony of Marc Sterling.

# PUBLIC VERSION

## DOCUMENTATION

1  
2 **Q. Do you agree with Mr. Wood's assertion that ALLTEL has not provided any**  
3 **documentation of the models operation?**

4 **A.** No, ALLTEL provided significant documentation. However, the model by design  
5 is transparent and easy to understand. Each line in the element cost calculations  
6 contains a source reference explaining the calculation formula or cost information  
7 source. The model normally has been able to be clearly followed by anyone with  
8 a basic knowledge of Excel spreadsheets. Consistent with our established practice  
9 with other carriers, we did not provide detailed written documentation because the  
10 model's structure is so open. All cost variables and investment data flow from the  
11 Input page. Backup for numbers on the Input page was all contained in the  
12 Support Documentation file provided by ALLTEL.

## EMBEDDED COSTS

13  
14 **Q. Do you agree with Mr. Wood's assertion on page 10, that the model**  
15 **developed by ALLTEL converts embedded investment to forward looking**  
16 **investment through the application of factors?**

17 **A.** Yes. However, the factors used were based on forward looking investment  
18 information from previously completed TELRIC studies in other jurisdictions.  
19 This was done because ALLTEL had not completed its development of forward  
20 looking investment for its Pennsylvania study area. Regardless, ALLTEL did not,  
21 as Mr. Wood claims, present an embedded study nor did it use embedded



## PUBLIC VERSION

1 investment in its initial TELRIC analysis. For example as can be seen in the  
2 “Switch FL Book” tab of the Excel support spreadsheet provided earlier by  
3 ALLTEL, forward looking switch investment has been determined to be 37.37%  
4 less than the embedded level for 843 switching centers. This percentage is then  
5 applied by the model to the embedded switching of \$110 million in Pennsylvania  
6 to estimate the forward looking end office investment of \$69 million. Mr.  
7 Wood’s assertions aside, neither the Act nor the FCC rules prohibit the use of  
8 embedded investment as one factor in the estimation of forward looking  
9 investment. As Mr. Wood should know, the use of embedded values as a starting  
10 point in the estimation of forward looking expense is very common and  
11 considered appropriate in TELRIC analysis. The same procedure used to estimate  
12 forward looking investment is equally appropriate as an indirect approach if a  
13 TELRIC study for a specific study area is not available.

14 **Q. Does the model structure presented by ALLTEL reflect a traditional**  
15 **TELRIC framework?**

16 **A.** Yes. TELRIC models are a relatively recent variation of standard long run  
17 incremental cost (LRIC) analysis. The general format is to estimate forward-  
18 looking investment and estimate forward-looking expense associated with that  
19 investment. Forward looking expenses are generally derived by applying forward-  
20 looking expense factors that are developed in part from embedded expense data.  
21 These expense factors are designed to account for maintenance expense, network

## PUBLIC VERSION

1 operations expense, wholesale billing expense, taxes and depreciation. TELRIC  
2 models define the increment as total demand and are designed to also recover a  
3 reasonable share of overheads/common costs and allow for a reasonable profit.  
4 For each interconnection element the ALLTEL model follows these steps. For  
5 example, the tab labeled “EO Switching” starts first by estimating the appropriate  
6 forward-looking investment (lines 1 – 21) and then develops forward-looking  
7 expense by applying forward-looking expense, tax, depreciation, common cost  
8 and return factors to the estimated forward-looking investment (lines 22-37).  
9 Total expense is then reduced to a per unit rate by dividing by total demand in  
10 minutes (lines 38 -40). This procedure is followed for each element.

11 **Q. Since ALLTEL provided the model reviewed by Mr. Wood has a**  
12 **Pennsylvania-specific TELRIC model been completed?**

13 A. Yes. As Verizon Wireless was aware, ALLTEL was in the process of developing  
14 a Pennsylvania-specific model. The model is the same as provided earlier except  
15 it includes forward looking investment values developed specifically for the  
16 Pennsylvania study area. In addition ALLTEL has reflected Pennsylvania other  
17 specific inputs. ALLTEL’s model provides transport and termination rates, based  
18 on forward looking investment data specific to Pennsylvania. This study meets  
19 the FCC requirements for development of forward-looking costs. A proprietary  
20 copy of the model is attached to my rebuttal testimony as Exhibit CC-2.

## PUBLIC VERSION

1   **Q.    What rates do you propose in Exhibit CC-2 for transport and termination**  
2       **for ALLTEL?**

3   **A.    ALLTEL is proposing the following reciprocal compensation rates for transport**  
4       **and termination of traffic with Verizon Wireless:**

5

6                   [BEGIN PROPRIETARY]  
7                   Type 2A Direct Connection:  
8                   Type 2B Direct Connection:  
9                   Type 1 Direct Connection:  
10                  Indirect Connection:  
11                  [END PROPRIETARY]  
12

13 **Q.    Do you have a response to Mr. Wood’s assertion on page 11 that the**  
14 **ALLTEL model (CC Exhibit 1) does not attempt to develop a “lowest-cost**  
15 **network configuration”, is based on embedded costs and does not comply**  
16 **with the requirements set forth in Section 51.505 of the FCC rules?**

17 **A.    Yes.   ALLTEL’s model optimizes the network using existing wire center**  
18 **locations as required by the FCC rules<sup>1</sup>. The model uses ALLTEL’s existing**  
19 **engineering practices to re-engineer the network and provide the most efficient**  
20 **means to provide service to our customers. Existing cable routes are used but**  
21 **modified to provide the most efficient size and gauge of cable. All feeder cable**  
22 **routes and interexchange facilities utilize fiber cable. All distribution cable routes**

---

<sup>1</sup> See 47 C.F.R. §51.505(b)(1)

## PUBLIC VERSION

1 utilize copper cable. All switching facilities utilize digital technology. To  
2 determine the switch size is determined by forecasting lines and trunks for over  
3 the next five years. Switching costs are determined by using current vendor  
4 prices, including all applicable discounts. Investment costs for engineered,  
5 furnished and installed (EF&I) materials are based on the quantity of materials  
6 required to provide service to future customers times current vendor prices. This  
7 is consistent with TELRIC models used in the industry and approved by state  
8 commissions.

9 **Q. Mr. Wood is critical on page 9 that the ALLTEL model was not detailed**  
10 **from the standpoint of operation or the inputs and assumptions used. Would**  
11 **you comment?**

12 A. Yes. The model presented was clearly of sufficient detail to be understood by a  
13 party with Verizon Wireless purported expertise. Notwithstanding and to be  
14 certain that there is no misunderstanding of the model, I will explain its  
15 development in greater detail in response to Mr. Wood's concerns. Although we  
16 believe it is self evident from the model, I will attempt to detail in narrative  
17 fashion how the model works. There are separate modules to develop forward-  
18 looking costs for loops, switching and interoffice transmission. I will explain how  
19 each of these modules optimizes and re-prices the network and how they are used  
20 to provide the transport and termination rates listed in Page 5 of my rebuttal  
21 testimony. It is important to note that the systems discussed below in which the

# PUBLIC VERSION

1 ALLTEL model relies on for the estimation of forward looking investment were  
2 not developed for the purpose of estimating TELRIC costs. In this sense the  
3 ALLTEL model is free of much of the bias inherent in models designed expressly  
4 for TELRIC proceedings. They are instead the systems used by ALLTEL to design  
5 and cost out its actual network expansion and replacement projects. Given the  
6 realities of corporate capital budgeting, these systems are designed to develop  
7 least cost alternatives. In the non-hypothetical world, if the project is not designed  
8 in the least cost most, efficient manner it runs the risk of not be accepted.

## 9 Loop Costs

- 10 1. Existing loop facilities are downloaded from the ALLTEL  
11 engineering records (CAD/E system) and imported into an access  
12 database. Access line and circuit electronics information is also  
13 downloaded into this database.
- 14 2. Cable and Wire data is sorted and grouped in order to combine  
15 multiple cables in the same route into a single larger cable. The  
16 resulting cables are then converted to standard cable sizes.
- 17 3. The results in Step 2 are then processed through a program that  
18 identifies feeder routes and selects copper cable exceeding 100 or  
19 200 pairs in size for conversion to fiber feeder cable. A portion of  
20 the copper is retained for future distribution cable. Fiber size is set  
21 at 48 fibers in small exchanges (under 5,000 access lines) and 72

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- 1 for larger exchanges. These results are saved in a summary file for  
2 input to the pricing program (Step 5 below).
- 3 4. The summary file in Step 3 is also used to determine the number of  
4 Digital Line Concentrators (DLC) to be used in the re-built  
5 network. Fiber feeder cables are grouped together by major lead  
6 and then totaled. Totals by lead are divided by 18,000 feet and the  
7 rounded result determines the number of DLCs for that lead. DLC  
8 totals are summarized in a report and priced out in the switching  
9 model.
- 10 5. The Outside Plant Engineering group provides the Work Order  
11 Management System (WOMS) for use in developing TELRIC  
12 costs. The WOMS model contains a price book that lists the  
13 components and current prices for each segment of outside plant.  
14 The prices listed in the WOMS system are multiplied by the re-  
15 built network quantities to arrive at the forward-looking material  
16 cost. Access line data is used to calculate the number of drop wires  
17 to be included in the cost calculations.
- 18 6. A summary report is generated for entry into the TELRIC input  
19 database.

20 Switching

# PUBLIC VERSION

- 1           1.     Access lines, circuit and trunking information is obtained from the  
2                     ALLTEL engineering databases. This information is used to  
3                     determine line card quantities.
- 4           2.     Five-year line and trunk forecast information is obtained from  
5                     network engineering. This file included switch wire lines,  
6                     equipped lines, peripherals, standard and special features required  
7                     to price the new switch.
- 8           3.     The switching model develops switch equipment costs based on  
9                     Northern Telecom (Nortel) most current digital switch price list per  
10                    the input filed developed in the previous steps. Prices for  
11                    switching equipment not provided by Nortel is obtained from  
12                    current price lists provided by ALLTEL Supply. All applicable  
13                    vendor discounts are applied in this step.
- 14          4.     DLCs costs are calculated using a model provided by CALIX.  
15                    This model uses the latest available digital technology and size  
16                    requirements. The number of DLCs was calculated in Step 4 of the  
17                    Loop costs.
- 18          5.     A summary of these costs is produced for input into the TELRIC  
19                    input database.

## Interoffice Transmission Facilities

- 21          1.     Existing interexchange facilities are summarized.

## PUBLIC VERSION

- 1                   2.     The volume of trunking and levels of optic service being provided
- 2                             are obtained from the Access Services and Provisioning System
- 3                             (ASAP).
- 4                   3.     Routes containing copper facilities are re-built and replaced with
- 5                             fiber.
- 6                   4.     The summarized information is entered into a database to develop
- 7                             costs.
- 8                   5.     The WOMS system is used to calculate the costs of interexchange
- 9                             facilities and termination equipment.
- 10                  6.     A summary report is generated for entry into the TELRIC input
- 11                             database.

### Forward Looking Demand

- 13                  1.     Minute of use information is downloaded from the Carrier Access
- 14                             Billing Records (CABS), annualized and entered into the TELRIC
- 15                             input database.
- 16                  2.     Loop information is summarized in the Loop module described
- 17                             above. This summary included loop counts and cable distances for
- 18                             the forward looking network.
- 19                  3.     Growth rates are developed from line and trunk forecasts
- 20                             developed in the switching process. These growth rates are applied



# PUBLIC VERSION

1 to loops and minutes to determine forward looking demand  
2 amounts.

## 3 TELRIC Model Processing

- 4 1. Investment material costs, facilities information and demand  
5 information calculated in the loop, switching, interexchange  
6 facilities modules are imported into the TELRIC input database.
- 7 2. Investment for each element is calculated by applying sales tax, fill  
8 factor (capacity adjustment), Engineered Freight and Installation  
9 costs (EF&I) and power and common costs, and other minor  
10 materials to material costs imported in Step 1.
- 11 3. Sales tax is obtained from the “Factors Worksheet” which contains  
12 applicable sales tax rates for each state.
- 13 4. The fill rate is provided by the engineering group. This fill rate is  
14 used to provide additional capacity for growth or spares.
- 15 5. EF&I ratios are developed through analysis of historical  
16 installation costs or from standard construction hours provided by  
17 the WOMS system.
- 18 6. Power & Common ratios are contained on the “Factors  
19 Worksheet”. These factors are the same factors used in embedded  
20 COE investment cost studies.
- 21 7. Other minor materials are those expended during construction.

## PUBLIC VERSION

- 1           8.     Annual costs are calculated based on forward-looking investment.  
2                     Annual carrying charges include depreciation expense, return on  
3                     net investment, income taxes, direct expenses and common costs. I  
4                     provide additional detail relative to these costs in the next section.
- 5           9.     Annual costs are divided by twelve to obtain monthly costs.  
6                     Monthly costs are divided by the number of loops, ports, minutes  
7                     of use, or facilities as appropriate to arrive at the monthly network  
8                     element rate.

### Annual Carrying Charges

- 10           1.     Recorded regulated account information is imported into the  
11                     TELRIC model. This information is used to develop annual  
12                     carrying charges for direct expenses.
- 13           2.     Maintenance, network administration, testing, access costs and  
14                     property tax ratios are developed as a percentage of investment. A  
15                     forward-looking factor is applied to reflect anticipated operating  
16                     efficiencies of deploying a new lower cost network.
- 17           3.     Depreciation expense is calculated using the straight-line  
18                     depreciation method, estimated salvage and economic lives.  
19                     Economic lives are developed based on those used by ALLTEL's  
20                     deregulated operations.

## PUBLIC VERSION

- 1           4.     Net investment is calculated by assuming a 50% average over the  
2                     useful life. An allowable return on investment is calculated by the  
3                     rate-of-return (11.25%) against net investment.
- 4           5.     Income taxes are calculated by applying an effective tax rate based  
5                     on state and federal tax rates. This calculation is shown on the  
6                     Input Description worksheet.
- 7           6.     Common costs include customer service, sales and marketing,  
8                     corporate and administrative, and general support facilities  
9                     expense. The retail portion of such expenses is removed.  
10                    Common costs are divided by the adjusted revenue requirement to  
11                    determine a percentage of expenses plus return and taxes. This  
12                    ratio is then applied against total return on investment, taxes,  
13                    depreciation and direct expenses.
- 14   **Q.     Do you agree with Mr. Wood's assertion, pages 10-11, that ALLTEL's study**  
15           **does not re-configure the ALLTEL network using the latest technology**  
16           **available?**
- 17   A.     No. As already discussed, ALLTEL's model uses underlying models that re-build  
18            the network using existing wire centers and the latest switching technology. We  
19            use current material prices and size the switches to handle current and forecasted  
20            demand. All inter-exchange transport facilities are converted to fiber, using  
21            existing routes, which are engineered to be most efficient. Transport termination

## PUBLIC VERSION

1 equipment requirements are developed based on forecasted demand and priced out  
2 using an engineering model. This model is similar to what would be used for any  
3 network addition.

4 **Q. Do you agree with Mr. Wood's conclusion, page 11, that switching and**  
5 **transport costs do not vary in relation to the geographic area served?**

6 A. No. It is important to note that Mr. Wood offers no evidence to support his  
7 claims. ALLTEL uses one standard price book, so our purchase costs do not vary  
8 from region to region. However, he fails to account for the fact that total element  
9 switching and transport costs will vary considerably due to geographical terrain  
10 differences, population density, local calling patterns, distances between  
11 exchanges or to connecting POP, and economies of scale. As will be explained  
12 in more detail below, these types of differences make it inappropriate to use  
13 benchmarks as the determining factor in setting rates for the ALLTEL study areas.  
14 Just as you would not expect embedded switching and transport costs to track  
15 across regions for the reasons cited above, nor should you expect forward-looking  
16 costs to track across disparate regions.

17 **Q. Do you agree with Mr. Wood, pages 13-14, that the costs and rates for**  
18 **Verizon Pennsylvania, Sprint or Frontier are representative of the costs and**  
19 **rates ALLTEL should charge?**

20 A. No. Certainly, Verizon Pennsylvania is not a rural carrier and its service  
21 territories are significantly different from ALLTEL's rural service territories in

## PUBLIC VERSION

1 Pennsylvania. Mr. Wood has not explained how the Verizon PA, Sprint and  
2 Frontier cost characteristics are similar to ALLTEL's rural properties in  
3 Pennsylvania. Different companies have different embedded costs of operation  
4 and one would expect different forward looking costs as well. In addition,  
5 ALLTEL serves a much different and more rural, less dense geographic area. Mr.  
6 Sterling also proposes use of rates for some of these carriers as proxies which is  
7 unreasonable. If a proxy had to be used, a more reasonable proxy would be the  
8 rate Verizon Wireless agreed to with other rural ILECs such as Commonwealth at  
9 2¢ or NPTC at 1.9¢.

10 **Q. Are you familiar with Exhibit DJW-4?**

11 A. Yes. In that exhibit Mr. Wood lists a number of limitations he contends he  
12 encountered with the cost model once he had access to the passwords and the  
13 spreadsheets were not protected.

14 **Q. Do you agree the model contains limitations as described by Mr. Wood?**

15 A. Most of the limitations can be easily addressed. Many of the formulas are table  
16 driven, making it very easy to go to the source document by clicking on the drop  
17 down Name Range box on the formula bar. Most other formulas are explained in  
18 the source column. I will address each of the limitations Mr. Wood encountered  
19 once he had full access to the model.

20 1. *Options settings have to be manually changed in order to see basic Excel*  
21 *functionality, such as the formula bar.* The reason to hide the formula bar is

## PUBLIC VERSION

1 to expand the view of the spreadsheet rather than hinder Mr. Wood’s ability  
2 to analyze the formulas. To display the formula bar, all Mr. Wood had to do  
3 was to click the “Formula Bar” under the “View” dropdown box. Doing this  
4 would have displayed the formula bar for the entire model.

5 2. *Excel crashes if an attempt is made to copy and paste the spreadsheets into*  
6 *another workbook. Such process would allow more in-depth analysis*  
7 *without any possibility of corrupting the model code.* This is a limitation in  
8 Excel not an attempt by ALLTEL to prevent Mr. Wood from performing an  
9 in-depth analysis. Because all the sheets in the workbook are interconnected,  
10 when Mr. Wood attempts to copy and paste individual sheets Excel will not  
11 recognize the links to other sheets and crashes. However, with access to the  
12 passwords as given to Verizon Wireless, all he had to do to perform an in-  
13 depth analysis was to save the entire model with a different name. Mr. Wood  
14 could have then made changes he deemed necessary without corrupting any  
15 of the original model codes.

16 3. *Only a limited number of inputs can be changed. The subset of inputs that*  
17 *can be changed does not include the inputs most likely to impact results.* All  
18 inputs can be changed, since everything flows from the Input page.  
19 Furthermore, this page was not protected when the model was sent. While  
20 the inputs sheet has a message labeled “ONLY CHANGE AMOUNTS IN  
21 CELLS WITH RED FONT” and a limited number of cells are in red, this is

## PUBLIC VERSION

1           for our own purpose rather than limiting Mr. Wood's ability to change the  
2           inputs. The entire input sheet was provided without any password protection  
3           and Mr. Wood could have changed any and all inputs in the inputs sheet.

4           4. *The model has been produced as separate spreadsheets whose links have been*  
5           *severed. Changes to the spreadsheet containing most of the primary inputs do not*  
6           *flow through to the results.* This statement is not accurate. Only links from  
7           source documents to the input page have been eliminated. This however should  
8           not impact the analysis because as mentioned in 3 above, Mr. Wood had the  
9           ability to change all inputs on the inputs page. Once changes to the inputs page  
10          are made, the model performs all the calculations and Mr. Wood could have seen  
11          the new results immediately.

12          **Q. Does this conclude your rebuttal testimony?**

13          **A.** Yes. However, as of the date this rebuttal testimony was due, ALLTEL was still  
14          awaiting a significant amount of discovery responses from Verizon Wireless. Therefore,  
15          I reserve the right to supplement this testimony to reflect Verizon Wireless's answers to  
16          ALLTEL's interrogatories as soon as practical after I have received and had a chance to  
17          review such answers

18

## VERIFICATION

I, Cesar Caballero, hereby state that the facts set forth in the foregoing Appendix C, and as to those issues in the Initial Offer for which I am identified as the witness, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at any hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in black ink that reads "Cesar Caballero". The signature is written in a cursive style with a large, looping flourish at the end.

Cesar Caballero



**APPENDIX D**  
**(Testimony and Exhibits of Steve Watkins)**  
**ALLTEL Statement 3 R**  
**Attachments 3A, 3B, 3C, 3D and 3E**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the matter of )  
)  
Petition of Cellco Partnership d/b/a Verizon ) Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to Section )  
252 of the Telecommunications Act of 1996 )

**REBUTTAL TESTIMONY OF STEVEN E. WATKINS**

1 **Q: Please state your name, business address and telephone number.**

2 **A:** My name is Steven E. Watkins. My business address is 2120 L Street, N.W., Suite  
3 520, Washington, D.C., 20037. My business phone number is (202) 296-8890.

4 **Q: What is your current position?**

5 **A:** I am the Telecommunications Management Consultant in the firm of Kraskin, Lesse  
6 & Cosson, LLC, which provides legal and consulting services to telecommunications  
7 companies.

8 **Q: What are your duties and responsibilities at Kraskin, Lesse & Cosson, LLC?**

9 **A:** I provide telecommunications management consulting services and regulatory  
10 assistance to smaller local exchange carriers ("LECs") and other smaller firms  
11 providing telecommunications and related services in more rural areas. My work  
12 involves assisting client LECs and related entities in their analysis of regulatory  
13 requirements and industry matters requiring specialty expertise; negotiating,  
14 arranging and administering connecting carrier arrangements; and more recently  
15 assisting clients in complying with the rules and regulations arising from the passage  
16 of the Telecommunications Act of 1996 (the "Act"). On behalf of many smaller  
17 independent local exchange carriers, I am involved in regulatory proceedings in

1 several other states examining a large number of issues with respect to the manner  
2 in which the Act should be implemented in those states. Prior to joining Kraskin,  
3 Lesse & Cosson, I was the senior policy analyst for the National Telephone  
4 Cooperative Association ("NTCA"), a trade association whose membership consists  
5 of approximately 500 small and rural telephone companies. While with NTCA, I  
6 was responsible for evaluating the then proposed Telecommunications Act, the  
7 implementation of the Act by the Federal Communications Commission ("FCC")  
8 and was largely involved in the association's efforts with respect to the advocacy of  
9 provisions addressing the issues specifically related to rural companies and their  
10 customers. I have been directly involved in the negotiation of interconnection  
11 agreements between LECs and Commercial Mobile Radio Service ("CMRS")  
12 providers since 1997.

13 **Q: Have you prepared and attached further information regarding your**  
14 **background and experience?**

15 **A:** Yes, this information is included in Exhibit A following my testimony.

16 **Q: On whose behalf are you testifying?**

17 **A:** I am testifying specifically on behalf of ALLTEL Pennsylvania, Inc. ("ALLTEL")  
18 in the proceeding captioned above.

19 **Q: What is the purpose of this Rebuttal Testimony?**

20 **A:** The purpose of this Rebuttal Testimony is to respond specifically to certain issues  
21 addressed by Verizon Wireless witness Sterling in his direct testimony at pages 4-14  
22 of his Verizon Wireless St. No. 1. My Rebuttal Testimony responds specifically to  
23 Mr. Sterling's discussion of, and incorrect conclusions about, the application of the

1 FCC's rules on what Mr. Sterling has called indirect traffic. Mr. Sterling's testimony  
2 blithely references sections of the Act and FCC Rules and then leaps to conclusions  
3 that are in fact inconsistent with the Act, the FCC Rules and related decisions.

4 **Q: Do you have any initial reaction to the direct testimony of Mr. Sterling?**

5 **A:** Yes. With respect to indirect interconnection, Mr. Sterling draws several  
6 significantly erroneous and misleading conclusions regarding the requirements of the  
7 1996 Act and the rules adopted by the FCC. Mr. Sterling fails to acknowledge or  
8 address explicit regulatory provisions that are directly in conflict with his stated  
9 positions. If one were to accept Mr. Sterling's incorrect assertions and conclusions  
10 without critical review, it would provide Verizon-Pennsylvania (the incumbent LEC,  
11 to be referred to as "Verizon ILEC") and its majority owned affiliate Verizon  
12 Wireless with unwarranted opportunities to impose anti-competitive conditions on  
13 ALLTEL and other similarly situated smaller LECs.

14 More specifically, my rebuttal testimony addresses Mr. Sterling's incorrect  
15 conclusions that, under the FCC's rules and the 1996 Act, incumbent LECs somehow  
16 have interconnection obligations that go beyond their existing local exchange carrier  
17 networks and local exchange carrier services; *i.e.*, that Verizon Wireless somehow  
18 has the right either to force ALLTEL (a) to build new facilities to meet Verizon  
19 Wireless at a distant point of interconnection beyond the network of ALLTEL and  
20 beyond ALLTEL's incumbent LEC service area, or (b) to buy a transport service  
21 from Verizon ILEC for transport of local exchange traffic to a distant interconnection  
22 point that Verizon Wireless has established with Verizon Wireline beyond the  
23 existing network of ALLTEL (*e.g.*, *see* Sterling at pp.11-12). Neither result is

1 required of ALLTEL by interconnection rules, and if ALLTEL were forced to  
2 comply with Verizon Wireless's unwarranted demands, ALLTEL would be  
3 subjected to more onerous interconnection conditions than apply to a Regional Bell  
4 company, including Verizon ILEC.

5 As demonstrated in this rebuttal testimony, contrary to the bold conclusions set forth  
6 repeatedly without support by Mr. Sterling in his direct testimony, the FCC and the  
7 courts have concluded that a LEC's interconnection obligations are solely with  
8 respect to, and limited to, its existing LEC network, not one to be built beyond its  
9 own existing network. Moreover, a LEC's interconnection obligations do not extend  
10 to another carrier's network beyond the LEC's incumbent service area. For these  
11 reasons alone, the Verizon Wireless proposals for ALLTEL to be responsible for the  
12 transport of its traffic to a distant location beyond ALLTEL's network must be  
13 rejected.

14 As I will explain below, Mr. Sterling improperly, in several instances, attempts to  
15 confuse the statutory and regulatory interconnection requirements, stretches them  
16 beyond their context, or simply omits relevant and contrary statements by the FCC  
17 and the courts. Mr Sterling's positions, if adopted, would allow Verizon Wireless  
18 and its affiliate Verizon ILEC to enjoy unwarranted competitive benefits by  
19 imposing disadvantageous obligations on ALLTEL.

1           **Q: On pages 9-10 of his direct testimony, Mr. Sterling cites Section 251(a)(1) of the**  
2           **Act and FCC Rule 20.11 as relevant to the establishment of obligations with**  
3           **respect to indirect traffic. What relevance do these provisions of the Act and**  
4           **the FCC's rules have with respect to indirect transit traffic?**

5           **A: Mr. Sterling states his "legal" conclusion that ALLTEL and Verizon Wireless are**  
6           **required pursuant to Section 251(a)(1) of the Act and the FCC's Rule 20.11 to**  
7           **interconnect their networks indirectly. My response to this statement is simply that**  
8           **ALLTEL and Verizon Wireless are already indirectly interconnected.**

9           ALLTEL is already indirectly interconnected by virtue of its ITORP interconnection  
10          with Verizon ILEC. Thus, ALLTEL is already in full compliance with the  
11          requirements of Section 251(a) of the Act establishing the duty to interconnect  
12          directly or indirectly with the facilities and equipment of other telecommunications  
13          providers. ALLTEL, with respect to indirect traffic, is already connected with  
14          Verizon ILEC and is most certainly willing to interconnect with any other carrier that  
15          may request interconnection.

16          Mr. Sterling, without any explicit conclusion, appears to attach some greater  
17          meaning and duties to the requirements of Section 251(a) of the Act than exist. The  
18          obligations established by Section 251(a) are general in nature. Section 251(a)  
19          simply identifies the general duty of carriers to interconnect directly and indirectly  
20          with other carriers via the public switched network and to use standard equipment  
21          and technical approaches that are compatible with other network participants. See  
22          47 U.S.C. § 251(a) and 47 C.F.R. § 51.100. This subsection of the Act and the  
23          FCC's associated implementation rules (which essentially only repeat the words

1 contained in the Act) do not impose or even suggest any specific standards of  
2 interconnection, required hierarchical network arrangements (e.g., there is no  
3 requirement for a carrier to subtend a Bell company tandem and receive traffic  
4 commingled with interexchange carrier traffic), compensation arrangements,  
5 business relationships between and among the three parties involved in a transit  
6 service arrangement, or service obligations. The FCC has determined that  
7 interconnection, whether directly or indirectly, is separate and apart from any traffic  
8 exchange. See, e.g., 47 C.F.R. § 51.5 definition of "Interconnection" which states  
9 "[t]his term does not include the transport and termination of traffic." Section 251(a)  
10 is a general statement separate and apart from the specific interconnection  
11 obligations and standards that are the subject of Sections 251(b) and (c).

12 ALLTEL is interconnected with Verizon ILEC for both direct and indirect purposes.  
13 However, this interconnection does not require the specific network and business  
14 arrangements, or the imposition of compensation responsibilities on ALLTEL to  
15 transport traffic to distant points of interconnection beyond the network of ALLTEL.  
16 Regarding Mr. Sterling's reference to the FCC's rule 20.11, Mr Sterling fails to note  
17 that the statutory basis and authority for this rule is with respect to physical  
18 interconnection between a wireless carrier and LEC. For the indirect transit traffic,  
19 Verizon Wireless has not requested a section 20.11 physical interconnection with  
20 ALLTEL. The FCC's section 20 rules regarding interconnection are derived from  
21 the FCC's implementation of Section 332 of the Act. See, e.g., *Second Report and*  
22 *Order*, In the Matter of Implementation of Sections 3(n) and 332 of the  
23 Communications Act, Regulatory Treatment of Mobile Services, GN Docket No. 93-

1 252. 9 FCC Rcd 1411 (1994). The FCC states, in adopting the section 20 rules on  
2 interconnection, that the Act requires the FCC “to respond to the request of any  
3 person providing commercial mobile radio service, and if the request is reasonable,  
4 the [FCC] shall order a common carrier to establish physical connections with such  
5 service pursuant to the provisions of Section 201 of the Communications Act. *Id.*  
6 at 1493 (para. 220), underlining added. *See also* 47 U.S.C. § 332(c)(1)(B) which  
7 provides the FCC with the authority to adopt these rules. The common carrier with  
8 which Verizon Wireless has established physical connections for purposes of indirect  
9 transit service traffic is Verizon ILEC, not ALLTEL. For the indirect traffic,  
10 Verizon Wireless has not requested any physical connection with the ALLTEL  
11 network.

12 Accordingly, neither Section 251(a) or 332(c)(1)(B) of the Act create requirements  
13 which would allow Verizon Wireless to demand that ALLTEL be responsible for  
14 the transport of traffic to distant locations to points of interconnection beyond the  
15 network of ALLTEL or to require interconnection arrangements proposed by  
16 Verizon Wireless not otherwise required under the actual and separate  
17 interconnection requirements.

18 **Q: Before you address further Mr. Sterling’s testimony regarding indirect**  
19 **interconnection, would you define what you mean by an indirect traffic**  
20 **arrangement in the context of the issues to be arbitrated in this proceeding?**

21 **A. An indirect interconnection arrangement involves traffic that is consistent with the**  
22 **following conditions:**



1 With respect to Verizon Wireless originated traffic, (1) Verizon Wireless has  
2 established physical, facilities interconnection and an interconnection agreement  
3 with Verizon ILEC; (2) Verizon ILEC receives traffic from Verizon Wireless over  
4 specific, dedicated interconnection facilities established between Verizon ILEC and  
5 Verizon Wireless; (3) Verizon ILEC switches Verizon Wireless's traffic through  
6 Verizon ILEC's tandem switch and combines the traffic with intraLATA,  
7 interexchange service, access traffic; and (4) Verizon ILEC delivers the relevant  
8 traffic to the end offices of ALLTEL over the same trunking facilities that Verizon  
9 ILEC uses for IntraLATA Toll Originating Responsibility Plan ("ITORP") traffic.

10 With respect to ALLTEL originated local exchange carrier service traffic destined  
11 to Verizon Wireless mobile users, (1) Verizon ILEC has established physical,  
12 facilities interconnection with ALLTEL under ITORP; (2) Verizon ILEC receives  
13 traffic from ALLTEL over the ITORP facilities; (3) Verizon ILEC switches this  
14 traffic through its tandem switch and combines the traffic with other interconnection  
15 traffic that Verizon ILEC delivers to Verizon Wireless; and (4) Verizon ILEC  
16 delivers the traffic to Verizon Wireless over the dedicated, physical interconnection  
17 trunks that Verizon ILEC has with Verizon Wireless.

18 For this so-called indirect traffic, Verizon Wireless has physical interconnection with  
19 Verizon ILEC and an interconnection point between its network and that of Verizon  
20 ILEC pursuant to a bilateral agreement between Verizon Wireless and Verizon  
21 ILEC. Also, Verizon ILEC has physical interconnection with ALLTEL and an  
22 interconnection point between its network and the network of ALLTEL pursuant to  
23 a long-standing relationship established under ITORP. For this indirect traffic,

1 ALLTEL has no facilities interconnection point between its network and the network  
2 of Verizon Wireless. This indirect traffic arrangement is separate and distinct from  
3 those instances of interconnection where Verizon Wireless has a physical connection  
4 with the network of ALLTEL. My rebuttal testimony discusses issues related  
5 exclusively to the indirect traffic arrangements and the obligations Mr. Sterling  
6 contends ALLTEL is under with respect to that traffic.

7 **Q: Do some carriers refer to this arrangement as “transit traffic”?**

8 **A:** Yes, some carriers describe the intermediary function performed by Verizon ILEC  
9 in the examples above as a “transit” service. For example, Mr. Sterling refers to this  
10 as “transiting service” on p. 11 of his direct testimony.

11 **Q: Does Mr. Sterling discuss compensation requirements with respect to**  
12 **interconnection between carriers?**

13 **A:** Yes. Mr. Sterling, *e.g.* on p. 6, refers to Section 251(b)(5) of the  
14 Telecommunications Act of 1996 and the FCC’s Section 51.701 rules regarding  
15 “reciprocal compensation” and uses them as the basis for his position on indirect  
16 traffic and transit cost responsibility.

17 **Q: What interconnection requirements and rules apply under Section 251(b)(5)?**

18 **A:** Section 251(b)(5) of the Telecommunications Act of 1996 sets forth the requirements  
19 for Reciprocal Compensation for transport and termination of telecommunications.  
20 The FCC’s Part 51 Subpart H rules specifically set forth the definitions, conditions,  
21 and scope of certain traffic that is subject to the application of the reciprocal  
22 compensation framework under the Act. *See* 47 C.F.R. § 51.221 (“The rules  
23 governing reciprocal compensation are set forth in subpart H of this part.”). For ease

1 of reference, I have attached a copy of the Subpart H rules as Exhibit B to this  
2 testimony.<sup>1</sup> While Mr. Sterling cites these requirements and rules, he draws  
3 conclusions from them that are either inconsistent with the rules themselves or are  
4 wholly unsupported by the rules he cites.

5 **Q: Do the FCC's Subpart H rules address transit traffic arrangements?**

6 **A:** No. The FCC's Subpart H rules regarding the transport and termination of traffic do  
7 not address, do not apply to, and cannot be applied logically to three party transit  
8 traffic arrangements. First, the Subpart H rules are confined to a situation where a  
9 technically feasible interconnection point is established between two carriers, not  
10 two interconnection points among three different carriers. Second, the FCC has  
11 explicitly acknowledged that its rules do not address "transit traffic" arrangements.  
12 Third, as discussed below, the FCC and the courts have concluded that the  
13 interconnection requirements that apply to incumbent LECs relate solely to  
14 obligations regarding their existing network and service area. These obligations do  
15 not apply to the network of another carrier in a different service area.

16 **Q: In what ways are the FCC's Subpart H rules inapplicable to a three-party**  
17 **transit traffic arrangement and thus do not impose the transit costs on**  
18 **ALLTEL?**

19 **A:** The Subpart H rules are confined to arrangements where an interconnection point is  
20 established between two carriers. Mr. Sterling admits this much at pp. 18-19 of his  
21 direct testimony when he states that the reciprocal compensation requirement

---

<sup>1</sup>Some of the rules that appear in this exhibit, although none at issue here, are no longer valid as they have been vacated by the 8<sup>th</sup> Circuit Court of Appeals because of the FCC's lack of authority to adopt arbitrary default pricing.

1 imposed by the Act and implemented by the FCC's Subpart H rules "set up a system  
2 for two parties to establish arrangements and bill each other for traffic . . . ."  
3 (Underlining added.) Illogically, Mr. Sterling also suggests with no rational  
4 explanation that this two party system somehow means a transit arrangement that  
5 involves three or more parties.

6 Section 51.701 of the FCC's Subpart H rules sets forth the definitions, conditions,  
7 and scope of traffic which form the basis for the reciprocal compensation framework.  
8 By the explicit terms, the Subpart H Rules apply to a framework where an actual  
9 physical interconnection point is established between the networks of two carriers  
10 that are the parties to the compensation arrangement. These rules apply only after  
11 a request for such interconnection point and only after the interconnection point is  
12 established. The FCC's discussion in the adoption of these rules describes this  
13 Subpart H framework:

14 . . . [R]eciprocal compensation for transport and termination of calls in  
15 intended for a situation in which two carriers collaborate to complete a local  
16 call.

17  
18 . . . We define "transport" for purposes of Section 251(b)(5), as the  
19 transmission of terminating traffic that is subject to section 251(b)(5) from  
20 the interconnection point between the two carriers to the terminating carrier's  
21 end office switch that directly serves the called party . . . .  
22

23 In the Matter of Implementation of the Local Competition Provisions in the  
24 Telecommunications Act of 1996, *First Report and Order*, 11 FCC Rcd. 15499 (to  
25 be referred to as "*First Report and Order*") at paras. 1034 and 1039, underlining  
26 added.

27 I acknowledge the right of a CMRS provider to request interconnection pursuant to  
28 terms of Sections 251 and 252 and to establish the interconnection point on the

1 network of the rural LEC for these purposes. A CMRS provider may utilize its own  
2 facilities to establish an interconnection point pursuant to these rules or,  
3 alternatively, the CMRS provider may utilize another carrier's facilities (e.g.,  
4 Verizon ILEC) to establish an interconnection point for the purposes of transmitting  
5 traffic to and from the rural LEC's (ALLTEL's) network. The potential use of  
6 another carrier's facility to establish an interconnection point with a terminating  
7 carrier is, however, factually distinct from an arrangement whereby Verizon ILEC's  
8 intrastate interexchange service access arrangement is used to terminate traffic to  
9 ALLTEL under which the CMRS provider's traffic is commingled with other traffic  
10 and there is no distinct interconnection point between the LEC (i.e. ALLTEL) and  
11 the CMRS provider (i.e., Verizon Wireless). There is no physical interconnection  
12 established that distinguishes the CMRS traffic from the Verizon ILEC ITORP  
13 access traffic carried over the common trunk group.

14 It is my understanding that ALLTEL has agreed to enter into an arrangement with  
15 Verizon Wireless under which a three-party transit traffic arrangement may be  
16 utilized. However, proper terms and conditions must be established that address all  
17 of the issues of such a three-party arrangement in a fair and reasonable manner.

18 **Q: If the definitions under the Subpart H rules are based on an interconnection**  
19 **point between the two carriers, at what point would ALLTEL be required to**  
20 **establish such an interconnection point with Verizon Wireless?**

21 **A:** ALLTEL is only required to establish an interconnection point with another carrier  
22 within ALLTEL's incumbent LEC service territory and at a technically feasible point  
23 on ALLTEL's existing incumbent LEC network.

1 The FCC's rules regarding "Interconnection" state that "[a]n incumbent LEC shall  
2 provide . . . interconnection with the incumbent LEC's network: (1) . . . ; (2) at any  
3 technically feasible point within the incumbent LEC's network . . . ." 47 C.F.R. §  
4 51.305, underlining added. The Act requirement to establish interconnection points  
5 with other carriers pertains to the LEC's actual network as confirmed by these FCC  
6 rules; a LEC has no requirement to establish a point of interconnection with another  
7 carrier at a point beyond its incumbent LEC network or at a point on some other  
8 carrier's network.

9 As discussed further herein, no LEC is responsible for interconnection or network  
10 arrangements outside of its own incumbent LEC service area network. An  
11 incumbent LEC's interconnection obligations only arise with respect to the  
12 geographic area within which it operates as an incumbent LEC and with respect to  
13 its incumbent network and facilities. See 47 U.S.C. § 251(h)(1)(A)-(B) ("For  
14 purposes of this section, the term 'incumbent local exchange carrier' means, with  
15 respect to an area, the local exchange carrier that---on the date of enactment . . .  
16 provided telephone exchange service in such area . . .") (Underlining added.).

17 To the extent that the Act requires a LEC to provide interconnection with its  
18 network, that interconnection arises solely with respect to the LEC's existing  
19 network when the request is made. The Eight Circuit Court of Appeals addressed  
20 the equal quality principles in the Act and decided that an incumbent LEC does not  
21 have the obligation to provide interconnection to other carriers at a level greater than  
22 the LEC enjoys or provides for itself and that there is no requirement to provide  
23 superior interconnection arrangements to a requesting LEC (" . . . does not mandate

1 that incumbent LECs cater to every desire of every requesting carrier. . . .) See *Iowa*  
2 *Utils. Bd. v. FCC*, 120 F.3d 753 (8th Cir. 1997). This aspect of the *Iowa Utils. Bd.*  
3 decision was not modified by the Supreme Court in *Verizon v. FCC*, 122 S. Ct. 1753  
4 (U.S. 2002). The limitation on the incumbent LEC's interconnection obligations to  
5 its existing network is now a well settled issue. An incumbent LEC does not have  
6 to provide interconnection arrangements that are superior to those that it has  
7 available to itself.

8 I would also note that the actual words in the Act state that interconnection with the  
9 incumbent LEC's network is "at any technically feasible point within the carrier's  
10 network." 47 USC § 251(c)(2)(B). The courts have required the removal from the  
11 FCC's original Section 51.305 rules of the provisions that would have required an  
12 incumbent LEC to provide superior forms of interconnection to a requesting carrier.

13 I also note that the FCC's own rules only require "interconnection with the  
14 incumbent LEC's network . . . (2) at any technically feasible point within the  
15 incumbent LEC's network. . . ." 47 C.F.R. § 51.305(a)(2). Subsequent to the 8th  
16 Circuit and Supreme Court decisions, the Ninth Circuit Court of Appeals, in the  
17 context of reviewing issues related to CMRS interconnection, also confirmed that  
18 interconnection obligations are established with respect to the LEC's existing  
19 network: "Sections 251 and 252 of the Act require ILECs to allow CMRS providers  
20 to interconnect with their existing networks in return for fair compensation." See  
21 *U.S. West v. Wash. Utils. & Transp. Comm.*, 255 F.3d 990 (9th Cir. 2001).

22 No LEC, including regional Bell companies, has interconnection obligations in  
23 geographic areas in which the LEC has no facilities or is not even a LEC. The

1 incumbent LEC provides no interconnection or interconnection services to itself in  
2 areas where it is not a LEC, and therefore has no obligation to cater to the desires of  
3 requesting LECs to somehow provision such superior arrangements beyond points  
4 that would be within the LEC's network. ALLTEL has no obligation to provision  
5 services or interconnection facilities to accommodate Verizon Wireless's desires that  
6 ALLTEL exchange traffic at a point that is not within the incumbent LEC network  
7 of ALLTEL.

8 **Q: Do the interconnection rules or FCC decisions on interconnection standards and**  
9 **requirements address transit traffic arrangements?**

10 **A:** No. "Transit" arrangements are not part of the interconnection requirements or rules.  
11 In over 700 pages of the FCC's original *First Report and Order* and the FCC's  
12 implementing interconnection rules, neither the concepts of "transit service," "transit  
13 traffic," nor the word "transit" ever appears.

14 As further evidence, in an FCC arbitration of interconnection agreements between  
15 Verizon ILEC (in its capacity as an incumbent LEC in Virginia) and three CLECs,  
16 the FCC confirmed the fact that its rules and standards do not address *transit traffic*  
17 arrangements. The FCC concluded that it "had not had occasion to determine  
18 whether incumbent LECs have a duty to provide transit service under the [Section  
19 251(c)(2)] provision of the statute, nor do we find clear Commission precedent or  
20 rules declaring such a duty." See *Memorandum Opinion and Order*, CC Docket Nos.  
21 00-218, 00-249, and 00-251 released July 17, 2002 at para. 117. Accordingly, the  
22 transit service arrangement involving Verizon ILEC, Verizon Wireless, and  
23 ALLTEL is a voluntarily arrangement outside the scope of the interconnection rules,



1 obligations, and standards. Verizon Wireless's majority owner affiliate Verizon  
2 ILEC has also recognized and agreed with these FCC conclusions. *See, e.g.*, Verizon  
3 ILEC Ex Parte presentation filed with the FCC on September 4, 2003 in CC Docket  
4 No. 01-92, second attachment regarding Unified Intercarrier Compensation, at pp.  
5 3-4, specifically noting the FCC's Virginia arbitration decision and stating "FCC has  
6 repeatedly found that ILECs are not required to provide transit service."

7 The fact that no standards exist or are imposed with respect to indirect transit traffic  
8 does not mean that the parties may not negotiate a new arrangement under Section  
9 252(a) that would also establish compensation arrangements between them. Any  
10 such new three-party arrangement, however, involving Verizon ILEC, ALLTEL (or  
11 any other LEC), and Verizon Wireless (or any other CMRS provider) would require  
12 the establishment of agreements setting forth the proper terms and conditions  
13 between and among the affected parties.

14 **Q: Even if Verizon ILEC were required to offer and provide a transit service for**  
15 **a requesting carrier, is ALLTEL forced to accept such an arrangement with**  
16 **Verizon ILEC?**

17 **A:** No. To the extent that Verizon ILEC is required to offer or voluntarily offers a  
18 transit service to CMRS providers, Verizon ILEC has no unilateral right to impose  
19 terms and conditions of such voluntary arrangements on a smaller rural LEC. While  
20 ALLTEL may have the duty to terminate traffic from Verizon ILEC that Verizon  
21 Wireless sends through Verizon ILEC's network, ALLTEL has no involuntary  
22 obligation to terminate the traffic in accordance with terms and conditions dictated  
23 by Verizon ILEC or any other party. Notably, the only typical three-party

1 arrangement recognized by the FCC involves an interexchange carrier as the  
2 intermediary, and the arrangement is subject to the framework of access with the  
3 intermediary interexchange carrier. *See First Report and Order* at para. 1034. The  
4 existing ITORP process in Pennsylvania is based upon the framework of access and  
5 Verizon Wireless and ALLTEL are bound by the agreements they executed under  
6 ITORP unless and until changed by agreement between and among the parties.

7 I want to underscore the fact that there is no interconnection obligation or  
8 requirement that end offices of any LEC must subtend a tandem office of Verizon  
9 ILEC in a manner under which Verizon ILEC transits third party traffic on a tandem  
10 switched basis with other carriers' traffic (*i.e.*, commingled with other types of  
11 traffic).

12 **Q: What do you mean when you say that a smaller LEC's end office subtends a**  
13 **tandem office of a larger LEC?**

14 **A:** In simple terms, there is a hierarchy among switches. Tandem switches are at a  
15 higher level than end office switches. Tandem switches serve larger geographic  
16 areas and switch traffic to and from other tandem switches and to and from lower  
17 level switches; *i.e.* end office switches. End office switches generally switch traffic  
18 to specific end users within a confined exchange area or exchange areas. In the call  
19 routing process, carriers most often first direct their traffic to a tandem switch where  
20 this traffic is then switched to an end office switch for completion to an end user.  
21 Each end office switch is exclusively connected to a specific tandem switch for such  
22 routing purposes. This condition is often described as a subtending status; *i.e.*, the  
23 specific end office subtends the tandem. A subtending end office receives traffic

1 from a tandem that comes from multiple sources. As such, these different kinds of  
2 traffic are sent in tandem; *i.e.*, commingled over the same subtending trunk group.

3 **Q: Are other LECs required to subtend a Verizon ILEC tandem for other carrier's**  
4 **traffic?**

5 **A:** No. In a competitive world, no carrier can be forced to accept involuntarily a  
6 subtending, subordinate network position that would require it to be dependent on  
7 its competitor. When an end office of one LEC subtends a tandem office of another  
8 LEC, the subtending LEC is disadvantaged in that it cannot directly identify,  
9 measure, or switch, on a real time basis, the traffic of individual originating carriers  
10 (including distinguishing the tandem provider's traffic from individual third-party  
11 traffic) that the tandem provider combines on a single trunk group under the typical  
12 transit traffic arrangement.

13 No law or regulation requires a carrier like ALLTEL or other similarly situated LECs  
14 to subtend a Verizon ILEC tandem. There will be a chilling effect on competition  
15 if Verizon ILEC were allowed either unilaterally, with its affiliate, or with any other  
16 CMRS carrier, to force another LEC into a network and business arrangement under  
17 which Verizon ILEC establishes itself always at the center, between and among all  
18 other carriers, as the tandem switch and transport provider. From a policy  
19 perspective, if such opportunity existed for Verizon ILEC, it would provide Verizon  
20 ILEC and its affiliate Verizon Wireless with unwarranted and an anti-competitive  
21 advantage over other carriers. That is exactly why such opportunity does not exist.

1       **Q: Does Verizon ILEC have any authority or right to offer transit service**  
2       **arrangements to other carriers which necessarily involve Verizon ILEC's**  
3       **interconnection with ALLTEL?**

4       **A:** No. Absent some form of explicit grant of agency to Verizon ILEC by another LEC  
5       such as ALLTEL, Verizon ILEC has no fundamental right or authority to make  
6       representations to, to negotiate with, or to establish terms and conditions with third  
7       party carriers such as Verizon Wireless. Bilateral agreements between Verizon ILEC  
8       and some other carrier cannot bind non-party carriers such as ALLTEL. The only  
9       current authority under which Verizon ILEC can offer its transit services and deliver  
10      such traffic to ALLTEL is under the terms of ITORP whereby ALLTEL has agreed  
11      with Verizon ILEC to accept this traffic according to specific terms and conditions.

12      **Q: Are transit service arrangements necessarily voluntary?**

13      **A:** Yes. As explained above, for Verizon ILEC to be in a position to offer a transit  
14      service that would involve ALLTEL, there must be an agreement between ALLTEL  
15      and Verizon ILEC under which ALLTEL has agreed to participate in such an  
16      arrangement. In any event, there is no requirement that an ALLTEL end office  
17      subtend a Verizon ILEC tandem for such purposes, and the subtending LEC must  
18      agree to this subordinate relationship. Therefore, except perhaps under the terms of  
19      ITORP, any decision for ALLTEL or any other LEC to subtend a Verizon ILEC  
20      tandem is necessarily voluntary and subject to change.

1           **Q: For indirect transit service traffic, Mr Sterling at pp. 11-12 of his direct**  
2           **testimony claims that Section 51.703(b) of the FCC's rules requires that**  
3           **ALLTEL should pay the transiting service carrier, in this case Verizon ILEC,**  
4           **for traffic that is originated by ALLTEL. Does that section of the FCC's rules**  
5           **require this result?**

6           **A: Absolutely not. A simple reading of the specific rule demonstrates that Mr.**  
7           **Sterling's conclusion cannot be logically drawn. Section 51.703(b) simply states that**  
8           **in a two party arrangement, the LEC that originates traffic cannot assess charges on**  
9           **any other telecommunications carrier for such traffic ("A LEC may not assess**  
10           **charges on any other telecommunications carrier for telecommunications traffic that**  
11           **originates on the LEC's network." 47 C.F.R. § 51.703(b).) Mr. Sterling would have**  
12           **us read something entirely different into the rule. Mr. Sterling is wrong with two**  
13           **incorrect conclusions about this rule: (1) that this rule somehow requires that the**  
14           **originating carrier must be responsible for the payment of compensation to a 3<sup>rd</sup> party**  
15           **transit service provider chosen by the terminating carrier for the transit service**  
16           **provided for its originating traffic (Sterling Direct at p. 11); and (2) that the rule**  
17           **prohibits the 3<sup>rd</sup> party transit service provider from assessing the terminating carrier**  
18           **that elected to use the 3<sup>rd</sup> party transit provider as an indirect point of interconnection**  
19           **(in this case, Verizon Wireless is the terminating carrier) for the transit service**  
20           **provided by Verizon ILEC to transport ALLTEL originating traffic to a point of**  
21           **connection beyond ALLTEL's network and certificated service territory to a point**  
22           **that Verizon Wireless has established with Verizon ILEC.**

1           These two conclusions are wrong for several reasons. First, as I have explained  
2 above, the FCC's subpart H rules do not address transit service arrangements, and  
3 therefore, Section 51.703(b) cannot address a transit service arrangement and is  
4 completely irrelevant to three-party transit service arrangements. Second, again as  
5 I have demonstrated above, the FCC has stated explicitly that it has established no  
6 standards to address transit service. Accordingly, Mr Sterling's conclusion that  
7 Section 51.703(b) establishes the standards for the compensation arrangements  
8 between and among the three parties in a indirect transit traffic arrangement is  
9 impossible given the FCC's own conclusions and statements. Third, even if the rule  
10 did apply to three-party transit arrangements, the specific words of the rule do not  
11 address or even mention what the intermediary carrier can charge any other carrier  
12 for the intermediary's transit service; the rule simply addresses what the originating  
13 carrier may not charge. Fourth, the clear meaning of the cited rule neither  
14 establishes any authority for an intermediary to assess charges on any other carrier  
15 nor prohibits the intermediary from assessing charges on any other carrier. The rule  
16 does not address either authority or prohibition. Fifth, the existing ITORP agreement  
17 between Verizon ILEC and ALLTEL does not authorize Verizon ILEC to impose a  
18 charge on ALLTEL for the traffic originated by ALLTEL and delivered over ITORP  
19 for completion to mobile wireless users. In summary, the rule cited is without any  
20 relevance to the incorrect conclusion that Mr. Sterling would like to make.

1       **Q:    What is ALLTEL’s position with respect to which carrier should provide**  
2       **compensation to Verizon ILEC for ALLTEL originated traffic that ALLTEL**  
3       **delivers to Verizon ILEC at ALLTEL’s interconnection point with Verizon**  
4       **ILEC and Verizon ILEC, in turn, transports for delivery to Verizon Wireless**  
5       **at an interconnection point within the Verizon ILEC network?**

6       **A:    As I have already demonstrated above, Verizon Wireless must be responsible for the**  
7       transit service that Verizon ILEC provides because this service involves the  
8       provision of network functions that are not the interconnection obligation of  
9       ALLTEL, involve the transport to a point of connection far beyond the ALLTEL  
10      network and certificated service territory and interconnection point obligations, and  
11      is an arrangement chosen by Verizon Wireless solely for the convenience of Verizon  
12      Wireless. Verizon Wireless, for the indirect transit traffic arrangements with  
13      ALLTEL, has not elected to establish an interconnection point on the network of  
14      ALLTEL; Verizon Wireless has voluntarily chosen to utilize the indirect transit  
15      arrangement because it is more economic for Verizon Wireless to use a 3<sup>rd</sup> party’s  
16      network than to interconnect directly with ALLTEL. This economically efficient  
17      choice for Verizon Wireless, to sit behind Verizon ILEC’s tandem and arrange to use  
18      Verizon ILEC’s network for completion of an “indirect interconnection” with  
19      ALLTEL rather than meeting ALLTEL directly, however, can not be used as a basis  
20      to impose additional costs on ALLTEL to now go outside its network.

21      As set forth above, the interconnection obligations established in the Act and set  
22      forth in the FCC’s rules address interconnection with the LEC’s existing network at  
23      a technically feasible interconnection point on that network. Accordingly,

1 ALLTEL's interconnection obligations do not extend beyond its own network or  
2 service area. These transit functions provided beyond these limits, to the extent that  
3 Verizon Wireless chooses not to establish an interconnection point on the network  
4 of ALLTEL, are the responsibility of Verizon Wireless. ALLTEL is not responsible  
5 for deployment or provisioning of network facilities or services for the transport of  
6 telecommunications beyond its own network.

7 In the course of the negotiations, and as a matter of voluntary compromise, ALLTEL  
8 has apparently indicated its willingness to continue employing the ITORP facility  
9 arrangement to deliver a defined scope of wireline-to-mobile user traffic to Verizon  
10 ILEC so that Verizon ILEC may transport that traffic to the interconnection point  
11 that Verizon Wireless has established on the Verizon ILEC network. ALLTEL's  
12 willingness to send its traffic in this manner is premised on the condition that  
13 Verizon Wireless is responsible for the transport services provided by Verizon ILEC.  
14 This approach makes Verizon Wireless responsible for the costs of Verizon ILEC's  
15 transit service beyond ALLTEL's network, consistent with the result that would  
16 occur under existing interconnection standards and rules when the requesting CMRS  
17 provider actually establishes a point of interconnection with ALLTEL's existing  
18 incumbent LEC network.

19 ALLTEL and other similarly situated LECs have the right to elect to direct their own  
20 traffic in the manner Verizon Wireless desires; *i.e.*, through Verizon ILEC's transit  
21 service arrangement, but ALLTEL and other LECs are not obligated to provision  
22 their own local exchange services in this manner. Verizon Wireless has no right to  
23 demand that ALLTEL obtain a service from Verizon ILEC for which ALLTEL must



1 pay Verizon ILEC for network functions beyond ALLTEL's existing network. No  
2 carrier has the right to demand that a second carrier must obtain some service from  
3 a third. In this case, Verizon Wireless is attempting to suggest that it can demand  
4 that ALLTEL must obtain a service from Verizon Wireless's wireline affiliate. Also,  
5 ALLTEL has no interconnection obligation to build transport facilities across  
6 Verizon ILEC's service area for the purpose of meeting Verizon Wireless at a point  
7 of interconnection far from ALLTEL's existing network.

8 **Q: On page 12 of his direct testimony, Mr. Sterling claims that ALLTEL's**  
9 **approach to compensation to the transit service provider as set forth in the**  
10 **preceding answer "is contrary to the FCC's rule 51.703(b)." Is he correct?**

11 **A:** No. In addition to the four reasons I have set forth above demonstrating that the  
12 Section 51.703(b) rule is not even relevant to the question of what the transit service  
13 provider can charge and to which carrier the charges should apply, Mr. Sterling's  
14 incorrect conclusion here is inconsistent with FCC conclusions that are, in fact,  
15 exactly to the contrary.

16 In fact, the FCC has found it appropriate for the intermediary transit service provider  
17 to assess the terminating CMRS carrier in exactly the same manner that is proposed  
18 by ALLTEL and in exactly the same manner that Mr. Sterling incorrectly believes  
19 is contrary to the rule. In a complaint proceeding between a CMRS provider and  
20 Verizon ILEC (in this case GTE North), the FCC confirmed that the intermediary  
21 LEC (*i.e.*, Verizon ILEC) had not violated the Section 51.703 rules when Verizon  
22 ILEC charged the terminating CMRS provider for "traffic that originates on a third  
23 carrier's network, transits the [intermediary carrier's] network, and terminates to the

1 [CMRS provider]. See *Order on Reconsideration, Texcom, Inc. d/b/a Answer*  
2 *Indiana, Complainant, v. Bell Atlantic Corp., d/b/a Verizon Communications,*  
3 *Defendant, File No. EB-00-MD-14, released March 27, 2002.*

4 The FCC has decided similarly in other proceedings between Bell companies and  
5 CMRS providers with respect to indirect transit service traffic.

6 Section 51.703(b) of the rules affords carriers the right not to pay for delivery  
7 of local traffic originated by the other carrier. However, [the CMRS provider  
8 complainants] are required to pay for “transiting traffic,” that is, traffic that  
9 originates from a carrier other than the interconnecting LEC [in this case US  
10 West] but nonetheless is carried over the LEC network to the [CMRS  
11 provider’s] network.

12  
13 Memorandum Opinion and Order, In the Matter of TSR Wireless L.L.C., et al.,  
14 Complainants, v. US West Communications, Inc. et al., Defendants, Files Nos. E-98-  
15 13, E-98-15, E-98-16, E-98-17, E-09-18 at note 70.

16 **Q: What sense do you make of Mr. Sterling’s attribution at p. 12 to an unnamed**  
17 **advisor(s) with respect to his incorrect conclusions about rule 51.703(b)?**

18 **A:** It is not clear from his testimony whether the incorrect conclusions about this rule  
19 are based on his own analysis and experience, or whether his conclusions are based  
20 on the analysis or suggestions of some other unnamed person(s). Perhaps Mr.  
21 Sterling was uncomfortable making this statement without attributing the conclusion  
22 to his advisor(s).

23 **Q: Do LECs transport their local exchange service calls to points beyond the local**  
24 **calling area in which the service is provided?**

25 **A:** No. There is no interconnection requirement for a LEC to transport its own local  
26 exchange service calls to some distant point, not only to a point beyond the local  
27 calling area of the originating service, but beyond the LEC’s own incumbent

1 network. Yet it appears that Verizon Wireless wants to force ALLTEL to do just  
2 that.

3 **Q: On page 11 of his direct testimony, Mr. Sterling states that his company's**  
4 **position is that a LEC bears the cost of delivering traffic to a CMRS carrier**  
5 **anywhere within the Major Trading Area ("MTA") in which the call is**  
6 **originated by a LEC. Do you agree?**

7 **A:** No. His suggestion is simply wrong. I have already explained at length that a  
8 LEC's interconnection obligations do not extend to areas beyond its own network or  
9 certificated service territory. Furthermore, if one examines what it could mean if  
10 the implications that could flow from Mr. Sterling's position here were it actually  
11 correct, it is apparent that it is preposterous.

12 Verizon Wireless and other wireless carriers misapply the existing standards and  
13 rules. These wireless carriers fail to recognize all of the conditions that apply with  
14 respect to their interpretation. I agree, regardless of whether it is sound policy or not,  
15 that Bell operating companies have been required to establish an interconnection  
16 point between the Bell company's network and the CMRS provider's network at a  
17 single interconnection point within a LATA and within the same MTA as the  
18 originating and terminating points of calls. However, Verizon Wireless, whether  
19 purposeful or not, neglects to remind this Commission that the point of  
20 interconnection is first premised by the conditions that it must be technically feasible  
21 and on the existing network of the particular Bell company. In no case is a Bell  
22 company obligated to establish a point of interconnection with a CMRS provider,  
23 whether it is in the same LATA or the same MTA, at a point not on the Bell

1 company's own existing network. As such, Verizon Wireless's statement and  
2 position is misleading because it omits the more relevant interconnection  
3 considerations. The Bell company must establish a single interconnection point on  
4 its existing network within a LATA and within a MTA.

5 Contrary to what Verizon Wireless may think or want, in no instance has the FCC  
6 required or ordered a LEC to establish an interconnection point with a CMRS  
7 provider at a point where the LEC is not a LEC network service provider.

8 Ironically, and contrary to sound universal service considerations, the imposition of  
9 a requirement on a smaller LEC such as ALLTEL to establish an interconnection  
10 point with another carrier at points beyond its own incumbent LEC network and  
11 certificated service territory would, as I have already stated, impose a requirement  
12 on ALLTEL that is more onerous than those applied to any Bell company.

13 **Q: How is the suggestion that a LEC has the responsibility to deliver its traffic to**  
14 **a CMRS carrier anywhere in a MTA preposterous?**

15 **A:** MTAs are very large geographic areas in some cases. As is demonstrated on my  
16 Exhibit C, which is an overlay of state boundaries over MTAs, using maps created  
17 by the FCC and available at the FCC's website,<sup>2</sup> for the MTAs that include portions  
18 of Pennsylvania, these areas extend as far as to points in Ohio, West Virginia,  
19 Virginia, Maryland, New Jersey, Delaware, New York, Connecticut, and Vermont.  
20 No LEC, certainly not smaller LECs such as ALLTEL, provides local exchange

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<sup>2</sup>These maps are available at [www.fcc.gov/oet/info/maps/areas/maps/states.pdf](http://www.fcc.gov/oet/info/maps/areas/maps/states.pdf) for the State Equivalent-Entities, <http://www.fcc.gov/oet/info/maps/overlays/rboc.pdf> for the Regional Bell Operating Companies, <http://www.fcc.gov/oet/info/maps/overlays/mtacolor.pdf> for the Major Trading Areas-Colored and <http://www.fcc.gov/oet/info/maps/areas/maps/mta.pdf> for the Major Trading Areas.

1 services to its customers for calling to points throughout such a large geographic area  
2 as a MTA. For example, the New York MTA stretches from the northeastern  
3 portions of Pennsylvania all the way to the Canadian border in northern New York  
4 and Vermont and includes most of Eastern New York, all of Connecticut, a  
5 significant portion of Northern New Jersey, and most of Vermont. No LEC,  
6 including the incumbent Verizon ILEC or any other LEC operating in portions of  
7 northeastern Pennsylvania, provides a LEC service which requires the delivery of  
8 local exchange service calls to, for example, Burlington, Vermont, and no LEC is  
9 required to provide such a service. No LEC in Pennsylvania is required to provide  
10 an intrastate local exchange service which involves transporting calls to Burlington,  
11 Vermont. Such calls are not included in a rural LEC's own local service offering and  
12 are not even a service provided by a LEC. While the geographic expanse of the  
13 New York MTA is most dramatic to illustrate in impossibility of Mr. Sterling's  
14 suggestion, the other MTAs that include portions of Pennsylvania also include areas  
15 at great distances away in other states.

16 On the other hand, if one looks at my Exhibit D, which is an overlay of the same  
17 FCC MTA boundary map (without color and geographic identifications) over  
18 another FCC map from the same website identifying national coverage areas of  
19 Regional Bell Operating Companies,<sup>3</sup> one can see that from the perspective of the  
20 RBOCs, a meet point anywhere in an MTA is much more likely to result in a meet  
21 point on an RBOC network, thus avoiding the extra-network issue presented when

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<sup>3</sup>While the FCC's RBOC map is slightly outdated, showing 7 RBOCs, when now there are 4, the point demonstrated remains valid, if not more so, since some RBOC territories are now even larger than represented on the FCC's map.

1 Verizon Wireless attempts to hold ALLTEL to a meet point anywhere in the MTA  
2 regardless of ALLTEL's network and service locations.

3 Which brings me to my Exhibit E, which is an overlay again of the FCC's MTA  
4 map, this time over a Telephone Map of Pennsylvania created and maintained by the  
5 Pennsylvania Telephone Association, and showing the location of each Pennsylvania  
6 incumbent local exchange company. ALLTEL, shown in purple, has a discontinuous  
7 and segmented service territory in Pennsylvania that effectively can put a portion of  
8 ALLTEL in 5 of the 6 MTAs that traverse Pennsylvania. Holding ALLTEL to the  
9 conclusions Mr. Sterling presents about ALLTEL's indirect interconnection  
10 obligations effectively means ALLTEL would be subject to paying Verizon ILEC  
11 for use of an tandem anywhere in Pennsylvania or the nine neighboring states of  
12 Ohio, West Virginia, Virginia, Maryland, New Jersey, Delaware, New York  
13 Connecticut and Vermont. This is preposterous.

14 Telecommunications services provided to end users that involve calling services and  
15 transport responsibility to interconnection points with other carriers' networks at  
16 points beyond a LEC's service area and existing network (e.g., to Burlington,  
17 Vermont) are provided by interexchange carriers, not by local exchange carriers.  
18 These are not LEC service calls. And the interconnection relationship that  
19 interexchange carriers have with wireless carriers such as Verizon Wireless is not  
20 ALLTEL's responsibility or concern, and interexchange carriers' interconnection  
21 arrangements with wireless carriers are not subject to the framework of the  
22 reciprocal compensation Subpart H rules. The involvement of a local exchange  
23 carrier in such calls is limited to the provision of network access functions within its

1 own networks. As such, for calls destined to points outside of the local exchange,  
2 the interexchange service carrier chosen by the end user is responsible for the  
3 transport and network functions for the transmission of the call to that distant point.  
4 An interexchange carrier affiliate or division of a LEC may provide this service in  
5 competition with other IXCs pursuant to equal access, but the service is not a local  
6 exchange carrier service.

7 Accordingly, Verizon Wireless cannot possibly believe that a LEC in Pennsylvania  
8 is somehow required to be responsible for the transport of calls to a distant point with  
9 Verizon Wireless including distant points perhaps as far away as West Virginia,  
10 Virginia, or Vermont.

11 The FCC has generally acknowledged a limitation on a Bell company to route calls  
12 no further than to a point on the Bell company's existing network somewhere within  
13 the bounds of a LATA. The analogous application for a much smaller LEC  
14 recognizes that the interconnection point that the LEC is required to establish with  
15 a wireless carrier is physically and technically limited to transporting traffic to points  
16 of interconnection on the LEC's existing network that are no further than its existing  
17 certificated service territory boundaries.

18 **Q: Does this end your testimony?**

19 **A:** Yes. However, as of the date this rebuttal testimony was due, ALLTEL was still  
20 awaiting a significant amount of discovery responses from Verizon Wireless.  
21 Therefore, I reserve the right to supplement this testimony to reflect Verizon  
22 Wireless's answers to ALLTEL's interrogatories as soon as practical after I have  
23 received and had a chance to review such answers.

## SUMMARY OF WORK EXPERIENCE AND EDUCATION

**Steven E. Watkins**

February 2004

My entire 27-year career has been devoted to service to smaller, independent telecommunications firms that primarily serve the small-town and rural areas of the United States.

I have been a consultant with the firm of Kraskin, Lesse & Cosson, LLC since June, 1996. The firm concentrates its practice in providing professional services to small telecommunications carriers. My work at Kraskin, Lesse & Cosson, LLC, has involved assisting smaller, rural, independent local exchange carriers ("LECs") and competitive local exchange carriers ("CLECs") in their analysis of a number of regulatory and industry issues, many of which have arisen with the passage of the Telecommunications Act of 1996. I am involved in regulatory proceedings in several states and before the Federal Communications Commission on behalf of small LECs. These proceedings are examining the manner in which the Act should be implemented. My involvement specifically focuses on those provisions most affecting smaller LECs.

I have over the last eight years instructed smaller, independent LECs and CLECs on the specific details of the implementation of the Act including universal service mechanisms, interconnection requirements, and cost recovery. On behalf of clients in several states, I have analyzed draft interconnection agreements and conducted interconnection negotiations and arbitrations pursuant to the 1996 Act.

For 12 years prior to joining Kraskin, Lesse & Cosson, LLC, I held the position of Senior Industry Specialist with the Legal and Industry Division of the National Telephone Cooperative Association ("NTCA") in Washington, D.C. In my position at NTCA, I represented several hundred small and rural local exchange carrier member companies on a wide array of regulatory, economic, and operational issues. My work involved research, analysis, formulation of policy, and expert advice to member companies on industry issues affecting small and rural telephone companies.

My association work involved extensive evaluation of regulatory policy, analysis of the effects of policy on smaller LECs and their rural customers, preparation of formal written pleadings in response to FCC rulemakings and other proceedings, weekly contributions to association publications, representation of the membership on a large number of industry committees and task forces, and liaison with other telecom associations, regulators, other government agencies, and other industry members. I also attended, participated in and presented seminars and workshops to the membership and other industry groups too numerous to list here.



For those not familiar with NTCA, it is a national trade association of approximately 500 small, locally-owned and operated rural telecommunications providers dedicated to improving the quality of life in rural communities through advanced telecommunications. The Association advocates the interests of the membership before legislative, regulatory, judicial, and other organizations and industry bodies.

Prior to my work at NTCA, I worked for over eight years with the consulting firm of John Staurulakis, Inc., located in Seabrook, Maryland. I reached a senior level position supervising a cost separations group providing an array of management and analytical services to over 150 small local exchange carrier clients. The firm was primarily involved in the preparation of jurisdictional cost studies, access rate development, access and exchange tariffs, traffic analysis, property records, regulatory research and educational seminars.

For over ten years during my career, I served on the National Exchange Carrier Association's ("NECA") Industry Task Force charged with reviewing and making recommendations regarding the interstate average schedule cost settlements system. For about as many years, I also served in a similar role on NECA's Universal Service Fund ("USF") industry task force.

I graduated from Western Maryland College in 1974 with a Bachelor of Arts degree in physics. As previously stated, I have also attended industry seminars too numerous to list on a myriad of industry subjects over the years.

During my career representing small telecommunications firms, I estimate that I have prepared formal written pleadings for submission to the Federal Communications Commission on behalf of NTCA member and Kraskin, Lesse & Cosson client LECs in over two hundred proceedings. I have also contributed written comments in several state proceedings on behalf of Kraskin, Lesse & Cosson client LECs. I have provided testimony in proceedings before the Georgia, Pennsylvania, Indiana, Kentucky, Missouri, Nebraska, Minnesota, Montana, Tennessee, Kansas, South Carolina, New Mexico, West Virginia, and Louisiana public service commissions. Finally, I have testified before the Federal-State Joint Board examining jurisdictional separations changes.

## §20.11

Communications Service or VHF Public Coast Station spectrum to offer service on a private mobile radio service basis must overcome the presumption that Personal Communications Service and VHF Public Coast Stations are commercial mobile radio services.

(1) The applicant or licensee (who must file an application to modify its authorization) seeking authority to dedicate a portion of the spectrum for private mobile radio service, must include a certification that it will offer Personal Communications Service or VHF Public Coast Station service on a private mobile radio service basis. The certification must include a description of the proposed service sufficient to demonstrate that it is not within the definition of commercial mobile radio service in §20.3. Any application requesting to use any Personal Communications Service or VHF Public Coast Station spectrum to offer service on a private mobile radio service basis will be placed on public notice by the Commission.

(2) Any interested party may file a petition to deny the application within 30 days after the date of public notice announcing the acceptance for filing of the application. The petition shall contain specific allegations of fact supported by affidavit(s) of person(s) with personal knowledge to show that the applicant's request does not rebut the commercial mobile radio service presumption. The petition must be served on the applicant and contain a certificate of service to this effect. The applicant may file an opposition with allegations of fact supported by affidavit. The petitioner may file a reply. No additional pleadings will be allowed. The general rules of practice and procedure contained in §§1.1 through 1.52 of this chapter and §22.30 of this chapter shall apply.

(c) Any provider of private land mobile service before August 10, 1993 (including any system expansions, modifications, or acquisitions of additional licenses in the same service, even if authorized after this date), and any private paging service utilizing frequencies allocated as of January 1, 1993, that meet the definition of commercial mobile radio service, shall, except for purposes of §20.5 (applicable

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August 10, 1993 for the providers listed in this paragraph), be treated as private mobile radio service until August 10, 1996. After this date, these entities will be treated as commercial mobile radio service providers regulated under this part.

[59 FR 18495, Apr. 19, 1994, as amended at 62 FR 18843, Apr. 17, 1997; 63 FR 40062, July 27, 1998; 64 FR 26887, May 18, 1999; 64 FR 59659, Nov. 3, 1999; 66 FR 10968, Feb. 21, 2001]

## §20.11 Interconnection to facilities of local exchange carriers.

(a) A local exchange carrier must provide the type of interconnection reasonably requested by a mobile service licensee or carrier, within a reasonable time after the request, unless such interconnection is not technically feasible or economically reasonable. Complaints against carriers under section 208 of the Communications Act, 47 U.S.C. 208, alleging a violation of this section shall follow the requirements of §§1.711-1.734 of this chapter, 47 CFR 1.711-1.734.

(b) Local exchange carriers and commercial mobile radio service providers shall comply with principles of mutual compensation.

(1) A local exchange carrier shall pay reasonable compensation to a commercial mobile radio service provider in connection with terminating traffic that originates on facilities of the local exchange carrier.

(2) A commercial mobile radio service provider shall pay reasonable compensation to a local exchange carrier in connection with terminating traffic that originates on the facilities of the commercial mobile radio service provider.

(c) Local exchange carriers and commercial mobile radio service providers shall also comply with applicable provisions of part 51 of this chapter.

[59 FR 18495, Apr. 19, 1994, as amended at 61 FR 45619, Aug. 29, 1996]

## §20.12 Resale and roaming.

(a) *Scope of section.* This section is applicable to providers of Broadband Personal Communications Services (part 24, subpart E of this chapter), Cellular Radio Telephone Service (part 22, subpart H of this chapter), and Specialized Mobile Radio Services in the 800 MHz

## § 51.403

section 251 of the Act. Such determinations shall be made on a case-by-case basis.

### § 51.403 Carriers eligible for suspension or modification under section 251(f)(2) of the Act.

A LEC is not eligible for a suspension or modification of the requirements of section 251(b) or section 251(c) of the Act pursuant to section 251(f)(2) of the Act if such LEC, at the holding company level, has two percent or more of the subscriber lines installed in the aggregate nationwide.

### § 51.405 Burden of proof.

(a) Upon receipt of a bona fide request for interconnection, services, or access to unbundled network elements, a rural telephone company must prove to the state commission that the rural telephone company should be entitled, pursuant to section 251(f)(1) of the Act, to continued exemption from the requirements of section 251(c) of the Act.

(b) A LEC with fewer than two percent of the nation's subscriber lines installed in the aggregate nationwide must prove to the state commission, pursuant to section 251(f)(2) of the Act, that it is entitled to a suspension or modification of the application of a requirement or requirements of section 251(b) or 251(c) of the Act.

(c) In order to justify continued exemption under section 251(f)(1) of the Act once a bona fide request has been made, an incumbent LEC must offer evidence that the application of the requirements of section 251(c) of the Act would be likely to cause undue economic burden beyond the economic burden that is typically associated with efficient competitive entry.

(d) In order to justify a suspension or modification under section 251(f)(2) of the Act, a LEC must offer evidence that the application of section 251(b) or section 251(c) of the Act would be likely to cause undue economic burden beyond the economic burden that is typically associated with efficient competitive entry.

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### Subpart F—Pricing of Elements

#### § 51.501 Scope.

(a) The rules in this subpart apply to the pricing of network elements, interconnection, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation.

(b) As used in this subpart, the term "element" includes network elements, interconnection, and methods of obtaining interconnection and access to unbundled elements.

#### § 51.503 General pricing standard.

(a) An incumbent LEC shall offer elements to requesting telecommunications carriers at rates, terms, and conditions that are just, reasonable, and nondiscriminatory.

(b) An incumbent LEC's rates for each element it offers shall comply with the rate structure rules set forth in §§ 51.507 and 51.509, and shall be established, at the election of the state commission—

(1) Pursuant to the forward-looking economic cost-based pricing methodology set forth in §§ 51.505 and 51.511; or

(2) Consistent with the proxy ceilings and ranges set forth in § 51.513.

(c) The rates that an incumbent LEC assesses for elements shall not vary on the basis of the class of customers served by the requesting carrier, or on the type of services that the requesting carrier purchasing such elements uses them to provide.

#### § 51.505 Forward-looking economic cost.

(a) *In general.* The forward-looking economic cost of an element equals the sum of:

(1) The total element long-run incremental cost of the element, as described in paragraph (b); and

(2) A reasonable allocation of forward-looking common costs, as described in paragraph (c).

(b) *Total element long-run incremental cost.* The total element long-run incremental cost of an element is the forward-looking cost over the long run of the total quantity of the facilities and

functions that are directly attributable to, or reasonably identifiable as incremental to, such element, calculated taking as a given the incumbent LEC's provision of other elements.

(1) *Efficient network configuration.* The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.

(2) *Forward-looking cost of capital.* The forward-looking cost of capital shall be used in calculating the total element long-run incremental cost of an element.

(3) *Depreciation rates.* The depreciation rates used in calculating forward-looking economic costs of elements shall be economic depreciation rates.

(c) *Reasonable allocation of forward-looking common costs—(1) Forward-looking common costs.* Forward-looking common costs are economic costs efficiently incurred in providing a group of elements or services (which may include all elements or services provided by the incumbent LEC) that cannot be attributed directly to individual elements or services.

(2) *Reasonable allocation.* (i) The sum of a reasonable allocation of forward-looking common costs and the total element long-run incremental cost of an element shall not exceed the stand-alone costs associated with the element. In this context, stand-alone costs are the total forward-looking costs, including corporate costs, that would be incurred to produce a given element if that element were provided by an efficient firm that produced nothing but the given element.

(ii) The sum of the allocation of forward-looking common costs for all elements and services shall equal the total forward-looking common costs, exclusive of retail costs, attributable to operating the incumbent LEC's total network, so as to provide all the elements and services offered.

(d) *Factors that may not be considered.* The following factors shall not be considered in a calculation of the forward-looking economic cost of an element:

(1) *Embedded costs.* Embedded costs are the costs that the incumbent LEC incurred in the past and that are recorded in the incumbent LEC's books of accounts;

(2) *Retail costs.* Retail costs include the costs of marketing, billing, collection, and other costs associated with offering retail telecommunications services to subscribers who are not telecommunications carriers, described in §51.609;

(3) *Opportunity costs.* Opportunity costs include the revenues that the incumbent LEC would have received for the sale of telecommunications services, in the absence of competition from telecommunications carriers that purchase elements; and

(4) *Revenues to subsidize other services.* Revenues to subsidize other services include revenues associated with elements or telecommunications service offerings other than the element for which a rate is being established.

(e) *Cost study requirements.* An incumbent LEC must prove to the state commission that the rates for each element it offers do not exceed the forward-looking economic cost per unit of providing the element, using a cost study that complies with the methodology set forth in this section and §51.511.

(1) A state commission may set a rate outside the proxy ranges or above the proxy ceilings described in §51.513 only if that commission has given full and fair effect to the economic cost based pricing methodology described in this section and §51.511 in a state proceeding that meets the requirements of paragraph (e)(2) of this section.

(2) Any state proceeding conducted pursuant to this section shall provide notice and an opportunity for comment to affected parties and shall result in the creation of a written factual record that is sufficient for purposes of review. The record of any state proceeding in which a state commission considers a cost study for purposes of establishing rates under this section shall include any such cost study.

#### §51.507 General rate structure standard.

(a) Element rates shall be structured consistently with the manner in which

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the costs of providing the elements are incurred.

(b) *The costs of dedicated facilities shall be recovered through flat-rated charges.*

(c) *The costs of shared facilities shall be recovered in a manner that efficiently apportions costs among users. Costs of shared facilities may be apportioned either through usage-sensitive charges or capacity-based flat-rated charges, if the state commission finds that such rates reasonably reflect the costs imposed by the various users.*

(d) *Recurring costs shall be recovered through recurring charges, unless an incumbent LEC proves to a state commission that such recurring costs are de minimis. Recurring costs shall be considered de minimis when the costs of administering the recurring charge would be excessive in relation to the amount of the recurring costs.*

(e) *State commissions may, where reasonable, require incumbent LECs to recover nonrecurring costs through recurring charges over a reasonable period of time. Nonrecurring charges shall be allocated efficiently among requesting telecommunications carriers, and shall not permit an incumbent LEC to recover more than the total forward-looking economic cost of providing the applicable element.*

(f) *State commissions shall establish different rates for elements in at least three defined geographic areas within the state to reflect geographic cost differences.*

(1) *To establish geographically-deaveraged rates, state commissions may use existing density-related zone pricing plans described in §69.123 of this chapter, or other such cost-related zone plans established pursuant to state law.*

(2) *In states not using such existing plans, state commissions must create a minimum of three cost-related rate zones.*

[61 FR 45619, Aug. 29, 1996, as amended at 64 FR 32207, June 16, 1999; 64 FR 68637, Dec. 8, 1999]

**§51.509 Rate structure standards for specific elements.**

In addition to the general rules set forth in §51.507, rates for specific ele-

ments shall comply with the following rate structure rules.

(a) *Local loops.* Loop costs shall be recovered through flat-rated charges.

(b) *Local switching.* Local switching costs shall be recovered through a combination of a flat-rated charge for line ports and one or more flat-rated or per-minute usage charges for the switching matrix and for trunk ports.

(c) *Dedicated transmission links.* Dedicated transmission link costs shall be recovered through flat-rated charges.

(d) *Shared transmission facilities between tandem switches and end offices.* The costs of shared transmission facilities between tandem switches and end offices may be recovered through usage-sensitive charges, or in another manner consistent with the manner that the incumbent LEC incurs those costs.

(e) *Tandem switching.* Tandem switching costs may be recovered through usage-sensitive charges, or in another manner consistent with the manner that the incumbent LEC incurs those costs.

(f) *Signaling and call-related database services.* Signaling and call-related database service costs shall be usage-sensitive, based on either the number of queries or the number of messages, with the exception of the dedicated circuits known as signaling links, the cost of which shall be recovered through flat-rated charges.

(g) *Collocation.* Collocation costs shall be recovered consistent with the rate structure policies established in the *Expanded Interconnection* proceeding, CC Docket No. 91-141.

**§51.511 Forward-looking economic cost per unit.**

(a) *The forward-looking economic cost per unit of an element equals the forward-looking economic cost of the element, as defined in §51.505, divided by a reasonable projection of the sum of the total number of units of the element that the incumbent LEC is likely to provide to requesting telecommunications carriers and the total number of units of the element that the incumbent LEC is likely to use in offering its own services, during a reasonable measuring period.*

(b)(1) With respect to elements that an incumbent LEC offers on a flat-rate basis, the number of units is defined as the discrete number of elements (e.g., local loops or local switch ports) that the incumbent LEC uses or provides.

(2) With respect to elements that an incumbent LEC offers on a usage-sensitive basis, the number of units is defined as the unit of measurement of the usage (e.g., minutes of use or call-related database queries) of the element.

**§51.513 Proxies for forward-looking economic cost.**

(a) A state commission may determine that the cost information available to it with respect to one or more elements does not support the adoption of a rate or rates that are consistent with the requirements set forth in §§51.505 and 51.511. In that event, the state commission may establish a rate for an element that is consistent with the proxies specified in this section, provided that:

(1) Any rate established through use of such proxies shall be superseded once the state commission has completed review of a cost study that complies with the forward-looking economic cost based pricing methodology described in §§51.505 and 51.511, and has concluded that such study is a reasonable basis for establishing element rates; and

(2) The state commission sets forth in writing a reasonable basis for its selection of a particular rate for the element.

(b) The constraints on proxy-based rates described in this section apply on a geographically averaged basis. For purposes of determining whether geographically deaveraged rates for elements comply with the provisions of this section, a geographically averaged proxy-based rate shall be computed based on the weighted average of the actual, geographically deaveraged rates that apply in separate geographic areas in a state.

(c) *Proxies for specific elements—(1) Local loops.* For each state listed below, the proxy-based monthly rate for unbundled local loops, on a statewide, weighted average basis, shall be no greater than the figures listed in the table below. (The Commission has not

established a default proxy ceiling for loop rates in Alaska.)

TABLE

State	Proxy ceiling
Alabama	\$17.25
Arizona	12.85
Arkansas	21.18
California	11.10
Colorado	14.87
Connecticut	13.23
Delaware	13.24
District of Columbia	10.81
Florida	13.68
Georgia	16.09
Hawaii	15.27
Idaho	20.16
Illinois	13.12
Indiana	13.29
Iowa	15.94
Kansas	19.85
Kentucky	16.70
Louisiana	16.98
Maine	18.69
Maryland	13.36
Massachusetts	9.83
Michigan	15.27
Minnesota	14.81
Mississippi	21.97
Missouri	18.32
Montana	25.18
Nebraska	18.05
Nevada	18.95
New Hampshire	16.00
New Jersey	12.47
New Mexico	18.66
New York	11.75
North Carolina	16.71
North Dakota	25.36
Ohio	15.73
Oklahoma	17.63
Oregon	15.44
Pennsylvania	12.30
Puerto Rico	12.47
Rhode Island	11.48
South Carolina	17.07
South Dakota	25.33
Tennessee	17.41
Texas	15.49
Utah	15.12
Vermont	20.13
Virginia	14.13
Washington	13.37
West Virginia	19.25
Wisconsin	15.94
Wyoming	25.11

(2) *Local switching.* (1) The blended proxy-based rate for the usage-sensitive component of the unbundled local switching element, including the switching matrix, the functionalities used to provide vertical features, and the trunk ports, shall be no greater than 0.4 cents (\$0.004) per minute, and no less than 0.2 cents (\$0.002) per minute, except that, where a state commission has, before August 8, 1996, established a rate less than or equal to

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the state commission that the restriction is reasonable and nondiscriminatory, such as by proving to a state commission that the incumbent LEC lacks the capability to comply with unbranding or rebranding requests.

(2) For purposes of this subpart, unbranding or rebranding shall mean that operator, call completion, or directory assistance services are offered in such a manner that an incumbent LEC's brand name or other identifying information is not identified to subscribers, or that such services are offered in such a manner that identifies to subscribers the requesting carrier's brand name or other identifying information.

§51.615 *Withdrawal of services.*

When an incumbent LEC makes a telecommunications service available only to a limited group of customers that have purchased such a service in the past, the incumbent LEC must also make such a service available at wholesale rates to requesting carriers to offer on a resale basis to the same limited group of customers that have purchased such a service in the past.

§51.617 *Assessment of end user common line charge on resellers.*

(a) Notwithstanding the provision in §69.104(a) of this chapter that the end user common line charge be assessed upon end users, an incumbent LEC shall assess this charge, and the charge for changing the designated primary interexchange carrier, upon requesting carriers that purchase telephone exchange service for resale. The specific end user common line charge to be assessed will depend upon the identity of the end user served by the requesting carrier.

(b) When an incumbent LEC provides telephone exchange service to a requesting carrier at wholesale rates for resale, the incumbent LEC shall continue to assess the interstate access charges provided in part 69 of this chapter, other than the end user common line charge, upon interexchange carriers that use the incumbent LEC's facilities to provide interstate or international telecommunications services to the interexchange carriers' subscribers.

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**Subpart H—Reciprocal Compensation for Transport and Termination of Telecommunications Traffic**

EDITORIAL NOTE: Nomenclature changes to subpart H appear at 66 FR 26806, May 15, 2001.

§51.701 *Scope of transport and termination pricing rules.*

(a) The provisions of this subpart apply to reciprocal compensation for transport and termination of telecommunications traffic between LECs and other telecommunications carriers.

(b) *Telecommunications traffic.* For purposes of this subpart, telecommunications traffic means:

(1) Telecommunications traffic exchanged between a LEC and a telecommunications carrier other than a CMRS provider, except for telecommunications traffic that is interstate or intrastate exchange access, information access, or exchange services for such access (see FCC 01-131, paragraphs 34, 36, 39, 42-43); or

(2) Telecommunications traffic exchanged between a LEC and a CMRS provider that, at the beginning of the call, originates and terminates within the same Major Trading Area, as defined in §24.202(a) of this chapter.

(c) *Transport.* For purposes of this subpart, transport is the transmission and any necessary tandem switching of telecommunications traffic subject to section 251(b)(5) of the Act from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party, or equivalent facility provided by a carrier other than an incumbent LEC.

(d) *Termination.* For purposes of this subpart, termination is the switching of telecommunications traffic at the terminating carrier's end office switch, or equivalent facility, and delivery of such traffic to the called party's premises.

(e) *Reciprocal compensation.* For purposes of this subpart, a reciprocal compensation arrangement between two carriers is one in which each of the two carriers receives compensation from the other carrier for the transport and termination on each carrier's network

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facilities of telecommunications traffic that originates on the network facilities of the other carrier.

[61 FR 45619, Aug. 29, 1996, as amended at 66 FR 26806, May 15, 2001]

**§51.703 Reciprocal compensation obligation of LECs.**

(a) Each LEC shall establish reciprocal compensation arrangements for transport and termination of telecommunications traffic with any requesting telecommunications carrier.

(b) A LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network.

**§51.705 Incumbent LECs' rates for transport and termination.**

(a) An incumbent LEC's rates for transport and termination of telecommunications traffic shall be established, at the election of the state commission, on the basis of:

(1) The forward-looking economic costs of such offerings, using a cost study pursuant to §§51.505 and 51.511;

(2) Default proxies, as provided in §51.707; or

(3) A bill-and-keep arrangement, as provided in §51.713.

(b) In cases where both carriers in a reciprocal compensation arrangement are incumbent LECs, state commissions shall establish the rates of the smaller carrier on the basis of the larger carrier's forward-looking costs, pursuant to §51.711.

**§51.707 Default proxies for incumbent LECs' transport and termination rates.**

(a) A state commission may determine that the cost information available to it with respect to transport and termination of telecommunications traffic does not support the adoption of a rate or rates for an incumbent LEC that are consistent with the requirements of §§51.505 and 51.511. In that event, the state commission may establish rates for transport and termination of telecommunications traffic, or for specific components included therein, that are consistent with the proxies specified in this section, provided that:

(1) Any rate established through use of such proxies is superseded once that state commission establishes rates for transport and termination pursuant to §§51.705(a)(1) or 51.705(a)(3); and

(2) The state commission sets forth in writing a reasonable basis for its selection of a particular proxy for transport and termination of telecommunications traffic, or for specific components included within transport and termination.

(b) If a state commission establishes rates for transport and termination of telecommunications traffic on the basis of default proxies, such rates must meet the following requirements:

(1) *Termination.* The incumbent LEC's rates for the termination of telecommunications traffic shall be no greater than 0.4 cents (\$0.004) per minute, and no less than 0.2 cents (\$0.002) per minute, except that, if a state commission has, before August 8, 1996, established a rate less than or equal to 0.5 cents (\$0.005) per minute for such calls, that rate may be retained pending completion of a forward-looking economic cost study.

(2) *Transport.* The incumbent LEC's rates for the transport of telecommunications traffic, under this section, shall comply with the proxies described in §51.513(c) (3), (4), and (5) of this part that apply to the analogous unbundled network elements used in transporting a call to the end office that serves the called party.

[61 FR 45619, Aug. 29, 1996, as amended at 61 FR 52709, Oct. 8, 1996]

**§51.709 Rate structure for transport and termination.**

(a) In state proceedings, a state commission shall establish rates for the transport and termination of telecommunications traffic that are structured consistently with the manner that carriers incur those costs, and consistently with the principles in §§51.507 and 51.509.

(b) The rate of a carrier providing transmission facilities dedicated to the transmission of traffic between two carriers' networks shall recover only the costs of the proportion of that trunk capacity used by an interconnecting carrier to send traffic that



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will terminate on the providing carrier's network. Such proportions may be measured during peak periods.

**§51.711 Symmetrical reciprocal compensation.**

(a) Rates for transport and termination of telecommunications traffic shall be symmetrical, except as provided in paragraphs (b) and (c) of this section.

(1) For purposes of this subpart, symmetrical rates are rates that a carrier other than an incumbent LEC assesses upon an incumbent LEC for transport and termination of telecommunications traffic equal to those that the incumbent LEC assesses upon the other carrier for the same services.

(2) In cases where both parties are incumbent LECs, or neither party is an incumbent LEC, a state commission shall establish the symmetrical rates for transport and termination based on the larger carrier's forward-looking costs.

(3) Where the switch of a carrier other than an incumbent LEC serves a geographic area comparable to the area served by the incumbent LEC's tandem switch, the appropriate rate for the carrier other than an incumbent LEC is the incumbent LEC's tandem interconnection rate.

(b) A state commission may establish asymmetrical rates for transport and termination of telecommunications traffic only if the carrier other than the incumbent LEC (or the smaller of two incumbent LECs) proves to the state commission on the basis of a cost study using the forward-looking economic cost based pricing methodology described in §§51.505 and 51.511, that the forward-looking costs for a network efficiently configured and operated by the carrier other than the incumbent LEC (or the smaller of two incumbent LECs), exceed the costs incurred by the incumbent LEC (or the larger incumbent LEC), and, consequently, that such that a higher rate is justified.

(c) Pending further proceedings before the Commission, a state commission shall establish the rates that licensees in the Paging and Radio\* telephone Service (defined in part 22, subpart E of this chapter), Narrowband Personal Communications Services (de-

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defined in part 24, subpart D of this chapter), and Paging Operations in the Private Land Mobile Radio Services (defined in part 90, subpart P of this chapter) may assess upon other carriers for the transport and termination of telecommunications traffic based on the forward-looking costs that such licensees incur in providing such services, pursuant to §§51.505 and 51.511. Such licensees' rates shall not be set based on the default proxies described in §51.707.

**§51.713 Bill-and-keep arrangements for reciprocal compensation.**

(a) For purposes of this subpart, bill-and-keep arrangements are those in which neither of the two interconnecting carriers charges the other for the termination of telecommunications traffic that originates on the other carrier's network.

(b) A state commission may impose bill-and-keep arrangements if the state commission determines that the amount of telecommunications traffic from one network to the other is roughly balanced with the amount of telecommunications traffic flowing in the opposite direction, and is expected to remain so, and no showing has been made pursuant to §51.711(b).

(c) Nothing in this section precludes a state commission from presuming that the amount of telecommunications traffic from one network to the other is roughly balanced with the amount of telecommunications traffic flowing in the opposite direction and is expected to remain so, unless a party rebuts such a presumption.

**§51.715 Interim transport and termination pricing.**

(a) Upon request from a telecommunications carrier without an existing interconnection arrangement with an incumbent LEC, the incumbent LEC shall provide transport and termination of telecommunications traffic immediately under an interim arrangement, pending resolution of negotiation or arbitration regarding transport and termination rates and approval of such rates by a state commission under sections 251 and 252 of the Act.

(1) This requirement shall not apply when the requesting carrier has an existing interconnection arrangement

## Federal Communications Commission

§ 51.801

that provides for the transport and termination of telecommunications traffic by the incumbent LEC.

(2) A telecommunications carrier may take advantage of such an interim arrangement only after it has requested negotiation with the incumbent LEC pursuant to § 51.301.

(b) Upon receipt of a request as described in paragraph (a) of this section, an incumbent LEC must, without unreasonable delay, establish an interim arrangement for transport and termination of telecommunications traffic at symmetrical rates.

(1) In a state in which the state commission has established transport and termination rates based on forward-looking economic cost studies, an incumbent LEC shall use these state-determined rates as interim transport and termination rates.

(2) In a state in which the state commission has established transport and termination rates consistent with the default price ranges and ceilings described in § 51.707, an incumbent LEC shall use these state-determined rates as interim rates.

(3) In a state in which the state commission has neither established transport and termination rates based on forward-looking economic cost studies nor established transport and termination rates consistent with the default price ranges described in § 51.707, an incumbent LEC shall set interim transport and termination rates at the default ceilings for end-office switching (0.4 cents per minute of use), tandem switching (0.15 cents per minute of use), and transport (as described in § 51.707(b)(2)).

(c) An interim arrangement shall cease to be in effect when one of the following occurs with respect to rates for transport and termination of telecommunications traffic subject to the interim arrangement:

(1) A voluntary agreement has been negotiated and approved by a state commission;

(2) An agreement has been arbitrated and approved by a state commission; or

(3) The period for requesting arbitration has passed with no such request.

(d) If the rates for transport and termination of telecommunications traffic in an interim arrangement differ

from the rates established by a state commission pursuant to § 51.705, the state commission shall require carriers to make adjustments to past compensation. Such adjustments to past compensation shall allow each carrier to receive the level of compensation it would have received had the rates in the interim arrangement equalled the rates later established by the state commission pursuant to § 51.705.

### § 51.717 Renegotiation of existing non-reciprocal arrangements.

(a) Any CMRS provider that operates under an arrangement with an incumbent LEC that was established before August 8, 1996 and that provides for non-reciprocal compensation for transport and termination of telecommunications traffic is entitled to renegotiate these arrangements with no termination liability or other contract penalties.

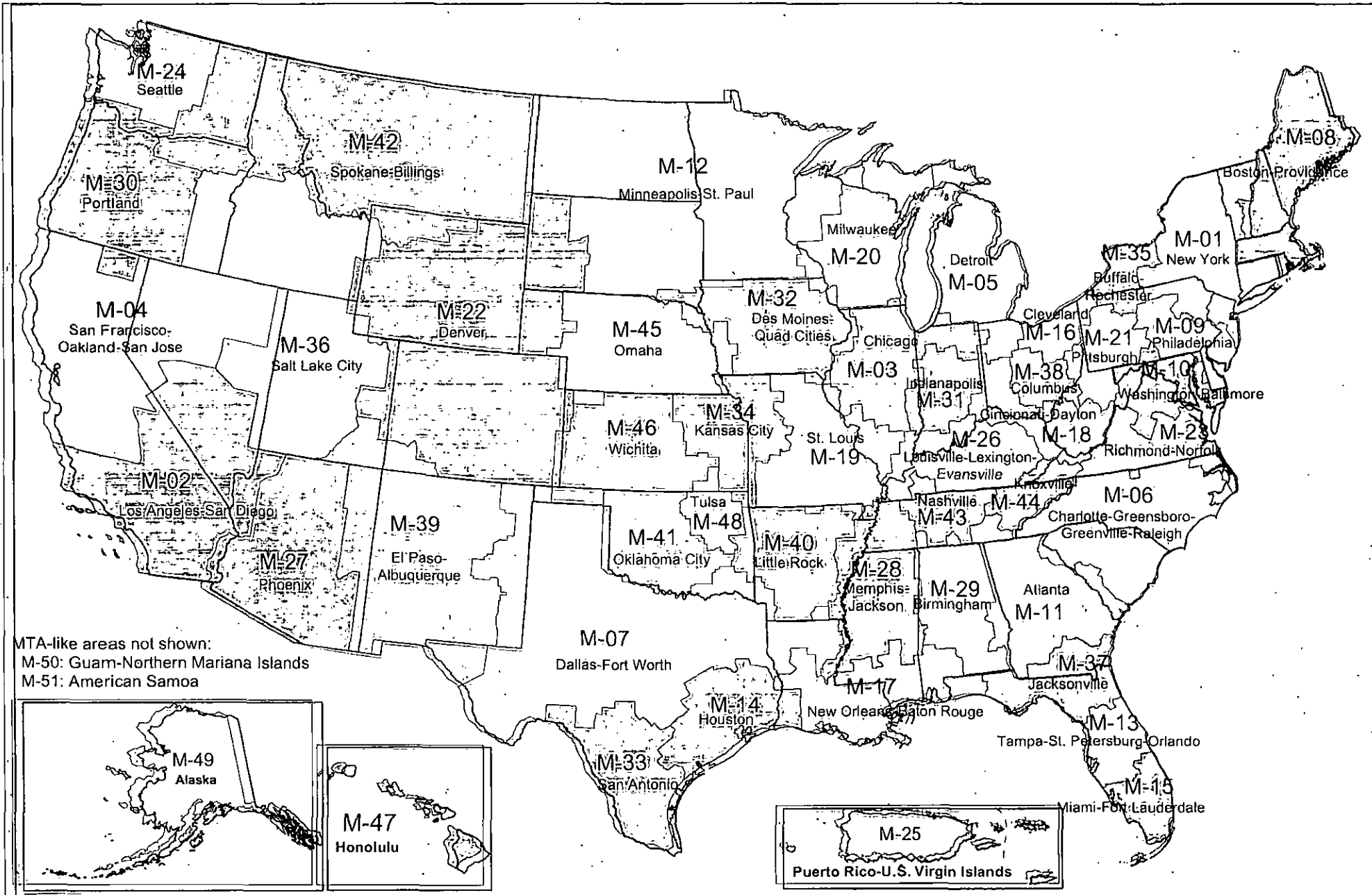
(b) From the date that a CMRS provider makes a request under paragraph (a) of this section until a new agreement has been either arbitrated or negotiated and has been approved by a state commission, the CMRS provider shall be entitled to assess upon the incumbent LEC the same rates for the transport and termination of telecommunications traffic that the incumbent LEC assesses upon the CMRS provider pursuant to the pre-existing arrangement.

### Subpart I—Procedures for Implementation of Section 252 of the Act

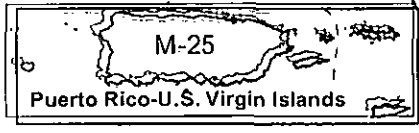
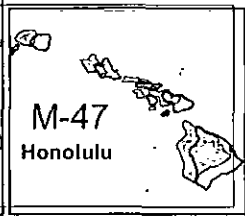
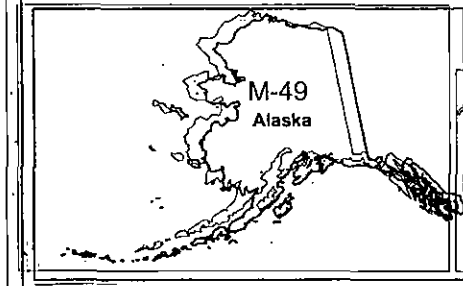
#### § 51.801 Commission action upon a state commission's failure to act to carry out its responsibility under section 252 of the Act.

(a) If a state commission fails to act to carry out its responsibility under section 252 of the Act in any proceeding or other matter under section 252 of the Act, the Commission shall issue an order preempting the state commission's jurisdiction of that proceeding or matter within 90 days after being notified (or taking notice) of such failure, and shall assume the responsibility of the state commission under section 252

# Major Terrestrial Areas (MTAs)



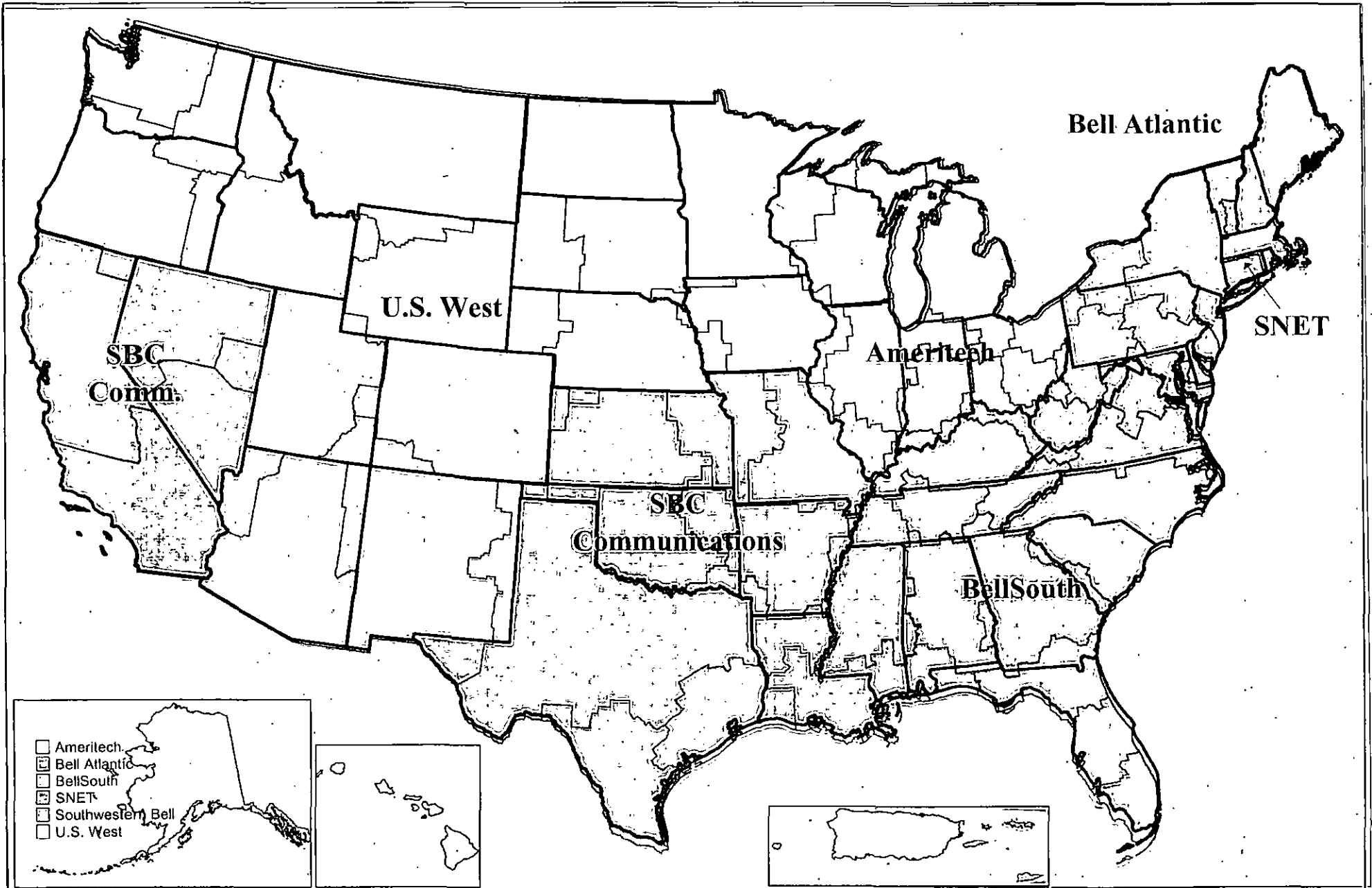
MTA-like areas not shown:  
 M-50: Guam-Northern Mariana Islands  
 M-51: American Samoa



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Federal Communications Commission  
 Office of Engineering and Technology  
 Michael R. Davis

# Regional Bell Operating Companies (RBOCs)





## VERIFICATION

I, Steven E. Watkins, hereby state that the facts set forth in the foregoing Appendix D, and as to those issues in the Initial Offer for which I am identified as the witness, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at any hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in black ink, appearing to read "Steve E. Watkins", with a horizontal line extending to the right from the end of the signature.

Steven E. Watkins

Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Cellco Partnership d/b/a Verizon : Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to :  
Section 252 of the Telecommunications :  
Act of 1996 to Establish an :  
Interconnection Agreement With :  
ALLTEL Pennsylvania, Inc. :

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FEB 06 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that I have this 6<sup>th</sup> day of February, 2004, served a true and correct copy of the Initial Offer and supporting documentation of ALLTEL Pennsylvania, Inc. to the Petition for Arbitration of Cellco Partnership d/b/a Verizon Wireless upon the persons and in the manner indicated below:

**VIA E-MAIL AND HAND DELIVERY**

Honorable Wayne L. Weismandel  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
2<sup>nd</sup> Floor West  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**VIA E-MAIL AND FEDERAL EXPRESS**

Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103

Elaine D. Critides, Esquire  
Associate Director, Regulatory  
Verizon Wireless  
Suite 400 West  
1300 Eye Street, N.W.  
Washington, DC 20005

  
Patricia Armstrong

Law Offices

One Logan Square  
18TH and Cherry Streets  
Philadelphia, PA  
19103-6996  
215-988-2700  
215-988-2757 fax  
www.drinkerbiddle.com

NEW YORK  
WASHINGTON  
LOS ANGELES  
SAN FRANCISCO  
PRINCETON  
FLORHAM PARK  
BERWYN  
WILMINGTON

February 9, 2004

*Via Federal Express and Email*

Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500

RE: Petition of Cellco Partnership d/b/a Verizon Wireless For Arbitration  
Pursuant to Section 252 of the Telecommunications Act of 1996,  
Docket No. A-310489F7004

Dear Ms. Armstrong:

As discussed, I enclose the Amended Second Supplement to Responses of Cellco Partnership to First Set of Interrogatories of Alltel Pennsylvania, Inc. Directed to Verizon Wireless in the referenced matter.

Please do not hesitate to contact me if you have any questions regarding this matter.

**DOCUMENT  
FOLDER**

Very truly yours,

*Christopher M. Arfaa/smr*

Christopher M. Arfaa

CMA/cms  
Enclosure

cc: James J. McNulty, Secretary (*w/o encl. via federal express*)  
Attached Certificate of Service (*w/encl. via first class mail*)

**RECEIVED**

**FEB 09 2004**

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

Established  
1849



CERTIFICATE OF SERVICE

I hereby certify that I have this day caused to be served a copy of the Amended Second Supplement to Responses of Cellco Partnership to First Set of Interrogatories of Alltel Pennsylvania, Inc. Directed to Verizon Wireless upon the persons listed below by the means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

Via Federal Express – Over Night Delivery and E-mail

D. Mark Thomas, Esq.  
Patricia Armstrong, Esq.  
Thomas Thomas Armstrong & Niesen  
212 Locust Street  
Harrisburg, PA 17108-9500

dmthomas@ttanlaw.com  
parmstrong@ttanlaw.com

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FEB 09 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Via First Class Mail

Charles F. Hoffman, Esq.  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105

Irwin A. Popowsky, Esq.  
Office of Consumer Advocate  
555 Walnut Street, 5th Floor  
Forum Place  
Harrisburg, PA 17101-1923

Carol Pennington, Esq.  
Office of Small Business Advocate  
1102 Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Dated: February 9, 2004

*Christopher M. Arfaa/smr*

Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
18<sup>th</sup> and Cherry Streets  
One Logan Square  
Philadelphia, PA 19103-60996  
(215) 988-2700

Counsel for  
Cellco Partnership d/b/a Verizon Wireless

**OALJ Hearing Report**

Please Check Those Blocks Which Apply

Docket No.:	A-310489F7004		YES	NO
Case Name:	Petition of CELLCO Partnership d/b/a Verizon Pennsylvania	Prehearing Held:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Location:	HBG	Hearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Date:	February 10, 2004	Testimony Taken:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ALJ:	Wayne L. Weismandel	Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Reporting Firm:	Commonwealth Reporting	Hearing Concluded:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Further Hearing Needed:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Estimated Add'l Days:	N/A	
		RECORD CLOSED:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		DATE:	2/10/04.	
		Briefs to be Filed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		DATE:	MAIN-2/24/04 Reply-3/2/04	
		Bench Decision:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		REMARKS:		

**DOCUMENT FOLDER**

**RECEIVED**

FEB 12 2004

PA PUBLIC UTILITY COM'N  
SECRETARY'S BUREAU

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OFFICE OF C.A.L.J.  
04 FEB 11 PM 3:3  
PA PUC

PLEASE PRINT CLEARLY - Incomplete Information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
PATRICIA ARMSTRONG REGINA MATZ D MARK THOMAS THOMAS THOMAS ARMSTRONG & NIKSEU	212 LOCUST ST SUITE 500 P.O. BOX 9500 City: HARRISBURG PA Zip: 17108	ALLTEL PENNSYLVANIA, INC
Telephone: 717-255-7600	E-mail Address: PARMSTRONG@ZZZ.com	Fax Number: 717-236-8278
Elaine Crudos, Verizon Wireless	1300 I Street, NW - 400 W City: Washington DC Zip: 20817	VERIZON Wireless
Telephone: 202/589-3756	E-mail Address:	Fax Number: 202/589-3750
CHRISTOPHER ALFAA	One Logan Square City: Phila. PA Zip: 19103	Verizon wireless
Telephone: 215-988-2715	E-mail Address: christopher.alfaa@	Fax Number: 215-988-2757

Check this box if additional parties or attendees appear on back of form.

*DR.com*  
John A. Kelly CRC, Inc.  
Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address			Who are you representing?
Susan M. Roache	Drinker Biddle & Reath One Logan Sq.			Verizon Wireless
Telephone: 215-988-2861	City Phila	State PA	Zip 19103	E-mail Address: susan.roache@drinker.com Fax Number: (215) 988-2757
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*

# OALJ Hearing Report

Please  Check Those Blocks Which Apply

Docket No.:	A-310489F7004		YES	NO		
		Prehearing Held:	<input type="checkbox"/>	<input type="checkbox"/>		
Case Name:	Petition of CELLCO Partnership d/b/a	Hearing Held:	<input type="checkbox"/>	<input type="checkbox"/>		
	Verizon Pennsylvania	Testimony Taken:	<input type="checkbox"/>	<input type="checkbox"/>		
		Transcript Due:	<input type="checkbox"/>	<input type="checkbox"/>		
		Hearing Concluded:	<input type="checkbox"/>	<input type="checkbox"/>		
Location:	HBG	Further Hearing Needed:	<input type="checkbox"/>	<input type="checkbox"/>		
Date:	February 11, 2004	Estimated Add'l Days:				
ALJ:	Wayne L. Weismandel	RECORD CLOSED:	<input type="checkbox"/>	<input type="checkbox"/>		
		DATE:				
Reporting Firm:	Commonwealth Reporting	Briefs to be Filed:	<input type="checkbox"/>	<input type="checkbox"/>		
		DATE:				
		Bench Decision:	<input type="checkbox"/>	<input type="checkbox"/>		
<p style="font-size: 2em; font-weight: bold;">CANCELED - HEARING COMPLETED 2/10/04.</p>		REMARKS:	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> RECEIVED FEB 12 2004 </div>			

PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
	City      State      Zip	DOCUMENT FOLDER
Telephone:	E-mail Address:	
	City      State      Zip	
Telephone:	E-mail Address:	Fax Number:
	City      State      Zip	
Telephone:	E-mail Address:	Fax Number:
	City      State      Zip	
Telephone:	E-mail Address:	Fax Number:

Check this box if additional parties or attendees appear on back of form.

\_\_\_\_\_  
Reporter's Signature

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office Of Administrative Law Judge  
P.O. Box 3265, Harrisburg, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

February 11, 2004

In Re: A-310489F7004

(See letter dated 01/08/2004)

**Petition of CELLCO Partnership d/b/a Verizon Wireless**

For Arbitration of Interconnection Rates, Terms, Conditions and  
Related Arrangements, with ALLTEL, Pennsylvania, Inc.

Hearing Cancellation Notice

This is to further inform you that the Further Hearing on  
the above-captioned case scheduled to be held on Wednesday,  
February 11, 2004 at 10:00 a.m. was canceled.

Presiding: Administrative Law Judge Wayne L. Weismandel  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
Telephone: (717) 783-5452  
Fax: (717) 787-0481

DOCUMENT  
FOLDER

Please mark your records accordingly.

pc: Judge Weismandel  
Steve Springer, Scheduling Officer  
Beth Plantz  
Docket Section  
Calendar File

**DOCKETED**  
MAR 04 2004

*Thomas, Thomas, Armstrong & Niesen*  
*Attorneys and Counsellors at Law*

SUITE 500  
212 LOCUST STREET  
P. O. BOX 9500  
HARRISBURG, PA 17108-9500

ORIGINAL

PATRICIA ARMSTRONG

Direct Dial: (717) 255-7627  
E-Mail: parmstrong@ttanlaw.com

www.ttanlaw.com

FIRM (717) 255-7600

FAX (717) 236-8278

CHARLES E. THOMAS  
(1913 - 1998)

February 13, 2004

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

DOCUMENT

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SECRETARY'S BUREAU

In re: Cellco Partnership d/b/a Verizon Wireless For Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996 to Establish an Interconnection Agreement With ALLTEL Pennsylvania, Inc.  
Docket No. A-310489F7004

Dear Secretary McNulty:

Enclosed for filing are an original and three copies of the Joint Stipulation to Reopen Record of ALLTEL Pennsylvania, Inc. and Cellco Partnership d/b/a Verizon Wireless in the above referenced proceeding. Also enclosed is a proposed Order Reopening Record and Admitting Exhibits.

Copies of the Joint Stipulation to Reopen Record has been served in accordance with the attached Certificate of Service.

Very truly yours,

THOMAS, THOMAS, ARMSTRONG & NIESEN

By

  
Patricia Armstrong

Enclosures

cc: Certificate of Service  
Stephen B. Rowell, Esquire (w/encl.)  
Lynn Hughes (w/encl.)

Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

Re: Cellco Partnership d/b/a Verizon : Docket No. A-310489F7004  
Wireless For Arbitration Pursuant to :  
Section 252 of the Telecommunications :  
Act of 1996 :

CERTIFICATE OF SERVICE

I hereby certify that I have this 13<sup>th</sup> day of February, 2004, served a true and correct copy of the Joint Stipulation to Reopen Record and proposed Order on behalf of ALLTEL Pennsylvania, Inc. and Cellco Partnership d/b/a Verizon Wireless upon the persons and in the manner indicated below:

**HAND DELIVERY**

Honorable Wayne L. Weismandel  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
2<sup>nd</sup> Floor West  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

SECRETARY'S BUREAU

2004 FEB 13 PM 2:52

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**VIA FAX AND FIRST CLASS MAIL**

Christopher M. Arfaa  
Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103

Elaine D. Critides, Esquire  
Associate Director, Regulatory  
Verizon Wireless  
Suite 400 West  
1300 Eye Street, N.W.  
Washington, DC 20005

  
Patricia Armstrong

Before the  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

Re: Cellco Partnership d/b/a Verizon :  
Wireless For Arbitration Pursuant to : Docket No. A-310489F7004  
Section 252 of the :  
Telecommunications Act of 1996 :

SECRETARY'S BUREAU

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DOCUMENT

VERIZON WIRELESS AND  
ALLETEL PENNSYLVANIA, INC.'S  
JOINT STIPULATION TO REOPEN RECORD

AND NOW, comes, ALLETEL Pennsylvania, Inc. ("ALLETEL") and Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless") (collectively "Parties") by their respective attorneys, pursuant to 52 Pa. Code §5.571, and jointly stipulate to reopen the record in the above-captioned arbitration proceeding for the very limited purpose of admitting ALLETEL Statements 2 and 2R and ALLETEL Exhibits CC-1 and CC-2, which were inadvertently not moved for admission at the February 10, 2004 hearing.

The Parties also stipulate that Verizon Wireless preserves for the record an objection pursuant to 52 Pa. Code § 5.243(e) to the introduction of ALLETEL Exhibit CC-2 and that portion of ALLETEL Statement 2R relating to Exhibit CC-2, and that ALLETEL preserves its response, which objection is deemed overruled by the Presiding Officer.

The Parties also stipulate that, without waiver by Verizon Wireless of the foregoing objection, that upon approval of this stipulation by the Presiding Officer, ALLETEL Statements 2 and 2R and ALLETEL Exhibits CC-1 and CC-2 shall be admitted into the record of this proceeding.

DOCKETED  
APR 07 2004



Respectfully submitted,

CELLCO PARTNERSHIP d/b/a  
VERIZON WIRELESS

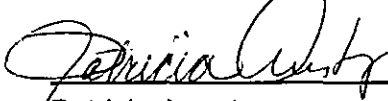
By \_\_\_\_\_  
Christopher Arfaa

Attorney for  
Cellco Partnership d/b/a  
Verizon Wireless

Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103  
(215) 988-2715

Dated: February 13, 2004

ALLTEL PENNSYLVANIA, INC.

By   
Patricia Armstrong  
Regina L. Matz  
D. Mark Thomas

Attorneys for  
ALLTEL Pennsylvania, Inc.

THOMAS, THOMAS,  
ARMSTRONG & NIESEN  
212 Locust Street, Suite 500  
PO Box 9500  
Harrisburg, PA 17108-9500  
(717) 255-7600

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SECRETARY'S BUREAU

Respectfully submitted,

CELLCO PARTNERSHIP d/b/a  
VERIZON WIRELESS

ALLTEL PENNSYLVANIA, INC.

By   
Christopher Arfaa

By \_\_\_\_\_  
Patricia Armstrong  
Regina L. Matz  
D. Mark Thomas

Attorney for  
Cellco Partnership d/b/a  
Verizon Wireless

Attorneys for  
ALLTEL Pennsylvania, Inc.

Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103  
(215) 988-2715

THOMAS, THOMAS,  
ARMSTRONG & NIESEN  
212 Locust Street, Suite 500  
PO Box 9500  
Harrisburg, PA 17108-9500  
(717) 255-7600

Dated: February 13, 2004

F:\CLIENTS\Utility\APP\ITORP\Verizon-A-310489\Documents\Joint Agreement.rtf

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SECRETARY'S BUREAU

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

Petition of Cellco Partnership d/b/a Verizon :  
Wireless For Arbitration Pursuant to :  
Section 252 Of the Telecommunications : A-310489F7004  
Act of 1996 to Establish an Interconnection :  
Agreement With ALLTEL Pennsylvania, Inc. :

**ORDER REOPENING RECORD AND ADMITTING EXHIBITS**

On February 13, 2004, the parties submitted a Joint Stipulation to reopen the record for the limited purpose of admitting ALLTEL Statements 2 and 2R and Exhibits CC-1 and CC-2 and providing Verizon Wireless a preservation for the record of its objection to the introduction of ALLTEL Exhibit CC-2 and that portion of ALLTEL Statement 2R relating to Exhibit CC-2 and preserving ALLTEL's response to such objection.

THEREFORE,

IT IS ORDERED:

1. That the record in the above-captioned case is reopened for the limited purposes of admitting into evidence as a part of the record:

ALLTEL Pennsylvania, Inc. Statement Number 2 (in both proprietary and non-proprietary versions).

ALLTEL Pennsylvania, Inc. Statement Number 2R (in both proprietary and non- proprietary versions).

ALLTEL Pennsylvania, Inc. Exhibits CC-1 and CC-2.

2. That Verizon Wireless's objection to the introduction of ALLTEL Exhibit CC-2 and that portion of ALLTEL Statement 2R relating to Exhibit CC-2, and ALLTEL's response to such objection, are preserved for the record.

Date: February , 2004

---

Wayne L. Weismandel  
Administrative Law Judge