

VERIZON WIRELESS STATEMENT NO. 1.0

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SECRETARY'S BUREAU

DIRECT TESTIMONY OF

MARC B. STERLING

ON BEHALF OF

CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. A-310489F7004

*Addressing All Issues*

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**PART I – INTRODUCTION**

**Q. State your name, address and occupation.**

A. My name is Marc B. Sterling. I am Member, Technical Staff – Contract Negotiator for Cellco Partnership d/b/a Verizon Wireless (“Verizon Wireless”) and my office address is One Verizon Place, Alpharetta, Georgia 30004. Verizon Wireless was formed as a result of the merger between the wireless properties formerly held by AirTouch Communications, Cellco Partnership d/b/a Bell Atlantic Mobile, GTE Wireless Incorporated, and PrimeCo Personal Communications, LP. Verizon Wireless operates the Federal Communications Commission (“FCC”) licenses to operate commercial mobile radio service (“CMRS”) in Pennsylvania held by Cellco Partnership, Northeast Pennsylvania SMSA Limited Partnership d/b/a Verizon Wireless, Pittsburgh SMSA Limited Partnership d/b/a Verizon Wireless, Pennsylvania RSA 1 Limited Partnership d/b/a Verizon Wireless, Pennsylvania No. 3 Sector 2 Limited Partnership d/b/a Verizon Wireless, Pennsylvania No. 4 Sector 2 Limited Partnership d/b/a Verizon Wireless, Pennsylvania RSA No. 6(II) Limited Partnership d/b/a Verizon Wireless.

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

A. I have been employed in the telecommunications industry for eighteen (18) years and in wireless for fourteen (14) years. My work experience in this industry includes financial analysis, business planning, partnership relations, and negotiation of acquisitions and divestitures of wireless licenses and partnership interests. Since 1997, I have been negotiating interconnection agreements and private line transport

1 lease agreements. I have negotiated interconnection agreements with Regional Bell  
2 Operating Companies ("RBOCs") (Ameritech, BellSouth, Pacific Bell, and  
3 Southwestern Bell), national "independent" (i.e., non-RBOC) local exchange carriers  
4 or "LECs" (ALLTEL and Sprint-United), and rural LECs.

5 **Q. How is your testimony organized?**

6 A. My testimony is divided into three parts: this introductory section, a section  
7 addressing the background of this dispute and the general positions of the parties, and  
8 a section addressing the specific issues identified in the pleadings.

9 ***PART II – BACKGROUND AND POSITIONS OF THE PARTIES***

10 **Q. Please describe and contrast "direct" and "indirect" interconnection  
11 arrangements between Verizon Wireless and LECs.**

12 A. Direct interconnection arrangements involve dedicated facilities that connect the  
13 switch(es) of Verizon Wireless with a LEC's network at an end office or tandem  
14 office. Direct Interconnection facilities can be either one-way (i.e., carry traffic in  
15 only the mobile-to-land or land-to-mobile direction) or two-way (i.e., carry traffic in  
16 both directions). Indirect interconnection refers to an arrangement where the  
17 originating carrier routes its traffic to the terminating carrier through the use of a third  
18 party's tandem and transport facilities, where the third party carrier is interconnected  
19 to both the originating and terminating carriers. All of the indirect traffic exchanged  
20 between Verizon Wireless and ALLTEL in Pennsylvania currently is routed through  
21 common transport and tandem facilities between Verizon Wireless and Verizon  
22 Pennsylvania, Inc., and between ALLTEL and Verizon Pennsylvania, Inc., as  
23 depicted in the attached diagram. (See Attached Diagram, Exhibit MBS - 1).

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

3 A. On behalf of Verizon Wireless, I have negotiated direct and indirect interconnection  
4 agreements with independent local exchange carriers in various states. Verizon  
5 Wireless typically pursues direct interconnection with an independent LEC when the  
6 traffic exchanged between the two carriers is sufficient to warrant direct  
7 interconnection arrangements. Where the level of traffic exchanged between a LEC  
8 and CMRS carrier is minimal, direct interconnection arrangements are not cost  
9 efficient.

10 **Q. What agreements, if any, have you been able to reach with independent LECs in**  
11 **the region?**

12 A. Verizon Wireless has agreements covering direct and indirect interconnection in  
13 Pennsylvania with United Telephone Company of Pennsylvania and Commonwealth  
14 Telephone Company. Verizon Wireless has negotiated agreements covering direct  
15 and indirect interconnection in other states with independent LECs that have affiliates  
16 in Pennsylvania. Since June of 2002, Verizon Wireless has been negotiating with  
17 twenty-one (21) rural LECs in Pennsylvania, but has been unable to come to  
18 voluntary agreements covering indirect traffic with any of these carriers. See *In re*  
19 *Requests of Cellco Partnership to Terminate Section 251(f)(1)(B) Rural Exemption*,  
20 Pa. PUC Docket Nos. P-00021995-P00022015.

21 **Q. Please describe what agreements, if any, you have with ALLTEL Pennsylvania,**  
22 **Inc. (“ALLTEL”), and the status of those agreements.**

23 A. The interconnection agreement that existed between Verizon Wireless and ALLTEL

1 Pennsylvania, Inc. was terminated by ALLTEL effective March 16, 2003. The  
2 termination of the existing agreement arose out of a dispute between the parties over  
3 whether the reciprocal compensation provisions of the previous agreement applied to  
4 indirect traffic exchanged between the parties. The outcome of this contract dispute  
5 is pending before the Commission and ALJ Paist in *ALLTEL Pennsylvania, Inc. v.*  
6 *Verizon Pennsylvania Inc. et al.*, Pa PUC Docket No. C-20039321. It is Verizon  
7 Wireless's position that indirect traffic was covered by the prior agreement. Instead,  
8 ALLTEL argued: that the terms of the prior agreement did not apply; that the  
9 intraLATA toll arrangement between ALLTEL and Verizon Pennsylvania ("ITORP")  
10 governed the termination charges due ALLTEL; and that ALLTEL owed no  
11 reciprocal compensation to Verizon Wireless for ALLTEL-originated traffic  
12 delivered indirectly to Verizon Wireless.

13 **Q. In your opinion, are there issues which require a ruling from the Commission**  
14 **before the parties can successfully negotiate an interconnection agreement?**

15 A. Yes. Pursuant to Sections 251 and 252 of the Communications Act of 1934, as  
16 amended by the Telecommunications Act of 1996 (as amended, the "Act"), Verizon  
17 Wireless and ALLTEL may negotiate and ultimately arbitrate the rates, terms, and  
18 conditions of direct and indirect interconnection. Based upon our experience  
19 negotiating with ALLTEL in Pennsylvania and other states, Verizon Wireless  
20 believes that voluntary negotiations have been unproductive due to the different legal  
21 positions of the parties over the jurisdictional nature of indirect traffic. Verizon  
22 Wireless and ALLTEL need the Commission to determine whether indirect traffic  
23 subject to Sections 251(a)(1) of the Act is subject to the reciprocal compensation

1 requirements of Section 251(b)(5) and pricing requirement of 252(d)(2) of the Act.

2 Verizon Wireless and ALLTEL have been attempting to reach interconnection  
3 arrangements in various states. There have been two major stumbling blocks to these  
4 negotiations in each case. The first is whether, outside of the context of a voluntarily  
5 negotiated interconnection agreement, cost-based interconnection rates should apply  
6 to the flow of indirect traffic on a reciprocal basis – in other words, whether Section  
7 251(b)(5) of the Act legally obligates ALLTEL and Verizon Wireless to apply the  
8 FCC’s reciprocal compensation rules to indirect traffic. Apparently, ALLTEL  
9 believes that indirect traffic is subject to Section 251(a)(1) of the Act, but not  
10 251(b)(5). It also appears to be ALLTEL’s position that it will *agree* to provide some  
11 type of reciprocal compensation for indirect traffic, but that it is not *obligated* to do  
12 this under 251(b)(5). The reason this issue is still open is that adequate terms and  
13 conditions for rates, the measurement of traffic applicable to the reciprocal  
14 compensation rate, and the parties’ obligations to share two-way facilities charges  
15 have not been agreed to by the parties. The parties’ different legal opinions on these  
16 matters will affect the terms of the agreement, and therefore this issue remains open.

17 It is Verizon Wireless’s position that the obligation is clearly laid out in the FCC’s  
18 rules, which subjects all traffic (except traffic carried by an interexchange carrier  
19 (“IXC”)) exchanged within the same Major Trading Area (“MTA”) to the reciprocal  
20 compensation regime of Sections 251(b)(5) and 252(d)(2) of the Act. (See 47 C.F.R.  
21 §§ 51.701(b)(2).) ALLTEL argues that unless there is an interconnection agreement  
22 that covers the third-party transit arrangements used in indirect interconnection, it is  
23 not subject to the cost-based reciprocal compensation obligations set forth in Sections

1 251(b)(5) and 252(d)(2).

2 ALLTEL's interpretation of its obligations under Sections 251 and 252 of the Act  
3 and the FCC's reciprocal compensation rules seems to be motivated by a desire to  
4 maximize the rate applied to indirect traffic exchanged between ALLTEL and  
5 Verizon Wireless. ALLTEL argues that, unless it is specifically covered by an  
6 interconnection agreement, traffic that is indirectly routed through the tandem switch  
7 of a third-party local exchange carrier (usually Verizon Pennsylvania) is not subject  
8 to the reciprocal compensation obligations of the Act and the FCC's rules, but instead  
9 is governed by the IntraLATA Toll Originating Responsibility Plan ("ITORP")  
10 Agreement between Verizon Pennsylvania and ALLTEL. The rates applied through  
11 the ITORP Agreement appear to be based on access charges and the applicable rules  
12 for billing and collection of originating and terminating access charges. It is Verizon  
13 Wireless's position that Sections 251(b)(5) and 252(d)(2) of the Act and Section  
14 51.701 of the FCC's rules require the reciprocal compensation for indirect traffic  
15 between Verizon Wireless and ALLTEL that originates and terminates within the  
16 same MTA to be based upon forward-looking costs, whereas ALLTEL argues the  
17 rates should be subject to the ITORP Agreement, which applies access rates.

18 Although the FCC has ruled, via Section 51.701(b)(2) of the Act, that the traffic  
19 exchanged between LECs and CMRS carriers is subject to reciprocal compensation  
20 so long as it is originated and terminated within a single MTA, Verizon Wireless  
21 expects that ALLTEL will argue the ITORP arrangement governs the indirect

1 exchange of traffic between the parties unless ITORP is superseded or amended.<sup>1</sup>

2 The second major stumbling block is that ALLTEL has proposed local transport  
3 and termination rates that are higher than the rates that have been in the  
4 interconnection agreements ALLTEL has entered with other CMRS carriers since the  
5 passage of the Act. Verizon Wireless believes transport and termination rates for  
6 indirect and direct interconnection should be cost-based in accordance with Section  
7 252(d)(2) of the Act. The rates proposed by ALLTEL to Verizon Wireless are  
8 significantly higher than the current rates set forth in ALLTEL's existing  
9 interconnection agreements with: Horizon Cellular, ACC, D&E Wireless, Devon  
10 Mobile Communications, AT&T Wireless, Sprint PCS, Dobson Cellular Systems,  
11 Inc., and NPCR. The rates in these contracts vary from \$.010 per terminating minute  
12 to \$.0139 per minute, with a single rate applying to all traffic regardless of how or  
13 where delivered. In comparison, the rates proposed by ALLTEL to Verizon Wireless  
14 are \$.02243 per minute for indirect interconnection, \$.02505 per minute for tandem  
15 interconnection, and \$.01263 per minute for end office termination.

16 **Q. Has ALLTEL provided Verizon Wireless with access to a cost study purporting**  
17 **to support ALLTEL's proposed rates?**

18 A. This issue is addressed by the testimony presented by Don J. Wood on behalf of  
19 Verizon Wireless in this matter.

20 **Q. In the absence of facts sufficient to establish cost-based rates, what method of**  
21 **reciprocal compensation would Verizon Wireless propose?**

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<sup>1</sup> Historically, where Verizon Wireless did not have interconnection agreements in place, Verizon Wireless paid access rates for all traffic terminating over such common trunks to ALLTEL. The fact Verizon Wireless paid access rates of course does not mean that Verizon Wireless ever agreed that this was access



1 A. The FCC's reciprocal compensation rules provide that a state commission may adopt  
2 a "bill-and-keep" arrangement, as provided in 47 CFR § 51.713. Pursuant to a bill-  
3 and-keep arrangement, each carrier transports and terminates the other carrier's traffic  
4 without payment from the other carrier. Instead of billing the originating carrier, the  
5 terminating carrier recovers its costs of transport and termination from its end-users.  
6 The FCC's rules provide that bill-and-keep is appropriate when traffic between the  
7 carriers is "roughly balanced." *See* 47 CFR § 51.713. However, the state  
8 commission may presume that traffic is roughly balanced if no party introduces  
9 evidence to the contrary. *See id.* Verizon Wireless asked ALLTEL in discovery to  
10 provide the basis for its claimed traffic ratios in this case. ALLTEL responded that  
11 the only basis for its claimed ratios was a provision in the draft agreement between  
12 the parties. ALLTEL thus has represented that it does not have any actual factual  
13 evidence to rebut the presumption that the traffic between the carriers is roughly  
14 balanced.

15 Alternatively, the Commission may adopt the cost-based transport and  
16 termination rates of Verizon Pennsylvania as interim rates pending the determination  
17 of permanent cost-based rates for ALLTEL in a separate proceeding. *See* 47 CFR  
18 § 51.715.

19 **Q. What type of interconnection facilities are you seeking from ALLTEL?**

20 A. Verizon Wireless already interconnects directly with ALLTEL at three (3) locations  
21 in Pennsylvania (Kittanning, Meadville, and St Marys). Additionally, Verizon  
22 Wireless interconnects with ALLTEL in Pennsylvania indirectly via Verizon

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traffic, or that Verizon Wireless has waived its rights under sections 251 and 252 of the 1996 Act—it has

1 Pennsylvania's tandems. Verizon Wireless wishes to maintain the existing direct and  
2 indirect arrangements, and is prepared to establish additional direct interconnections  
3 with ALLTEL where the volume of traffic exchanged between Verizon Wireless and  
4 ALLTEL economically justifies direct interconnection. Typically, Verizon Wireless  
5 agrees to provision direct interconnection facilities on a dedicated basis where the  
6 parties exchange approximately 500,000 minutes of usage (MOUs) per month.

7 ALLTEL originally proposed an end office direct interconnection threshold at a DS1  
8 level of mobile-to-land traffic to a specific ALLTEL NPA/NXX, and subsequently  
9 revised that to a DS1 level of traffic to an end office.<sup>2</sup> In response to Verizon  
10 Wireless's proposal, ALLTEL has proposed a direct interconnection threshold at  
11 257,000 MOUs of traffic exchanged per month in both directions. Verizon Wireless  
12 is analyzing this proposal.

13 **Q. What are technical and economic considerations for these facilities?**

14 A. To the extent Verizon Wireless and ALLTEL interconnect indirectly, as we do today,  
15 traffic we exchange should continue to be transmitted over common facilities  
16 between Verizon Pennsylvania's tandems and ALLTEL. The use of Verizon  
17 Pennsylvania's tandems and the common trunks connecting those tandems to  
18 ALLTEL provides the most efficient means of exchanging traffic when volumes do  
19 not justify direct interconnection.

20 **Q. Why should ALLTEL agree to indirect interconnection at the LEC tandem?**

21 A. Legally, ALLTEL and Verizon Wireless are required pursuant to Section 251(a)(1)

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not.

<sup>2</sup> A "DS1 level of traffic" means the volume of traffic for which a DS-1 trunk is required to provide adequate capacity. Because different carriers trunk their networks based upon their particular usage needs,

1 and FCC Rule 20.11 to interconnect their networks indirectly. Except where indirect  
2 interconnection is technically infeasible or commercially unreasonable, all LECs,  
3 including ALLTEL, “must provide the type of interconnection reasonably requested  
4 by a mobile service licensee or carrier, within a reasonable time.” 47 CFR § 20.11(a).  
5 Where intercarrier traffic volumes do not justify direct interconnection, indirect  
6 interconnection through common, shared facilities at Verizon Pennsylvania’s tandems  
7 is the most efficient means of exchanging traffic.

8 **Q. What is the market rate for indirect interconnection based upon Verizon  
9 Wireless’s agreements with other carriers?**

10 A. Verizon Wireless has entered agreements with many independent LECs, including  
11 LECs with their own tandems and end offices and LECs with only end offices  
12 subtending a third-party’s tandem. In all cases, indirect interconnection for intraMTA  
13 traffic is subject to local rates, not access rates. As discussed above, other CMRS  
14 carriers have negotiated reciprocal compensation rates with ALLTEL in the range of  
15 \$0.010-\$0.0139 per MOU.

16 **Q. Should there be a different rate for indirect termination versus direct  
17 termination of traffic between carriers?**

18 A. Rates for both direct termination and indirect termination of intraMTA LEC-CMRS  
19 traffic should be based on forward-looking costs. Where an independent LEC is  
20 subtending a larger LEC’s tandem, as is the case with ALLTEL and Verizon  
21 Pennsylvania, the only facilities of ALLTEL that are being employed to “terminate”  
22 and “transport” the traffic as those terms are defined by 251(b)(5) of the Act, are the

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the precise volume of traffic represented by a DS-1 trunk may vary by carrier. This is why Verizon

1 end office and the shared facilities between ALLTEL and Verizon Pennsylvania,  
2 except in those cases where ALLTEL is providing some tandem switching  
3 functionality. Therefore, costs that are recoverable by ALLTEL for termination of  
4 CMRS originated traffic pursuant to the FCC's reciprocal compensation rule where  
5 traffic is routed indirectly are ALLTEL's direct end office or tandem termination  
6 costs, as applicable, plus a component to cover the cost of transport between Verizon  
7 Pennsylvania's tandem and ALLTEL's network. ALLTEL has indicated it would  
8 follow this approach, but Verizon Wireless has not received cost information from  
9 ALLTEL sufficient to determine whether or not their proposed rates truly reflect their  
10 forward-looking costs.

11 **Q. What party to interconnection should bear the transit rate for traffic it**  
12 **originates?**

13 A. According to Section 51.703(b) of the FCC's reciprocal compensation rules, the  
14 originating carrier is responsible for the costs of the traffic that is originated on its  
15 network and delivered to the terminating carrier. As such, the originating LEC  
16 should bear the cost of transiting a third-party's network, because this cost is  
17 attributed to traffic originated by that LEC. Thus, Verizon Wireless pays Verizon  
18 Pennsylvania for the transiting service for indirect traffic in the "mobile to land"  
19 direction – that is, traffic originated by Verizon Wireless, transited across Verizon  
20 Pennsylvania's tandem, and terminated by ALLTEL. Similarly, pursuant to the  
21 FCC's rule, ALLTEL should pay for the transiting service for indirect traffic in the  
22 "land to mobile" direction – that is, traffic originated by ALLTEL, transited across

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Wireless is proposing the more granular measurement of minutes of use ("MOU").

1 Verizon Pennsylvania's tandem, and terminated by Verizon Wireless. ALLTEL  
2 nevertheless contends that Verizon Wireless should pay Verizon Pennsylvania for the  
3 cost of transiting indirect traffic in the land-to-mobile direction – that its, traffic  
4 originated by ALLTEL and terminated by Verizon Wireless. I am advised that this is  
5 contrary to the FCC's rule 51.703(b), pursuant to which the originating carrier is  
6 responsible for the costs of delivering traffic it causes to be terminated on terminating  
7 carrier's network—not the terminating carrier or the transiting carrier. If ALLTEL  
8 does not want to pay Verizon Pennsylvania for transiting service, ALLTEL can  
9 establish direct interconnection to carry its originated traffic to Verizon Wireless.  
10 Further, as noted previously, Verizon Wireless and ALLTEL are negotiating a  
11 volume threshold that would trigger a direct connection requirement. Having such a  
12 volume threshold should mitigate ALLTEL's concerns about transit charges on high  
13 volumes of land-to-mobile traffic.

14 **Q. Why should the originating carrier pay for the transit, transport, and**  
15 **termination fees associated with origination of its own traffic?**

16 A. According to current rules promulgated by the FCC, the party who originates a  
17 telephone call is considered the cost causer; and thus the originating carrier must  
18 compensate the terminating carrier for the use of the terminating carrier's network  
19 and must also compensate the transiting carrier for the transiting function provided.  
20 As explained above, to the extent traffic exchanged between carriers is roughly  
21 balanced, bill-and-keep is an appropriate alternative. See 47 C.F.R. § 51.713.

1 **Q. Does Verizon Wireless currently have in place the billing processes to bill for**  
2 **reciprocal compensation based on third party tandem traffic reports, such as**  
3 **those provided by Verizon Pennsylvania?**

4 A. No. Verizon Wireless does not currently measure actual land-to-mobile minutes of  
5 use for traffic delivered indirectly. Further, Verizon Wireless does not receive reports  
6 from transit providers, such as Verizon Pennsylvania, that detail indirect land-to-  
7 mobile usage. As such, Verizon Wireless would expect to bill reciprocal  
8 compensation based on negotiated land-to-mobile ratios applied to usage billed to  
9 Verizon Wireless by ALLTEL. This is the same method used by Verizon Wireless to  
10 bill reciprocal compensation pursuant to its existing direct and indirect  
11 interconnection agreements with other LECs. It is standard industry practice for  
12 carriers to bill based on transit traffic reports from a third party transit provider, using  
13 traffic factors derived from the traffic studies. The FCC recognized these billing  
14 techniques in its order implementing its local reciprocal compensation rules.<sup>3</sup>

15 **Q. What type of traffic between wireless carriers and LECs is subject to reciprocal**  
16 **compensation?**

17 A. According to the FCC's *Local Interconnection Order* and rules, traffic between  
18 wireless carriers and LECs that originates and terminates within the same MTA at the  
19 start of the call is subject to reciprocal compensation. The rules in the *Local*  
20 *Interconnection Order* apply to both direct and indirect interconnection.

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<sup>3</sup> See *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd 15499 (1996) at ¶ 1044 ("We conclude that the parties may calculate overall compensation amounts by extrapolating from traffic studies and samples.").

1 **Q. Do the FCC's rules for reciprocal compensation apply to both land-to-mobile**  
2 **traffic and mobile-to-land traffic?**

3 A. Yes. Both intraMTA land-to-mobile (LEC to wireless carrier) traffic and intraMTA  
4 mobile-to-land (wireless carrier to LEC) traffic are subject to reciprocal compensation  
5 unless the traffic is carried by an IXC. This is true whether the traffic is delivered  
6 directly or indirectly.

7 **Q. What should the reciprocal compensation rate be for indirect and direct traffic?**

8 A. Based on FCC rules, reciprocal compensation for intraMTA direct and indirect traffic  
9 should be based on forward-looking costs, not embedded costs, of traffic sensitive  
10 network elements of the independent LEC. As set forth more fully in the testimony  
11 of Don J. Wood, Verizon Wireless is proposing a blended rate of \$.0078 per minute  
12 for Type 2A, Type 2B, and Indirect Interconnection.

13 **Q. How should the parties apportion the cost of direct interconnection facilities?**

14 A. The cost of two-way direct interconnection facilities should be shared based on the  
15 relative usage by Verizon Wireless and ALLTEL. While ALLTEL indicates it agrees  
16 with this approach, it has proposed interconnection agreement language that requires  
17 the point of interconnection to be "within ALLTEL's interconnected network."

18 Thus, ALLTEL appears to take the position that it is not responsible for delivery of  
19 ALLTEL-originated traffic beyond its franchise territory. It is Verizon Wireless's  
20 position that federal law requires LECs to bear the cost of delivering traffic to CMRS  
21 carriers anywhere within the MTA in which the call originated. While we would not  
22 expect ALLTEL to build facilities outside of its territory to carry such traffic, we do

1 believe ALLTEL should compensate the CMRS carrier or third party carrier whose  
2 facilities are used to deliver such traffic.

3 **Q. What is the appropriate rate to be charged by Verizon Wireless for the**  
4 **termination of ALLTEL-originated traffic?**

5 A. To the extent Verizon Wireless's switch serves a geographic area that is equivalent to  
6 the area served by ALLTEL's tandem, all traffic delivered directly in the land-to-  
7 mobile direction should be charged at the tandem (i.e., Type 2A) rate. When Verizon  
8 Wireless delivers traffic to an ALLTEL tandem, ALLTEL provides tandem  
9 switching, common transport to the end office, and end office termination. The costs  
10 for the elements comprise the tandem (Type 2A) rate. When Verizon Wireless  
11 delivers traffic directly to an ALLTEL end office, ALLTEL provides only end office  
12 termination. As such, the end office (Type 2B) rate is comprised of only the end  
13 office termination rate element. Regardless of whether ALLTEL delivers traffic to  
14 Verizon Wireless over a tandem connection or an end office connection, the  
15 functionality employed by Verizon Wireless is the same. There is no justification for  
16 requiring Verizon Wireless to charge the lower end office rate for land-to-mobile  
17 calls delivered over an end office connection, because Verizon Wireless's costs for  
18 terminating the traffic remain the same. If ALLTEL was proposing one blended rate,  
19 as opposed to one rate for the tandem, and another lower rate for the end office,  
20 Verizon Wireless would not be seeking compensation at the tandem rate.

21 ***PART III – SPECIFIC ISSUES***



1 **Q. With respect to Issue 1: Are Rural LECs subject to the negotiation and**  
2 **arbitration process set forth in Section 252(b) for disputes under Section**  
3 **251(b)(5) for traffic indirectly exchanged between CMRS providers?**

4 A. Yes. I understand that the arbitration process of Section 252(b) applies to any  
5 disputes arising under Section 251(a)-(c). This issue is not "moot" or "resolved" as  
6 asserted by ALLTEL because ALLTEL has "reserved" its alleged right to invoke the  
7 rural exemption for certain purposes. This issue must be resolved in order to  
8 determine the specific terms of interconnection between the parties.

9 **Q. With respect to Issue 2: Do the FCC's rules interpreting the scope of an ILEC's**  
10 **reciprocal compensation obligations under 252 (b)(5) apply to IntraMTA traffic**  
11 **that is exchanged indirectly through a third-party LEC's Tandem facilities?**

12 A. Yes. The FCC's reciprocal compensation rules apply to all traffic defined as  
13 "telecommunications traffic" by section 51.701(b)(2) of the FCC's rules, 47 CFR  
14 § 51.701(b)(2). This issue is not "moot" or "resolved" as asserted by ALLTEL  
15 because while ALLTEL has conceded in its Response that reciprocal compensation  
16 will apply to intraMTA traffic, the rates proposed by ALLTEL and the scope of the  
17 transport charges which it agrees to pay are inconsistent with Verizon Wireless's  
18 interpretation of the FCC's reciprocal compensation requirements. For example,  
19 during the course of negotiations, ALLTEL has asserted certain costs of transport  
20 facilities are not recoverable under the reciprocal compensation requirements of  
21 despite the fact that the plain meaning of 47 C.F.R. § 51.703(b) prohibits originating  
22 LECs from shifting the costs to terminating carriers for the transport and termination  
23 of LEC originated traffic. ALLTEL has also indicated that 251(b)(5) and 251(a)(1)

1 are mutually exclusive provisions. If ALLTEL is correct on this legal conclusion,  
2 then it would also argue that Sections 51.701 and 51.703 of the FCC's reciprocal  
3 compensation rules do not apply. In sum, the parties disagree over the application of  
4 the FCC's reciprocal compensation rules to indirect traffic.

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

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

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

22 A. Yes. The FCC's rules obligate the originating carrier to pay transit charges due third-  
23 party carriers for telecommunications traffic terminated on a CMRS providers

1 network. When ALLTEL originates traffic indirectly, it causes the transit provider to  
2 incur costs for transport and termination of the call to the terminating carrier. In this  
3 scenario, ALLTEL causes the transit expense, and it should therefore bear the costs of  
4 transit fees when it originates traffic to a transit provider. *See* 47 C.F.R. § 51. 703(b).

5 **Q. With respect to Issue 4: Does a third party transit provider “terminate” traffic**  
6 **within the meaning of Section 251(b)(5)?**

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

16 **Q. With respect to Issue 5: Where a third party provider provides indirect**  
17 **interconnection facilities, must the interconnection agreement that establishes**  
18 **the terms and conditions for the exchange of the traffic between the originating**  
19 **and terminating carriers include the terms and conditions on which the**  
20 **originating carrier will pay the third party transiting provider for transiting**  
21 **service?**

22 A. No. The reciprocal compensation requirements imposed by the Act and implemented  
23 by the FCC set up a system for two parties to establish arrangements and bill each

1 other for traffic terminating on their respective networks. It is the responsibility of  
2 the originating carrier to arrange the means by which it transports traffic to the  
3 terminating carrier, whether those means are the originating carrier's own network or  
4 the network of a transiting carrier.

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

8 A. Yes. Where Verizon Wireless has numbers rated as local to ALLTEL's local calling  
9 areas and extended local calling areas, CMRS-originated calls should be afforded  
10 dialing parity and be treated as local calls. ALLTEL has proposed contract language  
11 addressing this issue in its response to Verizon Wireless's arbitration petition.

12 Verizon Wireless has agreed to the contract language proposed by ALLTEL provided  
13 it is applicable to both direct and indirect traffic. ALLTEL has agreed to that  
14 clarification. Therefore, this issue will be resolved upon the Arbitrator's ratification  
15 of the parties' agreement.

16 **Q. With respect to Issue 8: Should a LEC be required to share in the cost of**  
17 **dedicated two-way interconnection facilities between its switch and the CMRS**  
18 **carrier's switch?**

19 A. Yes. Where the parties have agreed to construct or lease two-way interconnection  
20 facilities on a dedicated basis, both parties should share in their proportionate use of  
21 such facilities, regardless of whether such facilities extend beyond the LEC's rate  
22 center boundary or "interconnected network." ALLTEL is incorrect in stating that  
23 Verizon Wireless proposes no limits on the delivery of land-to-mobile traffic.

1 Verizon Wireless believes the originating LEC is responsible for delivery of its  
2 originated traffic to the CMRS carriers switch as long as that switch is within the  
3 same MTA. ALLTEL is already originating traffic indirectly to Verizon Wireless's  
4 network; therefore, it should share in the costs of delivery of this traffic regardless of  
5 where it provides local service to its own end users. The indirect interconnection  
6 arrangement is a carrier-to-carrier relationship, not a service provided to consumers.

7 **Q. With respect to Issue 9: What is the appropriate pricing methodology for**  
8 **establishing a reciprocal compensation rate for the exchange of indirect traffic?**

9 A. Sections 251(b)(5) and 252(d)(2) of the Act and Section 51.701 of the FCC's rules  
10 require the reciprocal compensation for indirect traffic between Verizon Wireless and  
11 ALLTEL that originates and terminates within Verizon Wireless's MTA to be based  
12 upon forward-looking costs. ALLTEL has submitted a cost study that purports to  
13 show the forward-looking costs of transporting and terminating indirect traffic  
14 originated by Verizon Wireless. Don J. Wood addresses the merits of ALLTEL's  
15 cost study and proposes, in the alternative, a blended rate of \$.0078 per minute for  
16 Type 2A, Type 2B, and Indirect Interconnection.

17 As I explain above, the FCC's reciprocal compensation rules alternatively provide  
18 that a state commission may adopt a "bill-and-keep" arrangement, as provided in 47  
19 CFR 51.713. Pursuant to a bill-and-keep arrangement, each carrier transports and  
20 terminates the other carrier's traffic without payment from the other carrier. Instead  
21 of billing the originating carrier, the terminating carrier recovers its costs of transport  
22 and termination from its end-users. The FCC's rules provide that bill-and-keep is  
23 appropriate when traffic between the carriers is "roughly balanced." See 47 CFR

1 51.713. However, the state commission may presume that traffic is roughly balanced  
2 if no party introduces evidence to the contrary. *See id.* Verizon Wireless asked  
3 ALLTEL in discovery to provide the basis for its claimed traffic ratios in this case.  
4 ALLTEL responded that the only basis for its claimed ratios was a provision in the  
5 draft agreement between the parties. ALLTEL thus does not have any actual factual  
6 evidence to rebut the presumption that the traffic between the carriers is roughly  
7 balanced.

8 Alternatively, the Commission may adopt the cost-based transport and  
9 termination rates of Verizon Pennsylvania as interim rates pending determination of  
10 permanent rates for ALLTEL. *See* 47 CFR § 51.715.

11 **Q. With respect to Issue 10: Can the parties implement a traffic factor to use as**  
12 **a proxy for the mobile-to-land and land-to-mobile traffic balance if the CMRS**  
13 **provider does not measure traffic?**

14 A. Yes. As explained above, there are circumstances under which a Party may need to  
15 use factors to determine traffic balances for purposes of reciprocal compensation.  
16 The factor would be available and used by a party to the extent that party can not  
17 measure actual terminating minutes. With respect to traffic exchanged with Verizon  
18 Wireless, I am unsure whether ALLTEL can measure the amount of traffic it  
19 originates or terminates indirectly through the transit facilities of Verizon  
20 Communications. If ALLTEL can measure the amount of traffic it terminates  
21 indirectly, a traffic factor can be used by Verizon Wireless to estimate the amount of  
22 traffic ALLTEL originates indirectly to Verizon Wireless.

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

5 A. Yes. Verizon Wireless proposes to charge ALLTEL's tandem rate as a symmetrical  
6 rate. The network functionality used by Verizon Wireless to terminate a call does not  
7 vary whether the call is delivered from an ALLTEL tandem, an ALLTEL end office,  
8 or indirectly via a Verizon Pennsylvania tandem. Conversely, the network  
9 functionality used by ALLTEL to terminate a call is dependent on whether the call is  
10 delivered to ALLTEL's tandem or ALLTEL's end office. Verizon Wireless would  
11 apply the tandem rate based on ALLTEL's forward-looking cost, not a rate derived  
12 from Verizon Wireless's costs. This is not an asymmetrical rate applicable only to  
13 Verizon Wireless, because ALLTEL may charge the same reciprocal compensation  
14 rate for traffic it terminates at its tandem office.

15 **Q. Does Verizon Wireless's switch serving its cell sites in ALLTEL's territory serve**  
16 **a geographical area equivalent to an ILEC tandem?**

17 A. Yes, it does.

18 **Q. With respect to Issue 12: Should the parties establish a factor to delineate what**  
19 **percentage of traffic is interMTA and thereby subject to access rates? If so,**  
20 **what should the factor be?**

21 A. Yes. The parties have agreed that the factor will be 3%. Therefore, this issue will be  
22 resolved upon the Arbitrator's ratification of the parties' agreement.

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

5 A. Section 51.715 of the FCC's rules provides for interim reciprocal compensation rates,  
6 where a requesting carrier has requested negotiations of an interconnection  
7 agreement: "In a state in which a state commission has established transport and  
8 termination rates based on forward-looking cost studies, an incumbent LEC shall use  
9 these state-determined rates as interim transport and termination rates." 47 CFR  
10 §51.715(b)(1). It is my understanding that the Pennsylvania Commission has  
11 approved transport and termination rates for Verizon Pennsylvania, an incumbent  
12 LEC. The interim rates would be subject to true up to the final rates in the approved  
13 interconnection agreement.

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

17 A. Verizon Wireless has accepted the resolution of this issue proposed by ALLTEL in its  
18 Response, pursuant to which the parties will incorporate the following language into  
19 the interconnection agreement: "Either Party will have the right to terminate this  
20 Agreement at any time upon written notice to the other Party in the event a Party is in  
21 material breach of the provisions of this Agreement and that breach continues for a  
22 period of thirty (30) days after the other Party notifies the breaching Party of such



1 breach, including a reasonable detailed statement of the nature of the breach.” This  
2 issue will be resolved upon the Arbitrator’s ratification of the parties’ agreement.

3 **Q. With respect to Issue 15: What is Verizon Wireless’s position with respect to**  
4 **“Payment due date, General Terms and Conditions,” at paragraph 8.2 and**  
5 **Attachment 3, paragraph 1.1 of Verizon’s Exhibit 1?**

6 A. The contract should provide that “Payment for all undisputed charges is due within  
7 thirty (30) days of receipt of the invoice.” ALLTEL’s position puts Verizon Wireless  
8 at risk should there be delays between the invoice date and when the invoice is mailed  
9 or received.

10 **Q. With respect to Issues 16 and 17: What is Verizon Wireless’s position regarding**  
11 **“Bona Fide Dispute, General Terms and Conditions,” at paragraph 9.1.1.3 of the**  
12 **draft agreement?**

13 A. Verizon Wireless has offered language that clarifies either party’s right to withhold  
14 validly disputed amounts pursuant to the billing dispute provisions of the agreement.  
15 Verizon Wireless also seeks to allow for recovery, by either party of lost interest for  
16 amounts paid by a disputing party, which are later reimbursed after a successful  
17 billing dispute.

18 **Q. With respect to Issue 18: What is Verizon Wireless’s position with respect to**  
19 **“Limitations on disputes, General Terms and Conditions,” at paragraph 9.1.2 of**  
20 **the draft agreement?**

21 A. The parties have agreed to the language proposed by Verizon Wireless in Petition  
22 Exhibit 1: “No action or demand for arbitration, regardless of form, arising out of the  
23 subject matter of this agreement may be brought by either party more than two (2)

1 years after the cause of action has accrued. The Parties waive the right to invoke any  
2 different limitation on the bringing of actions provided under state or federal law  
3 unless such waiver is otherwise barred by law.” Therefore, this issue will be resolved  
4 upon the Arbitrator’s ratification of the parties’ agreement.

5 **Q. With respect to Issue 19: What is Verizon Wireless’s position with respect to**  
6 **“Arbitration, General Terms and Conditions,” at paragraph 9.6.1 of the draft**  
7 **agreement?**

8 A. The parties have agreed to Verizon Wireless’s proposal reflected in Petition Exhibit  
9 1, i.e., that consensual commercial arbitration shall be an elective remedy. Therefore,  
10 this issue will be resolved upon the Arbitrator’s ratification of the parties’ agreement.

11 **Q. With respect to Issue 20: What is Verizon Wireless’s position with respect to**  
12 **“Most Favored Nation, General Terms and Conditions,” at paragraph 31.1 of**  
13 **the draft agreement?**

14 A. Section 252(i) of the Act provides interconnecting carriers the right to “most favored  
15 nation” or “MFN” treatment with respect to agreements subsequently negotiated by  
16 the interconnecting ILEC. Verizon Wireless’s interconnection agreement with  
17 ALLTEL should reflect the law. Verizon Wireless would be at a competitive  
18 disadvantage if other CMRS carriers received more favorable rates and terms and  
19 Verizon Wireless was forced to wait until the end of its contract term to receive those  
20 same rates and terms.

21 **Q. With respect to Issue 21: What is Verizon Wireless’s position with respect to the**  
22 **identification of parties to the agreement?**

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

4 **Q. With respect to Issue 22: What is Verizon Wireless's position with respect to the**  
5 **grandfathering of Type 1 Interconnection Facilities?**

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

12 **Q. With respect to Issue 23: What is Verizon Wireless's position with respect to the**  
13 **Type 2A and Type 2B provisions set forth at Attachment 2, paragraph 1.1.2 and**  
14 **paragraph 1.1.3 of Verizon's Exhibit 1?**

15 A. The parties have agreed that ALLTEL will provide SS7 signaling where it is available  
16 and that where multi-frequency signaling is the only signaling available in ALLTEL's  
17 network, it will continue to be utilized. This issue will be resolved upon the  
18 Arbitrator's ratification of the parties' agreement.

19 **Q. With respect to Issue 24: What is Verizon Wireless's position with respect to the**  
20 **"Incumbent Local Exchange Carrier Requirement," Attachment 2, paragraph**  
21 **1.4.2 of Verizon Wireless's Exhibit 1?**

22 A. Resolution of this issue will be determined by the resolution of Issue 8. Please see  
23 my response to regarding Issue 8, above.

1 **Q. With respect to Issue 25: What is Verizon Wireless's position with respect to the**  
2 **"Direct Routed Mobile to Land Traffic" and "Direct Routed Land to Mobile**  
3 **Traffic" issue, Attachment 2, paragraph 2.1.1.1, paragraph 2.1.1.2, paragraph**  
4 **2.1.2.1, and paragraph 2.1.2.2 of Verizon's Exhibit 1?**

5 A. Resolution of this issue will be determined by the resolution of Issue 8 and relates to  
6 ALLTEL's responsibility for direct interconnection facilities that carry its originated  
7 traffic to Verizon Wireless. Please see my response to regarding Issue 8, above.

8 **Q. With respect to Issue 26: What is Verizon Wireless's position with respect to the**  
9 **"Direct Routed Traffic Land to Mobile Traffic" language, Attachment 2,**  
10 **paragraph 2.1.2.2 of Verizon's Exhibit 1?**

11 A. Verizon Wireless has agreed to the deletion of the reference to third-party tandems  
12 objected to by ALLTEL. This issue will be resolved upon the Arbitrator's ratification  
13 of the parties' agreement.

14 **Q. With respect to Issue 27: What is Verizon Wireless's position with respect to the**  
15 **"Indirect Network Interconnection" language, Attachment 2, paragraph 2.1.5 of**  
16 **Verizon's Exhibit 1?**

17 A. As discussed previously, Verizon Wireless and ALLTEL are negotiating threshold  
18 volumes, above which the parties would establish direct connections. The parties are  
19 pursuing a threshold based on MOUs per month, rather than use of a "DS1 level of  
20 traffic" as the threshold.

21 **Q. With respect to Issue 28: What is Verizon Wireless's position with respect to**  
22 **NPA-NXXs with different rating and routing points, Attachment 2, paragraph**  
23 **2.1?**

1 A. Resolution of this issue will be determined by the resolution of Issue 3(b). Please see  
2 my discussion of Issue 3(b), above.

3 **Q. With respect to Issue 29: What is Verizon Wireless's position with respect to**  
4 **factors for billing of direct routed traffic instead of actual call recordings,**  
5 **Attachment 3, Section 1.1 of Verizon Exhibit 1?**

6 A. The parties have agreed that where actual measured usage is not available, the parties  
7 will use a traffic factor to estimate usage.

8 **Q. With respect to Issue 30: What is Verizon Wireless's position with respect to the**  
9 **Land to Mobile traffic factor, Attachment 4 of Verizon's Exhibit 1.**

10 A. Resolution of this issue will be determined by the resolution of Issue 10. Please see  
11 above.

12 Verizon Wireless interconnects directly with ALLTEL at three (3) locations in  
13 Pennsylvania. Verizon Wireless summarized the monthly minutes of traffic  
14 exchanged over each of those direct connections from July through December of  
15 2003 (see Exhibit MBS - 2). Meadville is the only connection where traffic is  
16 currently being exchanged directly in both the mobile-to-land and land-to-mobile  
17 directions. The monthly volume of traffic exchanged directly at Meadville represents  
18 a traffic relationship of, on average, 56% mobile-originated and 44% land-originated.  
19 Connecting facilities at the other two locations (Kittanning and St Marys) currently  
20 carry traffic in only the land-to-mobile direction, as Verizon Wireless currently  
21 delivers its traffic to those areas indirectly. Verizon Wireless's attempt to calculate  
22 the ratio of mobile-to-land and land-to-mobile indirect traffic, cannot be completed  
23 until ALLTEL provides evidentiary support for the volume traffic it indirectly

1 originates in the land to mobile direction. In its discovery, in addition to requesting  
2 that ALLTEL provide support for its proposed traffic ratios, Verizon Wireless  
3 specifically requested that ALLTEL identify the monthly volume of traffic it delivers  
4 indirectly to Verizon Wireless. ALLTEL affirmed that it does deliver traffic to  
5 Verizon Wireless indirectly by transiting Verizon Pennsylvania's tandems, but  
6 ALLTEL did not provide the requested monthly volume of indirect land-to-mobile  
7 traffic. It's not clear why ALLTEL did not provide this information in their response  
8 to our interrogatories, but the absence of such information supports a conclusion that  
9 the data does not buttress their proposed traffic ratios. As Verizon Wireless is not  
10 able to measure the traffic ALLTEL delivers to it indirectly, Verizon Wireless cannot  
11 estimate the ratio of land to mobile traffic subject to reciprocal compensation.

12 **Q. With respect to Issue 31: What is Verizon Wireless's position with respect to**  
13 **definition of Interconnection Point, Attachment 8 of Verizon Exhibit 1?**

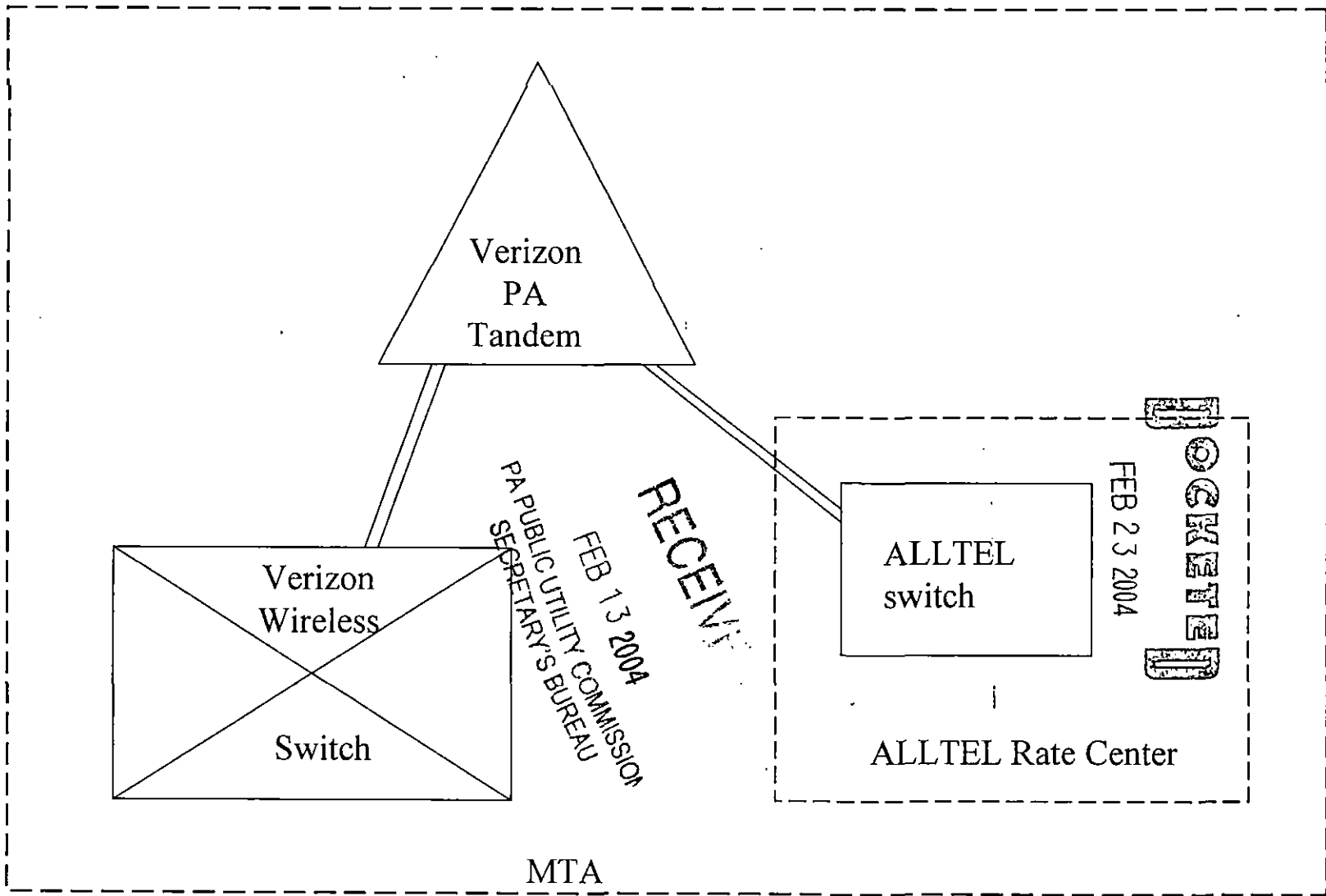
14 A. Resolution of this issue will be determined by the resolution of Issues 3(a), 8 and 24.  
15 Please see discussion above.

16 **Q. With respect to Issue 32: What is Verizon Wireless's position with respect to the**  
17 **definition of Interexchange Carrier?**

18 A. The inclusion of the definition of Interexchange Carrier in the parties' agreement is  
19 necessary in order to ensure that ALLTEL does not later argue that third-party LECs  
20 providing transiting services are Interchange Carriers for purposes of reciprocal  
21 compensation. The issue is relevant because interexchange carriers are not subject to  
22 reciprocal compensation. Interexchange carriers are subject to the access charge  
23 regime. See 47 U.S.C. § 251(g).

1 **Q. Does this conclude your direct testimony?**

2 A. Yes.



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**EXHIBIT MBS - 2**

Direct Connection	Month	Mobile-to-Land	Land-to-Mobile	Total Mobile-Originated		Land-Originated
		<u>Minutes</u>	<u>Minutes</u>	<u>Minutes</u>	<u>Percentage</u>	<u>Percentage</u>
Meadville	July 2003	715,811	539,369	1,255,180	57.03%	42.97%
	Aug 2003	766,289	604,047	1,370,336	55.92%	44.08%
	Sept 2003	718,565	574,930	1,293,495	55.55%	44.45%
	Oct 2003	780,806	607,705	1,388,511	56.23%	43.77%
	Nov 2003	766,575	616,257	1,382,832	55.44%	44.56%
	Dec 2003	843,232	655,689	1,498,921	56.26%	43.74%
	Total	4,591,278	3,597,997	8,189,275	56.06%	43.94%
Kittanning	July 2003	0	57,289			
	Aug 2003	0	56,348			
	Sept 2003	0	58,519			
	Oct 2003	0	57,462			
	Nov 2003	0	54,036			
	Dec 2003	0	53,927			
St Marys	July 2003	0	450,578			
	Aug 2003	0	471,021			
	Sept 2003	0	434,242			
	Oct 2003	0	462,089			
	Nov 2003	0	458,160			
	Dec 2003	0	524,184			

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REBUTTAL TESTIMONY OF

MARC B. STERLING

ON BEHALF OF

CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. A-310489F7004

**REBUTTAL TESTIMONY OF MARC. B. STERLING**

**Q. Please state your name, address and occupation.**

A. My name is Marc B. Sterling. I am Member, Technical Staff – Contract Negotiator for Cellco Partnership d/b/a Verizon Wireless (“Verizon Wireless”) and my office address is One Verizon Place, Alpharetta, Georgia 30004.

**Q. Have you previously submitted testimony in this matter?**

A. Yes. I submitted Direct Testimony on behalf of Verizon Wireless, which was pre-marked as Verizon Wireless Statement No. 1.0.

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

A. The purpose of your rebuttal testimony is to address certain assertions made in the Direct Testimony of Lynn Hughes submitted January 23, 2004, on behalf of ALLTEL Pennsylvania, Inc. (“ALLTEL”), which was pre-marked as ALLTEL Statement No. 1, and certain assertions made in the Direct Testimony of Cesar Caballero submitted January 23, 2004, on behalf of ALLTEL, which was pre-marked as ALLTEL Statement No. 2. Some of the issues raised by Ms. Hughes and Mr. Caballero have been addressed by my Direct Testimony and will not be addressed again in this Rebuttal Testimony; the fact that an issue is not specifically addressed in this Rebuttal Testimony does not constitute acquiescence in Ms. Hughes’s and Mr. Caballero’s assertions. In addition, the bulk of the assertions in Mr. Caballero’s Direct Testimony are addressed in the Direct and Rebuttal Testimonies of Don J. Wood on behalf of Verizon Wireless, which have been pre-marked as Verizon Wireless Statements 2.0 and 2.1.

1 **Q. With regard to the issues in dispute, how do you intend to organize your rebuttal**  
2 **testimony?**

3 A. My testimony follows the order of Ms. Hughes' testimony and then addresses an issue  
4 raised by Mr. Caballero's testimony.

5 **Q. On page 2 of her testimony, Ms. Hughes testifies that Issue 1 in this proceeding,**  
6 **whether a Rural LEC is subject to Section 252(b) arbitration, is moot. Is that**  
7 **correct?**

8 A. No. The Issue 1, "Are Rural LECs subject to the negotiation and arbitration process set  
9 forth in Section 252(b) for disputes under Section 251(b)(5) for traffic indirectly  
10 exchanged between CMRS providers?", is not moot because ALLTEL has "reserved" its  
11 alleged right to invoke the rural exemption for certain purposes. *See* ALLTEL Response  
12 at 12-13. It appears that this "reservation" is the basis, in whole or in part, for ALLTEL's  
13 refusal to acknowledge its responsibility for the cost of transport and termination of land-  
14 to-mobile telecommunications traffic it originates and indirectly delivers to Verizon  
15 Wireless by transiting a third party carrier.

16 **Q. On pages page 3, line 23 through page 4, line 3, Ms. Hughes testifies that "industry**  
17 **standard indicates that an end office direct interconnection should be established**  
18 **when the volume of traffic to an ALLTEL NPA-NXX is at a DS1 level. How do you**  
19 **respond?**

20 A. Connecting directly to an end office at a DS1 level may be considered an industry  
21 standard when the cost of the facility is shared between the connecting parties. However,  
22 if one carrier is required to pay the entire cost of the facility, the traffic volume must be

1 greater to make it financially worthwhile. Also, a DS1 level may equate to different  
2 traffic volumes depending on other factors, such as grade of service. As such, Verizon  
3 Wireless proposed establishing a threshold based on 500,000 MOUs in the mobile-to-  
4 land direction, as Ms. Hughes indicated. In response, ALLTEL proposed a threshold of  
5 257,000 combined MOUs per month, which Verizon Wireless has been analyzing. While  
6 there's not been an opportunity to discuss this with Ms. Hughes, Verizon Wireless would  
7 be willing to utilize the 257,000 combined MOU threshold ALLTEL has proposed, but  
8 only to the extent the end office traffic is exchanged at ALLTEL's tandem locations. To  
9 the extent Verizon Wireless must establish facilities physically connecting to ALLTEL's  
10 end offices, we continue to believe the threshold of 500,000 MOUs in the mobile-to-land  
11 direction is reasonable. By comparison, Verizon Wireless's agreement with  
12 Commonwealth Telephone requires direct end office connection when mobile-to-land  
13 volume reaches 600,000 MOUs per month.

14 **Q. On page 4, line 14, through page 5, line 2, Ms. Hughes cites a New York Public**  
15 **Service Commission ("NY PSC") decision as support for ALLTEL's position on**  
16 **indirect traffic originated by an Independent Telephone Company and terminating**  
17 **to a competitive local exchange provider ("CLEC") or a CMRS (wireless) provider.**  
18 **Does the decision she cite in fact support ALLTEL's position?**

19 A. No, The NY PSC decision addressed only CLECs -- CMRS was not included. The  
20 regulatory treatment of CLECs is very different from the treatment of CMRS providers in  
21 certain areas, and this is one of these areas. State commissions are and should be very  
22 aware that some CLECs have business models dependent almost wholly upon

1 termination of Internet Service Provider traffic, which is not the case with CMRS  
2 providers. Thus, in many instances, the reciprocal compensation decisions in these  
3 CLEC cases are premised upon the *extremely* unbalanced traffic flows inherent in the  
4 ISP-based CLEC business model. That premise does not apply to CMRS providers,  
5 whose traffic with land-line companies, while it may not be equally balanced, certainly  
6 does not reflect the order-of-magnitude imbalance associated with a CLEC terminating  
7 ISP traffic. In short, the NY PSC decision does not support ALLTEL's position.

8 **Q. Starting on page 5, line 2, Ms. Hughes suggests that because Verizon Wireless signed**  
9 **agreements in New York agreeing to pay transit charges on land-to-mobile traffic,**  
10 **the same result "must" be reached here. Is she correct?**

11 A. No. Verizon Wireless's agreement to pay those charges in New York was the result of  
12 negotiations of various terms and conditions, and was offset by concessions received in  
13 other areas. Furthermore, it is my understanding that under section 252(e)(2)(A) of the  
14 Telecommunications Act of 1996, parties to *negotiated* agreements, such as the one  
15 reached in New York, may agree to interconnection on any terms they like, provided the  
16 resulting agreement is not discriminatory and is in the public interest. In contrast, it is my  
17 understanding that, under section 252(e)(2)(B), *arbitrated* agreements, such as the one at  
18 issue here, must meet the requirements of the Act, including its pricing provisions.

19 **Q. Starting on page 6, line 18, Ms. Hughes suggests ALLTEL is not responsible for**  
20 **third party transit charges because Verizon Wireless has chosen to interconnect**  
21 **indirectly. Is that correct?**

1 A. No. Each party is responsible for transporting the traffic it originates to the other party.  
2 Verizon Wireless has chosen to interconnect indirectly, so it is responsible for third party  
3 transit charges for transiting traffic Verizon Wireless originates. Similarly, ALLTEL has  
4 chosen to maintain indirect interconnection with Verizon Wireless, so it, too, is  
5 responsible for third party transit charges for transiting traffic ALLTEL originates. If  
6 ALLTEL wishes to avoid third-party transit charges for traffic it originates, ALLTEL is  
7 free to choose to connect directly to Verizon Wireless. ALLTEL also essentially  
8 compares connections to neighboring landline EAS rate centers (discussed on page 6,  
9 lines 6 though 8) to connecting to Verizon Wireless's potentially "distant" switches  
10 (discussed on page 5, lines 17 through 20). Certainly, Verizon Wireless should not be  
11 required to build a switch in the territory of every Independent Telephone Company. To  
12 the extent traffic is exchanged indirectly, ALLTEL should be responsible for any third  
13 party transit charges for its originated traffic. The FCC has determined that the Calling  
14 Party's network is the cost causer and therefore financially responsible. ALLTEL's  
15 argument suggests they are never the cost causer. Further, by agreeing to directly  
16 interconnect when volume reaches agreed upon thresholds, the amount of traffic for  
17 which ALLTEL may be required to pay such fees is minimized.

18 **Q. On page 6, lines 21 through page 7, line 2, Ms. Hughes characterizes Verizon**  
19 **Wireless's position as unfairly causing ALLTEL to construct or take financial**  
20 **responsibility for facilities "to any point" "irrespective of the distance from**  
21 **ALLTEL's network." Is her characterization of Verizon Wireless's position**  
22 **correct?**

1 A. No. In fact, Verizon Wireless's position is that ALLTEL should share the cost of  
2 connecting facilities within the boundary established by the FCC for the exchange of  
3 local telecommunications traffic, which is the MTA. Moreover, Verizon Wireless has  
4 four (4) switches within the LATAs and MTAs in Pennsylvania served by ALLTEL.  
5 Certainly it is technically and economically feasible for ALLTEL to share in the cost of  
6 connecting to those switches where traffic volumes justify direct connection.

7 **Q. On page 7, lines 8-11, Ms. Hughes states ALLTEL has "no obligation" to directly**  
8 **connect. Is she correct, and, if so, what is the relevance of that fact to ALLTEL's**  
9 **obligation to pay the cost of transporting the traffic it originates to Verizon**  
10 **Wireless?**

11 A. That is technically correct; however, that does not change the fact that ALLTEL is  
12 responsible for the transport of the traffic it originates to Verizon Wireless. If ALLTEL  
13 does not want to pay third-party transit charges, it can always choose to connect directly  
14 to Verizon Wireless, for example by installing one-way facilities to carry ALLTEL-  
15 originated traffic to Verizon Wireless. Either way, they are responsible for the cost –  
16 either in the form of third-party transit charges, or in the form of the cost of installing a  
17 facility. In sum, it is their choice.

18 **Q. On page 7, line 16 through page 8, line 2, Ms. Hughes appears to assert that the**  
19 **point of interconnection ("POI") for direct interconnection must be on the LEC's**  
20 **(ALLTEL's) network for both mobile-to-land traffic and land-to-mobile traffic. Is**  
21 **that correct?**



1 A. No. To the extent direct interconnection is established, the POI for mobile-to-land traffic  
2 would be on ALLTEL's network. However, the POI for land-to-mobile traffic should be  
3 Verizon Wireless's network within the MTA. Once again, the governing principle is that  
4 each carrier is responsible for transporting the traffic it originates to the other carrier's  
5 network. And, once again, ALLTEL appears to take no responsibility for costs of  
6 delivery of its originated traffic to Verizon Wireless.

7 **Q. On page 8, lines 6-13, ALLTEL suggests that payment of 3<sup>rd</sup> party transit fees**  
8 **associated with local calls to Verizon Wireless customers must be recovered from**  
9 **ALLTEL's retail customers in the form of surcharges or toll charges. Would that**  
10 **be appropriate?**

11 A. No. ALLTEL in effect proposes to penalize ALLTEL's customers for calling a local  
12 Verizon Wireless number. During the course of these negotiations, ALLTEL has already  
13 agreed to provide local calling for its customers to locally rated NPA- NXX codes of  
14 Verizon Wireless. Charging toll charges for these calls, originated by ALLTEL to its  
15 customers, violates its agreement to afford non-discriminatory local calling to Verizon  
16 Wireless's customers. Moreover, if ALLTEL requires its customers to dial "1+" to place  
17 an intraMTA call to a Verizon Wireless customer, it would violate its obligation to  
18 provide dialing parity under Section 251(b)(3) of the Act. Even in a direct  
19 interconnection scenario, ALLTEL would have a cost for their sharing of the connecting  
20 facility. It would be totally inappropriate and anti-competitive for ALLTEL to try to  
21 recover this cost in the form of surcharges or toll charges. By forcing its customers to

1 incur additional charges for calling locally rated Verizon Wireless numbers, ALLTEL is  
2 distorting its customer's behavior with respect to calling Verizon Wireless.

3 **Q. At the bottom of page 8 and top of page 9, Ms. Hughes asserts that the terms and**  
4 **conditions of compensation for third-party transit providers that provide indirect**  
5 **interconnection between the parties should be included in the interconnection**  
6 **agreement. Is that correct?**

7 A. No. ALLTEL seeks to drag third party transit providers into CMRS agreements  
8 unnecessarily in an effort to avoid responsibility for the costs ALLTEL incurs in  
9 transporting traffic to Verizon Wireless. Both ALLTEL and Verizon Wireless can make  
10 independent agreements with those third parties. ALLTEL again wants to hold Verizon  
11 Wireless responsible for third party transit fees, but as previously discussed, ALLTEL is  
12 responsible for transporting the traffic it originates to Verizon Wireless's network. If  
13 ALLTEL does not want to pay third-party transit fees, it can directly connect to Verizon  
14 Wireless, through one-way facilities it constructs or through two-way facilities it shares  
15 with Verizon Wireless in an amount proportionate to its use of such facilities.

16 **Q. On page 9, lines 14-22, has Ms. Hughes characterized Verizon Wireless's proposal**  
17 **to determine volumes mobile-to-land and land-to-mobile traffic correctly?**

18 A. No. Verizon Wireless proposes that factors be applied by a party *only* when that party  
19 *cannot* measure the traffic it terminates. This has been subsequently discussed between  
20 the parties and is no longer an issue.

1 **Q. On page 10, lines 8-17, Ms. Hughes criticizes Verizon Wireless for proposing a 70/30**  
2 **factor in negotiations and then proposing a 60/40 factor in this arbitration. Is that a**  
3 **valid criticism?**

4 A. No. Parties often offer compensation in negotiations in an effort to reach agreement that  
5 may be beyond what such party believes is justified. Verizon Wireless offered 70/30 in  
6 the context of a negotiation of several open items, but we believe 60/40 is a fair and  
7 reasonable traffic ratio as Verizon Wireless sells numbers that are rated in rate centers  
8 local to seventy-two (72) of ALLTEL's one hundred three (103) exchanges (i.e.,  
9 NPA/NXXs) in Pennsylvania, and thus would be expected to receive high volumes of  
10 land-to-mobile traffic. We should not be penalized for making an offer in an effort to  
11 reach an agreement without arbitration.

12 **Q. Ms. Hughes states on page 10, line 22 that ALLTEL "cannot be responsible" for**  
13 **anything outside its network. Is that correct?**

14 A. No. As discussed above, so long as the boundary is within the MTA, which is certainly  
15 reasonable, and in light of the fact that the traffic is two-way traffic, ALLTEL could and  
16 should share in interconnecting facilities costs or compensate a third party transit  
17 provider.

18 **Q. Do you agree with Ms. Hughes's statement at the top of page 12 that indirect traffic**  
19 **is currently being exchanged between Verizon Wireless and ALLTEL "through the**  
20 **ITORP process?**

21 A. No. The traffic is exchanged by transiting third-party tandem switches. Furthermore,  
22 ITORP is a legal process for the settlement of intraLATA toll traffic. Unlike intraLATA

1 toll traffic, the telecommunications traffic at issue here—calls that originate and  
2 terminate in the same MTA—is not subject to access charges but to reciprocal  
3 compensation.

4 **Q. Ms. Hughes’s testimony at page 13 suggests that Exhibit G to the**  
5 **Telecommunications Services and Facilities Agreement (TSFA) between Verizon**  
6 **Pennsylvania and ALLTEL obligates Verizon Wireless to pay ALLTEL’s costs of**  
7 **transiting the traffic ALLTEL originates to Verizon Wireless. Is that correct?**

8 A. No. Verizon Wireless is not a party to the TSFA, and intra-MTA traffic originated by  
9 ALLTEL to Verizon Wireless is not intraLATA toll, or ITORP, traffic. The ITORP  
10 arrangements are bilateral agreements between ALLTEL and Verizon Pennsylvania  
11 entered into by these parties prior to the passage of the Telecommunications Act of 1996.  
12 Appendix G, which Ms. Hughes refers to on Page 13 of her Direct Testimony, actually  
13 provides that the ITORP settlement method is superseded once the wireless carrier and  
14 ALLTEL enter interconnection agreements. As I indicated earlier, the interconnection  
15 agreement, not ITORP governs reciprocal compensation between ALLTEL and Verizon  
16 Wireless for direct interconnection. And, Verizon Wireless is seeking to include similar  
17 rates, terms and conditions for indirect interconnection in the agreement subject to this  
18 arbitration petition.

19 **Q. Ms. Hughes testifies, at the top of page 14, that Verizon Wireless’s proposal that**  
20 **ALLTEL bear the cost of transiting traffic it originates to Verizon Wireless is**  
21 **“contrary to the basis upon which the ITORP network was developed.” Is that**  
22 **correct?**

1 A. No. The traffic exchanged between ALLTEL and Verizon Wireless within the same  
2 MTA is telecommunications traffic subject to reciprocal compensation, not ITORP  
3 traffic, regardless of Exhibit G to the TSFA and irrespective of whether the traffic  
4 happens to be delivered over trunks that also carry ITORP traffic. ITORP does not  
5 negate ALLTEL's responsibility under federal law for delivering traffic it originates to  
6 Verizon Wireless.

7 **Q. Ms. Hughes contends, at page 14, that where ALLTEL's end-office subtends**  
8 **another LEC's tandem rather than an ALLTEL tandem, if Verizon Wireless were**  
9 **to bill ALLTEL at tandem rates "Verizon's rate would exceed ALLTELs rate and,**  
10 **therefore, the rate charged each other at those locations would not be reciprocal and**  
11 **symmetrical." Is that a fair characterization?**

12 A. No. Due to the nature of CMRS networks, Verizon Wireless's switch functions more like  
13 a tandem than an end office. What Verizon Wireless proposes is in fact "symmetrical"  
14 for we in fact propose to use *ALLTEL's* tandem rate. Further, Verizon Wireless incurs  
15 the same cost to terminate ALLTEL-originated traffic whether delivered from an  
16 ALLTEL end office or from an ALLTEL tandem. The nature of the ALLTEL switch  
17 *originating* the traffic has no relevance to the cost of transporting or terminating traffic,  
18 and thus no relevance to reciprocal compensation.

19 **Q. Ms. Hughes contends starting on page 16 that interim reciprocal compensation rates**  
20 **should be based upon a terminated interconnection agreement for direct traffic and**  
21 **on ITORP for indirect traffic. Do you agree?**

1 A. No. The prior agreement to which Ms. Hughes refers covered *both* direct and indirect  
2 traffic. It was terminated by ALLTEL. However, Ms. Hughes's statement that  
3 subsequent to termination, "[n]either party has billed or paid one another for any traffic  
4 other than direct traffic under that agreement," is factually incorrect. Verizon Wireless  
5 has paid ALLTEL for transport and termination of indirect traffic pursuant to the  
6 terminated agreement pending the adoption of a new interconnection agreement, on the  
7 condition that the amount paid would be trued up to the rates in the new agreement.

8 **Q. Do you agree that indirect traffic was not covered by the Interconnection**  
9 **Agreement between ALLTEL and Verizon Wireless, terminated on March 16,**  
10 **2003?**

11 A. No. I disagree with Ms. Hughes's testimony on pp. 16-17, and I disagree with her  
12 assertion that ITORP governed indirect interconnection. As discussed above, ITORP is  
13 an intraLATA toll arrangement between Verizon Pennsylvania and ALLTEL. Section II  
14 of Appendix G of the ITORP arrangement directs the tandem provider (Verizon  
15 Pennsylvania) to bill termination charges to a CMRS provider in accordance with the  
16 Interconnection Agreement between the tandem provider and the third party- CMRS  
17 provider. (Relevant pages of Section II of ITORP Exhibit G are attached hereto as  
18 Exhibit MBS - 3.) Therefore, the only reason Verizon Wireless is subject to ITORP, is  
19 through its interconnection Agreement with Verizon Pennsylvania, at Section 6.1.  
20 However, Section 6.1 of the Verizon Pennsylvania interconnection agreement provides  
that ITORP rates apply only until a reciprocal compensation agreement between Verizon

1 Wireless and a third party LEC is reached. (Section 6.1 of the Verizon Pennsylvania  
2 interconnection agreement is attached hereto as Exhibit MBS – 4.)

3 **Q. On page 18, lines 3-4, Ms. Hughes states that payment 30 days after date of invoice  
4 is “industry standard.” Is that a uniform rule?**

5 A. No. Throughout the country and specifically in Pennsylvania, Verizon Wireless has had  
6 payment terms of greater than 30 days from invoice date included interconnection  
7 agreements. Our agreement with Commonwealth Telephone Company expressly  
8 provides that payments are due within 45 days of the date of the invoice. Verizon  
9 Wireless initially proposed this same arrangement with ALLTEL. Verizon Wireless  
10 should not bear the entire risk of mail delays or delays between the time invoices are  
11 printed and mailed. As such, Verizon Wireless proposed as a compromise that payments  
12 be due 30 days from receipt of invoice. If ALLTEL were willing to agree it will place  
13 bills in the mail on the same day the invoice is dated, then Verizon Wireless would agree  
14 to payment 30 days from invoice date.

15 **Q. Do you agree with Ms. Hughes’s position on page 19 on opting in and out of other  
16 carrier agreements?**

17 A. No. The “most favored nation” (“MFN”) provisions we have proposed are normal and  
18 customary. In fact, our Pennsylvania agreement with North Pittsburgh Telephone  
19 Company confirms this language. Section 252(i) is intended to protect carriers from  
20 being placed in untenable competitive position vis a vis other carriers. If Verizon  
21 Wireless enters a two year agreement with ALLTEL at rate X, and one week later  
22 ALLTEL offers another CMRS provider rate ½ X, then Verizon Wireless is entitled to

1 opt in to that new agreement. ALLTEL's position would penalize carriers who negotiate  
2 long term agreements in this rapidly changing telecom environment. Surely, this  
3 Commission does not desire to conduct arbitrations on an annual basis between the same  
4 carriers.

5 **Q. How do you respond to Ms. Hughes's position on Verizon Wireless's proposed**  
6 **deletion of the term "interconnected network" on pages 19 and 20?**

7 A. Regarding page 20, lines 9-13, Verizon Wireless understands that delivery of traffic via  
8 an ALLTEL tandem will only provide access to ALLTEL end offices that subtend that  
9 tandem, and that delivery of traffic to an ALLTEL end office will only provide access to  
10 that end office and remote switches behind that end office. Verizon Wireless is not  
11 suggesting that ALLTEL create any additional connections that do not already exist. The  
12 real issue regards traffic in the land to mobile direction, which ALLTEL has an  
13 obligation to deliver to Verizon Wireless. Further, they need to be responsible for the  
14 cost of doing so.

15 **Q. What is your response to Ms. Hughes's testimony at page 21 regarding the threshold**  
16 **for establishing a direct interconnection facility?**

17 A. I have addressed this issue above in my response to Ms. Hughes's testimony at page 3,  
18 line 23 through page 4, line 3, which I hereby incorporate.

19 **Q. Do you agree with Ms. Hughes's assertion at page 21, line 19, that "in ALLTEL's**  
20 **case, the POI must be on the network?**

21 A. No. This again relates to the issue of ALLTEL's responsibility for calls by their  
22 customers in the land to mobile direction. ALLTEL is seeking to have the POI located



1 on its own network so that it can transfer the costs of transporting ALLTEL-originated  
2 traffic to Verizon Wireless. This is inappropriate for the reasons I have stated previously.

3 **Q. Regarding Mr. Caballero's testimony, do you agree with Mr. Caballero's**  
4 **explanation on page 6 that the former rate of 1.2 cents was artificially low because**  
5 **ALLTEL assumed that most of the traffic would flow through the ITORP process**  
6 **and settle at access rates?**

7 A. No. I agree the 1.2 cent rate was negotiated, but do not agree that it was less than  
8 ALLTEL's cost. This explanation makes no sense in light of the fact that, even if indirect  
9 traffic was subject to the ITORP rate instead of the reciprocal compensation rate set forth  
10 at Section 4.5, and Appendix C of the interconnection agreement, Verizon Wireless could  
11 have at any time, without reaching a volume threshold, moved all of its traffic to direct  
12 interconnection facilities. Had that been the case, it seems ALLTEL would have input  
13 some terms and conditions, which they did not, that would have prevented Verizon  
14 Wireless from constructing direct trunking facilities in order to avoid ITORP rates, which  
15 are not reciprocal and not based on costs. Additionally, the rate for indirect  
16 interconnection and direct interconnection in that agreement was 1.2 cents, therefore, the  
17 ITORP rate did not apply once the parties entered into the previous interconnection  
18 agreement. See Section 4.5 of the ALLTEL-Verizon Wireless Agreement.

19 **Q. Do you agree with Mr. Caballero's assertion on page 7 that Verizon Wireless is**  
20 **paying most rural LECs over 3 cents per minute?**

*Rebuttal Testimony of Marc B. Sterling on behalf of Verizon Wireless  
Pennsylvania Public Utility Commission Docket No. A-310489F7004 February 4, 2004*

1 A. No. First of all, it is not appropriate to compare what Verizon Wireless has negotiated  
2 with rural LECs to ALLTEL's forward-looking costs calculated in accordance with the  
3 FCC's rules. Furthermore, the majority of interconnection agreements Verizon Wireless  
4 is currently entering with rural LECs are at the rate of 2.0 cents. This is a negotiated rate,  
5 considered in conjunction with other terms and conditions in the interconnection  
6 agreements with rural LECs.

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

8 A. Yes, it does.

DOCUMENT Page 1 (10/91)

EXHIBIT G  
PROVISION OF CELLULAR BILLING

Attached to and made an integral part of

APPENDIX 2 (ANCILLARY SERVICES)  
TO TELECOMMUNICATION SERVICES AND FACILITIES AGREEMENT

Effective as of January 1, 1991  
Executed on January 26, 1993

Between The Bell Telephone Company of Pennsylvania  
and Brookville Telephone Company

A  
8

DOCKETED

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SECTION I

SCOPE

THIS EXHIBIT SPECIFIES THE TERMS, CONDITIONS AND COMPENSATION FOR THE PROVISION OF BILLING TO CELLULAR CARRIERS BY THE BELL TELEPHONE COMPANY OF PENNSYLVANIA, HEREINAFTER KNOWN AS THE BELL TELEPHONE COMPANY OF PENNSYLVANIA FOR BROOKVILLE TELEPHONE COMPANY.

SECTION II

RESPONSIBILITIES OF THE PARTIES

A. The Bell Telephone Company of Pennsylvania will:

1. Record at its tandem switching office all calls originated by Cellular Carrier with Type 2 Interconnection to a Bell Atlantic tandem office, in accordance with industry accepted standards.
2. Provide in its ITORP input tapes all intraLATA messages from a Cellular Carrier described in A.1. above.
3. Maintain the ITORP Access Rate Table, Ancillary Charge Table, End Office Data Base Table, Non-conversation Time Additive Factor Table and Toll Routing Table for Cellular Carriers with Type 2 Interconnections.
4. Process applicable intraLATA usage data through the ITORP mechanized system.
5. Bill the Cellular Carrier in accordance with the provisions of the Interconnection Agreement between Cellular Carrier and the tandem owning Local Exchange Carrier as described in Attachments 1, 2, 3 and 4.
6. Act as a clearing house to prepare and remit to Brookville Telephone Company, revenue billed to Cellular Carriers. Revenue will be shown on a quarterly compensation financial statement containing data on revenues, and the net amount due from all Cellular Carriers to Brookville Telephone Company.

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PROVISION OF CELLULAR BILLING)  
X 2 (ANCILLARY SERVICES)  
COMMUNICATIONS SERVICES AND FACILITIES AGREEMENTS

7. Provide Brookville Telephone Company with ITORP reports as supporting detail for the quarterly Cellular compensation.

Brookville Telephone Company will:

1. Record at its tandem all calls, originated by Cellular Carrier with Type 2 Interconnection to its tandem office, in accordance with industry accepted standards.
2. Provide in its ITORP input tapes all intraLATA messages from a Cellular Carrier described in B.1. above.
3. Provide The Bell Telephone Company of Pennsylvania with information necessary to accurately maintain the Access Rate Table, Ancillary Charge Table, End Office Data Base Table, Non-conversation Time Factor Additive Table and Toll Routing table as required.

SECTION III

BASIS OF COMPENSATION

Brookville Telephone Company will compensate The Bell Telephone Company of Pennsylvania for services rendered in the provision of Cellular billing on quarterly basis as specified in Attachment 1, attached hereto and made a part hereof.

In witness whereof, the undersigned parties have caused this Exhibit to be executed on their behalf this

*Twenty-ninth* day of *January*, 1993.

Witness:

*[Signature]*

Brookville Telephone Company

*[Signature]*  
(Title) *Pres.*

Witness:

*[Signature]*

The Bell Telephone Company of Pennsylvania

*[Signature]*  
Director-Exchange Carrier Relations

**DOCUMENT**

**INTERCONNECTION AGREEMENT FOR BROADBAND COMMERCIAL MOBILE  
RADIO SERVICE (CMRS) UNDER SECTIONS 251 AND 252 OF THE  
TELECOMMUNICATIONS ACT OF 1996**

by and between

**BELL ATLANTIC - PENNSYLVANIA, INC.**

and

**360° COMMUNICATIONS COMPANY**

and its Affiliates

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SECRETARY'S BUREAU

combination and billing percentages. Nothing in this subsection 5.3.16 shall be construed to limit 360°'s ability to select to interconnect with BA in additional LATAs by means of Interconnection at a Local Serving Wire Center, to the extent that such Interconnection is permitted under this Agreement.

5.3.17 Within thirty (30) days of a request by 360°, BA agrees to notify all switched access users with a Carrier Identification Code in a LATA in which the Parties have newly established Interconnection arrangements pursuant to this Agreement that BA and 360° have entered in a Meet Point Billing arrangement.

#### **5.4 800/888 Traffic**

At such time as delivery of untranslated 800/888 traffic is technically feasible over Type 2A or 2B Trunks and provided that BA is unable directly to bill the appropriate 800/888 service provider, the following terms shall apply when 360° delivers untranslated 800/888 calls to BA for completion.

- 5.4.1 When 360° delivers untranslated 800/888 calls to BA for completion
- (a) outside the MTA in which the call originated, BA shall bill 360° the appropriate FGD exchange access charges associated with the call; or
  - (b) inside the MTA in which the call originated, BA shall bill 360° the appropriate local traffic termination rate set forth in Exhibit A.
  - (c) For both (a) and (b) above, if the call is delivered to an IXC, BA shall bill the IXC the appropriate BA query charge associated with the call.

### **6.0 TRANSPORT AND TERMINATION OF OTHER TYPES OF TRAFFIC**

#### **6.1 Transit Traffic Service**

6.1.1 To the extent it does not have such arrangements in effect as of the Effective Date, 360° shall exercise all reasonable efforts to enter into a reciprocal local traffic exchange arrangement (either via written agreement, including an IntraLATA Telecommunications Services Settlement Agreement ("ITORP Agreement"), or mutual tariffs) with any other wireless carrier, ITC, CLEC, or other LEC to which it sends, or from which it receives, Local Traffic that transits BA facilities over Type 1 Line Side Facilities or Type 2 A Trunks. BA shall not be obligated to collect 360°'s termination charges from any other wireless carrier, ITC, CLEC, or other LEC with whom 360° has not entered into a reciprocal local traffic exchange arrangement as provided above. If 360° fails to enter into such an arrangement

following the Effective Date and to provide written notification of such Agreement, including the relevant rates therein, to BA, but continues to utilize BA's Transit Traffic Service for the exchange of local traffic with such wireless carrier, ITC, CLEC, or other LEC. 360° shall, in addition to paying the rate set forth in Exhibit A for said Transit Traffic Service, pay BA any charges or costs such terminating third party carrier imposes or levies on BA for the delivery or termination of such Traffic, including any switched access charges, plus all reasonable expenses incurred by BA in delivering or terminating such Traffic and/or resulting from 360°'s failure to secure said reciprocal local traffic exchange arrangement. BA will, upon request, provide 360° with all reasonable cooperation and assistance in obtaining such arrangements. The Parties agree to work cooperatively in appropriate industry fora to promote the adoption of reasonable industry guidelines relating to Transit Traffic.

6.1.2 BA expects that most networks involved in Transit Traffic will deliver each call to each involved network with CCS and the appropriate Transactional Capabilities Application Party ("TCAP") message to facilitate full interoperability of those services supported by BA and billing functions. When technically feasible, each Party shall follow the Exchange Message Record ("EMR") standard and exchange records between the Parties and with the terminating carrier to facilitate the billing process to the originating network.

6.1.3 Transit Traffic shall be routed over the Type 1 Line Side Facilities or Type 2 A Trunks described in Section 3 above.

## **6.2 911/E911 Arrangements**

6.2.1 360° may interconnect to the BA 911/E911 selective routers or 911 Tandem Offices, where available, which serve the LATAs within in an MTA in which 360° provides service, for the provision of 911/E911 services and for access to all subtending Public Safety Answering Points ("PSAP"). To the extent that there are any proposed modifications or additions to existing 911/E911 arrangements, the Parties shall cooperate to establish such arrangements.

## **7.0 NUMBER RESOURCES, RATE CENTERS AND RATING POINTS**

7.1 Nothing in this Agreement shall be construed to limit or otherwise adversely affect in any manner either Party's right to employ or to request and be assigned any Central Office (NXX) Codes pursuant to the Central Office Code Assignment Guidelines, as may be amended from time to time, or to establish, by Tariff or otherwise, Rate Centers and Rating Points corresponding to such NXX codes. Until such time as number administration is provided by a third party, BA shall provide 360° access to telephone numbers by assigning NXX codes to 360° in accordance with such Assignment Guidelines.

VERIZON WIRELESS STATEMENT NO. 2.0

DIRECT TESTIMONY OF

**DON J. WOOD**

ON BEHALF OF

CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. A-310489F7004

*ADDRESSING ISSUES 3(a), 3(b) and 9*



1 **Background and Purpose of Testimony**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, an economic  
4 and financial consulting firm. My business address is 30000 Mill Creek Avenue, Suite  
5 395, Alpharetta, Georgia 30022. I provide economic and regulatory analysis of the  
6 telecommunications, cable, and related convergence industries with an emphasis on  
7 economic policy, competitive market development, and cost-of-service issues.

8  
9 Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

10 A. I received a BBA in Finance with distinction from Emory University and an MBA with  
11 concentrations in Finance and Microeconomics from the College of William and Mary.  
12 My telecommunications experience includes employment at both a Regional Bell  
13 Operating Company ("RBOC") and an Interexchange Carrier ("IXC").

14 Specifically, I was employed in the local exchange industry by BellSouth  
15 Services, Inc. in its Pricing and Economics, Service Cost Division. My responsibilities  
16 included performing cost analyses of new and existing services, preparing documentation  
17 for filings with state regulatory commissions and the Federal Communications  
18 Commission ("FCC"), developing methodology and computer models for use by other  
19 analysts, and performing special assembly cost studies.

1 I was employed in the interexchange industry by MCI Telecommunications  
2 Corporation, as Manager of Regulatory Analysis for the Southern Division. In this  
3 capacity I was responsible for the development and implementation of regulatory policy  
4 for operations in the southern U. S. I then served as a Manager in MCI's Economic  
5 Analysis and Regulatory Affairs Organization, where I participated in the development of  
6 regulatory policy for national issues.

7  
8 Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE STATE  
9 REGULATORS?

10 A. Yes. I have testified on telecommunications issues before the regulatory commissions of  
11 thirty-five states, Puerto Rico, and the District of Columbia. I have also presented  
12 testimony regarding telecommunications issues in state, federal, and overseas courts,  
13 before alternative dispute resolution tribunals, and at the FCC. A listing of my previous  
14 testimony is attached as Exhibit DJW-1.

15  
16 Q. ARE YOU FAMILAIR WITH THE INTERCONNECTION AND INTERCARRIER  
17 COMPENSATIONS OBLIGATIONS SET FORTH IN THE  
18 TELECOMMUNICATIONS ACT OF 1996?

19 A. Yes. I have participated in investigations into the rates for Unbundled Network Elements  
20 ("UNEs"), the underlying cost support for those rates, and the application of element

1 rates to the development of intercarrier compensation levels in Alabama, California,  
2 Colorado, Delaware, Florida, Georgia, Hawaii, Kentucky, Louisiana, Maryland,  
3 Mississippi, Montana, North Carolina, Oregon, South Carolina, Tennessee, Texas,  
4 Washington, Wyoming, the District of Columbia, and Puerto Rico.

5 I am familiar with the details and history of the FCC's rules for calculating UNE  
6 rates, and intercarrier compensation rates based on those cost elements, pursuant to §252  
7 of the Act.

8  
9 Q. ARE YOU FAMILAR WITH THE COST MODELS THAT HAVE BEEN USED TO  
10 CALCULATE THE COST OF NETWORK ELEMENTS PURSUANT TO BOTH §252  
11 OF THE ACT AND THE FCC'S RULES AS SET FORTH IN 47 C.F.R. §51?

12 A. Yes. I have experience working with each of the primary models used to make these  
13 calculations (and in most cases with their predecessors). While employed in the  
14 BellSouth Services Cost Division, I had the opportunity to work with a number of cost  
15 models, including models developed internally and those developed by Bellcore (now  
16 Telcordia) and to analyze and review the manner in which these models were used in the  
17 cost development process. Since that time, I have reviewed cost studics performed by  
18 each of the seven (now four) RBOCs and a number of other incumbent local exchange  
19 carriers ("ILECs"), including both Tier 1 companies and smaller carriers. I have also  
20 reviewed the cost models developed and advocated by CLECs. My review of these ILEC

1 and CLEC models has included studies undertaken for the development of UNE costs  
2 and studies undertaken to determine the costs associated with universal service. In each  
3 case, my review of these cost studies has included an extensive evaluation of the  
4 methodologies, computer models and spreadsheets, and inputs/assumptions employed by  
5 the study's sponsor.

6 I have also been asked by regulators to develop detailed rules for the calculation  
7 of forward-looking economic costs. Although this work was performed in the role of a  
8 consultant to these regulators, the development of these detailed rules has been a  
9 collaborative process that has involved industry representatives and consumer advocates.  
10 My proposed costing rules have been adopted and implemented in both Delaware and  
11 Wyoming.

12  
13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. I have been asked by Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless") to  
15 review the rate proposals presented by ALLTEL Pennsylvania, Inc. ("ALLTEL") for  
16 various forms of intercarrier compensation, to evaluate the cost support for those rates  
17 supplied by ALLTEL, and to propose appropriate rates based on available sources of  
18 information. This testimony describes the conclusions that I have been able to reach  
19 based on the limited information provided by ALLTEL and other publicly-available  
20 information..

1

2 **Standards to be Applied**

3 Q. WHAT OBLIGATIONS DO CARRIERS HAVE WITH REGARD TO  
4 ESTABLISHING INTERCARRIER COMPENSATION ARRANGEMENTS?

5 A. §51.701 of the FCC's rules requires all LECs to "establish reciprocal compensation  
6 arrangements for transport and termination of telecommunications traffic with any  
7 requesting telecommunications carrier." §51.705(a) places specific requirements on the  
8 level of rates that can be charged for these transport and termination functions:

9 An incumbent LEC's rates for transport and termination of  
10 telecommunications traffic shall be established, at the election of the  
11 state commission, on the basis of:

- 12 (1) The forward-looking economic costs of such offerings, using a  
13 cost study pursuant to Sec. 51.505 and 51.511;  
14 (2) Default proxies, as provided in Sec. 51.707; or  
15 (3) A bill-and-keep arrangement, as provided in Sec. 51.713.  
16

17 At issue in this arbitration are rates for transport and termination to be established  
18 pursuant to §51.705(a)(1); that is, rates established based on forward-looking economic  
19 costs.

20

21 Q. DOES THE FCC DEFINE FORWARD-LOOKING ECONOMIC COSTS AS THE  
22 TERM IS USED ON §51.705(a)(1)?

23 A. Yes. The relevant costs are those calculated pursuant to §51.505 and §51.511. While the

1 §51 rules have undergone some revisions since 1996, the core requirements for the  
2 calculation of forward-looking economic cost remain. Key elements of these  
3 requirements can be summarized as follows:<sup>1</sup>

- 4 1. Rates must be set at a level that equals forward-looking economic cost of an  
5 element. This cost consists of the total element long-run incremental cost of the  
6 element and a reasonable allocation of forward-looking common costs.  
7
- 8 2. The total element long-run incremental cost of the element is the forward-  
9 looking cost over the long run of the total quantity of the facilities and functions  
10 that are directly attributable to, or reasonably identifiable as incremental to,  
11 such element, calculated taking as a given the incumbent LEC's provision  
12 of other elements.  
13
- 14 3. The cost must reflect the most efficient technology currently available.  
15
- 16 4. The cost must reflect the lowest-cost network configuration, taking wire center  
17 locations as a given.  
18
- 19 5. The cost of capital assumption must be forward-looking, and depreciation rates  
20 must reflect economic depreciation rates.  
21
- 22 6. The common costs added to the calculation of TELRIC must likewise be  
23 forward-looking and reflect efficient operation.  
24

25 In addition to its description of what must be considered, the FCC also lists a set  
26 of factors that *may not be considered* when calculating a cost basis for intercarrier  
27 compensation rates.

- 28 1. Embedded costs, defined by the FCC as costs incurred in the past (such as  
29 obsolete equipment or an inefficient network configuration),  
30

---

<sup>1</sup> The complete text of §51.505 and §51.511 are attached as Exhibit DJW-2 to my testimony.

1                   2. Retail costs.

2  
3                   3. Opportunity costs, defined by the FCC as the revenues that  
4                   the incumbent LEC would have received for the sale of telecommunications  
5                   services in the absence of competition from telecommunications carriers  
6                   that purchase elements.

7  
8                   4. Revenues to subsidize other services.  
9

10    Q.       HAS THE FCC DEVELOPED STANDARDS FOR THE COST STUDIES USED TO  
11            SUPPORT PROPOSED RATES FOR NETWORK ELEMENTS AND  
12            INTERCARRIER COMPENSATION?

13    A.       Yes. The FCC established specific requirements for cost studies used to support  
14            proposed rates for network elements and intercarrier compensation rates based on those  
15            elements. §51.505(e)(1) requires an incumbent LEC to *prove* to the state commission  
16            that the rates for each element it offers do not exceed the forward-looking economic cost  
17            per unit of providing the element, using a cost study that complies with the methodology  
18            set forth in §51.505 and §51.511. Of course, in order to meet this standard of proof any  
19            such cost study would need to be open to inspection and its inputs fully explained.

20            The FCC also created specific requirements regarding the information that must  
21            be made available in a proceeding such as this one. §51.505 (e)(2) states that “any state  
22            proceeding conducted pursuant to this section shall provide notice and an opportunity for  
23            comment to affected parties and shall result in the creation of a written factual record that  
24            is sufficient for purposes of review. The record of any state proceeding in which a state

1 commission considers a cost study for purposes of establishing rates under this section  
2 shall include any such cost study.” As explained below, these requirements have had a  
3 significant impact on how cost studies and supporting documentation are presented in  
4 such a proceeding.

5  
6 Q. HAS AN INDUSTRY STANDARD EVOLVED REGARDING HOW THESE COST  
7 MODELS ARE CONSTRUCTED AND PRESENTED?

8 A. Yes. Over the past ten years, and particularly since 1996 as carriers have worked to  
9 implement the requirements of the Act (including but not limited to §51.505(e)), the cost  
10 models used to calculate network element costs pursuant to §252 of the Act and §51 of  
11 the FCC rules have become much more open to inspection and review. When describing  
12 the merits of the cost models that they advocate, both carriers (ILECs, CLECs and other  
13 carriers) and regulators now make frequent references to the “openness” of these models:  
14 the models are presented in fully-functioning form, to the extent possible, the models are  
15 presented in a format that permits review and manipulation, the operation of the model is  
16 fully described and documented, and all inputs and assumptions are explained and their  
17 source documented. While parties may disagree on the proper methodology to be  
18 employed in a cost study or the inputs and assumptions used, they do so on the basis of  
19 having complete access to the study and underlying computer models.

20 Regulators have actively encouraged this trend. In the state arbitrations in which I



1           have participated, regulators have consistently insisted on such a complete disclosure so  
2           that all parties to the proceeding – while they may disagree on whether certain cost study  
3           assumptions are appropriate – at least begin the process on a common ground by  
4           understanding how any proposed cost models operate. When developing its Synthesis  
5           Cost Model for use in calculating federal universal service support, the FCC staff  
6           followed its own admonition and developed a model that is open and inputs that are fully  
7           explained.

8  
9   **ALLTEL's Cost Analysis**

10   Q.    HAS ALLTEL PRODUCED SUPPORTING COST DOCUMENTATION FOR ITS  
11           RATE PROPOSALS?

12   A.    Only at the most superficial level. ALLTEL has produced to Verizon Wireless its cost  
13           study in the form of two highly-restricted Microsoft Excel spreadsheets. Within the past  
14           forty-eight hours, ALLTEL has provided the passwords that unlock some – but certainly  
15           not all – of the capabilities that ALLTEL has restricted. ALLTEL has provided no  
16           documentation whatsoever of the model's operation or the inputs and assumptions used.  
17           I can only assume that ALLTEL has decided to present this missing information in its  
18           direct testimony.

19           While the significant data limitations make it impossible to fully analyze the

1 ALLTEL cost study. I have been able to reach several preliminary conclusions:<sup>2</sup>

2 1. The ALLTEL model, as constructed, cannot be used to develop costs that  
3 are compliant with §51.505 and §51.511. This is true for several reasons. First, the  
4 model appears to be based on a process that begins with an embedded level of investment  
5 and (through a process that is at least partially arbitrary) attempts to convert these  
6 embedded investments into forward-looking economic investments through the  
7 application of “factors.”<sup>3</sup> In my experience with the application of §51.505 in state  
8 proceedings, such an approach has only rarely been presented and has never been adopted  
9 as the basis for network element rates.

10 Second, the model simply takes the current investment mix (the different types of  
11 switches used, for example) and, through the flawed process described above, carries it  
12 forward as the *assumed* “most efficient technology currently available.” The listing of  
13 switch types that ALLTEL appears to have used in its study suggests that this equipment

---

<sup>2</sup> While I believe that each of my conclusions stated below are accurate based on the limited information provided by ALLTEL, the limitations of this information necessarily mean that this list is not complete. I am continuing my review of the ALLTEL study subject to the existing constraints, and expect (as explained above) that ALLTEL will provide a significant amount of additional information with its direct testimony.

<sup>3</sup> The development of forward-looking expense (as contrasted with investment) levels can be, and often is, developed through an adjustment to previously experienced expense-to-investment ratios (when doing so, it is necessary to account for the reduced investment level associated with a TELRIC analysis so that expenses are not understated). This is *not* what ALLTEL is doing in its spreadsheet.

1 is in fact not the most efficient technology currently available.

2 Third, the model has no means of developing a "lowest-cost network  
3 configuration." By all appearances, the model simply carries forward the existing  
4 network configuration with no attempt at all to determine if a more efficient  
5 configuration or mix of facilities exists.<sup>4</sup> The result of this significant shortcoming can  
6 be seen in ALLTEL's reported results. As shown in Exhibit DJW-3, the reported results  
7 for different ALLTEL companies in different states vary widely. While it is reasonable  
8 to expect that the reported cost for certain network facilities (such as local loops) that are  
9 highly sensitive to the specific characteristics of a given area to vary, the costs of  
10 switching and interoffice transport – the network elements at issue in this proceeding –  
11 are relatively insensitive to the characteristics of a given area. These costs may vary  
12 somewhat but it is reasonable to expect that they would do so over a much narrower  
13 range than that reported by ALLTEL.

14 **2. The ALLTEL model, as constructed, is locked into a methodology that is**  
15 **based on embedded costs.** §51.505(d) states that the embedded base of investments  
16 cannot be considered in a compliant cost study. The ALLTEL methodology not only  
17 considers the embedded investments and network configuration, it carries them forward

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<sup>4</sup> It is appropriate for the assumed network configuration to be constrained by the location of the incumbent LEC wire centers. The constraints in ALLTEL's model go far beyond this assumption.

1 as the basis for its reported results. ALLTEL's "factoring" of its embedded investments  
2 does not cure this fundamental defect.

3 3. The ALLTEL model, as presented, does not comply with §51.505(e) or  
4 with the current industry standard for open cost models. To date, ALLTEL has  
5 provided no documentation that explains why it has chosen the rather convoluted  
6 methodology used in its spreadsheets or how this methodology could possibly comply  
7 with any of the requirements of §51.505. In addition, ALLTEL has offered no  
8 documentation that explains how it has developed the inputs and assumptions to the  
9 model and no explanation of why any of these inputs are appropriate (though I assume  
10 that this information will be a part of its direct testimony in this case).

11 Equally importantly, ALLTEL's cost study remains a largely closed book and  
12 many of the pages that can be seen are stuck together. The removal of the password  
13 protection has eliminated only a portion of the restrictions that ALLTEL has placed on its  
14 spreadsheets. Exhibit DJW-4 provides a listing of restrictions that exist before and after  
15 the removal of the password protection.

16  
17 Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE USE OF THE ALLTEL  
18 COST STUDY RESULTS TO ESTABLISH RATES FOR INTERCARRIER  
19 COMPENSATION BETWEEN VERIZON WIRELESS AND ALLTEL?

20 A. The results of the ALLTEL cost study do not represent information that can be relied

1           upon by the Commission in any way. To date, ALLTEL has clearly not met its  
2           obligations under §51.505(e) to *prove* that its proposed costs and rates are reasonable and  
3           compliant, and the §51.505(e)(2) requirement that “the record of any state proceeding in  
4           which a state commission considers a cost study for purposes of establishing rates under  
5           this section shall include any such cost study” cannot be met with the information  
6           produced by ALLTEL.

7           Even if ALLTEL produces the required information in its direct testimony, the  
8           elements of the model that can be reviewed indicate that the methodology underlying the  
9           study is fundamentally flawed and, even with changes in the inputs and assumptions  
10          used, cannot produce costs that comply with the requirements of §252 of the Act and the  
11          FCC’s §51.5 rules.

12  
13       **Verizon Wireless Rate Proposal**

14       Q.     IN THE ABSENCE OF MEANINGFUL COST INFORMATION PRODUCED BY  
15             ALLTEL, IS IT POSSIBLE FOR THIS COMMISSION TO ADOPT REASONABLE  
16             COST-BASED RATES FOR THE NETWORK ELEMENTS NEEDED TO DEVELOP  
17             THE RATES FOR INTERCARRIER COMPENSATION?

18       A.     Yes. Relevant cost information that is specific to Pennsylvania is available from at least  
19             three other sources. First, Verizon Pennsylvania Inc. (“Verizon PA”) has tariffed rates  
20             for unbundled services, including the network elements at issue in this proceeding.

1 United Telephone Company of Pennsylvania ("Sprint") and Frontier Communications of  
2 Pennsylvania ("Frontier") have switched access tariff containing the same functionality.  
3 While switched access is not limited by the §252 pricing constraints, it can serve as an  
4 upper bound of reasonableness for these network elements. Third, Verizon Wireless  
5 currently has agreed-upon rates for intercarrier compensation with Verizon and Sprint.  
6 These rates, for equivalent functions, can serve as a useful benchmark. Fourth, while I  
7 believe that ALLTEL's cost study is fundamentally flawed and will always produce  
8 results that are higher than those permitted by §252 of the Act and §51.505 of the FCC  
9 rules, it may be useful to review the results shown for other ALLTEL study areas. As  
10 explained above, switching and transport functions are not particularly sensitive to the  
11 characteristics of a given geographic area. It is possible to perform a "best in class"  
12 analysis for the ALLTEL study areas in order to determine the results that would be  
13 produced by ALLTEL's most efficient existing network configuration.

14  
15 Q. BASED ON THESE AVAILABLE SOURCES OF INFORMATION, WHAT RATES  
16 ARE YOU PROPOSING?

17 A. Exhibit DJW-5 compares the relevant values obtained from these sources of information.  
18 Based on this available information, I am proposing a blended rate of \$.0078 for Type  
19 2A, Type 2B, and Indirect Connection.

20

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes.

*Vita of Don J. Wood*

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**CURRENT EMPLOYMENT**

Don J. Wood is a principal in the firm of Wood & Wood. He provides economic and regulatory analysis services in telecommunications, cable, IP, and related convergence industries, specializing in economic policy related to the development of competitive markets and cost of service issues. In addition, Mr. Wood advises industry associations on regulatory and economic policy, and assists investors in their evaluation of investment opportunities in the telecommunications industry. The scope of his work has included landline and wireless voice communications, data services, and emerging technologies.

As a consultant, Mr. Wood has assisted his clients in responding to the challenges and business opportunities of the industry both before and subsequent to the Telecommunications Act of 1996. Prior to his work as a consultant, Mr. Wood was employed in a management capacity at a major Local Exchange Company and an Interexchange Carrier. In each capacity he has been directly involved in both the development and implementation of regulatory policy and business strategy.

As a part of his regulatory practice, Mr. Wood has presented testimony before the administrative regulatory bodies of thirty-five states, the District of Columbia, and Puerto Rico, and has prepared comments and testimony for filing with the Federal Communications Commission. The subject matter of his testimony has ranged from broad policy issues to detailed cost analysis.

Mr. Wood has also presented testimony in state, federal, and overseas courts regarding business plans and strategies, competition policy, and cost of service issues. He has presented studies of the damages incurred by plaintiffs and has provided rebuttal testimony to damage calculations performed by others. Mr. Wood has also testified in alternative dispute resolution proceedings conducted pursuant to both AAA and CPR rules.

Mr. Wood is certified as a Commercial Mediator in the state of Georgia.



PREVIOUS INDUSTRY EMPLOYMENT

Klick, Kent & Allen/FTI Consulting, Inc.

Regional Director.

GDS Associates, Inc.

Senior Project Manager.

MCI Telecommunications Corporation

Manager of Regulatory Analysis, Southeast Division.

Manager, Corporate Economic Analysis and Regulatory Affairs.

BellSouth Services, Inc.

Staff Manager.

EDUCATION

Emory University, Atlanta, Ga.

BBA in Finance, with Distinction.

College of William and Mary, Williamsburg, Va.

MBA, with concentrations in Finance and Microeconomics.

TESTIMONY - STATE REGULATORY COMMISSIONS:

Alabama Public Service Commission

Docket No. 19356, Phase III: Alabama Public Service Commission vs. All Telephone Companies Operating in Alabama, and Docket 21455: AT&T Communications of the South Central States, Inc., Applicant, Application for a Certificate of Public Convenience and Necessity to Provide Limited IntraLATA Telecommunications Service in the State of Alabama.

Docket No. 20895: In Re: Petition for Approval to Introduce Business Line Termination for MCT's 800 Service.

Docket No. 21071: In Re: Petition by South Central Bell for Introduction of Bidirectional Measured Service.

Docket No. 21067: In Re: Petition by South Central Bell to Offer Dial Back-Up Service and 2400 BPS Central Office Data Set for Use with PulseLink Public Packet Switching Network Service.

Docket No. 21378: In Re: Petition by South Central Bell for Approval of Tariff Revisions to Restructure ESSX and Digital ESSX Service.

Docket No. 21865: In Re: Petition by South Central Bell for Approval of Tariff Revisions to Introduce Network Services to be Offered as a Part of Open Network Architecture.

Docket No. 25703: In Re: In the Matter of the Interconnection Agreement Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 25704: In Re: Petition by AT&T Communications of the South Central States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated and CONTEL of the South, Inc. Concerning Interconnection and Resale under the Telecommunications Act of 1996.

Docket No. 25835: In Re: Petition for Approval of a Statement of Generally Available Terms and Conditions Pursuant to §252(f) of the Telecommunications Act of 1996 and Notification of Intention to File a §271 Petition for In-Region InterLATA Authority with the Federal Communications Commission Pursuant to the Telecommunications Act of 1996.

Docket No. 26029: In Re: Generic Proceeding - Consideration of TELRIC Studies.

Docket No. 25980: Implementation of the Universal Support Requirements of Section 254 of the Telecommunications Act of 1996.

Docket No. 27091: Petition for Arbitration by ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 27821: Generic Proceeding to Establish Prices for Interconnection Services and Unbundled Network Elements.

Docket Nos. 27989 and 15957: BellSouth "Full Circle" Promotion and Generic Proceeding Considering the Promulgation of Telephone Rules Governing Promotions.

Docket No. 28841: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

The Regulatory Commission of Alaska

Case No. U-02-039: In the Matter of Request by Alaska Digital, LLC for Designation as a Carrier Eligible To Receive Federal Universal Service Support Under the Telecommunications Act of 1996.

Arkansas Public Service Commission

Docket No. 92-337-R: In the Matter of the Application for a Rule Limiting Collocation for Special Access to Virtual or Physical Collocation at the Option of the Local Exchange Carrier.

Public Utilities Commission of the State of California

Rulemaking 00-02-005: Order Instituting Rulemaking on the Commission's Own Motion into Reciprocal Compensation for Telephone Traffic Transmitted to Internet Service Provider Modems.

Application Nos. 01-02-024, 01-02-035, 02-02-031, 02-02-032, 02-02-034, 02-03-002: Applications for the Commission to Reexamine the Recurring Costs and Prices of Unbundled Network element Costs Pursuant to Ordering Paragraph 11 of D.99-11-050.

Public Utilities Commission of the State of Colorado

Docket No. 96A-345T: In the Matter of the Interconnection Contract Negotiations Between AT&T Communications of the Mountain States, Inc., and US West Communications, Inc., Pursuant to 47 U.S.C. Section 252. Docket No. 96A-366T: In the Matter of the Petition of MCIMetro Access Transmission Services, Inc., for Arbitration Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with US West Communications, Inc. (consolidated).

Docket No. 96S-257T: In Re: The Investigation and Suspension of Tariff Sheets Filed by US West Communications, Inc., with Advice Letter No. 2608 Regarding Proposed Rate Changes.

Docket No. 98F-146T: Colorado Payphone Association, Complainant, v. US West Communications, Inc., Respondent.

Docket No. 02A-276T: In the Matter of the Application of Wiggins Telephone Association for Approval of its Disaggregation Plan

Docket No. 02A-444T: In the Matter of NECC's Application to Redefine the Service Area of Eastern Slope Rural Telephone Association, Inc., Great Plains Communications, Inc., Plains Coop Telephone Association, Inc., and Sunflower Telephone Co., Inc.

State of Connecticut, Department of Utility Control

Docket 91-12-19: DPUC Review of Intrastate Telecommunications Services Open to Competition (Comments).

Docket No. 94-07-02: Development of the Assumptions, Tests, Analysis, and Review to Govern Telecommunications Service Reclassifications in Light of the Eight Criteria Set Forth in Section 6 of Public Act 94-83 (Comments).

Delaware Public Service Commission

Docket No. 93-31T: In the Matter of the Application of The Diamond State Telephone Company for Establishment of Rules and Rates for the Provision of IntelliLinQ-PRI and IntelliLinQ-BRI.

Docket No. 41: In the Matter of the Development of Regulations for the Implementation of the Telecommunications Technology Investment Act.

Docket No. 96-324: In the Matter of the Application of Bell Atlantic-Delaware, Inc. for Approval of its Statement of Terms and Conditions Under Section 252(f) of the Telecommunications Act of 1996 (Phase II).

Docket No. 02-001: In the Matter of the Inquiry into Verizon Delaware Inc.'s Compliance with the Conditions Set Forth in 47 U.S.C. § 271(c).

Florida Public Service Commission

Docket No. 881257-TL: In Re: Proposed Tariff by Southern Bell to Introduce New Features for Digital ESSX Service, and to Provide Structural Changes for both ESSX Service and Digital ESSX Service.

Docket No. 880812-TP: In Re: Investigation into Equal Access Exchange Areas (EAEAs), Toll Monopoly Areas (TMAs), 1+ Restriction to the Local Exchange Companies (LECs), and Elimination of the Access Discount.

Docket No. 890183-TL: In Re: Generic Investigation into the Operations of Alternate Access Vendors.

Docket No. 870347-TI: In Re: Petition of AT&T Communications of the Southern States for Commission Forbearance from Earnings Regulation and Waiver of Rule 25-4.495(1) and 25-24.480 (1) (b), F.A.C., for a trial period.

Docket No. 900708-TL: In Re: Investigation of Methodology to Account for Access Charges in Local Exchange Company (LEC) Toll Pricing.

Docket No. 900633-TL: In Re: Development of Local Exchange Company Cost of Service Study Methodology.

Docket No. 910757-TP: In Re: Investigation into the Regulatory Safeguards Required to Prevent Cross-Subsidization by Telephone Companies.

Docket No. 920260-TL: In Re: Petition of Southern Bell Telephone and Telegraph Company for Rate Stabilization, Implementation Orders, and Other Relief.

Docket No. 950985-TP: In Re: Resolution of Petitions to establish 1995 rates, terms, and conditions for interconnection involving local exchange companies and alternative local exchange companies pursuant to Section 364.162, Florida Statutes.

Docket No. 960846-TP: In Re: Petition by MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. for Arbitration of Certain Terms and Conditions of a proposed agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 and Docket No. 960833-TP: In Re: Petition by AT&T Communications of the Southern States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the

Telecommunications Act of 1996 (consolidated).

Docket No. 960847-TP and 960980-TP: In Re: Petition by AT&T Communications of the Southern States, Inc., MCI Telecommunications Corporation, MCI Metro Access Transmission Service, Inc., for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE Florida Incorporated Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 961230-TP: In Re: Petition by MCI Telecommunications Corporation for Arbitration with United Telephone Company of Florida and Central Telephone Company of Florida Concerning Interconnection Rates, Terms, and Conditions, Pursuant to the Federal Telecommunications Act of 1996.

Docket No. 960786-TL: In Re: Consideration of BellSouth Telecommunications, Inc.'s Entry Into InterLATA Services Pursuant to Section 271 of the Federal Telecommunications Act of 1996.

Docket Nos. 960833-TP, 960846-TP, 960757-TP, and 971140-TP: Investigation to develop permanent rates for certain unbundled network elements.

Docket No. 980696-TP: In Re: Determination of the cost of basic local telecommunications service, pursuant to Section 364.025 Florida Statutes.

Docket No. 990750-TP: Petition by ITC^DeltaCom Communications, Inc., d/b/a/ ITC^DeltaCom, for arbitration of certain unresolved issues in interconnection negotiations between ITC^DeltaCom and BellSouth Telecommunications, Inc.

Docket No. 991605-TP: Petition of BellSouth Telecommunications, Inc. for Arbitration of the Interconnection Agreement Between Time Warner Telecom of Florida, L.P., pursuant to Section 252 (b) of the Telecommunications Act of 1996.

Docket No. 030137-TP: In re: Petition for Arbitration of Unresolved Issues in Negotiation of Interconnection Agreement with BellSouth Telecommunications, Inc. by ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom.

#### Georgia Public Service Commission

Docket No. 3882-U: In Re: Investigation into Incentive Telephone Regulation in Georgia.

Docket No. 3883-U: In Re: Investigation into the Level and Structure of Intrastate Access Charges.

Docket No. 3921-U: In Re: Compliance and Implementation of Senate Bill 524.

Docket No. 3905-U: In Re: Southern Bell Rule Nisi.

Docket No. 3995-U: In Re: IntraLATA Toll Competition.

Docket No. 4018-U: In Re: Review of Open Network Architecture (ONA) (Comments).

Docket No. 5258-U: In Re: Petition of BellSouth Telecommunications for Consideration and Approval of its "Georgians FIRST" (Price Caps) Proposal.

Docket No. 5825-U: In Re: The Creation of a Universal Access Fund as Required by the Telecommunications Competition and Development Act of 1995.

Docket No. 6801-U: In Re: Interconnection Negotiations Between BellSouth Telecommunications, Inc. and

AT&T Communications of the Southern States, Inc., Pursuant to Sections 251-252 and 271 of the Telecommunications Act of 1996.

Docket No. 6865-U: In Re: Petition by MCI for Arbitration of Certain Terms and Conditions of Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Docket No. 7253-U: In Re: BellSouth Telecommunications, Inc.'s Statement of Generally Available Terms and Conditions Under Section 252 (f) of the Telecommunications Act of 1996.

Docket No. 7061-U: In Re: Review of Cost Studies and Methodologies for Interconnection and Unbundling of BellSouth Telecommunications Services.

Docket No. 10692-U: In Re: Generic Proceeding to Establish Long-Term Pricing Policies for Unbundled Network Elements.

Docket No. 10854-U: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 16583-U: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Public Utilities Commission of Hawaii

Docket No. 7702: In the Matter of Instituting a Proceeding on Communications, Including an Investigation of the Communications Infrastructure of the State of Hawaii.

Indiana Utility Regulatory Commission

Cause No. 42303: In the Matter of the Complaint of the Indiana Payphone Association for a Commission Determination of Just and Reasonable Rates and Charges and Compliance with Federal Regulations.

Cause No. 41052-ETC-43: In the Matter of the Designation of Eligible Telecommunications Carriers by the Indiana Utility Regulatory Commission Pursuant to the Telecommunications Act of 1996 and Related FCC Orders. In Particular, the Application of NPCR, Inc. d/b/a Nextel Partners to be Designated.

Iowa Utilities Board

Docket No. RPU-95-10.

Docket No. RPU-95-11.

State Corporation Commission of the State of Kansas

Docket No. 00-GIMT-1054-GIT: In the Matter of a General Investigation to Determine Whether Reciprocal Compensation Should Be Paid for Traffic to an Internet Service Provider.

Kentucky Public Service Commission

Administrative Case No. 10321: In the Matter of the Tariff Filing of South Central Bell Telephone Company to Establish and Offer PulseLink Service.

Administrative Case No. 323: In the Matter of An Inquiry into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality.

- Phase IA: Determination of whether intraLATA toll competition is in the public interest.
- Phase IB: Determination of a method of implementing intraLATA competition.
- Rehearing on issue of Imputation.

Administrative Case No. 90-256, Phase II: In the Matter of A Review of the Rates and Charges and Incentive Regulation Plan of South Central Bell Telephone Company.

Administrative Case No. 336: In the Matter of an Investigation into the Elimination of Switched Access Service Discounts and Adoption of Time of Day Switch Access Service Rates.

Administrative Case No. 91-250: In the Matter of South Central Bell Telephone Company's Proposed Area Calling Service Tariff.

Administrative Case No. 96-431: In Re: Petition by MCI for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Administrative Case No. 96-478: In Re: The Petition by AT&T Communications of the South Central States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Administrative Case No. 96-482: In Re: The Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Administrative Case No. 360: In the Matter of: An Inquiry into Universal Service and Funding Issues.

Administrative Case No. 96-608: In the Matter of: Investigation Concerning the Provision of InterLATA Services by BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Administrative Case No. 382: An Inquiry into the Development of Deaveraged Rates for Unbundled Network Elements.

#### Louisiana Public Service Commission

Docket No. 17970: In Re: Investigation of the Revenue Requirements, Rate Structures, Charges, Services, Rate of Return, and Construction Program of AT&T Communications of the South Central States, Inc., in its Louisiana Operations.

Docket No. U-17949: In the Matter of an Investigation of the Revenue Requirements, Rate Structures, Charges, Services, Rate of Return, and Construction Program of South Central Bell Telephone Company, Its Louisiana Intrastate Operations, The Appropriate Level of Access Charges, and All Matters Relevant to the Rates and Service Rendered by the Company.

- Subdocket A (SCB Earnings Phase)
- Subdocket B (Generic Competition Phase)

Docket No. 18913-U: In Re: South Central Bell's Request for Approval of Tariff Revisions to Restructure ESSN and Digital ESSN Service.

Docket No. U-18851: In Re: Petition for Elimination of Disparity in Access Tariff Rates.

Docket No. U-22022: In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s TSLRIC and LRIC Cost Studies Submitted Pursuant to Sections 901(C) and 1001(E) of the Regulations for Competition in the Local Telecommunications Market as Adopted by General Order Dated March 15, 1996 in Order to Determine the Cost of Interconnection Services and Unbundled Network Components to Establish Reasonable, Non-Discriminatory, Cost Based Tariffed Rates and Docket No. U-22093: In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s Tariff Filing of April 1, 1996, Filed Pursuant to Section 901 and 1001 of the Regulations for Competition in the Local Telecommunications Market Which Tariff Introduces Interconnection and Unbundled Services and Establishes the Rates, Terms and Conditions for Such Service Offerings (consolidated).

Docket No. U-22145: In the Matter of Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. U-22252: In Re: Consideration and Review of BST's Preapplication Compliance with Section 271 of the Telecommunications Act of 1996, including but not limited to the fourteen requirements set forth in Section 271 (c) (2) (b) in order to verify compliance with section 271 and provide a recommendation to the FCC regarding BST's application to provide interLATA services originating in-region.

Docket No. U-20883 Subdocket A: In Re: Submission of the Louisiana Public Service Commission's Forward Looking Cost Study to the FCC for Purposes of Calculating Federal Universal Service Support.

Docket No. U-24206: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. U-22632: In Re: BellSouth Telecommunications, Inc. Filing of New Cost Studies for Providing Access Line Service for Customer Provided Public Telephones and Smartline Service for Public Telephone Access.

Docket No. Docket No. U-24714-A: In Re: Final Deaveraging of BellSouth Telecommunications, Inc. UNE Rates Pursuant to FCC 96-45 Ninth Report and Order and Order on Eighteenth Order on Reconsideration Released November 2, 1999.

#### Public Service Commission of Maryland

Case 8584, Phase II: In the Matter of the Application of MFS Intelenet of Maryland, Inc. for Authority to Provide and Resell Local Exchange and Intrastate Telecommunications Services in Areas Served by C&P Telephone Company of Maryland.

Case 8715: In the Matter of the Inquiry into Alternative Forms of Regulating Telephone Companies.

Case 8731: In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996.



Massachusetts Department of Telecommunications and Energy

D.P.U., D.T.E. 97088/97-18 (Phase II): Investigation by the Department of Telecommunications & Energy on its own motion regarding (1) implementation of section 276 of the Telecommunications Act of 1996 relative to public interest payphones, (2) Entry and Exit Barriers for the Payphone Marketplace, (3) New England Telephone and Telegraph Company d/b/a NYNEX's Public Access Smart-Pay Service, and (4) the rate policy for operator service providers.

Minnesota Public Utilities Commission

PUC Docket No. PT6153/AM-02-686, OAH Docket No. 3-2500-14980-2: In the Matter of Petition of Midwest Wireless Communications, LLC for Designation as an Eligible Communications carrier under 47 U.S.C. § 214(e)(2).

PUC Docket No. PT-6182, 6181/M-02-1503: In the Matter of RCC Minnesota, Inc. and Wireless Alliance, LLC for Designation as an Eligible Telecommunications Carrier under 47 U.S.C. § 214(e)(2).

Mississippi Public Service Commission

Docket No. U-5086: In Re: MCI Telecommunications Corporation's Metered Use Service Option D (Prism I) and Option E (Prism II).

Docket No. U-5112: In Re: MCI Telecommunications Corporation's Metered Use Option H (800 Service).

Docket No. U-5318: In Re: Petition of MCI for Approval of MCI's Provision of Service to a Specific Commercial Banking Customers for Intrastate Interexchange Telecommunications Service.

Docket 89-UN-5453: In Re: Notice and Application of South Central Bell Telephone Company for Adoption and Implementation of a Rate Stabilization Plan for its Mississippi Operations.

Docket No. 90-UA-0280: In Re: Order of the Mississippi Public Service Commission Initiating Hearings Concerning (1) IntraLATA Competition in the Telecommunications Industry and (2) Payment of Compensation by Interexchange Carriers and Resellers to Local Exchange Companies in Addition to Access Charges.

Docket No. 92-UA-0227: In Re: Order Implementing IntraLATA Competition.

Docket No. 96-AD-0559: In Re: In the Matter of the Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 98-AD-035: Universal Service.

Docket No. 97-AD-544: In Re: Generic Proceeding to Establish Permanent Prices for BellSouth Interconnection and Unbundled Network Elements.

Public Service Commission of the State of Montana

Docket No. D2000.8.124: In the Matter of Touch America, Inc.'s Petition for Arbitration Pursuant to

Section 252(b) of the Telecommunications Act of 1996 of the Terms and Conditions of Interconnection with Qwest Corporation, fka US West Communications, Inc.

Docket No. D2000.6.89: In the Matter of Qwest Corporation's Application to Establish Rates for Interconnection, Unbundled Network Elements, Transport and Termination, and Resale Services.

Nebraska Public Service Commission

Docket No. C-1385: In the Matter of a Petition for Arbitration of an Interconnection Agreement Between AT&T Communications of the Midwest, Inc., and US West Communications, Inc.

New York Public Service Commission

Case No. 28425: Proceeding on Motion of the Commission as to the Impact of the Modification of Final Judgement and the Federal Communications Commission's Docket 78-72 on the Provision of Toll Service in New York State.

North Carolina Public Utilities Commission

Docket No. P-100, Sub 72: In the Matter of the Petition of AT&T to Amend Commission Rules Governing Regulation of Interexchange Carriers (Comments).

Docket No. P-141, Sub 19: In the Matter of the Application of MCI Telecommunications Corporation to Provide InterLATA Facilities-Based Telecommunications Services (Comments).

Docket No. P-55, Sub 1013: In the Matter of Application of BellSouth Telecommunications, Inc. for, and Election of, Price Regulation.

Docket Nos. P-7, Sub 825 and P-10, Sub 479: In the Matter of Petition of Carolina Telephone and Telegraph and Central Telephone Company for Approval of a Price Regulation Plan Pursuant to G.S. 62-133.5.

Docket No. P-19, Sub 277: In the Matter of Application of GTE South Incorporated for and Election of, Price Regulation.

Docket No. P-141, Sub 29: In the Matter of: Petition of MCI Telecommunications Corporation for Arbitration of Interconnection with BellSouth Telecommunications, Inc., Petition of AT&T Communications of the Southern States, Inc. for Arbitration of Interconnection with BellSouth Telecommunications, Inc. (consolidated).

Docket No. P-141, Sub 30: In the Matter of: Petition of MCI Telecommunications Corporation for Arbitration of Interconnection with General Telephone Company of North Carolina, Inc., Petition of AT&T Communications of the Southern States, Inc. for Arbitration of Interconnection with General Telephone Company of North Carolina, Inc. (consolidated).

Docket No. P-100, Sub 133b: Re: In the Matter of Establishment of Universal Support Mechanisms Pursuant to Section 254 of the Telecommunications Act of 1996.

Docket No. P-100, Sub 133d: Re: Proceeding to Determine Permanent Pricing for Unbundled Network Elements.

Docket No. P-190, Sub 84b: Re: In the Matter of Petition of North Carolina Payphone Association for Review of Local Exchange Company Tariffs for Basic Payphone Services (Comments).

Docket No. P-561, Sub 10: BellSouth Telecommunications, Inc., Complainant, v. US LEC of North Carolina, LLC, and Metacomm, LLC, Respondents.

Docket No. P-472, Sub 15: In the Matter of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Time Warner Telecom of North Carolina, L.P. Pursuant to Section 252(b) of the Telecommunications Act of 1996.

Docket Nos. P-7, Sub 995; P-10, Sub 633: ALEC, Inc. v. Carolina Telephone and Telegraph Company and Central Telephone Company.

Docket No. P-500, Sub 18: In the Matter of: Petition for Arbitration of ITC/DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Public Utilities Commission of Ohio

Case No. 93-487-TP-ALT: In the Matter of the Application of The Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation.

Oklahoma Corporation Commission

Cause No. PUD 01448: In the Matter of the Application for an Order Limiting Collocation for Special Access to Virtual or Physical Collocation at the Option of the Local Exchange Carrier.

Cause No. PUD 200300195: Application of United States Cellular Corporation for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

Cause No. PUD 200300239: Application of Dobson Cellular Systems, Inc. for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

Public Utility Commission of Oregon

Docket No. UT 119: In the Matter of an Investigation into Tariffs Filed by US West Communications, Inc., United Telephone of the Northwest, Pacific Telecom, Inc., and GTE Northwest, Inc. in Accordance with ORS 759.185(4).

Docket No. ARB 3: In the Matter of the Petition of AT&T Communications of the Pacific Northwest, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996. Docket No. ARB 6: In the Matter of the Petition of MCIMetro Access Transmission Services, Inc. for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996 (consolidated).

Docket No. ARB 9: In the Matter of the Petition of an Interconnection Agreement Between MCIMetro Access Transportation Services, Inc. and GTE Northwest Incorporated, Pursuant to 47 U.S.C. Section 252.

Docket No. UT-125: In the Matter of the Application of US West Communications, Inc. for an Increase in Revenues.

Pennsylvania Public Utilities Commission

Docket No. I-00910010: In Re: Generic Investigation into the Current Provision of InterLATA Toll Service.

Docket No. P-00930715: In Re: The Bell Telephone Company of Pennsylvania's Petition and Plan for Alternative Form of Regulation under Chapter 30.

Docket No. R-00943008: In Re: Pennsylvania Public Utility Commission v. Bell Atlantic-Pennsylvania, Inc. (Investigation of Proposed Promotional Offerings Tariff).

Docket No. M-00940587: In Re: Investigation pursuant to Section 3005 of the Public Utility Code, 66 Pa. C. S. §3005, and the Commission's Opinion and Order at Docket No. P-930715, to establish standards and safeguards for competitive services, with particular emphasis in the areas of cost allocations, cost studies, unbundling, and imputation, and to consider generic issues for future rulemaking.

South Carolina Public Service Commission

Docket No. 90-626-C: In Re: Generic Proceeding to Consider Intrastate Incentive Regulation.

Docket No. 90-321-C: In Re: Petition of Southern Bell Telephone and Telegraph Company for Revisions to its Access Service Tariff Nos. E2 and E16.

Docket No. 88-472-C: In Re: Petition of AT&T of the Southern States, Inc., Requesting the Commission to Initiate an Investigation Concerning the Level and Structure of Intrastate Carrier Common Line (CCL) Access Charges.

Docket No. 92-163-C: In Re: Position of Certain Participating South Carolina Local Exchange Companies for Approval of an Expanded Area Calling (EAC) Plan.

Docket No. 92-182-C: In Re: Application of MCI Telecommunications Corporation, AT&T Communications of the Southern States, Inc., and Sprint Communications Company, L.P., to Provide IntraLATA Telecommunications Services.

Docket No. 95-720-C: In Re: Application of BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company for Approval of an Alternative Regulation Plan.

Docket No. 96-358-C: In Re: Interconnection Agreement Negotiations Between AT&T Communications of the Southern States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 96-375-C: In Re: Interconnection Agreement Negotiations Between AT&T Communications of the Southern States, Inc. and GTE South Incorporated Pursuant to 47 U.S.C. § 252.

Docket No. 97-101-C: In Re: Entry of BellSouth Telecommunications, Inc. into the InterLATA Toll Market.

Docket No. 97-374-C: In Re: Proceeding to Review BellSouth Telecommunications, Inc. Cost for Unbundled Network Elements.

Docket No. 97-239-C: Intrastate Universal Service Fund.

Docket No. 97-124-C: BellSouth Telecommunications, Inc. Revisions to its General Subscriber Services Tariff and Access Service Tariff to Comply with the FCC's Implementation of the Pay Telephone

Reclassification and Compensation Provisions of the Telecommunications Act of 1996.

Docket No. 1999-268-C: Petition of Myrtle Beach Telephone, LLC, for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Horry Telephone Cooperative, Inc.

Docket No. 1999-259-C: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 2001-65-C: Generic Proceeding to Establish Prices for BellSouth's Interconnection Services, Unbundled Network Elements and Other Related Elements and Services.

Tennessee Public Service Commission

Docket No. 90-05953: In Re: Earnings Investigation of South Central Bell Telephone Company.

Docket Nos. 89-11065, 89-11735, 89-12677: AT&T Communications of the South Central States, MCI Telecommunications Corporation, US Sprint Communications Company -- Application for Limited IntraLATA Telecommunications Certificate of Public Convenience and Necessity.

Docket No. 91-07501: South Central Bell Telephone Company's Application to Reflect Changes in its Switched Access Service Tariff to Limit Use of the 700 Access Code.

Tennessee Regulatory Authority

Docket No. 96-01152: In Re: Petition by AT&T Communications of the South Central States, Inc. for Arbitration under the Telecommunications Act of 1996 and Docket No. 96-01271: In Re: Petition by MCI Telecommunications Corporation for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the *Telecommunications Act of 1996 (consolidated)*.

Docket No. 96-01262: In Re: Interconnection Agreement Negotiations Between AT&T of the South Central States, Inc. and BellSouth Telecommunications, Inc. Pursuant to 47 U.S.C. § 252.

Docket No. 97-01262: Proceeding to Establish Permanent Prices for Interconnection and Unbundled Network Elements.

Docket No. 97-00888: Universal Service Generic Contested Case.

Docket No. 99-00430: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. pursuant to the Telecommunications Act of 1996.

Docket No. 97-00409: In Re: All Telephone Companies Tariff Filings Regarding Reclassification of Pay Telephone Service as Required by Federal Communications Commission Docket No. 96-128.

Docket No. 03-00119: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc.

Public Utility Commission of Texas

Docket No. 12879: Application of Southwestern Bell Telephone Company for Expanded Interconnection

for Special Access Services and Switched Transport Services and Unbundling of Special Access DS1 and DS3 Services Pursuant to P. U. C. Subst. R. 23.26.

Docket No. 18082: Complaint of Time Warner Communications against Southwestern Bell Telephone Company.

Docket No. 21982: Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Telecommunications Act of 1996.

Docket No. 23396: Joint Petition of CoServ, LLC d/b/a CoServ Communications and Multitechnology Services, LP d/b/a CoServ Broadband Services for Arbitration of Interconnection Rates, Terms, Conditions, and Related Arrangements with Southwestern Bell Telephone Company.

Docket No. 24015: Consolidated Complaints and Requests of Post-Interconnection Dispute Resolution Regarding Inter-Carrier Compensation for FX-Type Traffic Against Southwestern Bell Telephone Company.

PUC Docket No. 27709: Application of NPCR, Inc., dba Nextel Partners for Eligible Telecommunications Carrier Designation (ETC).

State of Vermont Public Service Board

Docket No. 6533: Application of Verizon New England Inc. d/b/a Verizon Vermont for a Favorable Recommendation to Offer InterLATA Services Under 47 U.S.C. 271.

Virginia State Corporation Commission

Case No. PUC920043: Application of Virginia Metrotel, Inc. for a Certificate of Public Convenience and Necessity to Provide InterLATA Interexchange Telecommunications Services.

Case No. PUC920029: Ex Parte: In the Matter of Evaluating the Experimental Plan for Alternative Regulation of Virginia Telephone Companies.

Case No. PUC930035: Application of Contel of Virginia, Inc. d/b/a GTE Virginia to implement community calling plans in various GTE Virginia exchanges within the Richmond and Lynchburg LATAs.

Case No. PUC930036: Ex Parte: In the Matter of Investigating Telephone Regulatory Methods Pursuant to Virginia Code § 56-235.5, & Etc.

Washington Utilities and Transportation Commission

Docket Nos. UT-941464, UT-941465, UT-950146, and UT-950265 (Consolidated): Washington Utilities and Transportation Commission, Complainant, vs. US West Communications, Inc., Respondent; TCG Seattle and Digital Direct of Seattle, Inc., Complainant, vs. US West Communications, Inc., Respondent; TCG Seattle, Complainant, vs. GTE Northwest Inc., Respondent; Electric Lightwave, Inc., vs. GTE Northwest, Inc., Respondent.

Docket No. UT-950200: In the Matter of the Request of US West Communications, Inc. for an Increase in its Rates and Charges.

Docket No. UT-000883: In the Matter of the Petition of U S West Communications, Inc. for Competitive

Classification.

Public Service Commission of West Virginia

Case No. 02-1453-T-PC: Highland Cellular, Inc. Petition for consent and approval to be designated as an eligible telecommunications carrier in the areas served by Citizens Telecommunications Company of West Virginia.

Public Service Commission of Wyoming

Docket No. 70000-TR-95-238: In the Matter of the General Rate/Price Case Application of US West Communications, Inc. (Phase I).

Docket No. PSC-96-32: In the Matter of Proposed Rule Regarding Total Service Long Run Incremental Cost (TSLRIC) Studies.

Docket No. 70000-TR-98-420: In the Matter of the Application of US West Communications, Inc. for authority to implement price ceilings in conjunction with its proposed Wyoming Price Regulation Plan for essential and noncompetitive telecommunications services (Phase III).

Docket No. 70000-TR-99-480: In the Matter of the Application of US West Communications, Inc. for authority to implement price ceilings in conjunction with its proposed Wyoming Price Regulation Plan for essential and noncompetitive telecommunications services (Phase IV).

Docket No. 70000-TR-00-556: In the Matter of the Filing by US West Communications, Inc. for Authority to File its TSLRIC 2000 Annual Input Filing and Docket No. 70000-TR-00-570: In the Matter of the Application of US West Communications, Inc. for Authority to File its 2000 Annual TSLRIC Study Filing.

Public Service Commission of the District of Columbia

Formal Case No. 814, Phase IV: In the Matter of the Investigation into the Impact of the AT&T Divestiture and Decisions of the Federal Communications Commission on Bell Atlantic - Washington, D. C. Inc.'s Jurisdictional Rates.

Puerto Rico Telecommunications Regulatory Board

Case No. 98-Q-0001: In Re: Payphone Tariffs.

Docket No.: JRT-2001-AR-0002: In the Matter of Interconnection Rates, Terms and Conditions between WorldNet Telecommunications, Inc. and Puerto Rico Telephone Company.

COMMENTS/DECLARATIONS - FEDERAL COMMUNICATIONS COMMISSION

CC Docket No. 92-91: In the Matter of Open Network Architecture Tariffs of Bell Operating Companies.

CC Docket No. 93-162: Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access.

CC Docket No. 91-141: Common Carrier Bureau Inquiry into Local Exchange Company Term and Volume Discount Plans for Special Access.

CC Docket No. 94-97: Review of Virtual Expanded Interconnection Service Tariffs.

CC Docket No. 94-128: Open Network Architecture Tariffs of US West Communications, Inc.

CC Docket No. 94-97, Phase II: Investigation of Cost Issues, Virtual Expanded Interconnection Service Tariffs.

CC Docket No. 96-98: In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

CC Docket No. 97-231: Application by BellSouth to Provide In-Region InterLATA Services

CC Docket No. 98-121: Application by BellSouth to Provide In-Region InterLATA Services

CCB/CPD No. 99-27: In the Matter of Petition of North Carolina Payphone Association for Expedited Review of, and/or Declaratory Ruling Concerning, Local Exchange Company Tariffs for Basic Payphone Services.

CC Docket No. 96-128: In the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CCB/CPD No. 99-31: Oklahoma Independent Telephone Companies Petition for Declaratory Ruling (consolidated).

CCB/CPD No. 00-1: In the Matter of the Wisconsin Public Service Commission Order Directing Filings.

CC Docket No. 99-68: In the Matter of Inter-Carrier Compensation for ISP-Bound Traffic

File No. EB-01-MD-020: In the Matter of Sprint Communications Company, L.P., Complainant v. Time Warner Telecom, Inc. Defendant.

Request by the American Public Communications Council that the Commission Issue a Notice of Proposed Rulemaking to Update the Dial-Around Compensation Rate

File Nos. EB-02-MD-018-030: In the Matter of Communications Vending Corp. of Arizona, et. al., Complainants, v. Citizens Communications Co. f/k/a Citizens Utilities Co. and Citizens Telecommunications Co., et. al., Defendants.

CC Docket No. 96-45: In the Matter of Federal-State Joint Board on Universal Service, Cellular South License, Inc., RCC Holdings, Inc., Petitions for designation as an Eligible Telecommunications Carrier in the State of Alabama.

CC Docket No. 96-45: In the Matter of Federal-State Joint Board on Universal Service, Declaration in Support of the Comments to the Federal-State Joint Board of the Rural Cellular Association and the Alliance of Rural CMRS Carriers.



REPRESENTATIVE TESTIMONY – STATE, FEDERAL, AND OVERSEAS COURTS

Court of Common Pleas, Philadelphia County, Pennsylvania

Shared Communications Services of 1800-80 JFK Boulevard, Inc., Plaintiff, v. Bell Atlantic Properties, Inc., Defendant.

Texas State Office of Administrative Hearings

Office of Customer Protection (OCP) Investigation of Axces, Inc. for Continuing Violations of PUC Substantive Rule §26.130, Selection of Telecommunications Utilities, Pursuant to Procedural Rules 22.246 Administrative Penalties.

Superior Court for the State of Alaska, First Judicial District

Richard R. Watson, David K. Brown and Ketchikan Internet Services, a partnership of Richard R. Watson and David K. Brown, plaintiffs, v. Karl Amylon and the City of Ketchikan, Defendants.

United States District Court for the District of South Carolina, Columbia Division

Brian Wesley Jeffcoat, on behalf of himself and others similarly situated, Plaintiffs, v. Time Warner Entertainment - Advance/Newhouse Partnership, Defendant.

United States District Court for the Northern District of Texas, Fort Worth Division

Multitechnology Services, L. P. d/b/a CoServ Broadband Services, Plaintiffs, v. Southwestern Bell Telephone Company, Defendant.

Multitechnology Services, L. P. d/b/a CoServ Broadband Services, Plaintiffs, v. Verizon Southwest f/k/a GTE Southwest Incorporated.

High Court of the Hong Kong Special Administrative Region, Court of First Instance

*Commercial List No. 229 of 1999: Cable and Wireless HKT International Limited, Plaintiff v. New World Telephone Limited, Defendant.*

REPRESENTATIVE TESTIMONY – PRIVATE COMMERCIAL ARBITRATION TRIBUNALS

American Arbitration Association

Southwestern Bell Telephone Company, Claimant vs. Time Warner Telecom, Respondent.

CPR Institute for Dispute Resolution

Supra Telecommunications and Information Systems, Inc., Claimant vs. BellSouth Telecommunications, Inc., Respondent.

Sec. 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 Sec. 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 Sec. 51.511.

(1) A state commission may set a rate outside the proxy ranges or above the proxy ceilings described in Sec. 51.513 only if that commission has given full and fair effect to the economic cost based pricing methodology described in this section and Sec. 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.

Sec. 51.511 Forward-looking economic cost per unit.

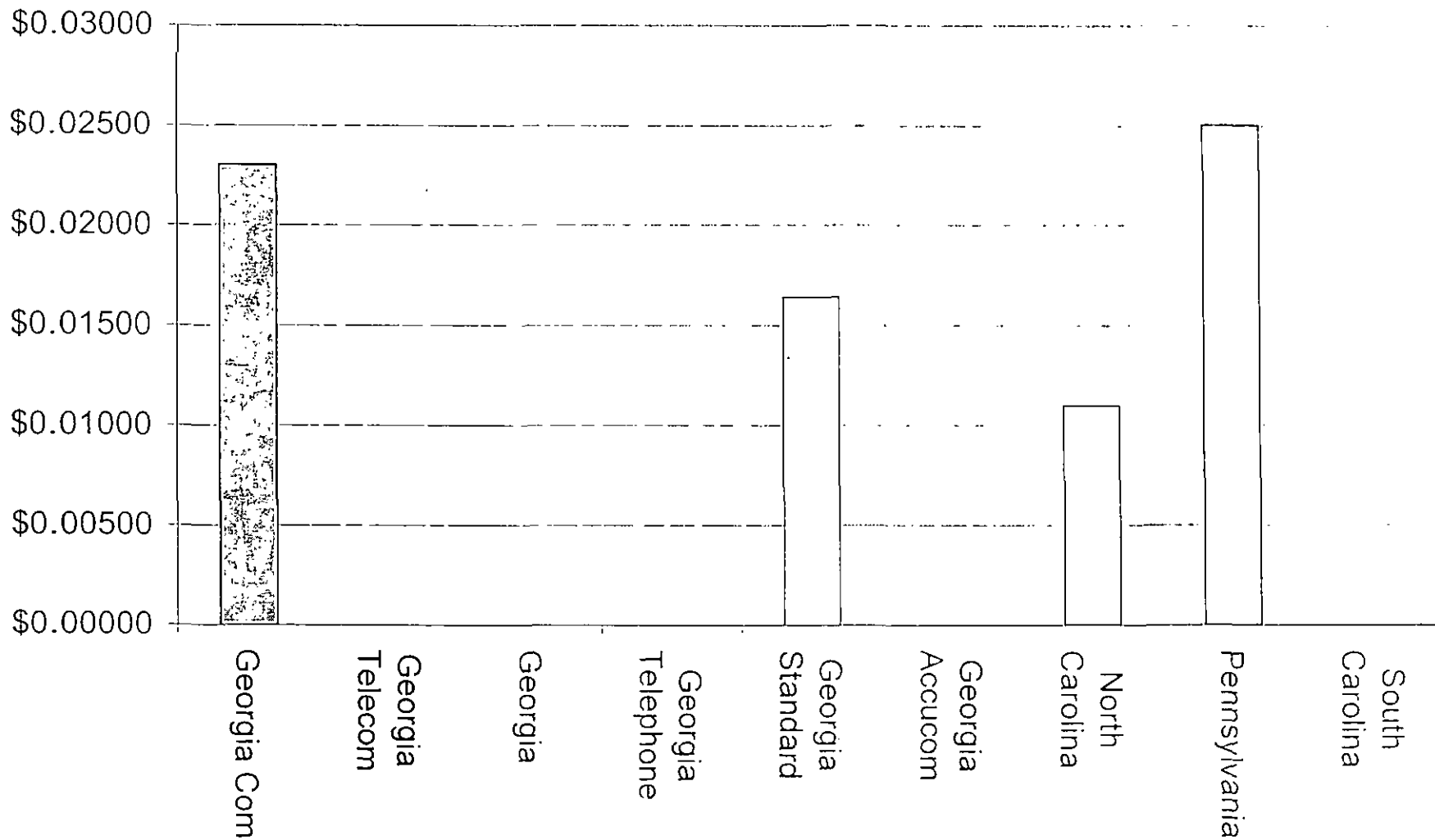
(a) The forward-looking economic cost per unit of an element equals the forward-looking economic cost of the element, as defined in Sec. 51.505, divided by a reasonable projection of the sum of the total number of units of the element that the incumbent LEC is likely to provide to requesting telecommunications 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.

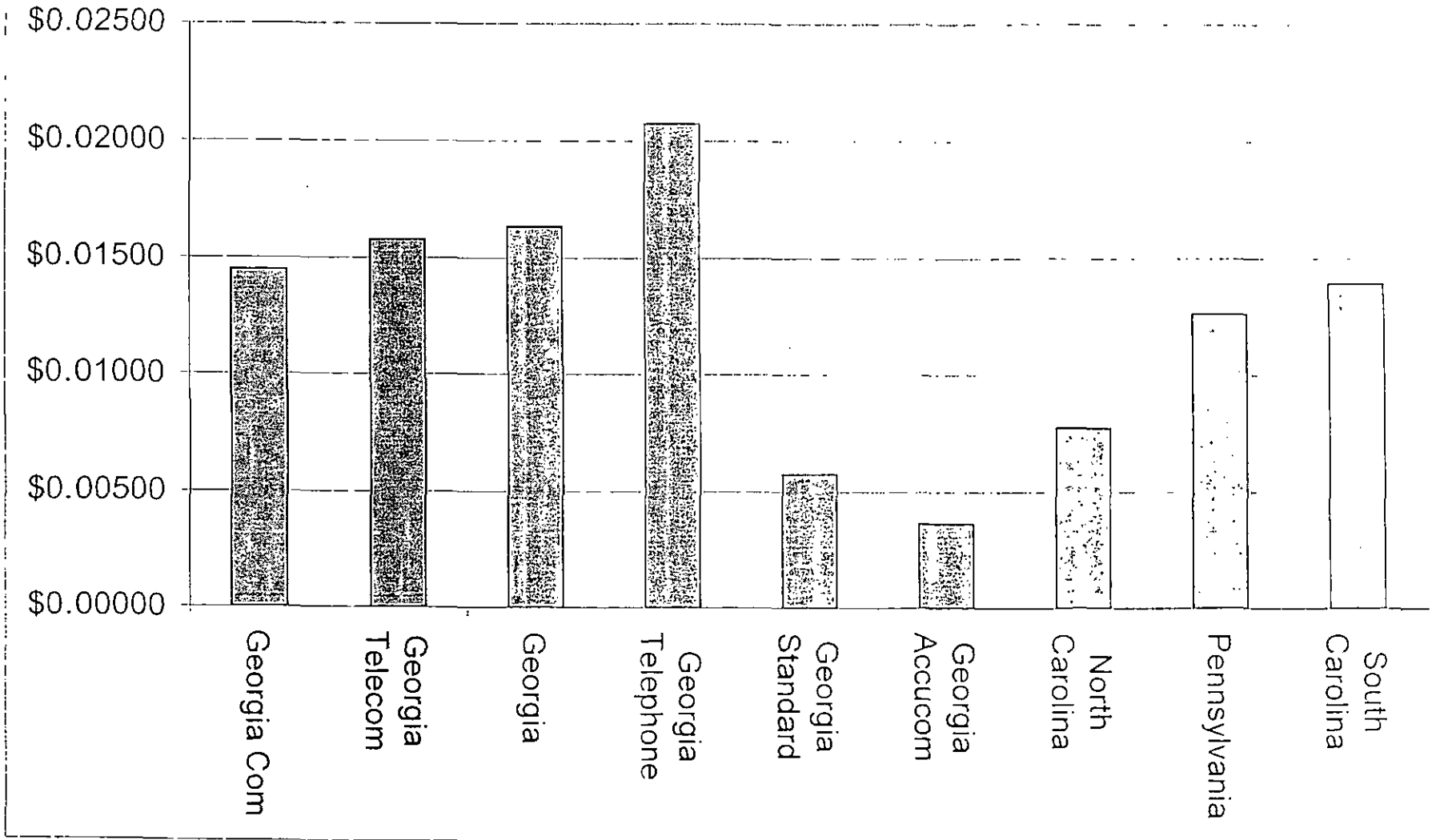
(2) With respect to elements that an incumbent LEC offers on a usage-sensitive basis, the number of units is defined as the unit of measurement of the usage (e.g., minutes of use or call-related database queries) of the element.

Study Area	End Office Switching Cost per Minute	Tandem Switching Cost per Minute	Interexchange Transport Cost per Minute	Host/Remote Transport Cost Per Minute	Type 2A Direct Connection	Type 2B Direct Connection	Indirect Connection
Georgia Com	\$0.00623	\$0.00358	\$0.00494	\$0.00826	\$0.02301	\$0.01446	\$0.02301
Georgia Telecom	\$0.00798	\$0.00000	\$0.00434	\$0.00780	n/a	\$0.01578	\$0.02012
Georgia	\$0.00508	\$0.00000	\$0.00090	\$0.01128	n/a	\$0.01537	\$0.01727
Georgia Telephone	\$0.01245	\$0.00000	\$0.01950	\$0.00830	n/a	\$0.02075	\$0.04025
Georgia Standard	\$0.00351	\$0.00559	\$0.00507	\$0.00225	\$0.01643	\$0.00576	\$0.01083
Georgia Accucom	\$0.00365	\$0.00000	\$0.00622	\$0.00000	n/a	\$0.00365	\$0.00988
North Carolina	\$0.00508	\$0.00053	\$0.00270	\$0.00268	\$0.01098	\$0.00776	\$0.01098
Pennsylvania	\$0.00689	\$0.00749	\$0.00493	\$0.00573	\$0.02505	\$0.01263	\$0.02243
South Carolina	\$0.01140	\$0.00000	\$0.00668	\$0.00253	n/a	\$0.01393	\$0.02061

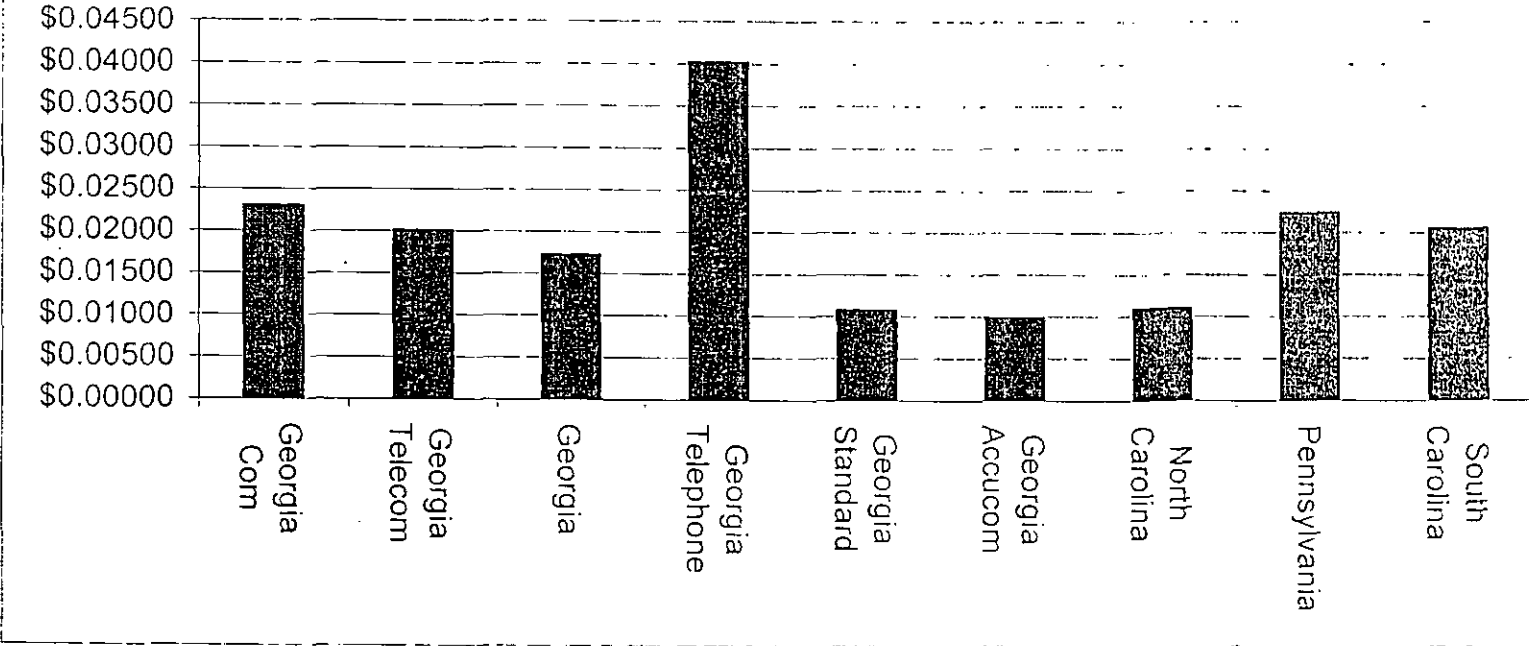
### Type 2A Direct Connection



### Type 2B Direct Connection



### Indirect Connection





ALLTEL Cost Model  
Limitations Arising from Protecting the Spreadsheet  
*When Password Protected*

- Formulas cannot be traced (precedent and dependent cells cannot be identified)
  - o This is a key functionality that enables users to understand the way the numbers flow through the model. Without it, the user's ability to manipulate the model in a knowledgeable and effective way greatly diminishes. This restriction makes it extremely difficult, if not impossible, to check the model's calculations for accuracy.
- Option settings have to be manually changed in order to see basic Excel functionality, such as the formula bar.
- Excel crashes if an attempt is made to copy and paste the spreadsheets into another workbook.
  - o Such a process would allow more in-depth analysis without any possibility of corrupting the model code.
- Only a limited number of inputs can be changed. The subset of inputs that can be changed does not include the inputs most likely to impact results.
- The model has been produced as separate spreadsheets whose links have been severed. Changes to the spreadsheet containing most of the primary inputs do not flow through to the results.

ALLTEL Cost Model  
Limitations Arising from Protecting the Spreadsheet  
*With Password Protection Removed*

- Option settings have to be manually changed in order to see basic Excel functionality, such as the formula bar.
- Excel crashes if an attempt is made to copy and paste the spreadsheets into another workbook.
  - o Such a process would allow more in-depth analysis without any possibility of corrupting the model code.
- Only a limited number of inputs can be changed. The subset of inputs that can be changed does not include the inputs most likely to impact results.
- The model has been produced as separate spreadsheets whose links have been severed. Changes to the spreadsheet containing most of the primary inputs do not flow through to the results.

ALLTEL Companies

State	Study Area	Type 2A Direct Connection	Type 2B Direct Connection	Indirect Connection
GA	Georgia Com	\$0.02301	\$0.01449	\$0.02301
GA	Georgia Telecom	n/a	\$0.01578	\$0.02012
GA	Georgia	n/a	\$0.01637	\$0.01727
GA	Georgia Telephone	n/a	\$0.02075	\$0.04025
GA	Georgia Standard	\$0.01643	\$0.00576	\$0.01083
GA	Georgia Accucom	n/a	\$0.00365	\$0.00988
NC	North Carolina	\$0.01098	\$0.00776	\$0.01098
PA	Pennsylvania	\$0.02505	\$0.01263	\$0.02243
SC	South Carolina	n/a	\$0.01393	\$0.02061

Existing Verizon Wireless Interconnection Agreements

State	LEC	Type 2A Direct Connection	Type 2B Direct Connection	Indirect Connection
PA	Sprint - United	\$0.01083	\$0.00595	\$0.00778
PA	Verizon - GTE	\$0.00780	\$0.00780	\$0.00780

Other Sources of Cost Information

State	LEC	Type 2A Direct Connection	Type 2B Direct Connection	Indirect Connection
PA	Verizon	\$0.00275	\$0.00176	\$0.00196
PA	Sprint	\$0.00668	\$0.00434	\$0.00524

\* To calculate the Interexchange Transport Cost for Type 2A and Indirect Connection, 20 miles of transport is assumed.

\*\* Fixed Interoffice Transport Costs are used as a proxy for the Host/Remote Transport Cost Element for Type 2A , Type 2B , and Indirect Connection.

Comparison of ALLTEL Proposed Rates and Existing Verizon Wireless Interconnection Agreements

	PA - Sprint - United	PA - ALLTEL	Difference
Type 2A	\$0.01083	\$0.02505	\$0.01421
Type 2B	\$0.00595	\$0.01263	\$0.00668
Indirect	\$0.00778	\$0.02243	\$0.01465

	PA - Verizon - GTE	PA - ALLTEL	Difference
Type 2A	\$0.00780	\$0.02505	\$0.01725
Type 2B	\$0.00780	\$0.01263	\$0.00483
Indirect	\$0.00780	\$0.02243	\$0.01463

Comparison of ALLTEL Proposed Rates and Other Sources of Cost Information

	PA - Sprint	PA - ALLTEL	Difference
Type 2A	\$0.00668	\$0.02505	\$0.01837
Type 2B	\$0.00434	\$0.01263	\$0.00829
Indirect	\$0.00524	\$0.02243	\$0.01719

	PA - Verizon	PA - ALLTEL	Difference
Type 2A	\$0.00275	\$0.02505	\$0.02230
Type 2B	\$0.00176	\$0.01263	\$0.01087
Indirect	\$0.00196	\$0.02243	\$0.02048

Verizon Wireless  
EX DJW-7  
AK  
2-10-04  
Hbj

1. The following macro runs when the spreadsheet is open, and "arranges" what the user can see.

A - 310489F7004

```
Sub ArrangeMain()  
  On Error Resume Next  
  Sheets("Main Menu").Select  
  Sheets("Main Menu").Unprotect Password:="UNE"  
  ClearLists  
  SheetList  
  Sheets("Sheet List").Select  
  ActiveSheet.Delete  
  Sheets("Main Menu").Select  
  CoName = Range("Company").Value  
  ActiveSheet.Shapes("List Box 2").Cut  
  ActiveSheet.Shapes("List Box 4").Cut  
  Range("D7:E23").Select  
  Selection.Cut  
  Range("T7").Select  
  ActiveSheet.Paste  
  Range("D8:G8").Select  
  Selection.EntireColumn.Delete  
  Range("C6:G25").Select  
  With Selection  
    .MergeCells = False  
  End With  
  Selection.Clear  
  Selection.Interior.ColorIndex = 16  
  Range("D6:F6").Select  
  Selection.ColumnWidth = 30  
  ActiveSheet.Shapes("Check Box 88").Cut  
  ActiveSheet.Shapes("Check Box 89").Cut  
  ActiveSheet.Shapes("Check Box 90").Cut  
  ActiveSheet.Shapes("Check Box 91").Cut  
  ActiveSheet.Shapes("Check Box 144").Cut  
  ActiveSheet.Shapes("Check Box 145").Cut  
  Range("E9").Select  
  Selection.Interior.ColorIndex = 2  
  Selection.ColumnWidth = 50  
  ActiveCell.Value = "Print or View Selections"
```

\* The sheet list is being deleted here  
and the user cannot see the list

DOCUMENT

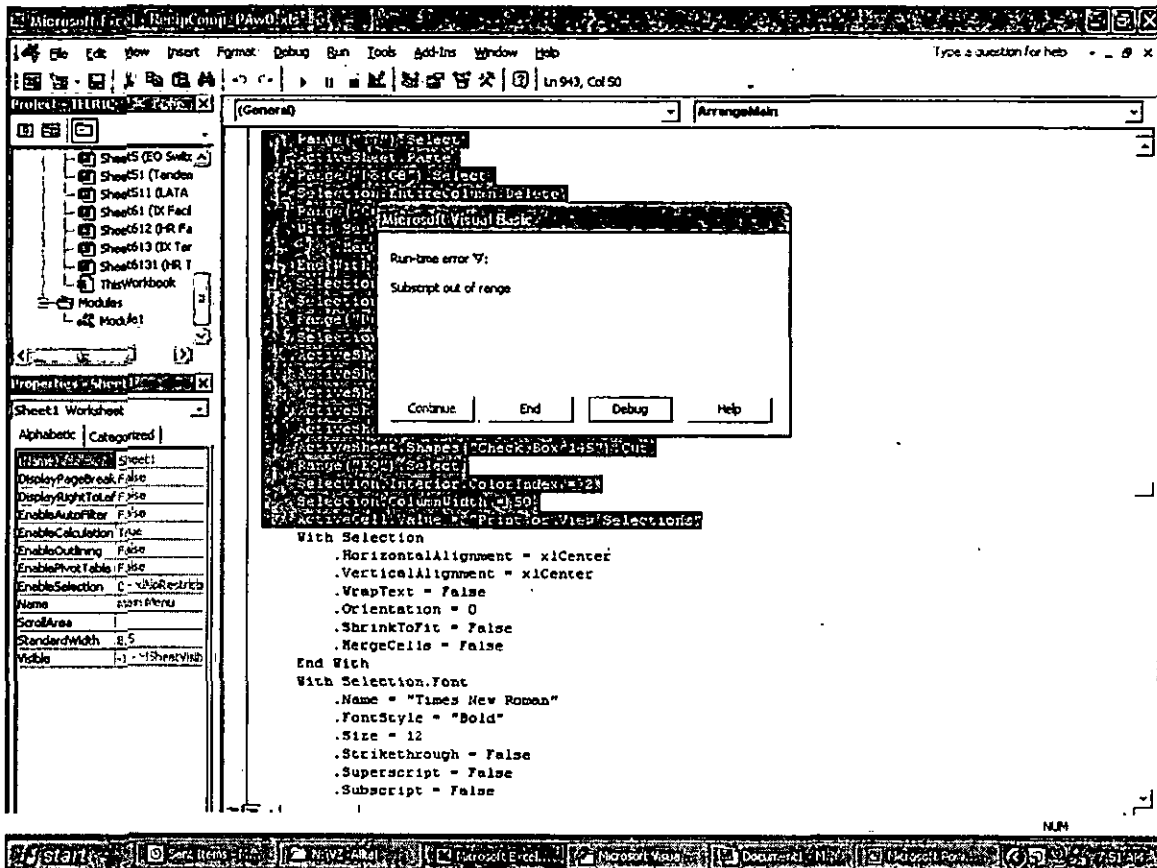
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FEB 13 2004  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

DOCKETED

FEB 23 2004

The following error occurs when you try to click anywhere outside the menu on the “main menu” page. In other words, it is impossible to select cells that are “out of range” and as a result the user cannot see what values/columns are hidden or why.



2. The following macro, “EditScreen,” demonstrates how the spreadsheet was set up for only one user to really be able to manipulate it (in this case, the programmer).

```
Sub EditScreen()
    If Application.UserName = "sbrandon" Then
        ScrollOff
        RestoreScreen
        UnHideUnProtect
    End If
End Sub
```

3. This macro hides and protects the workbook. It changes what is viewable by the user depending on who the user is.

```
Sub HideProtect()
    Dim I As Integer
```

```

    Sheets("Main Menu").Protect DrawingObjects:=True, Contents:=False,
Scenarios:=True
    Sheets("Sheet List").Select
    Sheets("Sheet List").Unprotect Password:="UNE"
    Range("Sheet_List").Select
    For I = 2 To Sheets.Count
        If ActiveCell.Offset(0, 5).Value = "Yes" Then
            Sheets(I).Protect
        Else
            Sheets(I).Unprotect Password:="UNE"
        End If
        If ActiveCell.Offset(0, 6).Value = "Yes" Then
            Sheets(I).Visible = False
        Else
            Sheets(I).Visible = True
        End If
        Sheets("Sheet List").Select
        ActiveCell.Offset(1, 0).Activate
    Next
    Range("A1").Select
End Sub

```

4. Some cells are "special" (red), and the formulas are then hidden.

```

Sub HideFormulas()
    Selection.SpecialCells(xlCellTypeFormulas, 23).Select
    Selection.Font.ColorIndex = 2
End Sub

```

5. This macro makes the calculation manual, so that if the user changes a value that change will not flow through because the user would have to press F9 (manual recalculate) to see the effect. The other thing is deactivating the CutCopyMode, which basically does not allow the user to cut or copy certain parts of the workbook (if he/she wants to take some model components to another workbook).

```

Sub SheetList()
    Dim I As Integer
    Dim Cell
    Application.Calculation = xlManual
    Sheets("Sheet List").Select
    Sheets("Sheet List").Unprotect Password:="UNE"
    Range("A4:B103").ClearContents
    For I = 2 To Sheets.Count - 1
        Cells(I + 2, 1).Value = I - 1
        Cells(I + 2, 2).Value = Sheets(I).Name
    Next I

```

```
Range("B4").Select
Range(ActiveCell, ActiveCell.End(xlDown)).Select
ActiveWorkbook.Names.Add Name:="Sheet_List", RefersToR1C1:=Selection
Selection.Copy
Range("A1").Select
Sheets("Main Menu").Select
Range("View_List").Select
ActiveCell.Select
Selection.PasteSpecial xlPasteValues
ActiveWorkbook.Names.Add Name:="View_List", RefersToR1C1:=Selection
Application.CutCopyMode = False
Range("A1").Select
End Sub
```

6. The following macro speaks for itself.

```
Sub HideActiveSheetReallyWell()
    ActiveSheet.Visible = xlVeryHidden
End Sub
```



DJW-10  
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ms  
JK

Existing Verizon Wireless Interconnection Agreements

State	LEC	Type 2A Direct Connection	Type 2B Direct Connection	Indirect Connection
PA	Sprint - United	\$0.01083	\$0.00595	\$0.00778
PA	Verizon - GTE	\$0.00780	\$0.00780	\$0.00780
PA	Alltel - corrected	\$0.00896	\$0.00446	\$0.00792

DOCUMENT

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# DOCUMENT

Verizon Wireless  
Hearing Exhibit 1  
2/10/04  
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## BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUC  
SECRETARY'S BUREAU

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Petition of: )  
)  
Cellco Partnership d/b/a Verizon Wireless )  
For Arbitration Pursuant to Section 252 of the )  
Telecommunications Act of 1996 )

Docket No. A-310489

DOCKETED

### PETITION FOR ARBITRATION OF CELLCO PARTNERSHIP d/b/a VERIZON WIRELESS

FEB 23 2004

Pursuant to Section 252 of the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (codified at 47 U.S.C. § 151 *et seq.*) ("the Act"), Cellco Partnership d/b/a Verizon Wireless, on behalf of itself and its affiliates (together, "Verizon Wireless"), hereby petitions the Pennsylvania Public Utility Commission ("Commission") to arbitrate certain unresolved issues relating to an interconnection agreement between Verizon Wireless and ALLTEL Pennsylvania, Inc. ("ALLTEL").

#### PARTIES

1. Verizon Wireless is a Commercial Mobile Radio Service ("CMRS") provider with its principal offices located at 180 Washington Valley Road, Bedminster, New Jersey 07921. Verizon Wireless is licensed to provide CMRS within the Commonwealth of Pennsylvania. All correspondence, notices, inquiries, and orders regarding this Petition should be directed to Verizon Wireless's counsel:

SECRETARY'S BUREAU  
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Elaine D. Critides  
Verizon Wireless  
1300 I Street, NW- Suite 400W  
Washington, DC 20005

Voice: 202-589-3756  
Fax: 202-589-3750  
Email: elaine.critides@verizonwireless.com

with a copy to:

Christopher M. Arfaa  
Drinker Biddle & Reath  
One Logan Square  
18th & Cherry Streets  
Philadelphia, PA 19103

Voice: 215-988-2715  
Fax: 215-988-2757  
Email: christopher.arfaa@dbr.com

2. ALLTEL is a local exchange carrier providing service in the Commonwealth of Pennsylvania. All correspondence, notices, inquiries and orders regarding this Petition should be directed to ALLTEL's counsel:

D. Mark Thomas  
Thomas, Thomas & Niesen  
212 Locust Street  
Harrisburg, PA 17108

Voice: (717) 255-7600  
Fax: (717) 236-8278  
Email: dmthomas@ttanlaw.com

## BACKGROUND

3. On January 14, 2003, Verizon Wireless gave notice of its intent to negotiate an interconnection agreement with ALLTEL for Pennsylvania. The parties' then-existing interconnection agreement was scheduled to terminate on March 16, 2003. Verizon Wireless proposed amended terms on February 28, 2003 that would have prevented the agreement from terminating on March 16 before a successor agreement could be negotiated, but on March 14, 2003, ALLTEL rejected Verizon Wireless's February 28, 2003 proposal. ALLTEL instead suggested the parties exchange letters stating that the agreement would continue to be effective while the parties negotiated a successor agreement. This exchange never occurred. ALLTEL made a subsequent offer during negotiations on March 20, 2003 to amend the prior agreement to continue on a month-to-month basis while proceedings then underway continued regarding ALLTEL's dispute with Verizon Communications over the IntraLATA Toll Origination Plan ("ITORP"). Although ALLTEL offered to propose amendment language, ALLTEL never did so.

4. Despite the termination of the Agreement, the parties continued to exchange correspondence. Verizon Wireless provided ALLTEL a proposal in response to ALLTEL's negotiation documents on April 4, 2003. ALLTEL requested further negotiations on May 19, 2003 but did not provide a response to Verizon Wireless's April 4, 2003 proposal.

5. Because of a number of issues related to Verizon Wireless's initial request remained unresolved, Verizon Wireless made a second, formal request to negotiate a successor interconnection agreement on June 23, 2003.<sup>1</sup> On August 15, 2003, ALLTEL notified Verizon Communications that its prior agreement with Verizon Wireless was effectively terminated. ALLTEL directed Verizon Communications to pay ALLTEL for Verizon Wireless traffic terminated indirectly to ALLTEL through Verizon Communications' tandem transit service under the ITORP plan retroactively to March 17, 2003. On September 8, 2003, pursuant to the FCC's Rules, Verizon Wireless offered to compensate ALLTEL on an interim basis pursuant to the terms of the prior interconnection agreement until the parties could negotiate or arbitrate a successor interconnection agreement.<sup>2</sup> Verizon Wireless offered to make these payments subject to a true-up after a final rate is established pursuant to this proceeding. Verizon Wireless paid ALLTEL pursuant to its interim symmetrical reciprocal compensation offer on November 5, 2003, and will continue to make payments on a monthly basis until this

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<sup>1</sup> A copy of this request was filed with the Commission on August 4, 2003, and docketed at docket number A-310489. ALLTEL and Verizon Wireless have another pending dispute before the Commission over the application of the prior interconnection agreement (now terminated) to traffic, which is indirectly exchanged through the tandem switch and transport facilities (transit service) of Verizon Communications, an ILEC in the relevant exchanges. However, the issues in this proceeding only relate to the negotiations of a successor interconnection agreement between the parties.

<sup>2</sup> See 47 C.F.R. § 51.715(a), (d).

proceeding is resolved. To date, ALLTEL has not accepted Verizon Wireless's interim compensation offer.<sup>3</sup>

6. Since that time, the parties have exchanged drafts of a successor interconnection agreement and negotiated pursuant to Sections 252(a) of the Act. The parties held negotiations telephonically on October 17, November 18, 20, and 21. However, the parties have been unable to agree to terms and rates for all of the provisions necessary to address the interconnection and reciprocal compensation arrangements between the parties.<sup>4</sup> Therefore, in accordance with Section 252(b)(2) of the Act, Verizon Wireless submits the instant petition requesting resolution of the disputed terms.

### JURISDICTION

7. Verizon Wireless requested negotiations with ALLTEL on June 23, 2003.<sup>5</sup> In accordance Section 252 of the Act and the Commission's implementation orders,<sup>6</sup> a petition for arbitration must be filed between the 135th and 160th day after such a request, inclusive, and in this case from November 5, 2003 through November 30, 2003, respectively. Accordingly, this Petition is timely filed.

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<sup>3</sup> Verizon Wireless's calculates its interim payment to ALLTEL by netting an amount for reciprocal compensation for traffic terminated by Verizon Wireless. ALLTEL has not conceded that reciprocal compensation is due for traffic in the land to mobile direction pursuant to the interim arrangement.

<sup>4</sup> Verizon Wireless filed a letter reporting the status of negotiations on November 25, 2003, at docket no. A-310489.

<sup>5</sup> The interconnection request was transmitted to ALLTEL via electronic mail message and overnight delivery on June 23, 2003.

<sup>6</sup> See *Implementation of the Telecommunications Act of 1996*, Docket No. M-00960799 (Order entered June 3, 1996; Order on reconsideration entered September 9, 1996).

## AGREEMENT

8. A copy of the current version of the Interconnection and Reciprocal Compensation Agreement being negotiated by the Parties (the "Agreement") is attached hereto as Exhibit 1. The underlined text, in redline form, represents language that has not been agreed to by both Parties.

## ISSUES TO BE ARBITRATED

### OVERVIEW

9. There is no threshold dispute that the Parties are each subject to the Act.

Thus, the parties agree that:

- a) CMRS providers such as Verizon Wireless are "telecommunications carriers" within the meaning of Section 251(a) of the Act;
- b) ALLTEL is a "telecommunications carrier" within the meaning of Section 251(a) of the Act; and
- c) ALLTEL is an incumbent local exchange carrier within the meaning of Section 251(h) of the Act.

10. There is considerable disagreement, however, over the scope of the Parties' respective rights and obligations pursuant to the Act.

11. Section 251(a) of the Act requires all telecommunications carriers to interconnect, directly *or indirectly*, with the facilities and equipment of other telecommunications carriers. 47 U.S.C. § 251(a). Section 251(b)(5) of the Act imposes a duty on all local exchange companies to establish reciprocal compensation arrangements



for the transport and termination of telecommunications. 47 U.S.C. § 252(b)(5). Even prior to the passage of the 1996 Act, the FCC's rules required that "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."<sup>7</sup> Despite these clear directives, the Parties have reached an impasse on whether reciprocal compensation should apply to the exchange of traffic. Specifically, ALLTEL denies any responsibility to pay the costs associated with transport and tandem switching charges for traffic that originates on ALLTEL's network and terminates on the network of Verizon Wireless where the parties are interconnected indirectly.<sup>8</sup>

12. Section 51.701(e) of the FCC's rules defines the reciprocal compensation required by Section 251(b) of the Act as an arrangement "in which each of the two carriers receives compensation from the other carrier for the transport and termination on each carrier's network facilities of telecommunications traffic that originates on the network facilities of the other carrier." 47 C.F.R. § 51.701(e). Moreover, the FCC has prohibited the imposition of access charges on intraMTA traffic exchanged between a CMRS carrier and a LEC: "We reiterate that traffic between an incumbent LEC and a CMRS network that originates and terminates within the same MTA (defined based on the parties' locations at the beginning of the call) is subject to transport and termination

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<sup>7</sup> See 47 C.F.R. § 20.11(b)(1).

<sup>8</sup> Indirect interconnection refers to the situation where a telecommunications carrier utilizes the tandem switching and transport facilities of another local exchange carrier for the completion of traffic to the terminating carrier.

rates under section 251(b)(5), rather than interstate or intrastate access charges.”<sup>9</sup> The FCC has made clear that access charges are only appropriate where LECs and CMRS providers route traffic through the facilities of an interexchange carrier,<sup>10</sup> as opposed to a transiting LEC.

13. ALLTEL appears willing to provide dialing parity for Verizon Wireless’s NPA-NXX codes that are locally rated for the purposes of ALLTEL’s own locally rated numbers and numbers which are afforded EAS treatment. However, it is unclear whether ALLTEL agrees that it is compelled to provide such dialing parity pursuant to its LEC obligations under Section 251(b)(3) of the Act. The parties’ disagreement may affect the pricing that applies to indirect traffic, and the pricing for indirect traffic therefore unquestionably remains open.

14. Below are the issues that Verizon Wireless requests the Commission to arbitrate. The discussion of each unresolved issue includes references to specific contract sections relating to the dispute, where applicable.

### **INTERCONNECTION OBLIGATIONS**

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

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<sup>9</sup> *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd 15499 (1996) (“Local Competition Order”) at ¶ 1043.

<sup>10</sup> *Id.*

**ALLTEL's Position: No. Arbitration and pricing requirements of Section 252 do not apply to indirect interconnection unless specifically covered by an interconnection agreement.**

**Verizon Wireless's Position: Yes. The arbitration process of Section 252(b) applies to any disputes arising under Section 251(a)-(c).**

15. Section 251(b)(5) requires all LECs to negotiate reciprocal compensation arrangements, and the FCC's rules make no exception for traffic exchanged on an indirect basis.<sup>11</sup> Section 252(b) by its terms does not exempt disputes arising under Section 251(b) from the arbitration remedy provided in the Act. In addition, Section 252(b) makes no distinction between disputes arising over direct interconnection and indirect interconnection. Section 252(b) only provides that "[d]uring the period from the 135<sup>th</sup> to the 160<sup>th</sup> day (inclusive) after the date on which an incumbent local exchange carrier receives a request for negotiation under this section, the carrier or any other party to the negotiation may petition a State commission to arbitrate any open issues." 47 U.S.C. § 252(b). ALLTEL therefore has no argument whatsoever that it is not subject to Section 252(b) for this purpose.

16. It is unclear whether ALLTEL believes that its alleged rural status protects it from arbitration of remaining Section 251(b)(5) disputes. Such a position is clearly untenable in light of the fact that, as the Commission has noted, the suspension of

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<sup>11</sup> See 47 C.F.R. § 51.703(a); Section 51.703(a) expressly states that a LEC "shall" enter into reciprocal compensation agreements with requesting carriers and does not distinguish between carriers connected directly and those connected indirectly.

1  
ALLTEL's interconnection obligations as a rural ILEC has expired.<sup>12</sup> Furthermore, the Act clearly requires that all LECs negotiate reciprocal compensation arrangements for indirect traffic.<sup>13</sup> While rural carriers may be exempt from the arbitration and pricing requirements of Sections 252(b) and 252(d) of the Act with respect to the direct interconnection requirements of Section 251(c)(2), until a state commission terminates the statutory exemption set forth in Sections 251(f)(1), the obligations set forth in Sections 251(a) and 251(b) are not subject to this exemption. Therefore, any objection by ALLTEL to the jurisdiction of this Commission to resolve this dispute under the process set forth in Section 252(b) is meritless, and ALLTEL is required to comply with the negotiation and arbitration process required by the Act for resolving disputes arising from reciprocal compensation negotiations.

**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?**

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<sup>12</sup> See Order, *In re Application of Full Service Computing Corp., d/b/a Full Service Network, to Offer, Render, Furnish or Supply Telecommunications Services as a Competitive Local Exchange Carrier*, Docket No. A-310204F0002, slip op. (Mar. 26, 2003) (noting expiration of ALLTEL's rural LEC suspension). The suspension of ALLTEL's obligations under Sections 251(b) and 251(c) pursuant to Section 251(f)(2) only applied to interconnection requests from non-facilities-based carriers and, in any event, expired by its terms on July 10, 2002. See *In re Petition of ALLTEL Pennsylvania, Inc., for Commission Action Pursuant to Section 251(f)(2) and 253(b) of the Telecommunications Act of 1996*, Docket No. P-00971177 (July 17, 2001). Furthermore, any claim by ALLTEL to rural LEC protection is belied undermined by the fact ALLTEL has already negotiated and entered into interconnection agreements pursuant to the Act. See, e.g., *Joint Petition of ALLTEL Communications Services Corporation and Aerial Operating Company, Inc. For Approval of an Interconnection Agreement under Section 252(e) of the Telecommunications Act of 1996*, Docket No. A-310663 (Aug. 12, 1999); *Opinion and Order, Joint Application for Approval of a Landline/CMRS Transport- & Termination Agreement between ALLTEL Pennsylvania Inc., and 360 Communications under § 252(e) of the Telecommunications Act of 1996*, Docket No. A-310424F0002 (Feb. 26, 1998).

<sup>13</sup> See 47 U.S.C. § 251(b)(5); 47 C.F.R. § 51.703(a).

**ALLTEL's Position: Unclear. While ALLTEL agrees that indirect traffic may be subject to an interconnection agreement, it is unclear to what extent it is required to pay for the costs of transport and termination in the land to mobile direction.**

**Verizon Wireless's Position: Yes. The FCC's reciprocal compensation rules apply to all traffic defined as "telecommunications traffic" by 51.701(b)(2) of the FCC's rules.**

17. Indirect interconnection, as the term is used in the industry, refers to traffic that one carrier sends to another through the tandem switching and transport of a third party. CMRS providers routinely employ such interconnection when they exchange traffic with small independent telephone companies. The volume of traffic that small independent telephone companies and CMRS providers exchange often does not justify the expense of direct interconnection trunks. This arrangement is standard in the industry and is recognized in the Act and the FCC's rules.

18. ALLTEL argues that the FCC's reciprocal compensation rules do not require it to deliver and pay the associated costs of traffic it originates through the transport and tandem facilities of a transit service provider unless it makes specific arrangements with the transiting LEC for the delivery of such traffic. ALLTEL argues that Section 251(b)(5) of the Act does not require ALLTEL to pay for the costs of delivery of traffic through a transit provider because the CMRS provider chooses to interconnection indirectly in this manner.

19. Neither Section 251 nor the FCC's definition of "telecommunications traffic" subject to reciprocal compensation limits the application of a LEC's reciprocal

compensation obligations to traffic routed directly between the Parties.<sup>14</sup> ALLTEL's attempt to interpolate such a distinction is not supported by the clear language of the Act.

20. The Act defines the duty of all telecommunications carriers "to interconnect directly *or indirectly* with the facilities and equipment of other telecommunications carriers."<sup>15</sup> The FCC reiterated this view when implementing the Act's local competition provisions:

[W]e conclude that telecommunications carriers should be permitted to provide interconnection pursuant to section 251(a) either directly or indirectly, based upon their most efficient technical and economic choices.<sup>16</sup>

21. Section 251(a)(1) sets forth the obligation to interconnect indirectly, and it applies to all telecommunications carriers, including the ILECs subject to rural exemptions. The FCC issued a rule implementing the statutory requirement of Section 251(a)(1) and applied it to *all* telecommunications carriers.<sup>17</sup> The FCC makes no distinction based on whether the traffic is originated by a CMRS carrier or a LEC.

---

<sup>14</sup> See 47 C.F.R. §51.701(b)(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.").

<sup>15</sup> 47 U.S.C. § 251(a)(1) (emphasis added).

<sup>16</sup> See *Local Competition Order* at ¶ 997.

<sup>17</sup> See 47 C.F.R. §51.100(a)(1).

Several state commissions including Oklahoma and Iowa have recognized that reciprocal compensation applies to indirect traffic.<sup>18</sup>

**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?

**ALLTEL's Position:** Section 251(b)(5) does not require the originating LEC to pay charges for indirect telecommunications traffic from its subscribers that terminates on another carrier's network.

**Verizon Wireless's Position:** Section 251(b)(5) obligates the originating carrier to bear the costs of transport and termination, for telecommunications traffic terminated on a CMRS providers network.

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

**ALLTEL's Position:** Section 251(b)(5) does not require originating LEC to pay transit charges for indirect telecommunications traffic from its subscribers that terminates on another carrier's network.

**Verizon Wireless's 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.

A. **Establishment of Reciprocal Compensation Rates in Accordance with Section 251(b)(5).**

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22. Pursuant to the FCC's rules, originating carriers must pay terminating carriers for the costs of transport and termination. The FCC's rules define what

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<sup>18</sup> See Corporation Commission of the State of Oklahoma, *In the Matter of the Application of Southwestern Bell Wireless L.L.C. et al. for Arbitration Under the Telecommunications Act of 1996*, Cause Nos. PUD 200200149, PUD 200200150, PUD 200200151, and PUD 200200153, Final Order, Order No. 468958 (Oct. 22, 2002); Iowa Utilities Board, *In Re: Exchange of Transit Traffic*, Docket Nos. SPU-00-7, TF-00-275, (DRU-00-2), Order Denying Application for Rehearing (May 3, 2002).

telecommunications traffic is subject to Section 251(b)(5) and which carrier is required to pay the costs associated with terminating a call. Section 51.701(b)(2) of the FCC's rules defines "telecommunications traffic" for the purposes of the reciprocal compensation requirement as "Telecommunications traffic exchanged between a LEC and 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."<sup>19</sup> The obligation to pay reciprocal compensation is set forth in Section 51.703 of the FCC's rules, which obligates every "LEC" to enter into reciprocal compensation arrangements with a requesting carrier and prohibits the LEC from, "assessing charges on any other telecommunication carrier for telecommunications traffic that originates on the LEC's network."<sup>20</sup> Here again, there is no exemption for indirect traffic. Therefore, ALLTEL's obligation to pay reciprocal compensation for intraMTA traffic originated on its network is not permissive; ALLTEL is clearly required to pay the costs associated with transport and termination of traffic originated on its network.

**B. Obligation to Pay Originating Transit Charges Pursuant to 47 C.F.R. § 703(b).**

23. ALLTEL argues that it is not "obligated" under Section 251(b)(5), as interpreted by the FCC's rules, to pay transit charges or other "transport charges" assessed by third parties

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<sup>19</sup> 47 C.F.R. § 51.701(b)(2).

<sup>20</sup> 47 C.F.R. § 51.703. *TSR Wireless v. U S WEST, Memorandum and Order*, 15 FCC Rcd 11166, 11176-77 (2000) ("TSR"). In *TSR*, the FCC affirmed that its rules prevent LECs from imposing, "charges for facilities used to deliver LEC-originated traffic".



for the traffic it terminates on a Verizon Wireless's network. ALLTEL apparently believes that unless there are direct interconnection facilities in place between the carriers, ALLTEL is not obligated to pay for the costs of transport and termination when it originates traffic in the land to mobile direction where the parties are connected indirectly at the tandem of a third party carrier. Instead, ALLTEL maintains the Act only provides LECs with a right to terminate traffic on other carriers' networks, and that if it does not exercise that right, it is not obligated to pay the costs associated with transport, termination, or transiting a third party's tandem when it originates traffic indirectly.

24. At Section 2.1 of Attachment 2 of the Agreement, ALLTEL proposes language that would permit ALLTEL to charge Verizon Wireless to originate its traffic when it transits a third party. Additionally, there are numerous references in the Agreement to ALLTEL's "interconnected network" that appear to reduce the reciprocal compensation obligations of ALLTEL for traffic it originates to Verizon Wireless. (See Agreement Attachment 2, at §§ 1.5.1, 2.1.2.1, 2.1.2.2, Attachment 8, "Direct Interconnection Facilities".) However, this is inconsistent with the FCC's interpretation of its reciprocal compensation rules which require a LEC to bear the expense of delivery of the traffic it originates to a terminating CMRS provider.<sup>21</sup>

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

**ALLTEL's Position: Yes.**

**Verizon Wireless's Position: No. The FCC has ruled that a transiting carrier is not the "terminating carrier" for the purposes of payment of reciprocal compensation charges to the originating carrier, but the**

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<sup>21</sup> See *TSR* at ¶1.

**originating carrier still must pay the terminating carrier for transport and termination.**

25. In its *Texcom* decision, the FCC held that where two carriers exchanged traffic indirectly via a third party -- in that case, the Verizon ILEC -- the transiting carrier was not the terminating carrier for the purposes of collecting termination charges under reciprocal compensation.<sup>22</sup> The FCC further affirmed, however, that its reciprocal compensation rules *do* apply between the originating and terminating carrier.<sup>23</sup> In an earlier case, the FCC held that while its "reciprocal compensation rules do not provide for such compensation to a transiting carrier," those "rules provide a mechanism for a terminating carrier, . . . to recover from originating carriers the cost of the facilities at issue (transport from the point of interconnection at the LEC tandem to the terminating carrier's switch").<sup>24</sup> And the FCC's rules that specifically address CMRS carriers' right to interconnection and reciprocal compensation arrangements define interconnection to include "[d]irect or indirect [inter]connection."<sup>25</sup>

26. State commissions that have been asked to review this question have similarly held that a local exchange carrier may not avoid its reciprocal compensation

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<sup>22</sup> See *Texcom, Inc., d/b/a Answer Indiana v. Bell Atlantic Corp., d/b/a Verizon Communications*, 17 FCC Rcd 6275, 6276-77 ¶ 4 (2002).

<sup>23</sup> *Id.*

<sup>24</sup> See also Memorandum Opinion and Order, *TSR Wireless v. US WEST*, 15 FCC Rcd 11166, 11176-77 ¶ 19 & n.70 (2000) (recognizing that paging carriers receiving traffic in a three-party scenario retain the benefits of the reciprocal compensation rules, notwithstanding their obligation to pay the transit carrier for its transit service).

<sup>25</sup> 47 C.F.R. § 20.3.

obligations under the 1996 Act simply because traffic is exchanged indirectly. As the Oklahoma commission concluded, “each carrier must pay each other’s reciprocal compensation for all intra-MTA traffic whether the carriers are directly *or indirectly connected*, regardless of an intermediary carrier.”<sup>26</sup> ALLTEL cannot argue that the Act’s Section 251 reciprocal compensation obligations only apply to “direct interconnection” between the networks of the two carriers, because it is demonstrably false.

**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?**

**ALLTEL’s Position: Adequate contractual terms and conditions must be included in the Interconnection Agreement.**

**Verizon Wireless: No. Reciprocal compensation sets up a system for two parties to establish arrangements and bill each other for traffic terminating on their respective networks.**

27. The Act envisions that all carriers will interconnect “directly or indirectly,”<sup>27</sup> such that an end user of any carrier may call an end user of any other

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<sup>26</sup> Interlocutory Order, Application of *Southwestern Bell Wireless L.L.C. for Arbitration Under the Telecommunications Act of 1996*, Order No. 466613, at 4 (Okla. P.U.C. Aug. 9, 2002) (emphasis added). See also *Mark Twain, supra* at \* 42 (“[T]he Rural ILECs are nonetheless obligated under that Act to establish reciprocal compensation arrangements for local traffic through the medium of interconnection agreements. . . . [because] intraMTA traffic to and from a CMRS carrier is local traffic, *whether or not it is transported by one or more intervening carriers.*”) (emphasis added).

<sup>27</sup> 47 U.S.C. § 251(a)(1).

carrier. Because indirect interconnection is allowed, such calls will often transit the network of a third party. The third party may be any carrier with connections to the networks of the originating and terminating carriers.

28. Because the permutations of potential call routing are vast, the Act does not require interconnection agreements to include all carriers that may be involved in the routing of any particular call. Instead, the Act requires ILECs to negotiate agreements with each “requesting telecommunications carrier.”<sup>28</sup> The Act thus presumes that each ILEC will execute two-party agreements with other carrier pursuant to which traffic may be sent or received. Accordingly, when a CMRS provider sends a call to Verizon Communications, and Verizon Communications sends the call to a carrier such as ALLTEL for termination, compensation arrangements between the CMRS provider and Verizon Communications will be governed by one agreement, and the arrangements between the CMRS provider and the ALLTEL will be governed by another. Any other contractual scheme would be unmanageable.

29. ALLTEL seeks contractual language that would impose the obligations of ALLTEL’s third-party transit provider on Verizon Wireless. (Agreement, Attachment 2, §§ 2.1.5, 2.2, Attachment 3 §§1.1). Such interconnection and billing requirements are typically handled between the transiting provider and the originating carrier. (See Verizon Wireless – Verizon Pennsylvania Interconnection Agreement, § 6.2.) Verizon

Wireless's proposed language would enable both parties to utilize third-party billing records for traffic each party originates to the other party. Verizon Wireless's language, however, leaves the originating carrier free to negotiate billing arrangements directly with the third-party carrier. ALLTEL's attempt to force Verizon Wireless to take on the billing functions of the transit provider amount to an attempt to legitimize its claim that third-party transit providers must be part of the interconnection agreement.

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

**ALLTEL's Position: ALLTEL traffic to CMRS should be segregated on separate trunks.**

**Verizon Wireless' Position: There is no technological reason for requiring CMRS provider traffic to be delivered over segregated trunk groups. It is also economically inefficient to require separate and distinct trunk groups for CMRS traffic.**

30. ALLTEL argues that indirect traffic it originates to Verizon Wireless should not be combined with traffic routed on the existing facilities it has in place between its network and the tandem of Verizon Communications. ALLTEL alleges that it cannot originate traffic over these facilities without incurring additional costs for transport and termination of traffic that are specific to these arrangements. Verizon Wireless has not yet received any rate information or clarification with respect to the extra facilities costs that would be involved. If ALLTEL alleges that it must construct

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<sup>28</sup> 47 U.S.C. § 252(a)(1).

additional facilities, Verizon Wireless objects to the imposition of these costs on Verizon Wireless.

31. Under Section 51.703(b) of the FCC's reciprocal compensation rules, Verizon Wireless, as the terminating carrier, is not obligated to pay ALLTEL for costs it incurs for originating indirect traffic that is terminated on the network of Verizon Wireless.<sup>29</sup> In any event, Verizon Wireless doubts that there are any such costs because the use of multi-jurisdictional trunk groups is efficient and generally results in lower interconnection costs given the fact that facilities are already in place. Given that traffic is already flowing indirectly between the parties, Verizon Wireless does not believe additional facilities need to be constructed in the land to mobile direction.

**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.**

**ALLTEL's Position: ALLTEL has conceptually agreed to dialing parity for locally rated numbers, but the parties have not agreed to language.**

**Verizon Wireless's Position: Yes. Where Verizon Wireless has local rated numbers to ALLTEL's subscribers local calling areas and extended local calling areas, CMRS originated calls should be afforded dialing parity and be treated as local calls.**

32. Where Verizon Wireless has NPA-NXX codes that are associated with the local calling area of an ILEC, the ILEC should afford local treatment to its customer.

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<sup>29</sup> See 47 C.F.R. § 703(b); *TSR at ¶1*. See also Opinion and Order, *In re Petition of Global NAPS South, Inc. for Arbitration Pursuant to 47 U.S.C. § 252(b) of Interconnection Rates, Terms and Conditions with Verizon Pennsylvania, Inc.*, Docket no. A-310771F7000 (Apr. 31, 2003).

This result will avoid consumer confusion which can occur where an ILEC's customer acquires Verizon Wireless's service with a locally rated number, but is forced to dial "1+" for landline originated calls to the wireless number. Often times wireless customers perceive the lack of dialing parity to be caused by the wireless carrier and will seek redress from the wireless carrier or state commission instead of its local exchange carrier.

33. The Commission should order dialing parity for calls to locally rated CMRS provider numbers which are indirectly routed through BellSouth's tandems, unless a LEC's customer has chosen an IXC to complete the call. A number of state commissions have ruled that ILECs cannot charge different end user rates for calls to numbers associated with the same rate center. For example, the California Public Utilities Commission rejected ILEC claims that they should be allowed to rate calls to a CLEC NPA/NXX assigned to a local rate center as toll (even when the NPA/NXX was assigned to foreign exchange service).<sup>30</sup> Similarly in the context of foreign exchange service, the New York Public Service Commission found that rating for calls to CLEC NPA/NXXs should be based on rate center assignment.<sup>31</sup>

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<sup>30</sup> See *Order Instituting Rulemaking on the Commission's Own Motion Into Competition for Local Exchange Service; Order Instituting Investigation on the Commission's Own Motion Into Competition for Local Exchange Service*, Rulemaking No. 95-04-043/Investigation No. 95-04-044, Interim Opinion, Decision No. 99-09-029, 1999 Cal. PUC LEXIS 649 (September 2, 1999) at Section IV.B;

<sup>31</sup> See *Case 00-C-0789 - Proceeding on Motion of the Commission Pursuant to Section 97(2) of the Public Service Law to Institute an Omnibus Proceeding to Investigate the Interconnection Arrangements Between Telephone Companies*, Order Establishing Requirements for the Exchange of Local Traffic (Issued December 22, 2000) at 4.

34. Accordingly, Verizon Wireless requests that the Commission adopt its proposed language to further the public interest. (See Attachment 2 § 2.1.6).

**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.**

**ALLTEL's Position: No. A LEC is only required to share the costs of facilities that are located within its franchise territory.**

**Verizon Wireless's 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".**

35. The FCC has interpreted the MTA rule as requiring that an originating LEC for the purposes of reciprocal compensation pay the terminating LEC for the costs of transporting and terminating its traffic where traffic is completed indirectly. According to the *TSR* case, ILECs must bear the cost of delivery of their traffic to CMRS carriers anywhere within the MTA.<sup>32</sup> Where Verizon Wireless has agreed to construct direct trunking facilities to ALLTEL's end offices, ALLTEL's argument makes no sense. For example, if Verizon Wireless implements two-way trunks for between its switch and ALLTEL's end office or tandem office, it would expect that ALLTEL pay for the use of these facilities based upon the amount of traffic it originates. However, ALLTEL argues that even in the case of dedicated two-way trunks, it does not have an obligation to carry

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<sup>32</sup> See *TSR* at ¶ 31, "Section 51.703(b) when read in conjunction with Section 51.701(b)(2) requires LECs to deliver, without charge, traffic to CMRS providers anywhere within the MTA in which the call originated, with the exception of RBOCs, which are generally prohibited from delivery traffic across LATA boundaries."



its traffic beyond a point on its network. This interpretation violates the express language of the FCC's reciprocal compensation rule 51.703(b).<sup>33</sup>

36. The Commission should rule that ALLTEL must share in its proportionate costs of the facilities it utilizes to deliver its traffic to Verizon Wireless.

### COMPENSATION

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

**ALLTEL's Position: CMRS carrier must compensate ALLTEL for transport between the third party tandem and ALLTEL's network in addition to the reciprocal compensation rate that would apply for direct interconnection.**

**Verizon Wireless's Position: Where a LEC uses a transit provider to originate traffic to a CMRS provider, the LEC is responsible for the costs of delivery and termination up to the network of the CMRS provider.**

37. Federal law mandates that rates for local interconnection be based on forward-looking costs.<sup>34</sup> Verizon Wireless believes the rates proposed by ALLTEL include transport costs and other elements that are inconsistent with the cost-based requirements set forth in Section 252(d)(2) of the Act. As such, it must be rejected.

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<sup>33</sup> See 47 C.F.R. § 51.703(b), "A LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network."

<sup>34</sup> See 47 U.S.C. §§ 251(c), 252(d); *Developing a Unified Intercarrier Compensation Regime*, Notice of Proposed Rulemaking, 16 FCC Rcd 9610, ¶92 (rel. Apr. 27, 2001) ("*Intercarrier Compensation NPRM*"). ("Under both types [direct and indirect] of LEC-CMRS interconnection, the LEC receives forward-looking economic cost-(FLEC-) based reciprocal compensation for the LEC's additional costs of terminating CMRS-originated calls.").

38. To the extent that ALLTEL presents cost data and the Commission decides to move forward with a cost study, the burden is on ALLTEL to produce an appropriate cost study, not upon the CMRS providers. 47 C.F.R. § 51.505 provides:

*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 of this part.

39. Verizon Wireless requests that the Commission establish cost-based rates for transport and termination of traffic exchanged directly and indirectly between the parties to this arbitration in accordance with all relevant requirements of the ACT and the FCC's rules.

**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?**

**ALLTEL's Position: Unclear. ALLTEL may agree to the use of a traffic factor to estimate the amount of mobile to land traffic terminating on its network, but the actual ratio is still open.**

**Verizon Wireless's Position: Yes. There are circumstances under which the Parties may need to use factors.**

40. In situations in which a CMRS carrier does not measure traffic it receives from an independent telephone company, or in cases in which the Parties agree that the CMRS carrier will not measure such traffic, interconnection agreements usually contain a so-called "traffic ratio" stipulating the proportion of total traffic originated by the wireless and wireline carrier. The FCC has long recognized the use of factors as a

manner to estimate the amount of traffic exchanged between a LEC and CMRS provider.<sup>35</sup>

41. The traditional assumption has been that more wireless to wireline calls are originated than wireline to wireless calls, and the parties typically agree by contract to a ratio, usually somewhere between eighty percent/twenty percent and sixty percent/forty percent. In the recent past, however, more and more landline to mobile calls have been originated. Verizon Wireless believes that the current ratio is closer to fifty/fifty.

42. The parties have not agreed to the use of a traffic factor in this instance. Verizon Wireless believes that the approximate ratio for land to mobile traffic exchanged with ALLTEL in Pennsylvania is approximately 60/40. This factor should be included in the Agreement. (See Agreement, Attachment 4).

**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 Mobile to Land direction?**

**ALLTEL's Position: Only where the parties are interconnected at an ALLTEL tandem.**

**Verizon Wireless's position: The switch of Verizon Wireless serves a geographically equivalent area as an ILEC tandem.**

43. Verizon Wireless's network serves a large geographic area based upon its FCC authorization to provide CMRS within ALLTEL's service areas in the Commonwealth of Pennsylvania. Regardless of whether Verizon Wireless is

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<sup>35</sup> See *Local Competition Order* at ¶ 1044, "We conclude that the parties may calculate overall compensation

interconnected directly or indirectly with ALLTEL, the costs Verizon Wireless incurs for terminating traffic originated by ALLTEL are the same. Therefore, the rate for terminating traffic in the land-to-mobile direction should apply to all indirect and direct traffic. ALLTEL, however, has argued that pursuant to the FCC's reciprocal compensation rules, the rate should be equivalent to the cost of end office termination costs where interconnection is direct at the end office level, and tandem costs only where Verizon Wireless terminates traffic originated by an ALLTEL tandem switch.

44. FCC rule section 51.711(a)(3)<sup>36</sup> states that a carrier may charge a rate equivalent to a tandem rate where its end office serves a geographic area comparable to a LEC's tandem switch. The FCC has reaffirmed that there is no "functional equivalency" showing that is necessary for a CMRS to qualify for the tandem interconnection rate for local call termination.<sup>37</sup> In explaining the application of its rule to LEC-CMRS traffic, the FCC noted, "although there has been some confusion stemming from additional language in the text of the *Local Competition Order* regarding functional equivalency,<sup>38</sup> section 51.711(a)(3) requires only a geographic area test."<sup>39</sup> Therefore, a carrier demonstrating that its switch serves "a geographic area comparable to that served by the

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amounts by extrapolating from traffic studies and samples."

<sup>36</sup> 47 C.F.R. § 51.711(a)(3).

<sup>37</sup> *Intercarrier Compensation NPRM* at para. 105.

<sup>38</sup> *Local Competition Order*, 11 FCC Rcd. 16042 at ¶ 1090.

<sup>39</sup> See *Letter to Charles Mc Kee of Sprint PCS from Thomas Sugrue, Chief of the Wireless Telecommunications Bureau*, FCC DA- 01-1201 (May 9, 2001) at 3.

incumbent LEC's tandem switch" is entitled to the tandem interconnection rate to terminate local telecommunications traffic on its network.<sup>40</sup>

**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)**

**ALLTEL's Position: ALLTEL has not agreed to a precise interMTA factor, but have stated they could agree to a factor as part of an entire reciprocal compensation arrangement. However, Verizon Wireless does not know what ALLTEL would accept for a negotiated interMTA factor.**

**Verizon Wireless's Position: Yes. Verizon Wireless has negotiated interMTA factors with other similarly situated LECs in other states, and Verizon Wireless would expect a negotiated interMTA factor to be three percent (3%) or less.**

45. Under FCC regulations, reciprocal compensation principles apply to "telecommunications traffic," which in the case of CMRS providers is defined as "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." 47 CFR § 51.701(b)(2). By definition, traffic that, at the beginning of the call, originates and terminates in different MTAs is not subject to reciprocal compensation principles. Instead, such traffic is subject to access charges.

46. With current technology, neither Verizon Wireless providers nor ALLTEL can measure interMTA and intraMTA traffic. For that reason, interconnection agreements between CMRS providers and ALLTEL have traditionally included an

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<sup>40</sup> *Intercarrier Compensation NPRM* at ¶105.

“interMTA factor” delineating the percentage of total traffic exchanged between the Parties that, at the beginning of the call, originates in one MTA but terminates in another. Verizon Wireless has traditionally estimated the level of interMTA traffic based upon the configuration of its network, and the proximity of its switches to MTA boundaries. Accordingly, Verizon Wireless is willing to agree to a factor of three percent.

### **GENERAL TERMS AND CONDITIONS**

**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?**

**ALLTEL’s Position: Unclear.**

**Verizon Wireless’s 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.**

47. On June 23, 2003, Verizon Wireless sent a formal request to ALLTEL to renegotiate rates, terms and conditions for an interconnection agreement in PA to replace the previous agreement that expired on March 17, 2003. Despite conversations between ALLTEL’s and Verizon Wireless’s negotiators, no interim agreement or extension of the prior agreement was ever memorialized. On August 15, 2003, ALLTEL sent a letter to Verizon Communications seeking payment for the termination of Verizon Wireless originated traffic on the ALLTEL network through an intraLATA toll plan (ITORP). On September 9, 2003, Verizon Wireless informed ALLTEL that it had invoked its rights to

interim reciprocal compensation rates with pending resolution of the current interconnection negotiations.

48. Pursuant to Section 51.715(a) of the FCC's Rules, after a telecommunications carrier issues a formal request for negotiations, it can request interim rates, subject to true-up, from a LEC.<sup>41</sup> As of the date of this filing, ALLTEL has not rejected or accepted this offer. Verizon Wireless had initially requested negotiations of a successor interconnection agreement in January of 2003 and relied on conversations between the parties that the rates, terms, and conditions of the prior agreement would remain in place until a new agreement was effective between the parties. Verizon Wireless sent a second request in June of 2003 to give the parties more time to negotiate an agreement. Once Verizon Wireless received notice of ALLTEL's intent to reinstate the application of the ITORP billing arrangement to Verizon Communications, Verizon Wireless notified ALLTEL of its rights to interim reciprocal compensation rates. Verizon Wireless offered to use the rates set forth in the prior agreement subject to true-up, once new rates are established.

49. Accordingly, Verizon Wireless requests that the Commission order that it is entitled to interim compensation pursuant to Section 51.715 of the FCC's rules.

**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?**

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<sup>41</sup> See 47 C.F.R. §§ 51.715 (a), (d).

**ALLTEL's Position: ALLTEL should be allowed to block traffic if the CMRS provider defaults.**

**Verizon Wireless' Position: Unless there is a material breach of the agreement, a party should not be able to block traffic or terminate service under the Agreement. Adequate contractual remedies including dispute resolution and legal remedies can protect the non-defaulting party. Blocking of traffic should not be a remedy because it undermines the ability of carriers to choose to interconnect indirectly under Section 251(a)(1) of the Act.**

50. ALLTEL argues that any party should be able to terminate the Agreement for any reason, upon notice, where the other party fails to cure after a thirty-day notice provision. ALLTEL also claims the right to block traffic in case of a dispute with a CMRS provider over non-payment.

51. If ALLTEL prevails, then the either party could terminate, or worse, block the flow of traffic whenever a dispute arose. Dispute resolution procedures should provide adequate assurance to ALLTEL for payment of charges not subject to a valid dispute. Giving ALLTEL the right to terminate the contract or block traffic for any reason whatsoever would not be in the public interest, because this extreme remedy would penalize consumers by stopping the free flow of traffic over the telecommunications network. The dispute resolution provisions proposed by the CMRS providers are similar to those already approved by the Commission and should be adopted in this case.

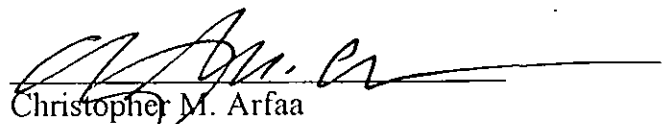


## REQUEST FOR RELIEF

WHEREFORE, Verizon Wireless respectfully requests that the Commission :

1. Arbitrate the unresolved issues between Verizon Wireless and ALLTEL identified in this Petition in accordance with Sections 251 and 252 of the Act;
2. Resolve the unresolved issues consistent with the positions of Verizon Wireless set forth herein;
3. Adopt Verizon Wireless's proposed contract language;
4. Order the Parties to incorporate the Commission's determinations as described above into the Agreement attached hereto and to file it for approval by the Commission pursuant to Section 252(e) of the Act; and
5. Grant such further relief as may be just and proper.

Respectfully submitted,



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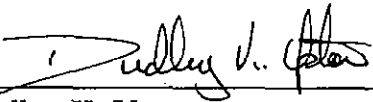
Counsel for Cellco Partnership d/b/a  
Verizon Wireless

DATED: November 26, 2003

## VERIFICATION

I, Dudley K. Upton, hereby state that the facts above set forth 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 a 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).

Date: November 25, 2003

  
\_\_\_\_\_  
Dudley K. Upton  
Director – Interconnection  
Network Operations Support  
Verizon Wireless

## **EXHIBIT 1**

**COMMERCIAL MOBILE RADIO SERVICES**

**INTERCONNECTION AGREEMENT**

**BETWEEN**

**ALLTEL PENNSYLVANIA, INC.**

**AND**

**CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS**

**FOR**

**Pennsylvania**

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COMMERCIAL MOBILE RADIO SERVICES  
INTERCONNECTION AGREEMENT

BETWEEN

ALLTEL PENNSYLVANIA, INC.

AND

CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS

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## GENERAL TERMS AND CONDITIONS

This Interconnection Agreement ("Agreement") is entered into between Cellco Partnership d/b/a Verizon Wireless, a Delaware general partnership, its affiliates and assigns on behalf of the FCC CMRS licensees and markets listed in Attachment 1-A (all collectively referred to as "CMRS Provider"), having an office at 180 Washington Valley Road, Bedminster, New Jersey, 07921 and ALLTEL Pennsylvania, Inc. ("ALLTEL"), a \_\_\_\_\_ corporation, having an office at One Allied Drive, Little Rock, Arkansas 72202, for and on behalf of the affiliated local exchange carriers identified in *Attachment 1-B: s.* Hereinafter, CMRS Provider and ALLTEL are referred to individually as "Party" and collectively as "the Parties."

WHEREAS, ALLTEL is a Local Exchange Carrier in the State(s) of \_\_\_\_\_;

WHEREAS, CMRS Provider is a licensed Commercial Mobile Radio Service provider in the State(s) of \_\_\_\_\_ and \_\_\_\_\_;

WHEREAS, pursuant to the Communications Act of 1934, as amended ("the Act"), and other applicable laws, the Parties desire to enter into an agreement for the interconnection of their networks and payment of Reciprocal Compensation, where required by law, for the termination of Telecommunications Traffic;

NOW, THEREFORE, in consideration of the premises and the mutual covenants of this Agreement, the Parties hereby agree as follows:

### **1.0 Introduction**

- 1.1 This Agreement sets forth the terms, conditions and rates under which ALLTEL agrees to provide interconnection to CMRS Provider. Further, this Agreement sets forth the terms, conditions and rates under which CMRS Provider will provide interconnection and other services to ALLTEL, where applicable. This Agreement also sets forth the terms and conditions for the interconnection of the Parties' networks and for the payment of Reciprocal Compensation, where required by law, for the transport and termination of Telecommunications Traffic between the Parties.
- 1.2 This Agreement includes and incorporates herein the Attachments of this Agreement and all accompanying Appendices, Addenda and Exhibits.

### **2.0 Effective Date**

- 2.1 This Agreement will be effective only upon execution and delivery by both Parties. The "Effective Date" of this Agreement will be the date on which this Agreement is filed with the appropriate Commission, subject to approval by the Commission in accordance with Section 252 of the Act, or, where approval by a such Commission is not required, the date that the last Party executes the Agreement.

### **3.0 Intervening Law**

- 3.1 This Agreement is entered into as a result of private negotiation between the Parties, acting pursuant to the Act, and/or other applicable state laws or Commission rulings. If the actions of state or federal legislative bodies, courts or regulatory agencies of competent jurisdiction modify or stay the enforcement of laws or regulations that were the basis for a provision of the contract, the affected provision(s) will be modified in accordance with such action of the legislative body, court or regulatory agency. In such event, either Party may send the other party written notice of its intent to modify the Agreement to conform to the change in law. the Parties shall expend diligent efforts to arrive at an agreement respecting the modifications within sixty days of either Party's receipt of notice. If private negotiations fail, disputes between the Parties concerning the interpretation of the actions

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required or provisions affected by such governmental actions may be resolved pursuant to Section 252 of the Act or any remedy available to the Parties under law.

#### 4.0 Term of Agreement

- 4.1 The Parties agree to interconnect pursuant to the terms defined in this Agreement for a term of two (2) years from the Effective Date of this Agreement, and thereafter the Agreement shall renew on a month to month basis, unless and until terminated as provided herein.
- 4.2 Either Party may terminate or request renegotiations of this Agreement upon 60 days written notice to the other Party.; However, no such termination or request for renegotiations of a successor interconnection agreement shall be effective prior to the date two (2) years from the Effective Date of this Agreement.
- 4.3 By mutual agreement, the Parties may amend this Agreement in writing to modify its terms.
- 4.4 A Party may terminate this Agreement without penalty or liability, other than for amounts owed as of the date of termination, by giving the other Party written notice of its desire to terminate not less than thirty (30) calendar days prior to the intended date of termination if:
- (i) the other Party makes an assignment for the benefit of creditors;
  - (ii) the other Party makes an unauthorized assignment of this Agreement; or
  - (iii) the other Party fails to perform any of its obligations under this Agreement in any material respect, and such material failure continues without remedy for a period of thirty (30) calendar days after written notice is given by the non-defaulting Party to the defaulting Party.
- 4.5 Upon expiration or termination of this Agreement, if either Party desires uninterrupted service under this Agreement during negotiations of a new agreement, the requesting Party shall provide the other Party written notification appropriate under the Act. Upon receipt of such notification, the same terms, conditions and prices in this Agreement will continue as were in effect at the end of the latest term or renewal, so long as negotiations are continuing without impasse and only then until resolution pursuant to this Section. If the Parties are actually in arbitration or mediation before the appropriate state regulatory commission or the Federal Communications Commission ("FCC") prior to the expiration of this Agreement, this Agreement will continue in effect until a successor interconnection agreement is approved by the state regulatory commission or the FCC resolving the issues set forth in such arbitration or mediation request.
- 4.6 The Parties agree to resolve any disputed matter relating to this Agreement pursuant to Section 9.0: Dispute Resolution.
- 4.7 Upon either Party's written request, the Party providing service shall fully cooperate in effecting an orderly and efficient transition of any services to another vendor. During any such transition, the Party providing service warrants that the level and quality of the services will not be degraded and that it shall exercise its best, commercially reasonable efforts to effect an orderly and efficient transition. To the extent that such transition is not completed by the expiration date of this Agreement, the Party providing service shall continue to provide the service to be discontinued at then effective rates, until such time as written notice is given that the transition is complete.

#### 5.0 Assignment

- 5.1 Neither Party may assign, subcontract or otherwise transfer its rights or obligations under this Agreement, except under such terms and conditions as are mutually acceptable to the other Party
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and only with such Party's prior written consent, which consent shall not be unreasonably withheld; provided, however, that either Party may assign this Agreement to a corporate affiliate or management contract conducting business as a Local Exchange Carrier or Commercial Mobile Radio Service provider, as appropriate, by providing prior written notice to the other Party of such assignment or transfer. Nothing in this Section is intended to impair the right of either Party to utilize subcontractors.

- 5.2 Each Party will notify the other Party in writing not less than sixty (60) calendar days in advance of anticipated assignment

## 6.0 Confidentiality and Proprietary Information

- 6.1 For the purposes of this Agreement, confidential information means confidential or proprietary technical, customer, end user or network information given by one Party (the "Discloser") to the other Party (the "Recipient") which is disclosed by one Party to the other Party in connection with this Agreement during negotiations and the term of this Agreement ("Confidential Information"). Such Confidential Information will automatically be deemed proprietary to the Discloser and subject to this Section 6.0, unless otherwise confirmed in writing by the Discloser. All other information which is indicated and marked as Confidential Information at the time of disclosure shall also be treated as Confidential Information under Section 6.0 of this Agreement. The Recipient agrees: (i) to use such Confidential Information only for the purpose of performing under this Agreement; (ii) to hold it in confidence and disclose it to no one other than (a) its employees having a need to know for the purpose of performing under this Agreement, and (b) its agents, including, without limitation, attorneys who are under a legal obligation to maintain the confidentiality of disclosures; and (iii) to safeguard such Confidential Information from unauthorized use or disclosure, using at least the same degree of care with which the Recipient safeguards its own Confidential Information. If the Recipient wishes to disclose the Discloser's Confidential Information to a third party agent or consultant, such disclosure must be agreed to in writing by the Discloser prior to such disclosure, and the agent or consultant must have executed a written agreement of nondisclosure and non-use comparable to the terms of this Section.
- 6.2 The Recipient may make copies of such Confidential Information only to the extent reasonably necessary to perform its obligations under this Agreement. All such copies will be subject to the same restrictions and protections as the original document(s) and will bear the same copyright and proprietary rights notices as are contained on the original document(s).
- 6.3 The Recipient agrees to return all such Confidential Information in tangible form received from the Discloser, including any copies made by the Recipient, within thirty (30) calendar days after a written request is delivered to the Recipient, or to destroy all such Confidential Information if directed to do so by Discloser, except for Confidential Information that the Recipient reasonably requires to perform its obligations under this Agreement. If either Party loses or makes an unauthorized disclosure of the other Party's Confidential Information, it will notify the other Party immediately and use reasonable efforts to retrieve the lost or wrongfully disclosed information.
- 6.4 The Recipient will have no obligation to safeguard Confidential Information: (i) which was in the possession of the Recipient free of restriction prior to its receipt from the Discloser; (ii) after it becomes publicly known or available through no breach of this Agreement by the Recipient; (iii) after it is rightfully acquired by the Recipient free of restrictions on its disclosure; or (iv) after it is independently developed by personnel of the Recipient to whom the Discloser's Confidential Information had not been previously disclosed. In addition, either Party will have the right to disclose such Confidential Information to any mediator, arbitrator, state or federal regulatory body or a court in the conduct of any mediation, arbitration or approval of this Agreement, so long as, in the absence of an applicable protective order, the Discloser has been previously notified by the Recipient in time sufficient for the Recipient to undertake lawful measures to avoid disclosing such information and for Discloser to have reasonable time to seek or negotiate a protective order before or with any applicable mediator, arbitrator, state or regulatory body or a court.

- 6.5 The Parties recognize that an individual end user may simultaneously seek to become or in fact be a customer of both Parties. Nothing in this Agreement is intended to limit the ability of either Party to use customer specific information lawfully obtained from end users or sources other than the Discloser.
- 6.6 Each Party's obligations to safeguard such Confidential Information disclosed prior to expiration or termination of this Agreement will survive such expiration or termination.
- 6.7 Except as otherwise expressly provided elsewhere in this Agreement, no license is hereby granted with respect to any patent, trademark or copyright, nor is any such license implied solely by virtue of the disclosure of any such Confidential Information.
- 6.8 Each Party agrees that the Discloser may be irreparably injured by an unauthorized disclosure by the Recipient or its representatives in breach of this Agreement, and the Parties agree that the Discloser will be entitled to seek equitable relief, including injunctive relief and specific performance, in the event of any breach or threatened breach of the confidentiality provisions of this Agreement. Such remedies will not be deemed to be the exclusive remedies for a breach of this Agreement, but will be in addition to all other remedies available at law or in equity.

## 7.0 Liability and Indemnification

### 7.1 Limitation of Liabilities

With respect to any claim or suit for damages arising out of mistakes, omissions, defects in transmission, interruptions, failures, delays or errors occurring in the course of furnishing any service hereunder, the liability of the Party furnishing the affected service, if any, shall not exceed an amount equivalent to the proportionate charge to the other Party for the period of that particular service during which time such mistakes, omissions, defects in transmission, interruptions, failures, delays or errors occurs and continues; provided, however, that any such mistakes, omissions, defects in transmission, interruptions, failures, delays or errors which are caused by the negligence or willful act or omission of the complaining Party or which arise from the use of the complaining Party's facilities or equipment shall not result in the imposition of any liability whatsoever upon the Party furnishing service.

### 7.2 No Consequential Damages

NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, RELIANCE OR SPECIAL DAMAGES SUFFERED BY SUCH OTHER PARTY (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR HARM TO BUSINESS, LOST REVENUES, LOST SAVINGS OR LOST PROFITS SUFFERED BY SUCH OTHER PARTY), REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, WARRANTY, STRICT LIABILITY OR TORT, INCLUDING, WITHOUT LIMITATION, NEGLIGENCE OF ANY KIND, WHETHER ACTIVE OR PASSIVE, AND REGARDLESS OF WHETHER THE PARTIES KNEW OF THE POSSIBILITY THAT SUCH DAMAGES COULD RESULT. EACH PARTY HEREBY RELEASES THE OTHER PARTY (AND SUCH OTHER PARTY'S SUBSIDIARIES AND AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS) FROM ANY SUCH CLAIMS. NOTHING CONTAINED IN THIS SECTION WILL LIMIT A PARTY'S LIABILITY TO THE OTHER PARTY FOR: (i) WILLFUL OR INTENTIONAL MISCONDUCT (INCLUDING GROSS NEGLIGENCE); OR (ii) BODILY INJURY, DEATH OR DAMAGE TO TANGIBLE REAL OR TANGIBLE PERSONAL PROPERTY PROXIMATELY CAUSED BY A PARTY'S NEGLIGENT ACT OR OMISSION, OR THAT OF THEIR RESPECTIVE AGENTS, SUBCONTRACTORS OR EMPLOYEES.

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### 7.3 Obligation to Indemnify

- 7.3.1 Each Party shall be indemnified and held harmless by the other Party against claims, losses, suits, demands, damages, costs or other expenses, including reasonable attorneys' fees ("Claims"), that are asserted, suffered or made by third parties arising from: (i) any act or omission of the indemnifying Party in connection with its performance or non-performance under his Agreement; (ii) actual or alleged infringement by the indemnifying Party of any patent, trademark, copyright, service mark, trade name, trade secret or intellectual property right (now known or later developed); and (iii) provision of the indemnifying Party's services or equipment, including, but not limited to, claims arising from the provision of the indemnifying Party's services to its end users (e.g., claims for interruption of service, quality of service or billing disputes). Each Party shall also be indemnified and held harmless by the other Party against Claims of persons for services furnished by the indemnifying Party or by any of its subcontractors under worker's compensation laws or similar statutes.
- 7.3.2 Each Party agrees to release, defend, indemnify and hold harmless the other Party from any claims, demands or suits that assert any infringement or invasion of privacy or confidentiality of any person or persons caused or claimed to be caused, directly or indirectly, by the other Party's employees and equipment associated with the provision of any service herein. This provision includes, but is not limited to, suits arising from disclosure of the telephone number, address or name associated with the telephone called or the telephone used in connection with any services herein.
- 7.3.3 Neither Party makes any warranty, express or implied, concerning either Party's (or any third party's) rights with respect to intellectual property (including, without limitation, patent, copyright and trade secret rights) or contract rights associated with either Party's right to interconnect. This Section 7.3.3 applies solely to this Agreement. Nothing in this Section will be deemed to supersede or replace other agreements, if any, between the Parties with respect to either Party's intellectual property or contract rights.
- 7.3.4 When the lines or services of another company or carrier are used in establishing connections to and/or from points not reached by a Party's lines, neither Party shall be liable for any act or omission of such other company or carrier.

### 7.4 Obligation to Defend; Notice; Cooperation

Whenever a claim arises for indemnification under this Section (the "Claim"), the relevant Indemnitee, as appropriate, will promptly notify the Indemnifying Party and request the Indemnifying Party to defend the same. Failure to so notify the Indemnifying Party will not relieve the Indemnifying Party of any liability that the Indemnifying Party might have, except to the extent that such failure prejudices the Indemnifying Party's rights or ability to defend such Claim. The Indemnifying Party will have the right to defend against such Claim, in which event the Indemnifying Party will give written notice to the Indemnitee of acceptance of the defense of such Claim and the identity of counsel selected by the Indemnifying Party. Except as set forth below, such notice to the relevant Indemnitee will give the Indemnifying Party full authority to defend, adjust, compromise or settle such Claim with respect to which such notice has been given, except to the extent that any compromise or settlement might prejudice the intellectual property rights or other rights of the relevant Indemnitee. The Indemnifying Party will consult with the relevant Indemnitee prior to any compromise or settlement that would affect the intellectual property rights or other rights of any Indemnitee, and the relevant Indemnitee will have the right to refuse such compromise or settlement and, at such Indemnitee's sole cost, to take over defense of such Claim; provided, however, that in such event the Indemnifying Party will not be responsible for, nor will it be obligated to indemnify the relevant Indemnitee against, any damages, costs, expenses or liabilities, including, without limitation, attorneys' fees, in excess of such refused

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compromise or settlement. With respect to any defense accepted by the Indemnifying Party, the relevant Indemnitee will be entitled to participate with the Indemnifying Party in such defense if the Claim requests equitable relief or other relief that could affect the rights of the Indemnitee and also will be entitled to employ separate counsel for such defense at such Indemnitee's expense. In the event the Indemnifying Party does not accept the defense of any indemnified Claim as provided above, the relevant Indemnitee will have the right to employ counsel for such defense at the expense of the Indemnifying Party, and the Indemnifying Party shall be liable for all costs associated with Indemnitee's defense of such Claim, including court costs, and any settlement or damages awarded a third party. Each Party agrees to cooperate and to cause its employees and agents to cooperate with the other Party in the defense of any such Claim.

## 8.0 Payment of Rates and Late Payment Charges

8.1 Either Party, at its discretion may require the other Party to provide a security deposit to ensure payment of the Party's account.

8.1.1 Such security deposit shall be a cash deposit or other form of security acceptable to the Parties. Any such security deposit may be held during the continuance of the service as security for the payment of any and all amounts accruing for the service.

8.1.2 If a security deposit is required, such security deposit shall be made prior to the activation of service.

8.1.3 The fact that a security deposit has been provided in no way relieves the Party from complying with the regulations as to advance payments and the prompt payment of bills on presentation nor does it constitute a waiver or modification of the regular practices of either Party providing for the discontinuance of service for non-payment of any sums due the Party.

8.1.4 Both Parties reserve the right to increase the security deposit requirements when, in its sole judgment, circumstances so warrant and/or gross monthly billing has increased beyond the level initially used to determine the security deposit.

~~8.1.5 In the event that CMRS Provider is in breach of this Agreement, service to CMRS Provider may be terminated by ALLTEL, any security deposits applied to its account and ALLTEL may pursue any other remedies available at law or equity. [Proposed change to language: In the event that CMRS Provider is in breach of this Agreement, ALLTEL will provide 30 days written notice to allow CMRS to cure the breach. If the breach is not cured at the end of 30 days, ALLTEL may terminate service to CMRS Provider; any security deposits applied to its account and ALLTEL may pursue any other remedies available at law or equity.]~~

[VERIZON WIRELESS WANTS THIS SECTION DELETED. ALLTEL DOES NOT AGREE]

8.1.6 In the case of a cash deposit, interest at a rate as set forth in the appropriate ALLTEL tariff shall be paid to the Party during the possession of the security deposit by the other Party. Interest on a security deposit shall accrue annually and, if requested, shall be annually credited to the other Party by the accrual date.

8.2 The Parties agree to pay all undisputed rates and charges due and owing under this Agreement ~~by the due date within thirty (30)forty five (45) calendar days within thirty (30) calendar days of receipt of the invoice ("Due Date")-date~~, in immediately available funds. The Parties represent and covenant to each other that all invoices will be promptly processed and mailed in accordance with the Parties' regular procedures and billing systems. If payment is not received by the payment due date, a late penalty in the form of interest, as set forth in subsection 8.3 below, shall apply.

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**[PARTIES DISAGREE. VERIZON WIRELESS BELIVES TERM "DUE DATE" SHOULD BE DEFINED]**

- 8.3 If the undisputed amount billed is received by the billing Party after the payment due date, or if any portion of the payment is received by the billing Party in funds which are not immediately available to the billing Party, then a late payment charge will apply to the unpaid balance.
- 8.4 The Parties agree that interest on overdue undisputed bills will apply at the lesser of the highest interest rate (in decimal value) which may be levied by law for commercial transactions, compounded daily and applied for each month or portion thereof that an outstanding balance remains, or 0.000325%, compounded daily and applied for each month or portion thereof that an outstanding balance remains.

**9.0 Dispute Resolution****9.1 Notice of Disputes**

Notice of a valid dispute whether billing or contractual in nature, must be in writing, specifically documenting the nature of the dispute, and must include a detailed description of the underlying dispute. Billing disputes must be submitted on the Billing Dispute Form contained in Appendix A or the dispute will not be accepted as a valid billing dispute and therefore denied by the billing Party.

**9.1.1 Billing Disputes**

A Party must submit ~~reasonable and valid~~ billing disputes ("Billing Disputes") to the other Party ~~on the Billing Dispute Form contained in Appendix A~~ writing within thirty (30) calendar days from the by the due date Due Date on the disputed bill. The dispute form must be complete, with all applicable fields populated with the required information for the billable element in dispute. If the billing dispute form is not complete with all required applicable information, the dispute will be denied by the billing Party. After receipt of a completed dispute, the billing Party will review to determine the accuracy of the billing dispute. If the billing Party determines the dispute is valid, the billing Party will credit the paying Party's bill by the next bill date. If the billing Party determines the billing dispute is not valid, the paying Party may escalate the dispute as outlined in section 9.1.1.1. If escalation of the billing dispute does not occur within the 60 days as outlined below, the paying Party must remit payment for the disputed charge, including late payment charges, to the billing Party by the next bill date. The Parties will endeavor to resolve all Billing Disputes within sixty (60) calendar days from receipt of the Dispute Notice. [VZW PROPOSES THAT IF BILLING DISPUTE FORM CANNOT BE REJECTED BY ALLTEL FOR FAILURE TO POPULATE NON-RELEVANT INFORMATION ON FORM].

9.1.1.1 Resolution of the dispute is expected to occur at the first level of management, resulting in a recommendation for settlement of the dispute and closure of a specific billing period. If the issues are not resolved within the allotted time frame, the following resolution procedure will be implemented:

9.1.1.1.1 If the dispute is not resolved within sixty (60) calendar days of receipt of the Dispute Notice, the dispute will be escalated to the second level of management for each of the respective Parties for resolution. If the dispute is not resolved within ninety (90) calendar days of the notification date, the dispute will be escalated to the third level of management for each of the respective Parties for resolution.

9.1.1.1.2 If the dispute is not resolved within one hundred and twenty (120) calendar days of the receipt of the Dispute Notice, the dispute will be

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escalated to the fourth level of management for each of the respective Parties for resolution.

9.1.1.1.3 Each Party will provide to the other Party an escalation list for resolving billing disputes. The escalation list will contain the name, title, phone number, fax number and email address for each escalation point identified in this section 9.1.1.1.

9.1.1.2 If a Party disputes a charge and does not pay such charge by the payment due date, such charges shall be subject to late payment charges as set forth in subsection 8.3 above. If a Party disputes charges and the dispute is resolved in favor of such Party, the other Party shall credit the bill of the disputing Party for the amount of the disputed charges, along with any late payment charges assessed, not later than the second billing cycle after the resolution of the dispute. Accordingly, if a Party disputes charges and the dispute is resolved in favor of the other Party, the disputing Party shall pay the other Party the amount of the disputed charges and any associated late payment charges, to be paid not later than the second billing cycle after the resolution of the dispute.

9.1.1.3 For purposes of this subsection 9.1.1, [aren't all disputes billed by a party?] "Bona Fide Dispute" means a dispute of a specific amount of money actually billed by a Party. The dispute must be clearly explained by the disputing Party and supported by written documentation from the disputing Party, which clearly shows the basis for its dispute of the charges. The Dispute Notice must be itemized to show the account number(s) against which the disputed amount applies. For disputes involving usage, the Billing Dispute must include, by way of example and not limitation, the billing date, invoice number, Billing Account Number ("BAN") and supporting detail usage records. For disputes involving circuits, the Billing Dispute must include, by way of example and not limitation, the billing date, invoice number, BAN, circuit identification number(s) and USOC(s), and a detailed description of the dispute. [ALLTEL WANTS TO KEEP THE FOLLOWING LANGUAGE - OPEN TO BE DISCUSSED] 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 shall a Bona Fide Dispute include the refusal to pay other amounts owed by the disputing Party pending resolution of the dispute. Claims by the disputing Party for damages of any kind will not be considered a Bona Fide Dispute for purposes of this subsection 9.1.1. [PARTIES DISAGREE]

9.1.1.4 Once the Bona Fide Dispute a dispute [ALLTEL WANTS TO KEEP - OPEN TO BE DISCUSSED] has been processed in accordance with this subsection 9.1.1, the disputing Party will make immediate payment on any of the disputed amount owed to the billing Party by the next billing due date, or the billing Party shall have the right to pursue normal treatment procedures [what is this?]. Any credits due to the disputing Party resulting from the Bona Fide Dispute billing dispute process will be applied to the Disputing Party's account by the billing Party immediately by the next billing cycle upon resolution of the dispute.

[VERIZON DISAGREES AND OBJECTS TO USE OF "BONA FIDE REQUEST" TO EXTENT LANGUAGE IS INTENDED TO RELATE TO PRESERVE RIGHTS TO DISPUTED AMOUNTS UNDER PREVIOUS CONTRACT]

9.1.1.5 All Other Disputes

Neither Party shall bill the other party for charges incurred more than nine (9) months after the service is provided to the non-billing party.

9.1.2 All Other Disputes

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. [ALLTEL IS CONSIDERING, BUT HAS NOT ADGreed TO THIS PROVISION].

**9.2 Alternative to Litigation**

9.2.1 The Parties desire to resolve disputes arising out of this Agreement without litigation. Accordingly, except for action seeking a temporary restraining order or an injunction related to the purposes of this Agreement, or suit to compel compliance with this Dispute Resolution process, The Parties agree to use the following Dispute Resolution procedure with respect to any controversy or claim arising out of or relating to this Agreement or its breach.

9.2.2 Each Party agrees to promptly notify the other Party in writing of a dispute, and may, in the Dispute Notice, invoke the informal dispute resolution process described in subsection 9.3 below. The Parties will endeavor to informally resolve the dispute within sixty (60) calendar days of receipt of the Dispute Notice.

**9.3 Informal Resolution of Disputes**

In the case of a dispute, and upon receipt of the Dispute Notice, each Party will appoint a duly authorized representative knowledgeable in telecommunications matters to meet and negotiate in good faith to resolve any dispute arising under this Agreement. The location, form, frequency, duration and conclusion of these discussions will be left to the discretion of the representatives. Upon agreement, the representatives may, but are not obligated to, utilize other alternative dispute resolution procedures, such as mediation, to assist in the negotiations. Discussions and the correspondence among the representatives for purposes of settlement are exempt from discovery and production and will not be admissible in the arbitration described below or in any lawsuit without the concurrence of both Parties. Documents identified in or provided with such communications which are not prepared for purposes of the negotiations are not so exempted and, if otherwise admissible, may be admitted in evidence in the arbitration or lawsuit. Unless otherwise provided herein, or upon the Parties' agreement, neither Party may invoke formal Dispute Resolution procedures, including arbitration or other procedures as appropriate, sooner than sixty (60) calendar days after receipt of the Dispute Notice, provided the Party invoking the formal dispute resolution process has negotiated in good faith with the other Party.

**9.4 Formal Dispute Resolution**

9.4.1 The Parties agree that, for any dispute not resolved pursuant to the informal procedures set forth in subsection 9.3 above, either Party may proceed with any remedy available to it pursuant to law, equity or agency mechanisms; provided that, upon mutual agreement of the Parties, such disputes may also be submitted to binding arbitration pursuant to subsection 9.6 below.

9.4.2 The Parties agree that all billed amounts are to be paid when due, and that interest shall apply to all overdue invoices as set forth in Section 8.0: Payment of Rates and Late Payment Charges of this Agreement.

9.5 **Conflicts**

9.5.1 The Parties agree that the Dispute Resolution procedures set forth in this Agreement are not intended to conflict with applicable requirements of the Act or the state regulatory commission with regard to procedures for the resolution of disputes arising out of this Agreement.

9.6 **Arbitration**

9.6.1 ~~Any dispute not resolved pursuant to the informal dispute resolution procedures set forth in subsection 9.3 above within one hundred fifty (150) {ALLTEL proposes 120} calendar days of receipt of the Dispute Notice shall be submitted to binding arbitration by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association provided that both Parties consent to arbitration {ALLTEL cannot agree to this added language}. A Party may demand such arbitration in accordance with the procedures set out in those Rules. Discovery shall be controlled by the arbitrator and shall be permitted to the extent set out in this subsection 9.6. Each Party may submit in writing to a Party, and that Party shall so respond to, a maximum of any combination of thirty five (35) (none of which may have subparts) of the following: interrogatories; requests to produce documents; or requests for admission. {Mark, can you explain when this was deleted. Since this language applies to both parties, I am unclear of the concern by VZ wrls. ALLTEL would like to keep this language}. [VZW WILL ONLY AGREE TO CONSENSUAL COMMERCIAL ARBITRATION AS AN ELECTIVE REMEDY]~~

9.6.2 Additional discovery may be permitted upon mutual agreement of the Parties. The arbitration shall be commenced within ninety (90) calendar days of the request for arbitration. The arbitration shall be held in Little Rock, Arkansas. The arbitrator shall control the scheduling so as to process the matter expeditiously. The Parties shall submit written briefs not less than five (5) business days before the proceeding. The arbitrator shall rule on the dispute by issuing a written opinion within thirty (30) calendar days after the close of the proceeding. The arbitrator shall have no authority to order punitive or consequential damages. The times specified in this Section may be extended upon mutual agreement of the Parties or by the arbitrator upon a showing of good cause. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction.

9.7 **Costs**

Each Party shall bear its own costs of these procedures. A Party seeking discovery shall reimburse the responding Party for the costs of production of documents (including search time and reproduction costs).

10.0 **Termination of Service**

10.1 Notwithstanding the notice and cure provisions, stated herein, failure of CMRS Provider to pay billed charges shall be grounds for termination of this Agreement. Failure of either Party to pay undisputed charges shall be grounds for termination of this Agreement. If either Party fails to pay when due any undisputed charges billed to it under this Agreement, and any portion of such undisputed billed charges remain unpaid more than thirty (30) calendar days after the due date of such charges, the billing Party will notify the non-paying Party in writing that, in order to avoid having service disconnected, the non-paying Party must remit all undisputed billed charges to the billing Party within thirty (30) calendar days after receipt of said notice (the "Termination



Notice"). Disputes hereunder will be resolved in accordance with the Dispute Resolution Procedures set out in Section 9: Dispute Resolution of this Agreement.

- 10.2 Either Party may discontinue service to the other Party for failure to pay undisputed billed charges as provided in this Section, and will have no liability to that Party in the event of such disconnection.
- 10.3 After disconnect procedures have begun, ALLTEL will not accept service orders from CMRS Provider until all undisputed past due amounts are paid in full, in immediately available funds. ALLTEL will have the right to require a deposit equal to two months' charges (based on the two highest previous most recent months of service from ALLTEL) prior to resuming service to CMRS Provider after disconnect for nonpayment. [PARTIES DISAGREE]

**11.0 Notices**

- 11.1 Except as otherwise specifically provided in this Agreement, all contract notices, consents, approvals, modifications or other communications, excluding billing notices, to be given under the terms of this Agreement shall be in writing and sent postage prepaid by registered mail, return receipt requested. Notice may also be effected by personal delivery or by overnight courier. Billing disputes or inquiries may be provided by fax. All notices will be effective upon receipt. All notices shall be directed to the following:

Contract Notices:

**To ALLTEL:**

Attn: Director – Negotiations  
Mailstop B4F4NB  
One Allied Drive  
Little Rock, Arkansas 72202

Copy to:

Attn: Legal Department  
One Allied Drive, Mailstop: B1F06-B  
Little Rock, Arkansas 72202

**To CMRS Provider:**

Director, Wireline Interconnection  
Verizon Wireless  
One Verizon Place  
Alpharetta, GA 30004

Copy to:

Director, Interconnection- Regulatory  
Verizon Wireless  
1300 L Street, NW - Suite 400  
Washington, DC 20005

Billing Inquires or Disputes:

To: ALLTEL  
Attn: Manager CABS Department  
One Allied Drive, Mailstop: B4F03-NA  
Little Rock, AR 72022

Fax: 501-905-7027  
Phone: 1-800-351-4241

To CMRS Provider:

- 11.2 Either Party may unilaterally change its designated representative and/or address for the receipt of notices by giving ten (10) business days' prior written notice to the other Party in compliance with this Section.

## 12.0 Taxes

- 12.1 Each Party purchasing services hereunder shall pay or otherwise be responsible for all federal, state or local sales, use, excise, gross receipts, transaction or similar taxes, fees or surcharges (hereinafter "Tax") levied against or upon such purchasing Party (or the providing Party when such providing Party is permitted to pass along to the purchasing Party such taxes, fees or surcharges), except for any tax on either Party's corporate existence, status or income. Whenever possible, these amounts shall be billed as a separate item on the invoice.
- 12.2 Purchasing Party may be exempted from certain taxes if purchasing Party provides proper documentation from the appropriate taxing authority. Failure to timely provide said tax exemption certificate will result in no exemption being available to the purchasing Party until such time as the purchasing Party presents a valid certification.
- 12.3 With respect to any purchase of services, facilities or other arrangements, if any Tax is required or permitted by applicable law to be collected from the purchasing Party by the providing Party, then: (i) the providing Party shall bill the purchasing Party for such Tax; (ii) the purchasing Party shall remit such Tax to the providing Party; and (iii) the providing Party shall remit such collected Tax to the applicable taxing authority, except as otherwise indicated below.
- 12.4 With respect to any purchase hereunder of services, facilities or arrangements that are resold to a third party, if any Tax is imposed by applicable law on the end user in connection with any such purchase, then: (i) the purchasing Party shall be required to impose and/or collect such Tax from the end user, and (ii) the purchasing Party shall remit such Tax to the applicable taxing authority. The purchasing Party agrees to indemnify and hold harmless the providing Party on an after-tax basis for any costs incurred by the providing Party as a result of actions taken by the applicable taxing authority to collect the Tax from the providing Party due to the failure of the purchasing Party to pay or collect and remit such tax to such authority.
- 12.5 If the providing Party fails to collect any Tax as required herein, then, as between the providing Party and the purchasing Party, (i) the purchasing Party shall remain liable for such uncollected Tax and (ii) the providing Party shall be liable for any penalty and interest assessed with respect to such uncollected Tax by such authority. However, if the purchasing Party fails to pay any Taxes properly billed and submitted to the purchasing Party, then, as between the providing Party and the purchasing Party, the purchasing Party will be solely responsible for payment of the Taxes, penalty and interest.
- 12.6 If the purchasing Party fails to impose and/or collect any Tax from end users as required herein, then, as between the providing Party and the purchasing Party, the purchasing Party shall remain liable for such uncollected Tax and any interest and penalty assessed thereon with respect to the uncollected Tax by the applicable taxing authority. With respect to any Tax that the purchasing Party has agreed to pay or impose on and/or collect from end users, the purchasing Party agrees to indemnify and hold harmless the providing Party on an after-tax basis for any costs incurred by the providing Party as a result of actions taken by the applicable taxing authority to collect the Tax

from the providing Party due to the failure of the purchasing Party to pay or collect and remit such Tax to such authority.

- 12.7 All notices, affidavits, exemption certificates or other communications required or permitted to be given by either Party to the other Party under this Section 12 will be made in writing and will be delivered by certified mail, and sent to the addresses stated below:

**To ALLTEL:**

Director - State and Local Taxes  
ALLTEL Service Corporation  
One Allied Drive  
Little Rock, AR 72202

**Copy to:**

Wholesale Product Management  
Mailstop B4F4N-B  
One Allied Drive  
Little Rock, AR 72202

**To CMRS Provider:**

Director - Wireline Interconnection  
Verizon Wireless  
One Verizon Place  
Alpharetta, GA 30004

**Copy to:**

[Redacted]

- 12.7.1 Either Party may unilaterally change its designated representative and/or address for the receipt of notices by giving ten (10) business days' prior written notice to the other Party in compliance with this Section.

**13.0 Force Majeure**

- 13.1 Neither Party shall be liable for delays or failures in performance resulting from acts or occurrences beyond the reasonable control of such Party, regardless of whether such delays or failures in performance were foreseen or foreseeable as of the date of this Agreement, including, without limitation: earthquake, tornado, hurricane, flood, fire, explosion, power failure, acts of God, war (whether or not declared), revolution, civil commotion, or acts of public enemies; or labor unrest, including, without limitation, strikes, slowdowns, picketing, boycotts or delays caused by the other Party or by other service or equipment vendors; or any other similar circumstances beyond the Party's reasonable control. In such event, the Party affected shall, upon giving prompt notice to the other Party, be excused from such performance on a day-to-day basis to the extent of such interference (and the other Party shall likewise be excused from performance of its obligations on a day-for-day basis to the extent such Party's obligations relate to the performance so interfered with). The affected Party shall use its commercially reasonable efforts to avoid or remove the cause of non-performance, and both Parties shall proceed to perform with dispatch once the causes are removed or cease. Notwithstanding anything herein to the contrary, if any delay or non-performance described herein exceeds thirty (30) calendar days, the Party owed such performance will have the right (but not the obligation) to terminate this Agreement

without penalty or liability, other than amounts owed as of the date of termination. Such termination must be in writing.

**14.0 Publicity**

14.1 The Parties agree not to use in any advertising or sales promotion, press releases or other publicity matters any endorsements, direct or indirect quotes or pictures implying endorsement by the other Party or any of its employees, without such Party's prior written approval. The Parties will submit to each other for written approval, prior to publication, all such publicity endorsement matters that mention or display the other Party's name and/or marks or contain language from which a connection to said name and/or marks may be inferred or implied.

14.2 Neither Party will offer any services using the trademarks, service marks, trade names, brand names, logos, insignia, symbols or decorative designs of the other Party or its affiliates without the other Party's prior written authorization.

**15.0 Intentionally Left Blank**

**16.0 Law Enforcement and Civil Process**

**16.1 Intercept Devices**

Local and federal law enforcement agencies periodically request information or assistance from local service providers. When either Party receives a request associated with a customer of the other Party, the receiving Party will refer such request to the appropriate Party, unless the request directs the receiving Party to attach a pen register, trap-and-trace or form of intercept on the Party's own facilities, in which case that Party will comply with any valid request, to the extent the receiving Party is able to do so. If such compliance requires the assistance of the other Party, such assistance will be provided.

**16.2 Subpoenas**

If a Party receives a subpoena for information concerning an end user that the Party knows to be an end user of the other Party, the receiving Party will refer the subpoena to the requesting entity with an indication to the court or law enforcement agency issuing the subpoena that the other Party is the responsible company.

**16.3 Law Enforcement Emergencies**

If a Party receives a request from a law enforcement agency to implement at its switch a temporary number change, temporary disconnect or one-way denial of outbound calls for an end user of the other Party, the receiving Party will comply so long as it is a valid emergency request, as interpreted by the Party receiving such request. Neither Party will be held liable for any claims or damages arising from compliance with such requests, and the Party serving the end user agrees to indemnify and hold the other Party harmless against any and all such claims..

**17.0 Intentionally Left Blank**

**18.0 Amendments or Waivers**

18.1 Except as otherwise provided in this Agreement, no amendment to this Agreement will be effective unless the same is in writing and signed by an authorized representative of each Party.

18.2 Failure of either Party to insist on performance of any term or condition of this Agreement or to exercise any right or privilege hereunder shall not be construed as a continuing or future waiver of such term, condition, right or privilege. The Parties recognize that ALLTEL is entitled to

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maintain that it is a Rural Telephone Company and is entitled to all rights afforded Rural Telephone Companies under the Act including, but not limited to, exemptions, suspensions, and modifications under 47 USC § 251(f). This Agreement does not affect, and ALLTEL does not waive, any rights including, but not limited to, the rights afforded ALLTEL under 47 USC § 251(f).

{Currently being reviewed by ALLTEL's legal team}

**19.0 Authority**

19.1 Each person whose signature appears below represents and warrants that he or she has authority to bind the Party on whose behalf he or she has executed this Agreement.

**20.0 Binding Effect**

20.1 This Agreement will be binding on and inure to the benefit of the respective successors and permitted assigns of the Parties.

**21.0 Consent**

21.1 Where consent, approval or mutual agreement is required of a Party, it will not be unreasonably withheld or delayed.

**22.0 Expenses**

22.1 Except as specifically set out in this Agreement, each Party will be solely responsible for its own expenses involved in all activities related to the scope of this Agreement.

**23.0 Headings**

23.1 The headings in this Agreement are inserted for convenience and identification only and will not be considered in the interpretation of this Agreement.

**24.0 Relationship of Parties**

24.1 This Agreement will not establish, be interpreted as establishing, or be used by either Party to establish or to represent their relationship as any form of agency, partnership or joint venture. Neither Party will have any authority to bind the other Party nor to act as an agent for the other Party unless written authority, separate from this Agreement, is provided. Nothing in the Agreement will be construed as providing for the sharing of profits or losses arising out of the efforts of either or both of the Parties. Nothing herein will be construed as making either Party responsible or liable for the obligations and undertakings of the other Party.

**25.0 Conflict of Interest**

25.1 The Parties represent that no employee or agent of either Party has been or will be employed, retained or paid a fee, or otherwise has received or will receive any personal compensation or consideration from the other Party or its employees or agents in connection with the arranging or negotiation of this Agreement or associated documents.

**26.0 Multiple Counterparts**

26.1 This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but all of which will together constitute but one and the same document.

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**27.0 Third Party Beneficiaries**

27.1 Except as may be specifically set forth in this Agreement, this Agreement does not provide and will not be construed to provide third parties with any remedy, claim, liability, reimbursement, cause of action or other privilege.

**28.0 Regulatory Approval**

28.1 Each Party agrees to cooperate with the other Party and with any state or federal regulatory commission to obtain regulatory approval of this Agreement. During the term of this Agreement, each Party agrees to continue to cooperate with the other Party and any regulatory commission so that the benefits of this Agreement may be achieved.

28.2 Upon execution of this Agreement, it shall be filed with the appropriate state regulatory commission pursuant to the requirements of §252 of the Act. If the state regulatory commission imposes any filing(s) or public interest notice(s) regarding the filing or approval of the Agreement, the Parties shall share the responsibility and associated costs in making such filings or notices.

**29.0 Trademarks and Trade Names**

29.1 Except as specifically set out in this Agreement, nothing in this Agreement will grant, suggest or imply any authority for one Party to use the name, trademarks, service marks or trade names of the other Party for any purpose whatsoever, absent written consent of the other Party.

**30.0 Regulatory Authority**

30.1 Each Party will be responsible for obtaining and keeping in effect all FCC, state regulatory commission, franchise authority and other regulatory approvals that may be required in connection with the performance of its obligations under this Agreement. Each Party will reasonably cooperate with the other Party in obtaining and maintaining any required approvals necessary for fulfilling its obligations under this Agreement.

**~~31.0~~ 31.0 — Most Favored Nation**

~~31.1~~ Intentionally Left Blank If during the term of this Agreement, ALLTEL enters into an interconnection agreement with another CMRS provider, CMRS provider may adopt such other agreement in the entirety upon written request pursuant to Section 252(i) of the Act. [ALLTEL DISAGREES. ALTELL'S POSITION IS THAT ONLY UNDER CHANGE OF LAW, OR AT EXPIRATION OF THIS AGREEMENT CAN A CMRS CARRIER ADOPT A NEW AGREEMENT.]

**32.0 Verification Reviews**

32.1 Subject to each Party's reasonable security requirements, and except as may be otherwise specifically provided in this Agreement, either Party, at its own expense may audit the other Party's relevant books, records and other documents pertaining to services provided under this Agreement once in each contract year, solely for the purpose of evaluating the accuracy of the other Party's billing and invoicing. The Parties may employ other persons or firms for this purpose. Such audit will take place at a time and place agreed on by the Parties, but not later than sixty (60) calendar days after notice thereof.

32.2 The review will consist of an examination and verification of data involving records, systems, procedures and other information related to the services performed by either Party, as related to settlement charges or payments made in connection with this Agreement as determined by either Party to be reasonably required. Each Party shall maintain reasonable records for a minimum of

twelve (12) months and provide the other Party with reasonable access to such information as is necessary to determine amounts receivable or payable under this Agreement.

- 32.3 Adjustments, credits or payments shall be made and any corrective action shall commence within thirty (30) calendar days from the Requesting Party's receipt of the final audit report to compensate for any errors or omissions which are disclosed by such audit and are agreed to by the Parties. Audit findings may be applied retroactively for not more than twelve (12) months from the date the audit began. One and one-half percent (1 ½%) or the highest interest rate allowable by law for commercial transactions shall be assessed and shall be computed by compounding monthly from the time of the overcharge, not to exceed twelve (12) months from the date the audit began, to the day of payment or credit. Any disputes concerning audit results will be resolved pursuant to the Dispute Resolution procedures described in Section 9.0 above of this Agreement.
- 32.4 Each Party will cooperate fully in any such audit, providing reasonable access to any and all appropriate employees and books, records and other documents reasonably necessary to assess the accuracy of the Party's bills.
- 32.5 Verification reviews will be limited in frequency to once per twelve (12) month period, with provision for staged reviews, as mutually agreed, so that all subject matters are not required to be reviewed at the same time. Verification reviews will be scheduled subject to the reasonable requirements and limitations of the audited Party and will be conducted in a manner that will not interfere with the audited Party's business operations.
- 32.6 The Party requesting a verification review shall fully bear its costs associated with conducting a review. The Party being reviewed will provide access to required information, as outlined in this Section, at no charge to the reviewing Party. Should the reviewing Party request information or assistance beyond that reasonably required to conduct such a review, the Party being reviewed may, at its option, decline to comply with such request or may bill actual costs incurred in complying subsequent to the concurrence of the reviewing Party.
- 32.7 For purposes of conducting an audit pursuant to this Agreement, the Parties may employ other persons or firms for this purpose (so long as said Parties are bound by this Agreement, as are the principles). The Parties will bear their own reasonable expenses associated with this inspection. Subsequent audits will be scheduled when and if cause is shown.
- 32.9 Information obtained or received by a Party in conducting the inspections described in this Section 32.0 shall be subject to the confidentiality provisions of Section 6.0 above of this Agreement.

**33.0 Complete Terms**

- 33.1 This Agreement sets forth the entire understanding and supersedes all prior agreements between the Parties relating to the subject matter contained herein and merges all prior discussions between them, and neither Party shall be bound by any definition, condition, provision, representation, warranty, covenant or promise other than as expressly stated in this Agreement, or as is contemporaneously or subsequently set forth in writing and executed by a duly authorized officer or representative of the Party to be bound thereby.

**34.0 Intentionally Left Blank**

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**37.0 Responsibility of Each Party**

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37.1 Each Party is an independent contractor, and has and hereby retains the right to exercise full control of and supervision over its own performance of its obligations under this Agreement and retains full control over the employment, direction, compensation and discharge of its employees assisting in the performance of such obligations. Each Party will be solely responsible for all matters relating to payment of such employees, including compliance with social security taxes, withholding taxes and all other regulations governing such matters. Each Party will be solely responsible for proper handling, storage, transport and disposal at its own expense of all: (i) substances or materials that it or its contractors or agents bring to, create or assume control over at work locations, or (ii) waste resulting therefrom or otherwise generated in connection with its or its contractors' or agents' activities at the work locations. Subject to the limitations on liability and except as otherwise provided in this Agreement, each Party will be responsible for: (i) its own acts and performance of all obligations imposed by applicable law in connection with its activities, legal status and property, real or personal, and (ii) the acts of its own affiliates, employees, agents and contractors during the performance of the Party's obligations hereunder.

**38.0 Intentionally Left Blank**

**39.0 Governmental Compliance**

39.1 The Parties agree that each Party will comply at its own expense with all applicable laws that relate to: (i) its obligations under or activities in connection with this Agreement, or (ii) its activities undertaken at, in connection with or relating to work locations. Each Party agrees to indemnify, defend (at the other Party's request) and save harmless the other Party, each of its officers, directors and employees from and against any losses, damages, claims, demands, suits, liabilities, fines, penalties and expenses (including reasonable attorneys' fees) that arise out of or result from: (i) its failure or the failure of its contractors or agents to so comply, or (ii) any activity, duty or status of its or its contractors or agents that triggers any legal obligation to investigate or remedy environmental contamination.

**40.0 Management Contracts**

40.1 Nothing in this Agreement shall prohibit either Party from enlarging its network through contractual affiliations with third parties for the construction and operation of a CMRS or LEC network under the Party's brand name. Traffic originating and terminating via any such extended network shall be treated as interconnection traffic, subject to the terms, conditions and rates of this Agreement, in states where this Agreement is in effect. States not included in this Agreement may be added upon mutual consent.

**41.0 Subcontracting**

41.1 If any obligation is performed through a subcontractor, each Party will remain fully responsible for the performance of this Agreement in accordance with its terms, including any obligations either Party performs through subcontractors, and each Party will be solely responsible for payments due the Party's own subcontractors. No contract, subcontract or other Agreement entered into by either Party with any third party in connection with the provision of services hereunder will provide for any indemnity, guarantee or assumption of liability by, or other obligation of, the other Party to this Agreement with respect to such arrangement, except as consented to in writing by the other Party. No subcontractor will be deemed a third party beneficiary for any purposes under this Agreement. Any subcontractor who gains access to Confidential Information covered by this Agreement will be required by the subcontracting Party to protect such Confidential Information to the same extent the subcontracting Party is required to protect the same under the terms of this Agreement.

**42.0 Referenced Documents**

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42.1 Whenever any provision of this Agreement refers to a technical reference, technical publication, CMRS Provider practice, ALLTEL practice, any publication of telecommunications industry administrative or technical standards or any other document specifically incorporated into this Agreement, it will be deemed to be a reference to the most recent version or edition (including any amendments, supplements, addenda or successors) of each document that is in effect, and will include the most recent version or edition (including any amendments, supplements, addenda or successors) of each document incorporated by reference in such a technical reference, technical publication, CMRS Provider practice, ALLTEL practice or publication of industry standards. However, if such reference material is substantially altered in a more recent version to significantly change the obligations of either Party as of the effective date of this Agreement, and the Parties are not in agreement concerning such modifications, the Parties agree to negotiate in good faith to determine how such changes will impact performance of the Parties under this Agreement, if at all. Until such time as the Parties agree, the provisions of the last accepted and unchallenged version will remain in force.

**43.0 Severability**

43.1 If any term, condition or provision of this Agreement is held to be invalid or unenforceable for any reason, such invalidity or unenforceability will not invalidate the entire Agreement, unless such construction would be unreasonable. The Agreement will be construed as if it did not contain the invalid or unenforceable provision or provisions, and the rights and obligations of each Party will be construed and enforced accordingly; provided, however, that in the event such invalid or unenforceable provision or provisions are essential elements of this Agreement and substantially impair the rights or obligations of either Party, the Parties will promptly negotiate a replacement provision or provisions. If impasse is reached, the Parties will resolve said impasse under the dispute resolution procedures set forth in Section 9.0 of this Agreement.

**44.0 Survival of Obligations**

44.1 Any liabilities or obligations of a Party for acts or omissions prior to the cancellation or termination of this Agreement, any obligation of a Party under the provisions regarding indemnification, Confidential Information, limitations on liability, and any other provisions of this Agreement which, by their terms, are contemplated to survive (or to be performed after) termination of this Agreement, will survive cancellation or termination thereof.

**45.0 Governing Law**

45.1 This Agreement shall be governed by and construed in accordance with the Act and the FCC's rules and regulations, except insofar as state law may control any aspect of this Agreement, in which case the domestic laws of the state where the interconnection service is provided, without regard to its conflicts of laws principles, shall govern.

**46.0 Intentionally Left Blank**

**47.0 Intentionally Left Blank**

**48.0 Disclaimer of Warranties**

48.1 EXCEPT AS OTHERWISE PROVIDED HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR INTENDED OR PARTICULAR PURPOSE WITH RESPECT TO SERVICES PROVIDED HEREUNDER. ADDITIONALLY, NEITHER PARTY ASSUMES ANY RESPONSIBILITY WITH REGARD TO THE CORRECTNESS OF DATA OR

**INFORMATION SUPPLIED BY THE OTHER PARTY WHEN THIS DATA OR INFORMATION IS ACCESSED AND USED BY A THIRD PARTY.**

**49.0 Definitions and Acronyms**

**49.1 Definitions**

For purposes of this Agreement, certain terms have been defined in *Attachment 8: Definitions* and elsewhere in this Agreement to encompass meanings that may differ from, or be in addition to, the normal connotation of the defined word. Unless the context clearly indicates otherwise, any term defined or used in the singular will include the plural. The words "will" and "shall" are used interchangeably throughout this Agreement and the use of either connotes a mandatory requirement. The use of one or the other will not mean a different degree of right or obligation for either Party. A defined word intended to convey its special meaning is capitalized when used.

**49.2 Acronyms**

Other terms that are capitalized and not defined in this Agreement will have the meaning in the Act. For convenience of reference only, *Attachment 9: Acronyms* provides a list of acronyms used throughout this Agreement.

**50.0 Intentionally Left Blank**

**51.0 Intentionally Left Blank**

**52.0 Certification Requirements**

52.1 CMRS Provider warrants that it has obtained all necessary jurisdictional certifications or licenses required in those jurisdictions in which CMRS Provider has ordered services pursuant to this Agreement. Upon request by any governmental entity, CMRS Provider shall provide proof of certification to ALLTEL.

**53.0 Other Requirements and Attachments**

53.1 This Agreement incorporates a number of listed Attachments which, together with their associated Appendices, Exhibits and Addenda, constitutes the entire Agreement between the Parties.

53.2 Appended to this Agreement and incorporated herein are the Attachments listed below. To the extent that any definition, term or condition in any given Attachment differs from those contained in the main body of this Agreement, that definition, term or condition will supersede those contained in the main body of this Agreement, but only in regard to the services or activities listed in that particular Attachment. In particular, if an Attachment contains a *term length* that differs from the term length in the main body of this Agreement, the term length of that Attachment will control the length of time that services or activities are to occur under the Attachment, but will not affect the term length of the remainder of this Agreement, except as may be necessary to interpret the Attachment.

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**THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.**

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be executed as of this \_\_\_\_ day of \_\_\_\_\_, 2003.

Cellco Partnership d/b/a Verizon Wireless:

ALLTEL Pennsylvania, Inc.:

\_\_\_\_\_  
Name (print or type)

\_\_\_\_\_  
Name (print or type)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Position/Title  
CMRS Provider

\_\_\_\_\_  
Position/Title  
ALLTEL Pennsylvania, Inc.

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**ATTACHMENT 1: INTENTIONALLY LEFT BLANK**

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## ATTACHMENT 2: NETWORK INTERCONNECTION ARCHITECTURE

This Attachment describes the network architecture with which the Parties to this Agreement may interconnect their respective networks, within the ALLTEL interconnected network, for the transmission and routing of Telecommunications Traffic and Exchange Access. It also describes the ordering process and maintenance requirements.

### 1.0 Network Architecture

#### 1.1 Interconnection Facilities

##### 1.1.1 Type 1

~~Type 1 facilities are those facilities that provide a trunk side connection (line side treatment) between an ALLTEL end office and CMRS Provider's Mobile Switching Center ("MSC"). Type 1 facilities provide the capability to access all ALLTEL local end offices within the LATA, Third Party Providers, 800/888 traffic, 911/E911 traffic, Operator Services traffic and Directory Assistance traffic. The availability and provision of Type 1 facilities is subject to change, as mandated by the FCC's implementation of wireless number pooling and portability. [ALLTEL WILL NO LONGER OFFER TYPE 1, AND VERIZON WIRELESS ACCEPTS THIS. ONLY OPEN ISSUE HAS TO DO WITH TRANSITION OF EXISTING TYPE 1S TO TYPE 2B TRUNKS.]~~

##### 1.1.2 Type 2A

A Type 2A Interconnection is a trunk-side connection to an ALLTEL Tandem Switch that uses SS7 signaling and supervision. A Type 2A Interconnection provides access to the valid NXX codes of the ALLTEL End Offices subtending the Tandem Switch and the Remote Switches subtending those ALLTEL End Offices. A Type 2A Interconnection cannot be used to reach Operator Services, Directory Assistance, 911/E911, or to carry 800 or 900 traffic. This interconnection type requires that the CMRS Provider establish their own dedicated NXX. ALLTEL will not transit traffic for CMRS provider to a Third Party network or from a Third Party network to CMRS provider. Traffic originated by a telecommunications carrier, not subject to this agreement, delivered to one of the Parties, regardless of whether such traffic is delivered through the Party's end user customer, is not considered to be originating on that Party's network and may not be routed on this type 2A direct interconnection.

##### 1.1.3 Type 2B

A Type 2B Interconnection is a trunk-side connection to a ALLTEL End Office that uses SS7 signaling and supervision. A Type 2B Interconnection only provides access to the valid ALLTEL NXX codes served by that End Office and Remote Switches subtending that ALLTEL End Office and cannot be used to reach EAS points, Operator Services, Directory Assistance, 911/E911, or to carry 800 or 900 traffic. This interconnection type requires that the CMRS Provider establish their own dedicated NXX. ALLTEL will not transit traffic for CMRS provider to a Third Party network or from a Third Party network to CMRS provider. Traffic originated by a telecommunications carrier, not subject to this agreement, delivered to one of the Parties, regardless of whether such traffic is delivered through the Party's end user customer, is not considered to be originating on that Party's network and may not be routed on this type 2B direct interconnection.

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- 1.2 CMRS Provider may develop additional Interconnection Points, within each of ALLTEL's interconnected networks, other than the actual location of its MSC through the use of either ALLTEL's Special Access facilities, its own facilities or the facilities of a third party.
- 1.3 CMRS Provider shall provide ALLTEL with an annual forecast of intended mobile to land usage for each Interconnection Point. The Parties agree to work cooperatively to determine the number of trunks needed to handle the estimated traffic.
- 1.4 **Facility Location**
- 1.4.1 **Technical Feasibility**
- 1.4.1.1 To the extent required by Section 251 of the Act, CMRS Provider may interconnect within each of ALLTEL's interconnected networks at any technically feasible point.
- ~~1.4.2 **Incumbent Local Exchange Carrier Requirement**~~
- ~~The Parties acknowledge that the terms and conditions specified in this Agreement do not apply to the provision of services or facilities by ALLTEL in those areas where ALLTEL is not the Incumbent Local Exchange Carrier, as defined by the Act. {Currently being reviewed by ALLTEL's legal team}~~
- 1.5 **Additional Interconnection Methods Available to CMRS Provider**
- 1.5.1 CMRS Provider may provide its own facilities and transport for the delivery of Telecommunications Traffic from its MSC to the Interconnection Point on each of ALLTEL's interconnected networks. Alternatively, CMRS Provider may purchase an entrance facility and transport from a third party or from ALLTEL for the delivery of such traffic. Rates for entrance facilities and transport purchased from ALLTEL are specified in the applicable interstate or intrastate Access Tariff.
- 1.5.3 The Parties may share ALLTEL's interconnection facilities at the rates specified in ALLTEL's applicable access tariffs. Charges will be shared by the Parties based on their proportional (percentage) use of such facilities as specified in Attachment 4: Pricing.
- 1.6 **Interconnection Methods Available to ALLTEL**
- 1.6.1 ALLTEL may provide its own facilities and transport for the delivery of Telecommunications Traffic from its Interconnection Point to the Interconnection Point on CMRS Provider's network. Alternatively, ALLTEL may purchase an entrance facility and transport from a third party for the delivery of such traffic.
- 1.7 **Network Technical Requirements, Standards and Notices**
- 1.7.1 Each Party will provide the services in this Agreement to the other Party at a standard equal in quality to that provided to itself or to any subsidiary, affiliate or any other party to which such Party provides interconnection. Either Party may request, and the other Party will provide, to the extent technically feasible, services that are either superior or lesser in quality than the providing Party provides to itself; provided, however, that such services shall be considered Special Requests.
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- 1.7.2 Nothing in this Agreement is intended to limit either Party's ability to upgrade or modify its network, including, without limitation, the incorporation of new equipment, new software or otherwise, so long as such upgrades or modifications are not inconsistent with the Parties' obligations under the terms of this Agreement.
- 1.7.3 The Parties agree to comply with §§51.325 through 51.335 of Title 47 of the Code of Federal Regulations, as may be amended from time to time, regarding notifications, network changes, upgrades and/or modifications.
- 1.7.4 Each Party will be solely responsible, at its own expense, for the overall design of its telecommunications services and for any redesigning or rearrangement of its telecommunications services which may be required because of the other Party's modifications, including, without limitation, changes in facilities, operations or procedures, minimum network protection criteria or operating or maintenance characteristics of facilities. Each Party agrees to waive nonrecurring charges associated with either Party's initiated rehomeing of facilities; provided, however, that each Party shall be responsible for any other costs associated with the reconfiguration of its network.

## 2.0 Transmission and Routing

This Section provides the terms and conditions for the exchange of traffic between the Parties' respective networks for the transmission and routing by the Parties of local and non-local traffic from the parties' respective end user customers. Traffic originated by a telecommunications carrier, not subject to this agreement, delivered to one of the Parties, regardless of whether such traffic is delivered through the Party's end user customer, is not considered to be originating on that Party's network and may not be routed on this direct interconnection. The standard configuration for CMRS interconnection trunking arrangements will be on a two-way basis at either the Tandem or the End Office.

### 2.1 Basic Terms

#### 2.1.1 Direct Routed Mobile to Land Traffic

2.1.1.1 CMRS Provider shall be responsible for the delivery of local and non-local Traffic from its network to ALLTEL's network at the appropriate Interconnection Point ~~within ALLTEL's interconnected network~~ for the transport and termination of such traffic by ALLTEL to an ALLTEL end user.

2.1.1.2 Unless CMRS Provider elects to provision its own facilities under subsection 1.5 of this Attachment, ALLTEL shall provide the physical plant facilities that interconnect CMRS Provider's Interconnection Point with ALLTEL's Interconnection Point ~~within ALLTEL's interconnected network~~. ALLTEL shall provision mobile-to-land connecting facilities for CMRS Provider under the prices, terms and conditions specified in ALLTEL's applicable access tariff, as appropriate.

#### 2.1.2 Direct Routed Land to Mobile Traffic

2.1.2.1 ALLTEL shall be responsible for the delivery of Telecommunications Traffic from its network to CMRS Provider's network at the appropriate Interconnection Point ~~within ALLTEL's interconnected network~~ for the transport and termination of such traffic by CMRS Provider to the handset of a CMRS Provider end user.

~~2.1.2.2 Unless ALLTEL elects to have CMRS Provider or {deleted due to change in 1.6.1 above} a third party provision facilities under subsection 1.6 of this Attachment, ALLTEL shall provide the physical plant facilities that interconnect ALLTEL's Interconnection Point with CMRS Provider's Interconnection Point. within ALLTEL's interconnected network— ALLTEL shall be responsible for the physical plant facility from its network to the appropriate Interconnection Point within ALLTEL's interconnected network, which may include a third party's tandem. {ALLTEL does not accept addition}~~

[PARTIES DISAGREE. VERIZON WIRELESS BELIEVES THAT RATE CENTER BOUNDARY IS IRRELEVANT TO RECIRPOCAL COMPENSATION OBLIGATIONS.]

#### 2.1.4 Signaling

ALLTEL will provide, at CMRS Provider's request and where technically available, Signaling System 7 ("SS7") to accommodate out-of-band signaling in conjunction with the exchange of Telecommunications Traffic between the Parties' respective networks. When ALLTEL provides SS7 Signaling services directly to CMRS Provider, ALLTEL shall provide such service rates and conditions provided in ALLTEL's applicable tariff. These rates are for the use of ALLTEL STPs in the completion of mobile-to-land Telecommunications Traffic. Charges for STP bridge links and port terminations used when connection is required between CMRS Provider's and ALLTEL's STP shall be on ~~the proportional (percentage) a bill and keep~~ basis. CMRS Provider may, in its sole discretion and at no additional charge, interconnect on an SS7 basis with ALLTEL using a Third Party Provider's SS7 network, provided that the third party has established SS7 interconnection with ALLTEL.

#### 2.1.5 Indirect Network Interconnection

When the Parties interconnect their networks indirectly via a third LEC's tandem, compensation shall be in accordance with the terms of this Agreement as specified in Attachment 3.. Neither Party shall deliver: (i) traffic destined to terminate at the other Party's end office via another LEC's end office, or (ii) traffic destined to terminate at an end office subtending the other Party's access tandem via another LEC's access tandem. ALLTEL will only be responsible for the interconnection facilities located within the ALLTEL exchange boundary utilized in the routing of the indirect traffic. -When traffic to a specific ALLTLEL NPA-NXX exceeds a DSI [VZW BELIVES THRESHOLD SHOULD BE 500. 00 MOUS PER MONTH] level, then CMRS Provider will establish a direct connection to the ALLTEL end office serving that specific NPA-NXX. If the ALLTEL end office is a remote switch, the CMRS provider will establish a direct connection to the ALLTEL host switch serving the ALLTEL remote switch.

### 2.1 Routing Points

~~CMRS Provider will designate a rating point and routing point for each NPA/NXX code assigned for CMRS Provider's use. The designated routing point for a particular NPA/NXX code assigned for CMRS Provider's use need not be the same as the corresponding rate center point for such NPA/NXX code. The routing point may be in a different LATA than the rating point in circumstances where a routing point is located in the same Tandem serving territory as the rating point. Consistent with this Section 2.2, ALLTEL will deliver CMRS Provider's traffic to routing points consistent with CMRS Provider's instructions. ALLTEL will route indirect traffic to an NPA-NXX of CMRS Provider as specified in the Location Exchange Routing Guide (LERG) and as specified in detail in section 2.1.5 above. When the rating point and routing point for an NPA-NXX are not within the same rate center, ALLTEL will not be responsible for any charges that may be assessed by the third party for traffic [what charges? Transit? Toll?] originated from~~



~~ALLTEL and terminating to CMRS provider. CMRS provider will be responsible for all charges due to a third party for indirect traffic originated by CMRS provider. If ALLTEL can not record the traffic terminating to ALLTEL originating from these NPA-NXX's of the CRMS provider, then CMRS provider will provide a monthly report to ALLTEL will use meet-point billing records or industry standard records from third party carrier. of the minutes of use originating from these NPA-NXX's and terminating to ALLTEL. The report will be provided by the 5<sup>th</sup> day each month for the preceeding month's minutes of use. The report will provide a total of minutes of use by originating NPA-NXX and terminating NPA-NXX. CMRS provider Both Parties are responsible for must-establishtransport arrangements-an agreement with the third party for the transiting of the traffic for these NPA-NXX's. [ ALLTEL proposed language is inconsistent with Attachment 3.] [THE PARTIES DISAGREE].~~

[THIS SECTION NEEDS TO ADDRESS LOCAL TREATMENT OF ALLTEL-ORIGINATED CALLS TO LOCAL AND EAS RATED CMRS NPA/NXXs]

2.1.6 ALLTEL shall treat CMRS NPA-NXXs which are local rated as local calls to its subscribers. ALLTEL shall afford local dialing parity to locally rated CMRS NPA- NXXs. [PROPOSED BY VERZION WIRELESS].

### 3.0 Ordering

3.1 Unless otherwise provided for in this Agreement, this provision shall apply for the ordering of interconnection herein. Each Party shall be responsible for ordering from the other Party any interconnection or other facilities as specified in this Agreement. The Parties shall mutually agree upon the format for any orders and any required codes or other information that must be included in any particular order. Subject to the paragraph immediately below, orders shall be processed as follows: after the receipt of a request, a Party shall notify the ordering Party, in a timely manner and in agreement with published intervals, of any additional information it may require to determine whether it is technically feasible to meet the request. Within forty-five (45) calendar days of its receipt of said information, the Party shall notify the ordering Party if the request is technically feasible ("Notification"). If the request is technically feasible, the Party shall activate the order as mutually agreed to by the Parties after Notification (the "Activation Date"). The penalty for the providing Party's non-compliant delivery of connecting facility by the specified due date shall be a refund of nonrecurring charges of the connecting facility to the other Party.

### 3.2 Special Requests

All requests for: (i) services covered by this Agreement for which facilities do not exist; (ii) facilities, equipment or technologies not in the providing Party's sole discretion considered necessary to fulfill a request under this Agreement; or (iii) services not specifically enumerated in this Agreement shall be handled as a "Special Request." Special Requests pursuant to this subsection 3.2 may include, without limitation, requests for fiber, microwave, alternate routing, redundant facilities and other non-standard facilities or services.

3.2.1 If either Party requires direct interconnection at additional locations within the ALLTEL interconnected network, then it shall submit a Special Request in writing to the other Party specifying: (i) the point of interconnection; (ii) an estimated activation date; and (iii) a forecast of intended use. Within twenty (20) business days of its receipt of the ordering Party's request (the "Request Date"), the providing Party shall notify the ordering Party of any additional information it may require to determine whether it is technically feasible to meet the request. Within sixty (60) calendar days of its receipt of said information (or sixty (60) calendar days from the Request Date if the providing Party does not ask for additional information), the providing Party shall notify the ordering Party ("Notification") if its request is technically feasible. If the request is technically

feasible, the providing Party shall activate the interconnection within fifteen (15) business days of the Notification (the "Activation Date"), as specified by the ordering Party.

- 3.2.2 The Parties recognize that Special Requests may be made of the other Party pursuant to *Attachment 3: Billing, Compensation and Charges*, subsection 3.3 therein. The providing Party shall have seventy-five (75) business days to notify the ordering Party ("Special Notification") if the ordering Party's Special Request, in the providing Party's sole discretion, will be fulfilled and what the cost of fulfilling such request will be. If the Special Request will be fulfilled, the providing Party shall activate the order at a time agreed to by the Parties.
- 3.2.3 An ordering Party may cancel a Special Request at any time, but will pay the providing Party's reasonable and demonstrable costs per the rates as specified in the Party's access tariff, of processing and/or implementing the Special Request up to the date of cancellation.

#### 4.0 Network Maintenance and Management

- 4.1 The Parties will work cooperatively to install and maintain a reliable network in order to implement this Agreement. The Parties will exchange appropriate information (e.g., maintenance contact numbers, network information, information required to comply with law enforcement and other security agencies of the Government) to achieve this desired reliability.
- 4.2 Each Party will provide a 24-hour contact number for Network Traffic Management issues to the other's surveillance management center. A facsimile number must also be provided to facilitate event notifications for planned mass calling events. Additionally, both Parties agree that they will work cooperatively to ensure that all such events will attempt to be conducted in such a manner as to avoid disruption or loss of service to other end users.

##### 4.2.1 24 Hour Network Management Contact:

###### For ALLTEL:

State-specific contacts are provided at <http://www.alltel.com>.

###### To CMRS Provider:



- 4.3 Neither Party will use any service provided under this Agreement in a manner that impairs the quality of service to other carriers or to either Party's subscribers. Either Party will provide the other Party notice of said impairment at the earliest practicable time.
- 4.4 Either Parties' use of any of the other Party's facilities, or of its own equipment or that of a third party in conjunction with any of the other Party's facilities, shall not materially interfere with or impair service over any facilities of the other Party, its affiliated companies or its connecting and concurring carriers involved in its services, cause damage to their plant, impair the privacy of any communications carrier over their facilities or create hazards to the employees of any of them or the public.
- 4.5 After written notice and thirty (30) calendar days' opportunity to cure, the Party whose facilities are being used may discontinue or refuse to provide service to the other Party if the Party using the

facilities breaches subsections 4.3 or 4.4 above and fails to cure such breach with the thirty (30) day cure period; provided, however, such termination of service will, where appropriate, be limited to the facility being used that is the subject of the breach.

- 4.6 Trouble clearing procedures of both Parties shall include mechanisms for escalation of restoration efforts appropriate to the critical impact on the other Party's network. Both Parties agree that each will use its best, commercially reasonable efforts to clear troubles on its network that materially affects the other Party's end users.

**ATTACHMENT 3: BILLING, COMPENSATION AND CHARGES**

This Attachment describes the terms and conditions under which billing, compensation and charges will be applied to the Parties under this Agreement.

**1.0 Billing**

- 1.1 Each Party shall deliver monthly settlement statements for terminating the other Party's Telecommunications Traffic for both local and non-local usage, and for the proportionate share of the interconnection facilities used in routing direct traffic between each Party's end user customers, based on a mutually agreed schedule. Subject to Section 8.0: Payment of Rates and Late Payment Charges and Section 9.0: Dispute Resolution of this Agreement, bills rendered by either Party shall be paid within thirty ~~(30)~~<sup>forty-five (45)</sup> {ALLTEL bills according to OBF standards and cannot agree to this change} calendar days of receipt of the invoice date. For direct interconnection, the billing Party will record the traffic originating from the other Party's end user customers and terminating to the billing Party's end user customers that is routed over the direct interconnection facilities. In the event the Parties use indirect interconnection arrangements to terminate ~~Telecommunications-local and non-local Traffic~~ between their networks, the Parties agree to use meet point billing records or a report detailing the minutes of usage provided by the third party for compensation of usage routed indirectly to the other Party. The originating Party will be responsible for any transit charges assessed by the third party. Indirect routed traffic for CMRS Provider's NPA-NXXs that have different rating and routing points, as specified in the LERG, will be billed in accordance with Attachment 4-, section 2.1. note the extent the Party whose customer originated the call is capable of measuring the traffic it originates to the other Party, the originating Party will be responsible for providing usage to the Party terminating the call for purposes of billing Reciprocal Compensation pursuant to subsection 2.0 below.

VERIZON WIRELESS PROPOSES: "Where either Party cannot measure traffic which it originates to the other Party directly or indirectly, the Parties agree to use a traffic ratio that represents the amount of traffic which is originated in the land to mobile direction as a percentage. This ratio will be applied to the total amount of traffic exchanged between the parties to approximate the amount of traffic originated by each Party for the purposes of determining reciprocal compensation. See Attachment 4 for Land to Mobile factor."

- 1.2 For the purposes of establishing service and providing efficient and consolidated billing to CMRS Provider, CMRS Provider is required to provide ALLTEL its authorized and nationally recognized Operating Company Number(s).
- 1.3 Bills rendered to either Party will be delivered to the following locations:

To: ALLTEL:  
Attn: Manager Telecom Service Group  
1 Allied Drive, Mailstop: B4F05-SC  
Little Rock, AR 72022

To: CMRS Provider:  
Attn:

\_\_\_\_\_  
\_\_\_\_\_

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## 2.0 Compensation

### 2.1 Reciprocal Compensation

#### 2.1.1 Rates

The Parties shall provide each other Reciprocal Compensation for the transport and termination of Telecommunications Traffic at the rates specified in *Attachment 4: Pricing*. ALLTEL shall compensate CMRS Provider for the transport and termination of Telecommunications Traffic originating on ALLTEL's network at type 2 A rate to the extent the CMRS switch serves the same geographic area as a tandem switch; CMRS Provider shall compensate ALLTEL for the transport and termination of Telecommunications—local and non-local Traffic originating on CMRS Provider's network. Compensation by CMRS Provider to ALLTEL shall vary based on the method of interconnection used by the Parties will vary based on the type of interconnection used by ALLTEL to originate traffic to CMRS. {ALLTEL can not agree to this deletion since rates will be different by type 2A, 2B, and indirect.} [Parties disagree]

#### 2.1.2 Exclusions

Reciprocal Compensation shall apply solely to the transport and termination of Telecommunications Traffic, as defined in *Attachment : Definitions*, and shall not apply to any other traffic or services, including, without limitation:

2.1.2.1 InterMTA traffic;

2.1.2.2 Traffic which neither originates nor terminates on either Party's network by the Party's end user customers; or

2.1.2.3 Paging Traffic.

#### 2.1.3 Measuring Calls as Telecommunications Traffic

In order to determine whether traffic is Telecommunications Traffic subject to Reciprocal Compensation, the Parties agree as follows: for ALLTEL, the origination or termination point of a call shall be the end office that serves, respectively, the calling or called party. For CMRS Provider, the origination or termination point of a call shall be the cell site that serves, respectively, the calling or called party at the beginning of the call.

#### 2.1.4 Conversation Time

For purposes of billing compensation for the interchange of Telecommunications Traffic, billed minutes will be based upon conversation time. Conversation time will be determined from actual usage recordings. Conversation time begins when the originating Party's network receives answer supervision and ends when the originating Party's network receives disconnect supervision.

## 3.0 Charges

### 3.1 Late Charges

Late Charges will be applied as specified in Section 8.0: Payment of Rates and Late Payment Charges of this Agreement.

### 3.2 Access Charges

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3.2.1 **When Applicable**

Charges for the transport and termination of InterMTA traffic shall be in accordance with the Parties' respective intrastate or interstate access tariffs, or other applicable rates as appropriate. The Parties will develop an initial factor representative of the share of traffic exempt from Reciprocal Compensation.

3.2.2 **InterMTA Factor**

The Parties have agreed upon the InterMTA factor specified in *Attachment 4: Pricing*, which represents the percent of total minutes to be billed access charges. The InterMTA factor identified in *Attachment 4: Pricing* shall be used until revised by mutual agreement. The Parties agree to review the percentage on a periodic basis no more than once per year, and, if warranted by the actual usage, revise the percentage appropriately on a prospective basis. This factor will be applied to both direct and indirect traffic originated by CMRS provider and terminated by ALLTEL

3.3 **Miscellaneous Charges**

In addition to any other charges specified in this Agreement, the following charges may be applicable as specified in this Agreement at the rates listed in *Attachment 4: Pricing*. Charges listed are in addition to, and not exclusive of, any other charges that may be applicable under this Agreement.

3.3.1 **Facilities Charges**

Each Party shall compensate the other Party (on a proportionate usage basis, as set forth in *Attachment 4: Pricing*) for the use of the providing Party's direct interconnection facilities between the Parties' Interconnection Points, in either direction, as the case may be. ~~Type 1~~, Type 2A and Type 2B facilities may be either one-way or two-way when both Parties agree to share the facility. For both one-way or two-way facilities, the terms, conditions, recurring and nonrecurring charges will apply as specified in *Attachment 3: Billing, Compensation and Charges*, and at the rates specified in *ALLTEL's applicable interstate or intrastate access tariff*. When both Parties agree to utilize two-way facilities, the Parties on a proportional (percentage) basis as specified in *Attachment 4: Pricing* will share such charges, including non-recurring charges {ALLTEL accepts language}. To the extent Telecommunications Traffic is transmitted over high capacity facilities (DS3s and SONET rings), the cost associated with the portion of such facilities used to carry Telecommunications Traffic (based on slot assignments) will be shared between ALLTEL and CMRS Provider based upon the Shared Facilities percentages specified in *Attachment 4: Pricing*. The Parties shall review actual billed minutes accrued on shared two-way facilities and modify, as needed, at a point six (6) months from the Effective Date of this Agreement and every twelve (12) months thereafter, the percentages specified in *Attachment 4: Pricing*.

3.3.3 **Maintenance of Service Charge**

When either Party reports trouble to the other Party for clearance and no trouble is found in the network of the Party to whom the trouble was reported, the reporting Party shall be responsible for payment of a Maintenance of Service Charge, as listed in ALLTEL's access tariff, for the period of time when the reported Party's personnel were dispatched. In the event of an intermittent service problem that is eventually found to be in the reported Party's network, the other Party shall receive a credit for any Maintenance of Service Charges applied in conjunction with this service problem.

If either Party reports trouble to the other Party for clearance and the reported Party's personnel are not allowed access to the reporting Party's premises, the Maintenance of Service Charge will apply for the time that the reported Party's personnel are dispatched, provided that the Parties have arranged a specific time for the service visit.

3.3.4 **Additional Engineering Charges**

Additional engineering charges, as listed in ALLTEL's access tariff, will be billed to CMRS Provider when ALLTEL incurs engineering time to customize CMRS Provider's service at CMRS Provider's request pursuant to Attachment II, Section 3.2.

3.3.5 **Additional Labor Charges**

Additional labor, as listed in ALLTEL's access tariff, will be charged when ALLTEL installs facilities outside of normally scheduled working hours at the customer's request. Additional labor also includes all time in excess of one-half (1/2) hour during which ALLTEL personnel stand by to make installation acceptance test or cooperative test with CMRS Provider to verify facility repair on a given service.

3.3.6 **Access Service Order Charge**

An Access Service Order charge, as listed in ALLTEL's access tariff, applies whenever CMRS Provider request installation, addition, rearrangement, change or move of the interconnection services associated with this Agreement.

3.3.7 **Design Change Charge**

A Design Change Charge, as listed in ALLTEL's access tariff, applies when ALLTEL personnel review CMRS Provider's interconnection service to determine what changes in the design of the service are required as a result of request(s) by CMRS Provider. ALLTEL will notify CMRS Provider when the Design Change Charge would apply prior to performing any work that would incur a Design Change Charge.

3.3.8 **Service Date Change Charge**

The Service Date Change Charge, as listed in ALLTEL's access tariff, applies when CMRS Provider requests a change in the previously scheduled date of installation or rearrangement of interconnection service. The customer may request changes provided that the new date is no more than forty-five (45) calendar days beyond the original service date, unless the requested changes are associated with an order which has been designated as a "special project." If a change or rearrangement of interconnection is necessary beyond forty-five (45) calendar days, then the order must be canceled and reordered.

3.3.9 **Access Customer Name and Address ("ACNA"), Billing Account Number ("BAN") and Circuit Identification Change Charges**

These charges, as listed in ALLTEL's access tariff, apply whenever CMRS Provider requests changes in its ACNA, its BAN number or its Circuit IDs, respectively.

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**ATTACHMENT 4: PRICING**

**[NOTE: Further discussion needed on rates (e.g., will there be different direct vs indirect rates). Also, facilities factors, interMTA factors, and PIU factors may vary by state.]**

<b><u>Mobile-to-Land-Interconnection</u></b>	
<b><u>Rate Reciprocal Compensation Rate</u></b>	
Type 1 (per-MOU)	\$0.01000
Type 2A (per MOU)	\$0.01000
Type 2B (per MOU)	\$0.01000
Transiting (per-MOU)	\$0.00300
<b><u>Indirect</u></b>	
<b><u>Land-to-Mobile-Interconnection-Rate</u></b>	
Type 1 (per-MOU)	\$0.01000
Type 2A (per-MOU)	\$0.01000
Type 2B (per-MOU)	\$0.01000
<b><u>Shared Facilities</u></b>	
CMRS Provider	80/20%
ALLTEL	20/80%
<b><u>CMRS InterMTA Factor</u></b>	
	5%
<b><u>Interstate Factor</u></b>	
Interstate	30%
Intrastate	70%

[Verizon Wireless proposes: 60/40 Land to mobile factor. InterMTA factor of 3 %]

InterMTA and inter/intrastate factors may vary by state



**ATTACHMENT 5: INTENTIONALLY LEFT BLANK**

**ATTACHMENT 6: INTENTIONALLY LEFT BLANK**

**ATTACHMENT 7: INTENTIONALLY LEFT BLANK**

**ATTACHMENT 8: DEFINITIONS**

Definitions of the terms used in this Agreement are listed below. The Parties agree that certain terms may be defined elsewhere in this Agreement as well. Terms not defined shall be construed in accordance with their customary meaning in the telecommunications industry as of the effective date of this Agreement.

"Act" means the Communications Act of 1934 (47 U.S.C. Section 151 *et seq.*), as amended, or as from time to time interpreted in the duly authorized rules and regulations of the FCC or the Commission having authority to interpret the Act within its state of jurisdiction.

"Cell Site" means the location of fixed radio transmitting and receiving facilities associated with the origination and termination of wireless traffic to a wireless end user and may be used as a point of interconnection to the landline network.

"Commercial Mobile Radio Service" or "CMRS" has the meaning given to the term in the Part 20, FCC Rules.

"Commission" means the state public utilities commission.

"Direct Connecting Interconnection Facilities" means dedicated facilities provided either under this or applicable ALLTEL tariff used to connect CMRS Provider's network and ALLTEL's interconnected network for the purposes of interchanging traffic.

"Conversation Time" means the time (in full second increments) that both Parties' equipment is used for a call, measured from the receipt of answer supervision to disconnect supervision.

"Customer" means, whether or not capitalized, any business, residential or governmental customer of services ~~provided by either Party covered by the Agreement~~ {ALLTEL does not accept change.} [VZW disagrees. What services are and are not covered by this agreement needs to be delineated.], and includes the term "End User." More specific meanings of either of such terms are dependent upon the context in which they appear in the Agreement and the provisions of the Act.

"End Office" means a local ALLTEL switching point where ALLTEL end user customer station loops are terminated for purposes of interconnection to each other and to the network.

"End User" means, whether or not capitalized, any business, residential or governmental customer of services ~~covered by the Agreement~~ provided by either Party {ALLTEL does not accept change} [VZW disagrees. What services are and are not covered by this agreement needs to be delineated.] and includes the term "Customer." More specific meanings of either of such terms are dependent upon the context in which they appear in the Agreement and the provisions of the Act.

"Exchange Access" has the meaning given the term in the Act.

"FCC" means the Federal Communications Commission.

"Incumbent Local Exchange Carrier" or "ILEC" has the meaning given the term in the Act.

"Interconnection" has the meaning given the term in the Act and refers to the physical connection of separate pieces of equipment, facilities, or platforms between or within networks for the purpose of transmission and routing of Telecommunications Traffic.

"Interconnection Point" or "IP" ~~means the physical point on the network where the two Parties interconnect.~~ The IP is the demarcation point ~~between ownership of the transmission facility~~ for the purposes of determining the Parties' transport costs for traffic exchanged between the Parties.

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~~"Interexchange Carrier" or "IXC" means a carrier other than a CMRS provider or a LEC that provides, directly or indirectly, interLATA and/or intraLATA for hire telecommunications service to subscribers who are not telecommunications carriers. [OPEN - VZW wants IXC defined.]~~

"InterLATA" has the meaning given the term in the Act.

"InterMTA Traffic" means all calls that originate in one MTA and terminate in another MTA.

"Local Access and Transport Area" or "LATA" has the meaning given to the term in the Act.

"Local Exchange Carrier" or "LEC" has the meaning given to the term in the Act.

"Local Service Provider" means a carrier licensed by the Commission with the appropriate certification (e.g., a Certificate of Authorization or Service Provider Certificate of Authorization).

"Mobile Switching Center" or "MSC" means CMRS Provider's facilities and related equipment used to route, transport and switch commercial mobile radio service traffic to, from and among its end users and other telecommunications companies.

"Major Trading Area" or "MTA" has the meaning given to the term in 47 CFR §24.202(a).

"NXX" or "NXX Code" is the 3-digit switch indicator that is defined by the D, E and F digits of a 10-digit telephone number within the North America Numbering Plan. Each NXX Code contains 10,000 telephone numbers.

"Party" means either ALLTEL or CMRS Provider, as applicable.

"Parties" means ALLTEL and CMRS Provider.

"Reciprocal Compensation" means the arrangement for recovering, in accordance with §251(b)(5) of the Act, the FCC Internet Order and other applicable FCC orders and regulations, costs incurred for the transport and termination of Telecommunications Traffic originated on one Party's network and terminating on the other Party's network.

"Service Area" means the geographic area, e.g., Major Trading Area, Basic Trading Area, Metropolitan Service Area, Geographic Service Area and Rural Service Area, served by the cellular system within which CMRS Provider is licensed to provide service.

"Signaling System 7" or "SS7" means a signaling protocol used by the CCS network.

"Signaling Transfer Point" or "STP" means the point where a Party interconnects, either directly or through facilities provided by ALLTEL, or a through a Third Party Provider, with the CCS/SS7 network.

"Synchronous Optical Network" or "SONET" means an optical interface standard that allows inter-networking of transmission products from multiple vendors.

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"Tandem" means the following:

"Access Tandem" means a switching system that provides a concentration and distribution function for originating or terminating traffic between ALLTEL end offices.

"Telecommunications Traffic," for purposes of the application of Reciprocal Compensation, means 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 47 C.F.R. §24.202(a).

"Telephone Exchange Service" means wireline exchange connections amongst LEC end users.

"Telecommunications" has the meaning given in the Act.

"Telecommunications Carrier" has the meaning given in the Act.

"Termination" means 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.

"Third Party Provider" shall mean any other facilities-based telecommunications carrier that transits indirect traffic between the Parties.

"Transport" means the transmission and any necessary tandem switching of Telecommunications Traffic subject to §251(b)(5) of the Act from the interconnection point between two carriers to the terminating carrier's end office switch that directly serves the called party, or equivalent facility provided by Third Party Provider.

"Trunk Group" means a set of trunks of common routing, origin and destinations, and which serve a like purpose or function.

"Trunk Side" means a Party's connection that is capable of and has been programmed to treat the circuit as connecting to another switching entity, for example another ALLTEL to CMRS Provider switch. Trunk Side connections offer those transmission and signaling features appropriate for the connections of switching entities.

---

**ATTACHMENT 9: ACRONYMS**

AAA	American Arbitration Association
CMRS	Commercial Mobile Radio Service
FCC	Federal Communications Commission
ILEC	Incumbent Local Exchange Carrier
IXC	Interexchange Carrier
LATA	Local Access and Transport Area
LEC	Local Exchange Carrier
LERG	Local Exchange Routing Guide
MOU	Minute of Use
MSC	Mobile Switching Service
MTA	Major Trading Area
OCN	Operating Company Number
SONET	Synchronous Optical Network
SS7	Signaling System 7
STP	Signaling Transfer Point

## APPENDIX A – Billing Dispute Form

Billing Company Contact Information Section:				
1. Billing Company Name:		2. Billing Contact Name:		
3. Billing Contact Address:		4. Billing Contact Phone:		
		5. Billing Contact Fax #:		
		6. Billing Contact Email:		
Disputing Company Contact Information Section:				
7. Disputing Company Name:		8. Disputing Contact Name:		
9. Disputing Contact Address:		10. Disputing Contact Phone:		
		11. Disputing Contact Fax #:		
		12. Disputing Contact Email:		
General Dispute Section:				
13. Date of Claim: (yyyy-mm-dd):		14. Status:	15. Claim/Audit Number:	
16. Service Type:				
17. ACNA:	18. OCN:	19. CIC:	20. BAN:	21. Invoice Number(s):
22. Bill Date:		24. Dispute Reason Code:		25. Dispute Desc:
23. Billed Amount: \$ _____				
26. Disputed Amount: \$			29. Dispute Bill Date From:	
27. Disputed Amount Withheld: \$			Dispute Bill Date Thru:	
28. Disputed Amount Paid: \$				
Dispute Information Section:				
30. Rate Element/USOC:			31. Rate:	Billed      Correct
<b>Factor Information:</b>		36: Jurisdiction		37. Mileage: Billed      Correct
32. PIU: Billed      Correct		<input type="checkbox"/> Non		38. Contract Name/#:
33. PLU: Billed      Correct		Jurisdictional		39. Business/Residence Indicator:
34. BIP: Billed      Correct		<input type="checkbox"/> Inter/Interstate		40: State:
35. Other Factors:		<input type="checkbox"/> Intra/Interstate		41: LATA:
Billed      Correct		<input type="checkbox"/> Intra/Intrastate		
		<input type="checkbox"/> Inter/Intrastate		
		<input type="checkbox"/> Local		
Facilities/Dedicated Circuit Dispute Information Section:				
42. PON:		48. TN/All:		
43. SON:		49. Point Code:		
44. EC Circuit ID:		50. USOC Quantity:		
45. Circuit Location:		51. Two-Six Code:		
46. IC Circuit ID:				
47. CFA :				
52. Facilities From Date:		Thru Date:		



**Usage Dispute Information Section:**

53. End Office CLLI:	54. TN/All:
55. Usage Billed Units/Quantity:	56. Usage Billed Units/Quantity Disputed:
57. Directionality: <input type="checkbox"/> N/A <input type="checkbox"/> Orig. <input type="checkbox"/> Term. <input type="checkbox"/> Combination	58. Query: <input type="checkbox"/> 59. Query Type:
60. OC&C SON:	61 OC&C PON:
62. Usage From Date:                      Thru Date:	

**Information Section:**

63. Tax Dispute Amount:	64. Tax exemption form attached : <input type="checkbox"/>
65. Invoice(s) LPC billed:	
66. LPC paid, date of payment:	

**OTHER**

67. Other remarks

**Resolution Information Section:**


68. Resolution Date:		
69. Resolution Amount: \$	70. Resolution Reason:	
71. Adjustment Bill Date:	72. Adjustment Invoice Number:	
73. Adjustment Phrase Code(s):	74. Adjustment BAN/	75. Adjustment SON:
76. Disputed Amount: \$	77. Amount Credited: \$	
78. Bill Section Adjustment will appear on: OC&C _____ Adjustment _____		
79. Resolution remarks:		

## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused to be served a copy of the foregoing document upon the persons listed below by the means indicated in accordance with the requirements of 52 Pa. Code § 1.54:

<u>Via hand delivery:</u>	<u>Via overnight delivery service:</u>
<p>D. Mark Thomas, Esq. Thomas Thomas Armstrong &amp; Niesen 212 Locust Street Harrisburg, PA 17108-9500</p> <p>Charles F. Hoffman, Esq. Office of Trial Staff Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street Harrisburg, PA 17105</p> <p>Irwin A. Popowsky, Esq. Office of Consumer Advocate 555 Walnut Street, 5th Floor Forum Place Harrisburg, PA 17101-1923</p> <p>Carol Pennington, Esq. Office of Small Business Advocate 1102 Commerce Building 300 North Second Street Harrisburg, PA 17101</p>	<p>Mandy Jenkins Staff Manager – Wholesale Services ALLTEL Communications, Inc. One Allied Drive Little Rock, AR 72202</p>

Dated: November 26, 2003

  
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

# DOCUMENT

ALLTEL Statement No. 1  
Docket No. A-310489F7004

*2/10/04 Hbg vx*

## PENNSYLVANIA PUBLIC UTILITY COMMISSION

In the matter of: )  
)  
Petition of Celco 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.

DUCKETED  
FEB 23 2004

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.

SECRETARY'S BUREAU

2004 FEB 13 PM 2:13

RECEIVED

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 proceeding.  
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.**



# DOCUMENT

ALLTEL Statement No. 1 R  
Docket No. A-310489F7004  
2/10/04 *146g* *vr*

## PENNSYLVANIA PUBLIC UTILITY COMMISSION

In the matter of: )  
)  
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

SECRETARY'S BUREAU

2004 FEB 13 PM 2:13

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### 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.

DOCKETED

FEB 23 2004

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.

16

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. A.** On page 5, lines 10 – 15, Mr. Sterling states that ALLTEL agrees to  
10 provide "some type" of reciprocal compensation for indirect traffic. The truth of  
11 the 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. Caballero. 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 unsupportable.

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 the 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 7that  
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

DOCUMENT

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

2/10/04 Hlg dk

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKETED

FEB 23 2004

In the matter of: )  
 )  
Petition of Cellco Partnership d/b/a Verizon )  
Wireless For Arbitration Pursuant to Section )  
252 of the Telecommunications Act of 1996 )

Docket No. A-310489F 7004

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SECRETARY'S BUREAU

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: \*\*\*\*\*

22 **[END PROPRIETARY]**

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.