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: Petition of Cellco Partnership d/b/a :
: Verizon Wireless. :
: For arbitration of interconnection rates, :
: terms, conditions and related :
: arrangements, with ALLTEL, Pennsylvania, :
: Inc. :

Docket No.
A-310489F7004

Initial Hearing

ORIGINAL

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Pages 34 through 272

Hearing Room 1
Commonwealth Keystone Building
Harrisburg, Pennsylvania

Tuesday, February 10, 2004

Met, pursuant to notice, at 10:05 a.m.

BEFORE:

WAYNE L. WEISMANDEL, Administrative Law Judge

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P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE WAYNE L. WEISMANDEL: We'll
3 open the record. This is the date, time and place for the
4 first session of an arbitration proceeding in the matter of
5 the petition of Cellco Partnership, doing business as
6 Verizon Wireless, for arbitration pursuant to Section 252 of
7 the Telecommunications Act of 1996 to establish an
8 interconnection agreement with ALLTEL Pennsylvania, Inc.,
9 Pennsylvania Public Utility Commission Docket Number
10 A-310489F7004.

11 I am Administrative Law Judge Wayne L. Weisman del
12 assigned by the Commission as the arbitrator in this matter.
13 I would note for the record that the following attorneys
14 have indicated their presence here today by signing the
15 hearing report form: Patricia Armstrong, Esquire; Regina
16 Matz, Esquire; and D. Mark Thomas, Esquire, all on behalf of
17 ALLTEL Pennsylvania, Inc.; Elaine Critides, Esquire;
18 Christopher Arfaa, Esquire; and Susan M. Roach, Esquire, all
19 on behalf of Verizon Wireless.

20 The first thing I want to do is ask you folks, one of
21 the items that ALLTEL included in their initial filing was
22 an Appendix A, which purported to present the issues that
23 had been resolved by the parties out of the 32 that were
24 present when the proceeding began, and I wanted to confirm
25 -- I hope confirm -- that those ten issues are all, in fact,

1 resolved, though I must admit, having looked at Verizon
2 Wireless' filings, I'm not so sure about at least the last
3 two, and perhaps somebody from Verizon Wireless would want
4 to speak to that.

5 MR. ARFAA: May I have a moment, Your Honor?

6 JUDGE WEISMANDEL: Certainly. The two I'm
7 questioning are 26 and 29.

8 MS. ARMSTRONG: Your Honor, were you referring to our
9 initial offer Appendix A?

10 JUDGE WEISMANDEL: Yes, ma'am.

11 MS. ARMSTRONG: Thank you.

12 (Pause.)

13 MR. ARFAA: Your Honor, we can't seem to locate their
14 Appendix A. If I could ask counsel to show me their copy,
15 then we can resolve this.

16 JUDGE WEISMANDEL: Certainly.

17 MS. ARMSTRONG: Your Honor, might we go off the
18 record for one minute?

19 JUDGE WEISMANDEL: Yes. Let's go off the record.

20 (Discussion off the record.)

21 JUDGE WEISMANDEL: Back on the record.

22 Ms. Critides, did I understand you to say then that
23 both Issues 26 and 29 are, in fact, resolved?

24 MS. CRITIDES: Yes, they are, Your Honor.

25 JUDGE WEISMANDEL: And have you had an opportunity to

1 look at the other ones just in case -- I mean, I don't want
2 my interpretation to control whether the parties have agreed
3 or not.

4 MR. ARFAA: Your Honor, if we could just confirm that
5 after a recess.

6 JUDGE WEISMANDEL: Okay, but I want to know sometime
7 today for sure what we're dealing with.

8 MR. ARFAA: So it's the Appendix A issues that you're
9 -- frankly, we had not anticipated the need to respond to
10 that. We'll have to look at it. We can do it now or at a
11 recess.

12 JUDGE WEISMANDEL: Well, they're representing that
13 these ten issues are no longer before me. It would appear
14 to me that it would be prudent that you have a position as
15 to whether that's, in fact, true or not.

16 MR. ARFAA: Your Honor, I would agree with you.
17 Could we go off the record for a minute, and we'll just take
18 care of this right now?

19 JUDGE WEISMANDEL: Sure. Let's get it ironed out
20 now. Off the record.

21 (Discussion off the record.)

22 JUDGE WEISMANDEL: Back on the record.

23 Mr. Arfaa.

24 MR. ARFAA: Your Honor, thank you very much for the
25 indulgence. We're happy to report that the status of the

1 issues represented on Appendix A to ALLTEL's initial offer
2 is correct.

3 JUDGE WEISMANDEL: Good. So those ten issues are --
4 I don't have to worry about those at all?

5 MR. ARFAA: Yes, Your Honor.

6 JUDGE WEISMANDEL: Now, this is not meant to be a
7 trick question. Are there any others that weren't included
8 among those ten that are also resolved at this time?

9 MS. CRITIDES: That are also resolved?

10 (Pause.)

11 MS. CRITIDES: Yes, Your Honor. Issue 6 was also
12 resolved.

13 JUDGE WEISMANDEL: Do you agree?

14 MS. ARMSTRONG: We were just actually discussing
15 that.

16 MS. CRITIDES: We think that was also resolved.

17 JUDGE WEISMANDEL: Again, let's go off the record for
18 a moment and give everybody an opportunity to do some
19 looking so they can answer the question.

20 (Discussion off the record.)

21 JUDGE WEISMANDEL: Back on the record.

22 MS. ARMSTRONG: We would concur with Verizon Wireless
23 that Issue No. 6 is resolved. There is a separate Issue 27
24 on threshold volume, but Issue 6 itself is resolved.

25 JUDGE WEISMANDEL: Very good.

1 MR. ARFAA: We agree with that characterization, Your
2 Honor.

3 JUDGE WEISMANDEL: Thank you. Have the parties
4 discussed among themselves and, if so, have they agreed to
5 an order of presentation of witnesses?

6 MR. ARFAA: We have not had an opportunity to do so,
7 Your Honor. We have spoken about various issues to make
8 this go a little more smoothly. My anticipation was that as
9 the petitioning party, Verizon Wireless would go first. I'd
10 like to have Mr. Wood, who is actually the author of
11 Statement 2, go first since he is committed tomorrow, and in
12 case there is any need for further time with him, I want to
13 make sure we have it.

14 Is that acceptable to ALLTEL?

15 MS. ARMSTRONG: Your Honor, it is acceptable to have
16 Mr. Wood go first. The only thing that we would like to get
17 resolved up front, we have had some informal discussions
18 with Verizon Wireless, and we would like to know at this
19 point in time whether or not they intend to file or place
20 any motions to strike any of our testimony on the record,
21 because that will, in fact, impact our conduct of the
22 proceedings.

23 MR. ARFAA: Your Honor, I'm unprepared at this moment
24 to do that. Let me explain. It's unusual for me to say
25 that.

1 JUDGE WEISMANDEL: Could you speak up just a little,
2 Mr. Arfaa?

3 MR. ARFAA: I'm sorry. It's unusual for me to not be
4 able to answer that question fully. As Your Honor is aware,
5 I believe a revised cost study was served on us Wednesday
6 night. The documentation was incomplete, as I think you saw
7 some traffic. Mr. Wood, who is employed elsewhere, finally
8 got that documentation on Saturday. He and his staff have
9 been working very hard since then to see if they can make
10 any sense of it, and, frankly, I'm still not sure if we can.

11 I need to see how his testimony comes in to see what
12 I'm going to do in response to the various exhibits that are
13 proposed by ALLTEL. I don't think that's improper.
14 I think that the time to make an objection or motion to
15 strike is when testimony is actually presented to be entered
16 into evidence.

17 JUDGE WEISMANDEL: Okay. Maybe I can help both of
18 you by giving you a little guidance on this. As you may or
19 may not recall, under the Commission's Order that
20 established this arbitration proceeding pursuant to the
21 federal act, I'm given a pretty broad degree of discretion
22 as to how to conduct the proceedings. In fact, I think,
23 although I personally would not ever do it this way, I think
24 I could even have everything submitted in writing without
25 any authentication, et cetera. I don't have to have sworn

1 testimony if I don't want it.

2 As I said, I wouldn't particularly do it that way,
3 but I think I do have that discretion; and what that leads
4 me to conclude is that I'm going to be real, real
5 disinclined to strike or omit darn near anything. Now, if
6 we get into the point where I think it's merely cumulative
7 and repetitious or scurrilous, I will stop you, but short of
8 that, don't look for a lot of real favorable rulings on
9 things to strike, et cetera. You know, the old saw; it's
10 all going to come in for what it's worth.

11 I think it will save everybody a lot of upset
12 stomachs if we just get that on the table right away.

13 MS. ARMSTRONG: Thank you, Your Honor. I believe we
14 are ready to have Mr. Arfaa go forward with Mr. Wood as a
15 witness with the understanding that there may be some
16 motions later that you have indicated how you may well be
17 inclined to rule. We would reserve our rights subsequent to
18 any actions they may take, but we're ready to proceed with
19 Mr. Wood.

20 JUDGE WEISMANDEL: Okay. Any other preliminary
21 matters that need to be dealt with at this time?

22 MR. ARFAA: One point, Your Honor. I have conferred
23 with counsel for ALLTEL, and we agree that oral surrebuttal
24 is appropriate given the short time frame of this
25 proceeding. I would just also in advance emphasize the need

1 for oral rebuttal with Mr. Wood's testimony given the late
2 filing of the cost study. So we intend to present that
3 evidence. I just wanted to be sure that's all right with
4 you, sir, at least initially and then go forward from there.

5 JUDGE WEISMANDEL: That certainly seems reasonable.

6 MR. ARFAA: Thank you.

7 MS. ARMSTRONG: We did, in fact, so agree, Your
8 Honor.

9 JUDGE WEISMANDEL: Okay. Mr. Arfaa, you're up.

10 MR. ARFAA: Verizon Wireless calls Don Wood to the
11 stand.

12 JUDGE WEISMANDEL: Mr. Wood, would you raise your
13 right hand, please?

14 Whereupon,

15 DON J. WOOD

16 having been duly sworn, testified as follows:

17 JUDGE WEISMANDEL: Thank you. Please be seated; and,
18 again, I'm going to ask you to please try and keep your
19 voice up.

20 THE WITNESS: All right.

21 JUDGE WEISMANDEL: Thank you, sir.

22 DIRECT EXAMINATION

23 BY MR. ARFAA:

24 Q. Could you please state your name, title and
25 business address for the record, sir?

1 A. Yes. My name is Don J. Wood. My business
2 address is 30000 Mill Creek Avenue, Suite 395, Alpharetta,
3 Georgia.

4 MR. ARFAA: Thank you. Your Honor, for the record, I
5 have provided two copies to the court reporter, one to
6 yourself, one to opposing counsel, copies of Mr. Wood's
7 direct testimony which was served on January 23, 2004, which
8 has been marked for identification as Verizon Wireless
9 Statement 2.0. Statement 2.0 consists of a cover sheet, 15
10 pages of text, and five exhibits.

11 I've also distributed Mr. Wood's rebuttal testimony,
12 which was served on February 4, 2004, and has been marked
13 for identification as Verizon Wireless Statement 2.1.
14 Statement 2.1 consists of a cover sheet, 20 pages of text,
15 and one exhibit.

16 JUDGE WEISMANDEL: Both of those documents as
17 identified by counsel will be so marked for identification.

18 MR. ARFAA: Thank you, Your Honor.

19 (Whereupon, the documents were marked
20 as Verizon Wireless Statements Nos.
21 2.0 and 2.1 for identification.)

22 BY MR. ARFAA:

23 Q. Mr. Wood, do you have before you what have been
24 marked for identification as Verizon Wireless Statements 2.0
25 and 2.1?

1 A. Yes, I do.

2 Q. Were Verizon Wireless Statements 2.0 and 2.1
3 prepared by you or under your direction and control?

4 A. Yes, they were.

5 Q. Do they, in fact, consist of your direct and
6 rebuttal testimonies on behalf of Verizon Wireless in this
7 matter?

8 A. Yes, they do.

9 Q. Are the statements set forth in Verizon Wireless
10 Statements 2.0 and 2.1 true and correct?

11 A. Yes, they are.

12 Q. And if I asked you the questions set forth in
13 those statements today, would your answers be the same as
14 those set forth?

15 A. They would.

16 MR. ARFAA: Your Honor, I'd move for the admission of
17 what have been marked for identification as Verizon Wireless
18 Statements 2.0 and 2.1, subject to cross and timely motions
19 to strike.

20 JUDGE WEISMANDEL: Subject to cross-examination and
21 any timely and appropriate motions, what have been marked
22 for identification as Verizon Wireless Statements 2.0 and
23 2.1 and the six accompanying exhibits are admitted.

24 MR. ARFAA: Thank you.

25 (Whereupon, the documents marked as

1 Verizon Wireless Statements Nos. 2.0
2 and 2.1 were received in evidence.)

3 MR. ARFAA: Your Honor, I would like to now turn to
4 Mr. Wood's surrebuttal testimony.

5 BY MR. ARFAA:

6 Q. Mr. Wood, have you reviewed the direct and
7 rebuttal statements submitted in this proceeding by Mr.
8 Caballero on behalf of ALLTEL?

9 A. Yes, I have.

10 Q. Are you aware that Mr. Caballero submitted a
11 revised cost study as part of his rebuttal testimony?

12 A. I am aware that a filing was made, yes.

13 Q. Mr. Caballero's rebuttal testimony was served on
14 February 4th. Did you at any time after that receive an
15 electronic copy of the revised cost study?

16 A. Yes. I received an electronic copy via e-mail
17 late last week, but I want to be clear that that was a
18 portion of a cost study. It was not in and of itself a
19 completed cost study.

20 Q. What do you mean by that?

21 A. Well, there are several portions to, elements to
22 how this would be calculated, and this spreadsheet contains
23 a portion of those calculations. It does not contain a
24 complete set of calculations.

25 Q. I see. In your testimony, direct testimony, you

1 had noted some restrictions on the ability to review the
2 prior cost study that was submitted by Mr. Caballero.

3 Were there any restrictions on your ability to review
4 the electronic model that was submitted to you last week?

5 A. Well, there were. In addition to the fact that
6 important parts of the calculations were not actually
7 included in that model, the model that we received was
8 password protected.

9 Q. Well, the previous model was password protected,
10 wasn't it?

11 A. Yes, it was.

12 Q. And then ALLTEL provided the password in
13 response to an order by the ALJ.

14 A. That's right.

15 Q. Did that password work on the new model?

16 A. That password did not apply to the new model.
17 We tried several iterations of those and were unable to find
18 the correct password.

19 Q. In his rebuttal testimony on page 2 -- and I'll
20 ask you to accept subject to check -- Mr. Caballero says
21 with respect to the new cost study that "The model normally
22 has been able to be clearly followed by anyone with a basic
23 knowledge of Excel spreadsheets."

24 He has also testified on the same page that "The
25 model by design is transparent and easy to understand."

1 Mr. Wood, do you have a basic knowledge of Excel
2 spreadsheets?

3 A. I do. My peer programming was some number of
4 years ago prior to Excel being developed and some earlier
5 generations of spreadsheets, but in terms of actually using
6 the program as an end-user to be able to manipulate the
7 values and program within the confines of Excel, Microsoft
8 Excel itself, yes, I have a very good knowledge of doing
9 that.

10 Q. Do members of your staff understand Excel to a
11 greater extent?

12 A. Yes. One thing I found over the years is to
13 keep up with computer software, you have to hire younger and
14 younger people. I have on my staff a person who is
15 extremely well versed in Excel not only in terms of using
16 the program, but also programming in code associated with
17 Excel itself.

18 In other words, she has the ability not only to use
19 the software, but she has the ability to go behind it and
20 program within the software itself.

21 Q. Based on you and your staff's review in the time
22 since you received the electronic model, do you agree with
23 Mr. Caballero that the model "by design" is "transparent and
24 easy to understand"?

25 A. No, I absolutely do not, and there are really

1 two elements to that problem. The first is it's incomplete.

2 Q. What do you mean by that?

3 A. Your Honor, with your permission, I'd like to
4 draw on the flip chart, if I may.

5 JUDGE WEISMANDEL: Please do.

6 THE WITNESS: I'll speak up and see if it works; and
7 if it doesn't, we'll do something else.

8 JUDGE WEISMANDEL: John, let me know if you have
9 trouble hearing.

10 COURT REPORTER: Yes, Your Honor.

11 THE WITNESS: In terms of the cost calculations
12 themselves, there are two essential elements to it. The
13 first is determining based on characteristics of the area,
14 the demand that is required, certain network facilities that
15 need to be used, what the total investment is necessary in
16 those facilities. The investment piece I would call step
17 one.

18 Step two takes that investment, converts it into an
19 annual and then a monthly cost equivalent for that
20 investment and then adds up certain network functionality
21 into what we call the 2A interconnection, 2B
22 interconnection, and indirect interconnection.

23 In terms of the inputs and assumptions that really
24 drive the results, this is what I'm calling the investment
25 piece, and this is by far and away the substance of these

1 kinds of forward-looking cost models. That's the thing
2 you've got to get right before you go any further.

3 Now, the second step in all of these is a much
4 smaller, frankly, step. It has fewer essential inputs to
5 it, and this is the step where you consider demand, taxes,
6 the maintenance, that sort of thing, to convert that
7 investment into an annual cost and then to a unit cost, a
8 minute of use cost that we're using here.

9 In the old model, we were given two spreadsheets.
10 The first was --

11 JUDGE WEISMANDEL: Excuse me. I'm going to interrupt
12 you, Mr. Wood. By the old model, are you referring to the
13 first model or cost study that was submitted by ALLTEL in
14 this proceeding?

15 THE WITNESS: Yes, sir.

16 JUDGE WEISMANDEL: Thank you.

17 THE WITNESS: I'm sorry. When I refer to old and
18 new, I'm referring to the original submission; and then when
19 I say new, I'm referring to the submission that was provided
20 in part electronically last week and then in part on paper
21 over the weekend.

22 JUDGE WEISMANDEL: Thank you.

23 THE WITNESS: In the original model, this investment
24 calculation, while it's extremely important, was a separate
25 spreadsheet and it consisted of a very simple calculation,

1 and that was taking ALLTEL's embedded costs -- in other
2 words, the costs that are on their books, the costs that the
3 FCC rules say that not only can you not use, but you can't
4 consider in this process -- and it applied a rather
5 arbitrary factor. It factored them down by 37.5 percent for
6 some network elements and about 20 percent for others, but
7 that was, in fact, a calculation of investment.

8 Now, in my testimony, I took issue with how it was
9 done, but the presentation was made.

10 Now, in addition to that, they provided a separate
11 spreadsheet that took the second step. It converted these
12 investments into an equivalent unit cost.

13 In what we're calling the new study, the most
14 recently provided, the spreadsheet is very similar to what
15 was produced before, and most of the values, as far as I've
16 been able to tell, all of the values are the same. The
17 structure is similar, though not identical.

18 We do not have this essential, quite large underlying
19 piece in this new presentation. This, in fact, was done
20 with a computer model or set of computer models. ALLTEL has
21 indicated that that's how it was done.

22 The box of paper, the equivalent of one of the stacks
23 on the court reporter's table that was delivered over the
24 weekend is a paper printout or appears to be a paper
25 printout of those computer models, but ALLTEL didn't provide

1 the essential models themselves. The real meat of the
2 exercise we got as a printout of computer code, which has
3 really no value. Even if we had time to assess a box full
4 of documents, those particular documents would really have
5 no value in determining whether this was a reasonable
6 calculation.

7 Now, it's my understanding from ALLTEL's supplemental
8 response to 113 --

9 BY MR. ARFAA:

10 Q. That's Interrogatory 113?

11 A. Yes, sir, it is. That there were two
12 differences between the previous filing and the new filing.
13 They say -- in fact, it's underlined -- the only change is
14 the use of Pennsylvania specific inputs. The TELRIC model
15 itself was not changed. And I would take issue with both of
16 those statements.

17 While this calculation, if we were to see it,
18 certainly must be Pennsylvania specific, the vast majority
19 of the Pennsylvania specific inputs, the demand, the
20 maintenance, the taxes, all of those things, are in this
21 piece, and they were Pennsylvania specific both in the
22 original filing and in the subsequent filing.

23 So to suggest that the subsequent filing needed to be
24 made in order to make the exercise Pennsylvania specific I
25 believe is simply factually incorrect. Those variables were

1 there the entire time.

2 Now, the other statement that the TELRIC model itself
3 was not changed I also have to take issue with, because the
4 TELRIC model, total element long run incremental cost, the
5 FCC's methodology, the vast majority of that, if you look at
6 the rules in terms of requirements, that happens here in
7 this investment stage. That model was completely discarded
8 and completely replaced with this new TELRIC model, this new
9 investment calculation, which we have a paper printout of,
10 at least we think we do -- that's what it has been
11 characterized as -- but we don't have the model itself.

12 So a statement that the model itself has not changed,
13 the TELRIC model itself has not changed I think is actually
14 180 degrees from where we are. The TELRIC model itself has
15 been completely discarded and completely replaced with a
16 different filing, although not in electronic form.

17 So my first concern in terms of the statement that
18 this is something that can be fully evaluated and fully
19 analyzed is a characterization that what was provided late
20 last week is the complete study, because it's really simply
21 the much smaller, less significant step two, or a
22 characterization that the change needed to be made to make
23 the results Pennsylvania specific, because those inputs
24 continue to apply in both models, or the suggestion that the
25 model remains the same, because the model is, in fact,

1 fundamentally different.

2 The very approach to calculating the investment in
3 the first presentation was what we call a top down approach.
4 It's current booked costs with some adjustment down. What
5 the FCC rules require and what at least presumably was
6 provided here is what we call a bottom up analysis. You
7 begin with the characteristics and requirements of the area
8 and build network investment up from that basis; a
9 fundamentally different process, requires a completely
10 different computer model, but one that we have not seen.

11 That is my first concern.

12 Q. What is your second concern?

13 A. My second concern, as I described in my
14 testimony, is as we began to go through the computer models,
15 the spreadsheets that were provided, and this is true both
16 with the original spreadsheet and with the subsequent
17 spreadsheet last week, we found examples where -- well,
18 first of all, things were password protected. In the first
19 model, we did get the password. In the second, we were not
20 provided with the password to unlock that.

21 But even once we were able to get past the password
22 protection, we noticed in our analysis that Microsoft Excel
23 as a program, which is what underlies all these work sheets,
24 was not behaving in a way that is normal; and let me try to
25 explain that.

1 There are functions that normally can be used in
2 order to trace formulas, see formulas, determine how certain
3 inputs flow through a model, those kinds of capabilities,
4 and we were finding that where that would normally be
5 available in Excel, for some reason in some places it was
6 completely missing. We were finding that work sheets that
7 we expected to see were not present.

8 We found a long list of examples where, as certainly
9 a qualified user of Excel and then my staff person who is
10 well beyond that, we're finding areas where something was
11 certainly not right from a computer standpoint.

12 Since we received the model late last week, I
13 instructed my staff person, who does have the programming
14 expertise, to go ahead and do something that we don't
15 normally do, and that is take the Excel spreadsheet and
16 break it down to a level of the underlying computer code.
17 In other words, not just simply review it as an end-user
18 program, but to go ahead and break down the code statements.

19 When we did that, we learned several reasons why we
20 were having some of these problems that we're having.

21 MR. ARFAA: Just a moment. Your Honor, we have an
22 exhibit. How would you like to have it marked? Hearing
23 Exhibit or Surrebuttal Exhibit for Mr. Wood?

24 JUDGE WEISMANDEL: How about DJW-7?

25 MR. ARFAA: DJW-7.

1 JUDGE WEISMANDEL: Does that work?

2 MR. ARFAA: Yes, sir.

3 (Whereupon, the document was marked
4 as Verizon Wireless Exhibit DJW-7
5 for identification.)

6 BY MR. ARFAA:

7 Q. While that's being distributed, Mr. Wood, can
8 you describe what some of the causes may have been for the
9 difficulty to review the program and use it to work?

10 MS. ARMSTRONG: Your Honor, excuse me. Mr. Arfaa, I
11 understand, is speaking to Mr. Wood, but I'm having trouble
12 hearing him.

13 JUDGE WEISMANDEL: I was having difficulty hearing
14 you there, too, Mr. Arfaa.

15 MR. ARFAA: Let me rephrase. Your Honor, what has
16 been marked as DJW-7 is now being distributed, and I'll
17 wait.

18 BY MR. ARFAA:

19 Q. Mr. Wood, do you have what has been previously
20 marked for identification as DJW-7 before you?

21 A. Yes, sir, I do.

22 Q. Can you describe what that is?

23 A. Yes. This is a document that was prepared at my
24 direction by my staff person who is the programmer. She was
25 able to actually I guess the technical term is crack the

1 code only yesterday in terms of getting into this. So this
2 is necessarily somewhat informal, and I apologize for that,
3 and incomplete list of what we found.

4 What we found were two things. First of all, she
5 found the password protection that applied to this version
6 of the spreadsheet. Now, that's not something that you
7 could normally determine. This is something that -- when I
8 talk about her going to the code level, we're talking about
9 a very difficult time consuming process. Uncovering this
10 password is something that would require hours, not minutes.
11 I mean, this is a very, very involved process when you get
12 down to this type of code level.

13 Beyond the password protection, what she discovered
14 were that the model contained 40-some-odd hidden macros.

15 Q. Now, Mr. Wood, let me interrupt you. What is a
16 macro?

17 A. A macro is like a program within a program.
18 Microsoft Excel is this larger spreadsheet program. Within
19 that, a sophisticated user can go in and create these
20 miniature programs that operate in the background.

21 Now, sometimes they're very useful. You could create
22 a little macro that says "When I say print summary," it
23 tells the program, in fact, to print the following summary
24 pages so that you don't have to go through and identify the
25 pages every time. It's a shortcut. And when you can see

1 them, when they're identified, they can be a very useful
2 tool.

3 Now, like everything, they have a dark side, and the
4 dark side is when they're hidden and you don't know they're
5 there and they're doing things that you do not know that
6 they are doing, they can completely disrupt your ability to
7 look at what's going on inside the model.

8 Q. The macros that your staff member found, were
9 they hidden or were they open?

10 A. They were hidden.

11 Q. Have you been able to review any of those
12 macros?

13 A. We've been able to review a few. Like I said,
14 she only really gained this level of access late yesterday.
15 She found approximately 40 of these hidden macros.

16 I should also be clear. When you start up Excel, a
17 screen will pop up and ask you whether you want to enable or
18 disable these macros, these hidden programs, or these
19 underlying programs. If you select disable, the macros
20 that actually make it possible to use this model are also
21 disabled as well as the hidden ones, the more pernicious
22 ones.

23 It also appears, based on the programming code, that
24 some of these hidden macros are coded in a way so that
25 clicking on "disable macros" does not, in fact, disable some

1 of these. So that you might think as a user that you have
2 eliminated the possibility of this happening when, in fact,
3 some of these remain active.

4 Q. Mr. Wood, have you described some of these
5 macros on what has been previously marked for identification
6 as Exhibit DJW-7?

7 A. I can describe some of them. Number one, which
8 is on the first page, does several things. First of all, it
9 indicates that there's -- where you see "Unprotect
10 Password=UNE," that indicates that UNE was, in fact, the
11 password that was originally applied to this, and without
12 getting to the code, you couldn't know that.

13 The other thing this done is it has some lines here
14 that manage what are called the active sheets. When you
15 open an Excel file, you have a worksheet in front of you
16 with a little -- a facsimile of a little file tab at the
17 bottom, and then across the bottom you can see a row of tabs
18 if there are multiple work sheets, and you can click on one
19 or more of those tabs so that you have one or more active
20 sheets. In other words, if you make a change, it's going to
21 affect every active sheet.

22 It's important to know what that list is and it's
23 important to know what the total list of work sheets is in
24 the file. In other words, in order to know if you're
25 missing something, you need to know what the full list is.

1 Otherwise, you have no idea if something is not there that
2 should be.

3 What this macro does is it deletes the active sheet
4 list that would otherwise be present to the user, and --

5 Q. What's the effect of that -- excuse me -- on
6 your ability to review the model, Mr. Wood?

7 A. Well --

8 JUDGE WEISMANDEL: Excuse me. Mr. Arfaa, I lost the
9 end of your --

10 MR. ARFAA: I'm sorry.

11 BY MR. ARFAA:

12 Q. What is the effect of that macro on you ability
13 to review the model, Mr. Wood?

14 A. Well, as we go through the model, we find that
15 we can't see things and we have very significant suspicions
16 that things are missing, but in a sense, we don't know what
17 we don't know, because we don't have the list anymore of
18 what should have been there, and this takes that completely
19 out of place.

20 It deletes active sheets, and this also appears to do
21 something else down here where you see these check box
22 commands, and we frankly don't know what that's doing yet,
23 but I have somebody working on that.

24 Number two -- I'm sorry. At the top of the second
25 page of this exhibit, you see an example where my assistant

1 has actually printed out what appears on the screen and
2 shows the run time error message that can be created by the
3 first macro.

4 The second one is on EditScreen with a user name.
5 Essentially, this is a second level of password protection.
6 So that if you knew that UNE was the password that would get
7 you into quite a few of the calculations, you would also
8 have to know this "sbrandon" in order to get into the next
9 level. It appears that that is the author of the
10 spreadsheet. When you open it up and it tells you what the
11 author is, it appears to be "sbrandon." But it's a second
12 level of password protection that locks additional elements.

13 Q. How did that affect your ability to review the
14 spreadsheet?

15 A. Well, it takes capability that we would normally
16 have and would normally need to go through this, it takes it
17 away from us unless we happen to know this additional secret
18 code. This has to do with screen editing in particular that
19 can be very important.

20 Number three changes what you can and cannot view
21 within the spreadsheet and it sets -- and this is something
22 else we're still trying to figure out. If certain values
23 are used on certain sheets, it goes into a protection mode.
24 We've also found a macro that we do not have documented
25 completely here that if certain values are entered on

1 certain sheets, it causes Excel to shut itself down.

2 In other words, if you are attempting to analyze
3 certain variables in a certain way, rather than give you an
4 error message, it goes ahead and just shuts Excel down
5 completely and takes you back to a blank screen, to the
6 beginning of the process.

7 Number four is a HideFormulas macro. So that when it
8 runs, there are -- normally, you would be able to click on a
9 cell and see a formula bar; and I described in my direct
10 testimony, that was one of the things even with password
11 protection, that there were times we couldn't see the
12 formula bar and it didn't make any sense. It makes more
13 sense now that we know that this HideFormula macro was, in
14 fact, present.

15 Number five is actually -- it may not seem like it.
16 It's actually one of the more damaging. What this does is
17 the way Microsoft Excel is normally set up, you can put it
18 in what's called automatic calculation mode or manual
19 calculation mode.

20 With automatic mode, that means that as you change
21 variables, the results automatically flow through and you
22 see the result of that change. If you're in manual mode,
23 you can make changes, but you actually have to hit a key to
24 cause it to recalculate and show the new result. Both of
25 them can be useful, and it's useful to be able to turn it on

1 sometimes and off sometimes.

2 What the number five macro actually does is in
3 certain places on the sheet where we think we're in
4 automatic recalculation mode, this actually -- I'm not sure
5 how to say it -- but secretly puts the sheet into manual
6 calculation mode. Now, what that does is we enter changes
7 and look at the result, because we have every reason to
8 believe that they will be reflected in that result, when, in
9 fact, the sheet has been put into this manual recalculation
10 mode so that we would have to take additional steps to see
11 the flow-through.

12 So in terms of the characterization that this can be
13 easily observed, that variables can be easily flowed through
14 the model, to the extent it was true at all in the model
15 construction, it is not true once these hidden macros are
16 activated.

17 And then finally, number six, we had had problems
18 finding active sheets that we expected to see. What we ran
19 across is a macro that is actually entitled -- this is not
20 our characterization, this is the title that actually
21 appears in the code of the model --
22 "HideActiveSheetReallyWell." And, in fact, it does exactly
23 that, it not only hides the active sheet, it does it really
24 well. It combines some particular Excel functions that, at
25 least to our knowledge at this point, even if you know the

1 password and even if you know kind of the second level
2 secret password, you still couldn't undo this if this macro
3 was active.

4 And again I want to be clear. I apologize, this is
5 an abbreviated list, we've only gotten access to this very
6 recently, but this short list in and of itself explains a
7 lot of the problems we were having in terms of analyzing
8 this model.

9 BY MR. ARFAA:

10 Q. Mr. Wood, given the fact that a large part of
11 the model, namely the investment calculation, was not
12 provided electronically and there, for lack of a better word
13 -- well, the electronic model had several lines of defense
14 to effective review -- were you able to do any review of the
15 cost model submitted by Mr. Caballero as part of his
16 rebuttal testimony?

17 A. We were able to do a couple of things. The box
18 of paper that was provided, in addition to the three or four
19 volumes that were quite thick, also included a thinner
20 volume that represents, in most cases, printouts from the
21 Excel spreadsheet that was provided earlier. What I could
22 do with this is -- and my staff laughed at me, but they're
23 just young -- I was able to take this, a pad of paper and a
24 pencil and a calculator and actually work through some of
25 the calculations the old-fashioned way, by hand, to

1 determine, if nothing else, even though I can't sit here and
2 tell you whether the investment calculation has merit or
3 not, because I can't get to it, in terms of -- you know,
4 once you take that investment as a given, do the mechanics
5 of the rest of the spreadsheet work as they were intended to
6 work? You know, at a minimum, could I figure that out?

7 MR. THOMAS: Your Honor, can I interrupt a minute? I
8 wonder if we can get another copy of that exhibit?

9 JUDGE WEISMANDEL: Do you have another copy?

10 (Document handed to Counsel Thomas.)

11 MR. THOMAS: I have a copy. Thank you.

12 MR. ARFAA: Your Honor, while we're paused, may I
13 just address a housekeeping item?

14 JUDGE WEISMANDEL: Sure.

15 MR. ARFAA: My practice is to wait till the end and
16 move all the exhibits at once, but maybe the best thing to
17 do is do it as we go along so we don't get confused. I
18 would just move for the admission of what has been marked as
19 DJW-7, the previous exhibit, into evidence.

20 JUDGE WEISMANDEL: You can do it that way if you're
21 comfortable that that's not going to make you forget 1
22 through 5, and 6. I guess those were admitted as part of
23 the statements, though, weren't they?

24 MR. ARFAA: Yes, sir.

25 JUDGE WEISMANDEL: Yes, if you want to do it that way

1 now.

2 MR. ARFAA: Yes, sir.

3 JUDGE WEISMANDEL: Any objection to the admission of
4 what's been marked for identification as DJW-7?

5 MR. THOMAS: We have no objection to it being marked
6 for identification at this time.

7 JUDGE WEISMANDEL: No, no. For admission into
8 evidence.

9 MR. THOMAS: I don't think it should be admitted into
10 evidence until we have a right to cross-examine on it, first
11 review it and then cross-examine on it. After our cross-
12 examination, if Mr. Arfaa, would like to move it for
13 admission --

14 JUDGE WEISMANDEL: I think I'm sort of sympathetic to
15 Mr. Thomas on that, Mr. Arfaa, quite frankly. The ones that
16 have been available to look at before, I think we can do the
17 way we did, which is subject to cross-examination and
18 appropriate objections. The ones that they're just seeing
19 for the first time, let's let them get their cross-
20 examination in first.

21 MR. ARFAA: I'll have to remember not to forget to
22 move them.

23 JUDGE WEISMANDEL: I'll try and help everybody and
24 remind people, too.

25 MR. ARFAA: Thank you, Your Honor.

1 JUDGE WEISMANDEL: Thank you.

2 MR. ARFAA: May I continue?

3 JUDGE WEISMANDEL: Please.

4 BY MR. ARFAA:

5 Q. Mr. Wood, you have what's been marked for
6 identification as DJW-8 before you, a 15-page exhibit?

7 (Whereupon, the document was marked
8 as Verizon Wireless Exhibit No.
9 DJW-8 for identification.)

10 THE WITNESS: Yes, I do.

11 BY MR. ARFAA:

12 Q. What is that?

13 A. That is an excerpt of pages from I guess the
14 smaller document that identified -- I guess it's ALLTEL
15 Exhibit CC-2, part A, is how it's identified on the cover,
16 and it is or certainly appears to be a printout of portions
17 of the electronic spreadsheet that was provided most
18 recently.

19 There are a couple of things that I was able to
20 determine in my pad of paper, pencil and calculator
21 analysis. If you turn to page 14 of the 15-page exhibit,
22 pages 14 and 15 are titled "Forecast Demand," and as I
23 described before in the analysis, part of the --

24 MR. ARFAA: I'm sorry, Your Honor, I believe this may
25 be information that ALLTEL contends is proprietary.

1 Is that correct?

2 THE WITNESS: I believe some of this might be.

3 MR. THOMAS: Yes, it has been marked proprietary.

4 JUDGE WEISMANDEL: Is there anybody present in the
5 room that has not complied with the protective order that's
6 been issued in this case?

7 (No response.)

8 JUDGE WEISMANDEL: Then I don't think we have a
9 problem.

10 MR. ARFAA: I wanted to be cautious and not presume
11 that and inadvertently --

12 JUDGE WEISMANDEL: Do we need to mark the transcript
13 proprietary beginning at this point?

14 MS. ARMSTRONG: Your Honor, if we might go off the
15 record for a moment, please?

16 JUDGE WEISMANDEL: Yes, let's go off the record.

17 (Discussion off the record.)

18 JUDGE WEISMANDEL: Let's go back on the record.

19 Do we need to mark the transcript proprietary at this
20 point?

21 BY MR. ARFAA:

22 Q. Mr. Wood, will you be getting into numbers?

23 A. I may need to do that on an illustrative basis,
24 so in an abundance of caution, I would feel more
25 comfortable.

1 MR. ARFAA: Yes, Your Honor.

2 JUDGE WEISMANDEL: All right. It will say
3 proprietary record, John.

4 And I'm going to charge counsel with the
5 responsibility of advising, as soon as it appears possible,
6 when we can go back off the proprietary record.

7 MR. ARFAA: Yes, Your Honor.

8 (Whereupon, the following pages 73 through 80 were
9 designated proprietary and were sealed and bound
10 separately.)

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1 BY MR. ARFAA:

2 Q. Mr. Wood, do you have before you what is marked
3 for identification as DJW-10?

4 A. Yes, I do.

5 Q. What is that?

6 A. This is an extension of a chart that was
7 included in Exhibit 5 to my testimony where we looked at the
8 rates in effect for these types of interconnection being
9 offered by other independent ILECs of a similar size to
10 ALLTEL within the state of Pennsylvania. Sprint and Verizon
11 -- and to be clear, the Verizon here is not the Verizon-Bell
12 Atlantic, it is the former GTE territory mostly up in the
13 northwest corner of the state, but also in some other areas,
14 so we're talking really about the former GTE.

15 Then what I've added to the chart are the corrected
16 ALLTEL numbers. And again, the only correction has been to
17 correct the formula, not to take issue with the other
18 elements, although I'm not comfortable with telling you that
19 they're right. What we find here is that those corrected
20 rates, costs and rates, line up actually very well with
21 these other companies, I mean, they certainly appear to be
22 in the same range, in contrast to the rates that ALLTEL has
23 presented both with the first cost study and then the second
24 cost study uncorrected, which are well in excess of these
25 levels.

1 I do have one addition, if I can, to make to this
2 table.

3 Q. What is your addition?

4 A. Since we prepared this analysis, I've obtained
5 one other piece of information, another benchmark, and that
6 is within Pennsylvania, there's a company, 360
7 Communications, which is a wireless carrier, has an
8 interconnection agreement with the former GTE entity of
9 Verizon, and for their Type 2A direct connection, the
10 current rate is .0079. So I guess if we just add a row at
11 the bottom and put 360 Communications - GTE under "LEC," in
12 the Type 2A connection column, we need to add the entry
13 .0079; in the Type 2B direct connection, we would add the
14 entry .0052; and then there's not a clear indirect
15 connection value from that interconnection agreement, so the
16 third column over here, or the final column, would be blank
17 for this row. But adding those in as an additional data
18 point, as a sanity check, if you will, a benchmark, to
19 determine, you know, once corrected, do ALLTEL's costs
20 appear in the range of reasonableness, I think they do; I
21 think they match up with these other companies fairly well.

22 That gives me some confidence, even though I've not
23 seen their investment calculation, so I say this with some
24 trepidation, but with that caveat, how this compares to the
25 companies gives me some confidence that we're probably now

1 in a range of reasonableness in terms of these corrected
2 rates; and it's my understanding that the corrected rates
3 are rates that Verizon Wireless would be willing to include
4 in an interconnection agreement at this time.

5 Q. Mr. Wood, do you have anything further in
6 surrebuttal?

7 A. No, sir, I do not.

8 MR. ARFAA: Thank you.

9 Mr. Wood is available for cross-examination, Your
10 Honor.

11 JUDGE WEISMANDEL: Thank you.

12 MR. THOMAS: Your Honor, I've just been given these
13 detailed schedules. I need a break. I'm going to have to
14 discuss it with my expert witness.

15 JUDGE WEISMANDEL: All right. Ten minutes?

16 MR. THOMAS: How about 15?

17 JUDGE WEISMANDEL: All right; 11:30.

18 (Recess.)

19 JUDGE WEISMANDEL: Let's go back on the record.

20 Mr. Wood is available for cross-examination.

21 MR. THOMAS: Thank you.

22 **CROSS-EXAMINATION**

23 BY MR. THOMAS:

24 Q. Good morning, Mr. Wood.

25 A. Good morning.

1 Q. I want to go to your Statement 2.1 to lead off.
2 On page 2, lines 9 through 19, you allege several criticisms
3 of I'll call it the initial ALLTEL cost study. I think you
4 called it the old model. I'll call it the initial model, or
5 I think we identified it as Exhibit CC-1, so I'll also
6 reference the model as the CC-1 model.

7 A. All right. I understand.

8 Q. Am I correct that your criticisms at page 2
9 there are directed at the CC-1 model?

10 A. They certainly were when written. I guess I
11 can't tell you whether these criticisms would or would not
12 apply to the new model, because that's the essential piece
13 that we weren't provided.

14 Q. Okay. But these criticisms were directed at
15 CC-1?

16 A. At the time they were written, yes. I don't
17 know whether they would apply to CC-2.

18 Q. Now, Mr. Wood, am I correct that the only cost
19 models in this proceeding, this arbitration, that you have
20 reviewed are the ALLTEL models?

21 A. Yes, I think they're the only models that are in
22 the arbitration.

23 Q. Am I correct that you, or your firm, you didn't
24 prepare any independent cost model for application in this
25 proceeding?

1 A. No. We were not asked to do that, and it would
2 not be typical in this kind of proceeding.

3 Q. Now, skipping over to your Statement 2.0, page
4 13 of that statement, beginning on line 18, it reads,
5 "Relevant cost information that is specific to Pennsylvania
6 is available from at least three sources." Did I read that
7 correctly?

8 A. Yes.

9 Q. The first of those sources, am I correct, were
10 the Verizon Pennsylvania tariff rates?

11 A. The unbundled network element rates for Verizon
12 Pennsylvania.

13 Q. So they were the rates; correct?

14 A. Yes, which, of course, by definition would equal
15 the cost.

16 Q. What you reviewed were rates; correct?

17 A. What I reviewed in this proceeding were the
18 rates, which are equal to the cost. What I reviewed in
19 previous proceedings in terms of the development of those
20 rates would have been the underlying cost information.

21 MR. THOMAS: Your Honor, I would like the witness
22 simply to answer my question. I just asked him if what he
23 reviewed there were the rates, that's all.

24 JUDGE WEISMANDEL: Mr. Wood, if you can, if you could
25 begin your answers, if possible, with either a yes or a no

1 and then explicate, it would be helpful.

2 THE WITNESS: Yes, sir.

3 JUDGE WEISMANDEL: Thank you.

4 BY MR. THOMAS:

5 Q. Now, the second source of so-called
6 Pennsylvania-specific costs were rates for Sprint-United; is
7 that correct?

8 A. That's correct.

9 Q. The third source were rates for Frontier?

10 A. That's correct.

11 Q. Am I correct then that the so-called
12 Pennsylvania-specific cost information that you reviewed for
13 the purposes of this proceeding, outside the ALLTEL models,
14 were the rates of these three companies?

15 A. Yes.

16 Q. Now, let's go over to your Exhibit DJW-5, and
17 page 2 of that exhibit. You have PA-Sprint and also
18 PA-Sprint-United. What's the difference between those two
19 carriers?

20 A. I believe one of these -- and you're absolutely
21 right; that's confusing. One of these is special access
22 rates and the other I believe is UNE rates.

23 Q. But they would be --

24 A. I'd have to confirm that.

25 Q. They would be the United Telephone rates of

1 Pennsylvania?

2 A. Yes.

3 Q. Could you check on that and let me know what the
4 difference is between those two?

5 A. Sure.

6 Q. Now, now and then I don't see things, but I
7 looked all over your Exhibit 5 there for the Frontier rates.
8 You made mention of Frontier in your testimony, but I
9 couldn't find the Frontier rates here in this exhibit. Did
10 I miss them or what?

11 A. No, it looks like we missed them in terms of
12 getting them onto the exhibit.

13 Q. Now, am I correct that you're advocating a
14 blended rate for ALLTEL in this proceeding of .0078 for Type
15 2A, Type 2B and indirect?

16 A. That's my original proposal, and then as I
17 indicated today, the corrected ALLTEL cost numbers would
18 also be an acceptable rate level for Verizon Wireless.

19 Q. But you still had some apprehension on that.
20 Are you backing off this .0078 recommendation?

21 A. I'm not backing off of it at all. In fact, I
22 think Exhibit 10, part of what it's there to show is that
23 when we look at the corrected ALLTEL values, they actually
24 coincide quite well with my original proposal and with the
25 benchmark companies that I've referred to. So I think it's

1 a case of where we now have additional data points to
2 establish a realm of reasonableness, but, you know, whether
3 in terms of what the Arbitrator adopted would either be
4 adjusted ALLTEL rates as I presented this morning or my
5 original presentation of .0078 as a blended rate, I think
6 either one would appear, at least on this chart, and I
7 believe it's true, either one would be reasonable.

8 Q. Now, let's stick with your .0078 recommendation
9 for now. Am I correct that that blended rate is identical
10 to the blended rate for Verizon-GTE as shown in your Exhibit
11 5?

12 A. I believe it is, yes.

13 Q. Would I be correct to assume, based upon that,
14 that you gave primary weight to the Verizon-GTE rates in
15 coming up with your recommendation of .0078?

16 A. I'm not sure primary weight is correct. I mean,
17 that is certainly one source of benchmark data that can be
18 looked at. What I tried to show on Exhibit 5 is that there
19 are other sources that can create a range of reasonableness;
20 and then what I tried to show on Exhibit 10 is that when we
21 add ALLTEL's corrected numbers to that comparison, that we
22 find that they're likewise reasonable.

23 Q. Now, Mr. Wood, let's just keep with your
24 original recommendation, .0078. That's what I'm going to
25 cross-examine you on. Now, why didn't you pick .0079?

1 A. I'm sorry?

2 Q. Why didn't you recommend .0079?

3 A. Because that's higher than the blended rate
4 that's in the GTE interconnection agreement.

5 Q. So you did give primary weight to the GTE rate
6 when you made your initial recommendation of .0078; is that
7 correct?

8 A. Well, I certainly put weight on it, and I
9 thought I was clear, certainly intended to be, that that's
10 the rate that I was using as the benchmark for this
11 proposal.

12 Q. Now, the Verizon-GTE rates that you show on
13 Exhibit 5 there, do you know whether they were the result of
14 a Section 252 arbitration proceeding?

15 A. I believe they were negotiated.

16 Q. So they were negotiated rates?

17 A. Right.

18 Q. If they were negotiated rates, would you agree
19 with me that they were not precisely cost-based rates, there
20 could have been other considerations --

21 MR. ARFAA: Objection, Your Honor; a compound
22 question. If Mr. Thomas asks one question at a time, it
23 might be a little clearer for the record.

24 JUDGE WEISMANDEL: Mr. Thomas.

25 BY MR. ARFAA:

1 Q. You stated that the GTE rates were negotiated
2 rates. Would you agree with me that the Pennsylvania Public
3 Utility Commission did not establish GTE's rates based upon
4 cost findings?

5 A. I agree that the PUC did not do that. I would
6 certainly disagree, in fact strenuously disagree, that cost
7 information would have had no bearing on that negotiated
8 rate, because I participated in about 45 of these type
9 negotiations and arbitrations so far and certainly cost
10 information does play a role.

11 Q. So that is one consideration that goes into a
12 negotiated rate, direct costs?

13 A. Of course, and that's why I resisted somewhat
14 saying that I put all the weight on this, because I
15 certainly compared that rate to other rates that apply in
16 Pennsylvania, and if I had seen a rate that was outside the
17 realm of the other companies that was negotiated, it would
18 certainly give me reason to think that it would have
19 reflected something significantly beyond cost. But when I
20 see a negotiated rate that falls in line with rates of other
21 companies with similar characteristics, I think that
22 certainly indicates that there's very likely to be much more
23 of a cost basis for it than some other factor in the
24 negotiation.

25 Q. You just used the term "similar

1 characteristics." What do you mean by that?

2 A. Similar characteristics in terms of the things
3 that would drive -- what we call as a more precise term a
4 cost driver, in other words, the characteristics of an area
5 or of a company that would cause certain element costs to be
6 what they are, higher or lower, compared to a different set
7 of characteristics.

8 Q. Could you give me a couple examples?

9 A. The volume of total minutes on a network, for
10 example, might be such a factor. For some network elements,
11 like a local loop, you would consider population density and
12 distance of customers from the central office, but that's an
13 element that's not at issue in this proceeding, so those
14 type characteristics wouldn't come to bear.

15 Q. So you gave me the volume of traffic as one
16 characteristic.

17 A. Yes.

18 Q. Any other characteristics that you had in mind
19 when you made the statement "similar characteristics"?

20 A. Probably the overall size of the service area
21 within a state, whether the service area was purely
22 contiguous, could play a role, although there's very, very
23 little distance sensitivity in the transport cost, so it's
24 unlikely ultimately that contiguous area will play a big
25 role. But that's a possibility and certainly something I

1 looked at.

2 Q. Those similar characteristics that you referred
3 to, did you make a comparison of those characteristics
4 between ALLTEL Pennsylvania, Inc. and Verizon-GTE?

5 A. Yes, I did. I compared the total area, I've
6 compared the total minutes, and I've compared the -- I'm not
7 sure how to say it -- either the fractionalization or degree
8 of contiguousness, the amount that the service area is all
9 in one place versus broken up into multiple places
10 throughout the state, however you want to characterize that;
11 that's also something I looked at.

12 Q. If you know, how do the two companies compare in
13 total access lines?

14 A. I know I pulled that information, and I'm trying
15 to remember if I have it with me. If you give me one
16 moment, I might have that answer.

17 (Pause.)

18 A. I don't have it, but I have compared the lines
19 and the total network minutes.

20 Q. Would you provide me with that information?

21 A. Yes, I can.

22 Q. Thank you.

23 Did you compare total revenues?

24 A. I did not compare total revenues because those
25 are factors that -- they're influenced by factors that go

1 well beyond network configuration. They're in fact impacted
2 by non-cost factors. So revenues tend to be a very poor
3 predictor of network cost.

4 Q. Did you compare total expenses?

5 A. I did not compare total expenses because those
6 are likewise a function of non-network considerations and
7 tend to be poor predictors of network cost.

8 Q. Did you compare depreciation expense?

9 A. No. Same response, because ultimately the
10 reported depreciation expense is a function of an imbedded
11 base of plant, which can't be considered combined with
12 depreciation lives that would be potentially different for
13 each company, so, you know, the depreciation on the imbedded
14 base as it exists today will give you no insight as to what
15 forward-looking network costs are.

16 Q. So the answer to my question is no?

17 A. Yeah. I think I started that way.

18 Q. Now, let's look at Sprint-United that you have
19 on your Exhibit 5. Do you know whether the Sprint-United
20 rates were established through a Section 252 arbitration
21 proceeding with a final Commission finding, Commission, I
22 mean Pennsylvania Public Utility Commission finding, setting
23 rates?

24 A. I don't know how those rates were resolved.

25 Q. Do you know whether the Frontier rates were

1 established through a Section 252 arbitration proceeding
2 with the Pennsylvania Public Utility Commission, establishing
3 the final rates?

4 A. If I understand the question right, the answer
5 is yes, I do know, and the answer is no, the rates that I
6 considered were actually the same network functionalities as
7 they're expressed in interstate special access rates, which
8 were set by the FCC pursuant to a cost standard, but a
9 different cost standard, and one that tends to yield higher
10 costs and rates. So that's why I indicated in my testimony,
11 special access rates are really in the upper bound of
12 reasonableness.

13 Q. Would you give me rates for the Frontier
14 companies that correspond with -- you said maybe you just
15 forgot to put them on page 2 there?

16 A. Yes, I believe we have those.

17 Q. Now, with respect to the company you stated that
18 was really the foundation of your .0078 cent rate,
19 GTE-Verizon --

20 MR. ARFAA: I object to the characterization of the
21 testimony.

22 MR. THOMAS: I think the testimony will speak for
23 itself.

24 MR. ARFAA: Yes, I think so, too.

25 JUDGE WEISMANDEL: Yes, I don't think it's necessary

1 then to characterize it quite that way, Mr. Thomas. I agree
2 with you the testimony does speak for itself.

3 MR. THOMAS: Okay.

4 BY MR. THOMAS:

5 Q. With respect to Verizon-GTE, would you agree
6 with me that Verizon-GTE and Verizon Wireless are affiliated
7 companies?

8 MR. ARFAA: Objection; related companies?

9 JUDGE WEISMANDEL: Affiliated.

10 MR. ARFAA: Pardon me; I didn't hear. I withdraw my
11 objection. I would object on a separate ground of
12 relevance. The affiliation -- I mean, ALLTEL is affiliated
13 with an \$8 billion company nationally, too.

14 MR. THOMAS: Your Honor, I just asked him a simple
15 question: are these two companies affiliated?

16 JUDGE WEISMANDEL: If the witness knows the answer,
17 he can answer.

18 THE WITNESS: It's my understanding that there's an
19 affiliation. I don't know the Verizon corporate structure
20 with any degree of detail, so I couldn't tell you what the
21 percentage ownerships would be or anything like that.

22 BY MR. THOMAS:

23 Q. Why didn't you show on page 2, Exhibit 5, rates
24 for Commonwealth Telephone?

25 A. I'm sorry?

1 Q. You said you considered rates for GTE, Verizon
2 PA, Frontier, and Sprint.

3 A. Right.

4 Q. My question to you is: why didn't you consider
5 the rates between Verizon Wireless and Commonwealth
6 Telephone?

7 A. Because I didn't have any cost-based benchmark
8 like special access to evaluate the Commonwealth rates, so I
9 really didn't have a basis to establish any cost basis in
10 those rates.

11 Q. Did you have access to those rates?

12 A. I don't know if I looked to the rates, because I
13 first considered whether I had a validation point for each
14 company before I considered the rates, as I explain below,
15 so that I would know whether it was a cost basis or a purely
16 negotiated rate that had some other primary basis. So
17 without a checkpoint for Commonwealth based on a federal
18 tariff, I don't know if I collected the rates.

19 Q. Do you know when the Commonwealth rates for
20 Verizon Wireless, when they were implemented?

21 A. I don't know.

22 Q. Why did you not consider the rates between
23 Verizon Wireless and North Pittsburgh Telephone Company?

24 A. Because that is a scale of company that is
25 fundamentally different and would have a different cost

1 structure than ALLTEL.

2 Q. And how is it fundamentally different?

3 A. The service area, the traffic volumes, all of
4 those things that would have a primary impact on the cost of
5 the network functionality that's at issue here, would be
6 different.

7 Q. Do you have the traffic volumes for North
8 Pittsburgh that you reviewed for the purpose of preparing
9 Statement 2.0?

10 A. I know I have line information, because I have
11 that for USAC. They don't report traffic in the same way.
12 They only have summary level reporting requirements. I
13 don't have the level of disaggregation from the FCC data
14 that I would have for the other companies.

15 Q. Would you agree with me, looking -- I see you're
16 looking at the Pennsylvania Telephone Association map that
17 was provided to me.

18 A. I am.

19 Q. Would you agree with me that the North
20 Pittsburgh service territory is totally contiguous, which
21 should lower its costs?

22 MR. ARFAA: Objection; compound question.

23 MR. THOMAS: You have an expert witness on here. He
24 can handle that question.

25 JUDGE WEISMANDEL: I think it's more clear, Mr.

1 Thomas, if you split it into the two questions that it
2 really is.

3 MR. THOMAS: Okay, Your Honor.

4 BY MR. THOMAS:

5 Q. Would you agree with me, it's a totally
6 contiguous service territory that North Pittsburgh has?

7 A. I would.

8 Q. Would you agree with me that being a totally
9 contiguous service territory, that in and of itself should
10 be an element that would reduce cost instead of increasing
11 cost in comparison to a company that has several non-
12 contiguous service territories?

13 A. There were actually two independent elements to
14 that question, but I think the answer is no, there would be
15 no reason why -- and I can draw this for you if you'd like.
16 The contiguous area, in and of itself, is not likely to have
17 a significant cost impact on the network elements that we're
18 talking about. And then I think you flipped it around to
19 the logical equivalent in the affirmative, but -- I guess I
20 disagree with both pieces of the question. There's actually
21 not a reason to suspect that, and I believe the ALLTEL cost
22 information actually underscores why that's true.

23 Q. Will you agree with me that beginning at this
24 cross-examination we got into your use of the phrase
25 "similar characteristics," and one of those characteristics

1 you referred to was whether the service territories are
2 contiguous?

3 A. Yes. I said that's one of the things that I
4 considered. I didn't say that's one of the things that, in
5 the final analysis, causes network costs to change, because
6 once it's reviewed, you find that in fact that's not the
7 case.

8 Q. Do you know what the rate is between North
9 Pittsburgh Telephone Company and Verizon Wireless, the
10 blended rate is, for the exchange of direct traffic?

11 A. I don't know. Given the volume of traffic, I
12 expect it's probably not cost based, but I don't know what
13 the rate is.

14 Q. If I handed you the agreement, would you be able
15 to look at the agreement and see what the rate is?

16 A. I expect that I would, yes, sir.

17 MR. ARFAA: Objection. May I ask what the provenance
18 of this agreement is? Is this an agreement that we provided
19 to you in discovery? Because if it's not, I don't think
20 this witness is qualified to authenticate or testify to it,
21 and I think it would be very misleading to have him testify
22 to some document. Could you please --

23 MR. THOMAS: Your Honor, this is an interconnection
24 agreement, and hopefully the witness is qualified to take a
25 look at an interconnection agreement and tell me what the

1 rate is in it, but it was supplied --

2 JUDGE WEISMANDEL: It was supplied?

3 MR. THOMAS: Yes.

4 MR. ARFAA: May I see it?

5 MR. THOMAS: It's your own agreement.

6 (Pause.)

7 JUDGE WEISMANDEL: Is the objection withdrawn?

8 MR. ARFAA: The objection is withdrawn, Your Honor.

9 Thank you.

10 JUDGE WEISMANDEL: Thank you.

11 BY MR. THOMAS:

12 Q. What is the rate in there, Mr. Wood?

13 A. There is a stated rate for tandem switching and
14 MSC rate per terminated MOU of .019.

15 Q. What was the date of that agreement; can you
16 tell?

17 A. The footer --

18 Q. It says it right up in that first paragraph.

19 A. The footer says April 25, 2000, but it doesn't
20 appear that it was executed or became effective until May 1,
21 2000.

22 MR. ARFAA: Your Honor, I object. Mr. Thomas'
23 presence by the witness appears to be causing a dimensional
24 problem here.

25 MR. THOMAS: I have so much metal on me -- I'm sorry.

1 (Laughter.)

2 BY MR. THOMAS:

3 Q. Now, I also have another agreement, Mr. Wood.
4 This is an agreement between Commonwealth Telephone Company
5 and Verizon Wireless again, and it's the rate that you said
6 you didn't review. I just want to show you this contract
7 and ask if you could tell me what the recip. comp. rate is
8 in this contract.

9 (Witness perusing document.)

10 Q. I'll give you a little help and turn you to the
11 right page.

12 A. I'm always suspicious when an attorney turns it
13 to the right page for me.

14 Q. Here you go. Does it show what the recip. comp
15 rate is there?

16 A. It does. And I need to clarify that if I
17 suggested to you in any way that I didn't look at these
18 rates before, which I think was the premise to your
19 question, that's not correct. What I said was without an
20 independent cost-based rate to benchmark this rate, to have
21 confidence that it is cost based, as I did for the other
22 companies, I didn't go and collect and pile these rates in
23 terms of an exhibit.

24 Q. What's the recip. comp. rate shown on that
25 agreement?

1 A. It appears that there are multiple rates, and
2 it's a little bit -- I want to give you the most direct
3 answer I can, but there's a caveat that's got to be in order
4 here because where we're looking in other places at a clear
5 distinction of where the traffic is being delivered -- when
6 we talk about 2A and 2B, there's a clear indication as to
7 where the traffic is being delivered. Here it just says
8 that it's being handed off at designated POIs, points of
9 interconnection.

10 Q. Designated POIs, wherever they may be. What's
11 the recip. comp. rate?

12 A. But I say that because that could have a
13 significant impact on the cost, and therefore the rate,
14 depending on where those POIs are, because if they're not a
15 corollary to a 2A or a 2B, there could be additional -- in
16 fact, there would be network functionality involved that
17 wouldn't be included in a 2A or a 2B.

18 Q. With that caveat, what are the rates?

19 A. Up to and including December 31, 2003, .042;
20 January 1, 2004 up to and including May 31, 2004, .03;
21 beginning June 1, 2004, .02.

22 Q. Before I take that back from you, what's the
23 date of that agreement?

24 A. It looks like there's a signature block here in
25 it looks like February 12, 2003, and then there's one

1 signature block for January 21, 2003.

2 Q. So it's early 2003?

3 A. Yes. I also would note, while looking for that
4 date, on Exhibit A it indicates actually where those points
5 of interconnection are, and it appears that those POIs are
6 actually cell sites rather than ILEC switches, so this would
7 be a case where there would be different network
8 functionality involved and you wouldn't expect these rates
9 to be the same.

10 Q. You don't know whether those cell sites are on
11 the network of Commonwealth, do you?

12 A. Well, it actually says in here that it's Verizon
13 Wireless' cell site.

14 Q. You don't know the location of those cell sites
15 to the network, do you? Network, I mean Commonwealth
16 Telephone.

17 A. Well, I know that the first one is on Bunker
18 Hill Road in Trucksville, Pennsylvania, and the second one
19 is 31 Baptist Hill Road, Hallstead, Pennsylvania. But my
20 caveat is that without knowing where those are in relation
21 to the wireline switches, which is where the traffic
22 ultimately is delivered to for Commonwealth, it wouldn't be
23 a meaningful exercise, in fact, it would be a fairly
24 dangerous exercise to just compare these straight across
25 because they wouldn't represent the same network

1 functionality.

2 Q. So the answer to my question is you don't know
3 whether these cell sites -- where they are in relationship
4 to the Commonwealth Telephone network?

5 A. I'm sorry; I understood your question to be
6 about Commonwealth cell sites.

7 Q. The Verizon cell sites, you don't know where
8 they are in relationship to the Commonwealth network?

9 A. Well, the answer is yes and no. I mean, I know
10 where they are geographically. I know they are not at a
11 Commonwealth end office switch, and I know that they're not
12 at a Commonwealth tandem, which would be what's considered
13 here.

14 Q. You don't know where the tandems and switches
15 are. They could be right beside it, could they not?

16 A. They can't be collocated.

17 Q. Well, they could be two blocks away; right?

18 MR. ARFAA: Your Honor, I would just objection. He's
19 being a little argumentative here. I think the question has
20 been asked and answered many times.

21 JUDGE WEISMANDEL: The witness is asking for
22 argumentativeness in this case also.

23 THE WITNESS: We don't know where they are. We do
24 know that they're not at the end office switch or the tandem
25 switch, so we know there's additional network functionality.

1 BY MR. THOMAS:

2 Q. Would you agree with me -- I'm going to show you
3 that telephone agreement again. You made reference to the
4 Scranton switch and the Buffalo switch, one at Trucksville,
5 PA and one at Hallstead. Would you agree with me the other
6 two sites are wire centers?

7 A. I would agree that for the Plymouth switch, the
8 answer is yes. It appears for the Harrisburg switch, the
9 answer is no.

10 Q. Now, on page 8, Statement 2.1, line 4, you make
11 reference to ALLTEL's website and you cite it, saying
12 there's 12 million customers and nearly \$8 billion in annual
13 revenues; is that correct?

14 A. Yes, sir.

15 Q. And that's ALLTEL nationwide; correct?

16 A. That's correct, or that's my understanding from
17 the ALLTEL website.

18 Q. From the standpoint of customers, how did 12
19 million customers compare to total customers within the
20 Verizon system-wide network?

21 MR. ARFAA: Objection; relevance.

22 MR. THOMAS: Your Honor, if you look at page 8 of the
23 testimony, he's referring to ALLTEL being a small telephone
24 company and he makes reference to its system-wide revenues
25 and customers. Then he says, "Clearly, ALLTEL's operations

1 should be considered to have the cost characteristics of a
2 large LEC." And later on he referred to vender
3 efficiencies. Now, a large LEC, I picked one, just by
4 happenstance I picked Verizon, and I want to make a
5 comparison between a large LEC with these numbers. I think
6 it's directly in line with his testimony.

7 JUDGE WEISMANDEL: You're correct that it is
8 certainly a legitimate area of inquiry, Mr. Thomas. I
9 wouldn't waste a whole lot of time on it.

10 MR. THOMAS: I don't plan to, Your Honor.

11 JUDGE WEISMANDEL: I'm fairly familiar with the size
12 of Verizon.

13 BY MR. THOMAS:

14 Q. How does the 12 million customers compare to the
15 total for Verizon?

16 A. I don't know what Verizon's total line count is.
17 That wasn't the basis for this testimony. What I said here
18 in the next line is the basis, and it goes to purchasing
19 power and scale of operations other than network.

20 Q. But you made reference to its total customers
21 and you compared that to cost characteristics of a large
22 LEC. Now, the LEC I had in mind is Verizon. Do you have
23 access to their total customers?

24 A. I'm sorry; do I have?

25 Q. Access to total customers. You went to the

1 ALLTEL website. Did you go to the Verizon website?

2 MR. ARFAA: Objection, Your Honor; he's asking him
3 about things he didn't testify to. He's explained the basis
4 for his answer.

5 JUDGE WEISMANDEL: Yes, I think, Mr. Thomas, you
6 asked him if he knew, and he said no.

7 MR. THOMAS: All right.

8 BY MR. THOMAS:

9 Q. Do you know the total revenues for Verizon in
10 comparison to the \$8 billion for ALLTEL?

11 A. No. And again, that wasn't the basis for my
12 conclusion.

13 Q. Do you think it could be as much as a hundred
14 times?

15 MR. ARFAA: Objection; he said he didn't know.

16 JUDGE WEISMANDEL: Yes, accept "I don't know,"
17 please.

18 BY MR. THOMAS:

19 Q. Would you agree with me, or would you not, that
20 from the standpoint of customers and revenues, the entire
21 ALLTEL system would be closer in size to North Pittsburgh
22 than it would be Verizon?

23 MR. ARFAA: Objection; lack of foundation. He said
24 he doesn't know the Verizon numbers.

25 MR. THOMAS: He doesn't know the specific numbers,

1 but --

2 JUDGE WEISMANDEL: The witness is obviously familiar
3 with the telephone industry, and I think he can answer the
4 question if he's capable of answering it.

5 THE WITNESS: In terms of the characteristics that
6 I'm describing here, ALLTEL is much closer to Verizon than
7 it would be to North Pittsburgh.

8 BY MR. THOMAS:

9 Q. In terms of annual revenues and customers, how
10 would ALLTEL Pennsylvania compare with Commonwealth?

11 A. I don't know. And again, I didn't rely on those
12 factors when I reached this conclusion, because those, in
13 and of themselves, are not the primary indicators of
14 operational efficiency, operational scale or vender
15 purchasing power, which are the things, if you continue
16 reading in the paragraph, are the things that I actually did
17 rely on.

18 Q. Now, let's go to page 3 of your Statement 2.1,
19 lines 14 and 15. You state that, "ALLTEL is now saying that
20 if its excessive rates are not approved, it will seek a
21 Section 251(f)(2) suspension." Where did ALLTEL ever say
22 that if its rates were not approved, it would seek a
23 251(f)(2) suspension?

24 A. If I'm understanding Mr. Caballero's testimony
25 as I cited it here, that's what I understand his testimony

1 at page 7 to say.

2 Q. That statement should be on page 7 of Mr.
3 Caballero's statement?

4 A. That is my understanding of his testimony at
5 page 7. If that's not what they mean, I'm actually
6 pleasantly surprised, but that is my understanding of his
7 testimony.

8 Q. Now, your Exhibit DJW-9, you have rates that
9 suddenly you've adopted there on page 3; is that correct?
10 You said they're right in line with what your initial
11 recommendation is?

12 A. I'm sorry; I didn't hear the first part of your
13 question.

14 Q. On Exhibit DJW-9, third page, you have rates in
15 there at the bottom that you calculated, and you said
16 they're in line with, I think, your initial rate
17 recommendation; is that correct?

18 A. Well, I think the answer is yes. I mean,
19 certainly I calculated these using the ALLTEL methodology.
20 There's nothing unique to me here. And yes, I do believe
21 those are reasonable, and part of the reason I believe
22 they're reasonable is that they are comparable to not only
23 the GTE rates but the other rates that I identify.

24 Q. Now, those rates that you calculated there, you
25 derived them from a correction you made to the ALLTEL second

1 study that was identified as CC-2, Exhibit CC-2; correct?

2 A. Almost. I didn't derive them, I simply made the
3 correction. The spreadsheet produced exactly these rates.
4 They weren't -- nothing else was altered.

5 Q. But the calculation is yours. The input was
6 yours and you came out with these numbers; right? These
7 numbers didn't appear in the ALLTEL spreadsheets; correct?

8 A. I don't want to quibble with you, but the way
9 you asked that is not precisely correct. This is not my
10 assumption. This is ALLTEL's assumption as stated on line
11 14. I simply caused the electronic spreadsheet to reflect
12 the printed assumption. I didn't impose my own assumption,
13 which would have been different, I simply made the
14 calculation correction.

15 Q. Based upon this calculation that you have
16 presented this morning, what growth rate in minutes is
17 reflected in these figures for the future?

18 A. For a five-year cumulative period, I have every
19 reason to believe that it reflects ALLTEL's 90 percent
20 assumption.

21 Q. And what growth rate would that be? What's the
22 percentage? You gave the percentage earlier. What would be
23 the percentage growth?

24 A. Ninety percent cumulative.

25 Q. Ninety percent cumulative?

1 A. Right. That's what ALLTEL put forward as its
2 assumption.

3 Q. What would be the growth rate per year using
4 that 90 percent?

5 A. Somewhere around 15 to -- somewhere in the 15 to
6 20 range. I can't quite do that much math in my head.

7 Q. That's close enough. Somewhere in the range of
8 15 to 20 percent growth per year?

9 A. Yes.

10 MR. THOMAS: Your Honor, I have no further questions.

11 JUDGE WEISMANDEL: Thank you.

12 Mr. Wood, I have just a couple questions I wanted to
13 ask you.

14 THE WITNESS: Yes, sir.

15 JUDGE WEISMANDEL: Following up on one thing that Mr.
16 Thomas asked, if I understood your testimony correctly, you
17 did indicate at one point that whether a network was
18 contiguous or non-contiguous was a consideration.

19 THE WITNESS: Yes.

20 JUDGE WEISMANDEL: Then Mr. Thomas asked you on
21 cross-examination about whether a non-contiguous network,
22 all else being equal, would have higher expenses than a
23 contiguous network.

24 THE WITNESS: Right.

25 JUDGE WEISMANDEL: And I believe your answer was,

1 "Not necessarily."

2 THE WITNESS: That's correct.

3 JUDGE WEISMANDEL: And I think you also said then
4 that that was not the consideration that you were using the
5 contiguousness or non-contiguousness to make.

6 THE WITNESS: I was considering -- I tried to fully
7 reflect that in what I was considering and what I was
8 analyzing. When I looked --

9 JUDGE WEISMANDEL: You're anticipating my next
10 question. If that wasn't the consideration, what was the
11 consideration as to whether it's contiguous or non-
12 contiguous?

13 THE WITNESS: Some of the underlying network elements
14 would be impacted potentially by that. Now, they could be
15 impacted in an upward or downward direction.

16 If I promise to keep it short, can I have the liberty
17 to draw this very quickly for you? Because I really think a
18 picture helps.

19 JUDGE WEISMANDEL: If it will help me understand, you
20 can have the liberty to draw anything you care to.

21 (Witness drawing.)

22 THE WITNESS: I've been called a lot of things, never
23 an artist; it purely is a schematic. Kind of a universal
24 symbol for telephone is this little triangle, and what I'm
25 designating here with these symptoms are end users, people's

1 telephones. Now, the first network component that ties that
2 telephone to the switch -- in this case this is ALLTEL's
3 central office switch, sometimes called a Class 5 switch;
4 that's what the 5 is -- is what's called the local loop, and
5 it's typically a pair of wires. It may have some fiber
6 optics involved depending on how it's configured. That's
7 what is known as a non-traffic sensitive network
8 functionality, the cost to provide it doesn't change whether
9 there's lot of traffic or no traffic; and because these are
10 traffic-sensitive rates we're dealing with, these loop costs
11 don't enter into this equation.

12 Now, I agree with ALLTEL that, all else equal, if
13 they're serving an area with low customer density or with
14 customers located far from this office, this loop cost will
15 reflect that, and I would expect them to have a higher -- if
16 this was an unbundled network element case for local loops,
17 I would expect their characteristics to derive a very
18 different cost than, say, a Verizon-Bell Atlantic, because
19 that characteristic is different.

20 The next network functionality you hit here are the
21 line ports on this switch. Now, the square with the "x"
22 through it is imply the switch processor, the computer
23 portion of the switch. Each line has to have an associated
24 line port. Now, those ports are likewise non-traffic
25 sensitive, they're dedicated to the line, and ALLTEL removes

1 those from its consideration in its cost study, so we're not
2 talking about those. We're talking about the local
3 switching cost, which is the cost per minute of use to use
4 this process; we're talking about what's called transport
5 termination facilities. This facility from one switch to
6 another is a transport facility, and it has two cost
7 elements to it. One is what they call facility or facility
8 mileage, and that's the fiber optics, that's the glass
9 strands from one place to another. At each end there's a
10 termination cost associated with that fiber facility. I
11 believe on Exhibit 8, starting on page 3, as you look
12 through the network element costs that are reflected, you'll
13 see this end office switch, you'll see this transport
14 facility in terms of a mileage and a termination element.
15 And then this switch over on this side with the number 4 is
16 what's sometimes called the Class 4 switch or a tandem
17 switch. It doesn't have customer lines attached to it, it
18 simply routes calls between offices. The facility mileage,
19 the facility termination, and these processors are the costs
20 at issue.

21 Now, in terms of central office processing, what they
22 call their end office switching cost, it is a function of
23 minutes of use, and that's how they reflect it, and that's
24 how I reflect it in the forecasted demand. If they're
25 serving relatively few customers in this immediate area,

FORM 2

1 there's an opportunity for them to continue to use this
2 switch processor, but to effectively move these line ports
3 out close to where the customers are and then serve the
4 customer from there. This is called a host remote type
5 switching arrangement, and this is sometimes called an HR
6 transport for host remote, it's sometimes called an
7 umbilical because it attaches to these two. What this
8 arrangement does -- and ALLTEL takes advantage of this
9 arrangement quite a bit, and you can see that reflected in
10 its study -- is in order to efficiently use this process, in
11 order to have enough customers and enough customers' minutes
12 on it, it in fact uses this kind of host remote
13 relationship. So while it may be serving an area with a
14 lower customer per mile density than a different company, it
15 has the ability here to bring in customers over a broader
16 area to be used by this same switch, so that it gets the
17 same minutes of use and can efficiently use this. So by
18 taking advantage of this -- and they do, and they in fact
19 include in their cost here this facility a number of times,
20 because they have these arrangements -- they're able to have
21 an efficient local switching cost. So to simply say this is
22 a more rural area of the state, therefore, our local
23 switching must be higher than a more urban area, is
24 demonstrably false, because in fact with these arrangements
25 they can achieve the same density.

1 JUDGE WEISMANDEL: What you just said, how does that
2 tie in to whether their service areas are contiguous or not,
3 which was the question.

4 THE WITNESS: Yes, sir. This transport facility with
5 the two components, the facility and the mileage -- I've
6 drawn here some squiggly lines that are intended to
7 represent two different areas, and I guess this should also
8 be in an ALLTEL area. If you look at their element costs,
9 you will see that facility termination is a significant
10 cost. Facility mileage is one of those that starts
11 point zero zero zero something. There is not a lot of
12 distance sensitivity here because the facility itself is
13 relatively inexpensive and you can increase the capacity
14 dramatically by changing the electronics on both ends. So
15 it's the termination that outweighs the cost of the
16 distance.

17 Now, if they were trying to collect traffic from one
18 large area versus two non-contiguous areas, they could have
19 an increased facility mileage cost, but they would also be
20 bundling together or aggregating together a larger amount of
21 traffic, which lets them use a more efficient multiplexing
22 arrangement on both ends. Where the costs really are, the
23 more units -- the more minutes you have, the bigger area you
24 pull this traffic from, the less expensive the termination
25 can be, and that's where the money is.

1 Non-contiguous areas may cause them to have
2 considerably longer transport span, but that's really --
3 that's the point zero zero zero something. All else equal,
4 that would slightly increase their cost. But because
5 backhauling this facility aggregates all the traffic from
6 this particular non-contiguous area, it allows them to use a
7 more efficient arrangement in the multiplexing; they can
8 make this a higher capacity facility because there are more
9 minutes to put on it. This cost reduction, in all cases
10 that I can tell on this analysis, outweighs this slight cost
11 increase of having a longer facility.

12 So when you look at this versus a North Pittsburgh,
13 they may have only a fraction of this network, and probably
14 -- I'm sure they home on a Verizon tandem, don't have that
15 office at all, they only have this element here, and they
16 have this on a meet point basis, but it's --

17 MR. THOMAS: Your Honor, I'm going to object to this.
18 He doesn't know what North Pittsburgh has, he told me that,
19 and now he's making an assumption as to what North
20 Pittsburgh has. I don't think that should be permitted.

21 MR. ARFAA: Your Honor, I think he's answering your
22 question and trying to -- Your Honor suggested that he's an
23 expert who knows generally the characteristics of various
24 telephone companies. I think it's within the bounds of that
25 answer. I would say that may go to weight, but I think he

1 should be allowed to finish his answer.

2 JUDGE WEISMANDEL: Yes, I think as long as -- he did
3 say he's assuming that --

4 MR. THOMAS: Well, that has to be made clear. That's
5 not an actual fact.

6 JUDGE WEISMANDEL: -- to make his point.

7 THE WITNESS: And let me be very clear. As I
8 understood your question, it was about lines and revenues
9 with relation to North Pittsburgh, it wasn't related to
10 tandem homing arrangements, and if I misunderstood, I guess
11 I should clarify here. I was not responding in terms of
12 tandem homing, I was purely responding in terms of --

13 JUDGE WEISMANDEL: Would this be a fair summation
14 then, Mr. Wood; that your point about whether the areas of
15 the network are contiguous or not contiguous is that there
16 are things that you can do within each discrete area that
17 can either increase the efficiency, and thereby lower the
18 per-unit cost, that if not fully outweigh can go a long way
19 to outweighing the smaller incremental costs of the longer
20 haulage distance to the tandem?

21 THE WITNESS: That is an accurate summation, but
22 there's one additional piece to it. It's not purely within
23 these areas, it is the costs are aggregated on -- the
24 facility that could be longer, which is the one that
25 connects these areas, is by definition hauling the traffic

1 for the entire area, so because they increase the capacity
2 on this transport span, they have the opportunity to offset
3 the potential increase in the mileage. And if you look at
4 their unit cost, the termination costs that they report are
5 many multiples of the facility mileage cost.

6 The reason I say I considered it is, it is possible
7 that this could have a greater increase than the offsetting
8 decrease. When you look at the minutes of use that ALLTEL
9 assumes in terms of its current level, it is highly
10 suggestive that this is going to offset, more than offset
11 this increased mileage. This increased efficiency -- for
12 purposes of the record, this, I mean the facility
13 termination equipment -- where it can be multiplexed up at a
14 higher level, that's what makes all the difference. That's
15 where the money is rather than the mileage.

16 JUDGE WEISMANDEL: Thank you, sir. If you could flip
17 your flip chart back to your first illustration.

18 THE WITNESS: Yes, sir.

19 JUDGE WEISMANDEL: I understood you to testify that
20 what you have labeled as the old model and the new model,
21 you knew that there was a piece of the new model missing,
22 and my question is how did you know that?

23 THE WITNESS: Well, we knew -- well, partially
24 because they told us; and in the written documentation in
25 the box, what we have are paper printouts that describe an

1 underlying investment process that does not appear anywhere
2 in this spreadsheet.

3 One of the things I said in my original rebuttal
4 testimony about this is that in response to their claims
5 that there were efficiency calculations and network
6 optimization routines and that sort of thing which you would
7 normally see in this kind of model, they did not appear in
8 the old model anywhere; and based on how this investment was
9 done, I doubt if they could.

10 Here those may very well exist in the investment
11 calculation, but we were not presented with that
12 information. So what we have is this incredibly important
13 input, the most important input, which is the investment
14 associated with the network facilities needed.

15 In the model that we received, which is just the red
16 square here symbolically, that information just shows up as
17 a number with no basis or background to it. Now, we have
18 some written description that this may have come through a
19 proper TELRIC model ground up and all of that, but that's
20 here in this dotted line area.

21 So we knew something important was missing because
22 the model we had began three-fourths of the way through the
23 process in calculating in these costs and then continued to
24 the end, but the first three-quarters are not part of the
25 spreadsheet.

1 JUDGE WEISMANDEL: Okay. You also testified about
2 something on the order of -- please resume your seat. Thank
3 you. You also testified of there being something on the
4 order of 40 macros that were contained within the cost
5 model. Is that right?

6 THE WITNESS: Forty hidden macros. There are quite a
7 few -- and I don't want to state this incorrectly. There
8 are quite a few macros that are in the model that appear to
9 be intended to make the model function properly, and we're
10 not counting those. It appears that there are 40 that are
11 these more pernicious type.

12 JUDGE WEISMANDEL: All right. Now, I want to
13 contrast two things and see if you can tell me, first of
14 all, whether I'm making the right contrast or not. Would
15 these hidden macros -- on the one hand, it seems to me those
16 could do the following. They could cause the results of the
17 cost model to be inaccurate. Okay? Just hypothetically.

18 THE WITNESS: All right.

19 JUDGE WEISMANDEL: That's one thing they could do.
20 Alternatively, while not causing the results to be
21 inaccurate, they could make it very difficult or let's even
22 for the purpose of conversation say impossible for someone
23 else to duplicate the cost model results or verify. Verify
24 I guess is a better word than duplicate.

25 Contrasting those two, do you have an opinion as to

1 which, if either, these hidden macros were doing in this
2 particular situation?

3 THE WITNESS: I can speak to the second possibility.
4 The first possibility is in a way part of what's hidden to
5 us, and I can really speak to that less.

6 In the second possibility, I think impossible is not
7 too strong a term, because even with my particular staff
8 member, who is very good at this thing and who kind of took
9 it personally when Mr. Caballero said that she must not
10 know, you know, basic Excel and who started digging into
11 this, she still hasn't managed to work her way through the
12 weeds, if you will, on these things to determine what
13 they're doing and what they're not doing. The ones we could
14 document I have here.

15 So I think by any reasonable definition of the word,
16 they make it impossible for anyone other than an ALLTEL
17 employee to go through this and get any meaningful analysis,
18 any meaningful sensitivity runs, any of that kind of review,
19 the kind of review we'd normally do for this kind of model.

20 JUDGE WEISMANDEL: So that it would be impossible to
21 verify the accuracy of the results?

22 THE WITNESS: Yes, sir.

23 JUDGE WEISMANDEL: Thank you.

24 THE WITNESS: Now, to the first part, the reason that
25 these kind of macros are not included normally in these

1 models even in a contested proceeding -- and we go through a
2 lot of these models in this kind of contested proceeding,
3 and there's kind of an industry norm, and I describe in my
4 testimony, that's formed, and it's among ILECs and CLECs and
5 other parties, that while we may debate assumptions and
6 inputs or types of calculations, the models are presented in
7 an open basis with documentation of inputs and of process,
8 which we still don't have here even if the model were open,
9 and that lets us concentrate the debate here on the things
10 that really matter when we're before you.

11 The reason -- other than an agreement, an evolved
12 agreement of openness, the reason that you don't have these
13 things in a normal model even if you intend to hide it is
14 that they represent pitfalls that it's far too easy to fall
15 into yourself.

16 When you have a macro that turns the auto calculation
17 off, even the person who designs the spreadsheet and is
18 going to present it, there's a real pitfall there that
19 they're going to forget that they've done that, or when you
20 take things out of view, that they're going to forget. The
21 best way to trip up yourself if you're performing this cost
22 study is to put these kind of macros in there and then not
23 remember what all 40 of them are doing interactively.

24 Because of that I think it's likely that these do
25 impact the results. ALLTEL would have to be extremely

1 careful not to get tripped up by their own booby-trap, if
2 you will. But because we can't go through it yet, I can't
3 tell you specifically whether that has happened or not. It
4 certainly made it impossible for us to review. I don't know
5 if it has made the results flawed or not, but if I were
6 sponsoring this kind of study, I would worry about that,
7 because I would be afraid I couldn't remember all 40 traps I
8 built into the thing.

9 JUDGE WEISMANDEL: In light of that then, if the only
10 change that you made on the new model calculation was to
11 correct -- excuse me for using what probably to you is a
12 layman's way of looking at this, but I'm not a
13 mathematician, but I think what you did or as I would
14 understand what you did was you made a mathematical
15 correction. A formula was applied that produced a -- what
16 was stated to be the formula wasn't what was really applied
17 to the number. A different formula was applied leading to
18 what you believe is an incorrect answer.

19 THE WITNESS: Yes, that is exactly correct.

20 JUDGE WEISMANDEL: All right. You made that
21 correction.

22 THE WITNESS: Yes.

23 JUDGE WEISMANDEL: And my understanding is that's the
24 only thing you did, the only change you made.

25 THE WITNESS: To produce --

1 JUDGE WEISMANDEL: To produce the rates that you then
2 produced.

3 THE WITNESS: For Exhibit 9, yes, sir.

4 JUDGE WEISMANDEL: Yes.

5 THE WITNESS: Yes, sir.

6 JUDGE WEISMANDEL: Given all you just said about
7 their cost model, what kind of confidence do you have in
8 those numbers when you've only made that one correction and
9 all of these other flaws, if you will, still exist?

10 THE WITNESS: I guess to use a layman's term, queasy
11 confidence. I mean, I'm concerned that I don't have the
12 investment calculation at all in a mechanized form. That
13 concerns me a lot, because that's a big deal. I'm concerned
14 that I don't have this insight. Those concerns are laid in
15 some sense -- you know, as precise as I always want to be
16 about all of this stuff mathematically, there's a don't let
17 the perfect be the enemy of the good consideration that has
18 to come in here as a practical matter, too.

19 In terms of sitting here and telling you the
20 recalculation on Exhibit 9 is the right answer, I couldn't
21 sit here and tell you that. When I take those numbers and
22 compare them to other values that I think stand as
23 reasonable benchmarks and I see that they fit well within
24 those, I am confident sitting here telling you, Your Honor,
25 I believe those are reasonable numbers, which may ultimately

1 be as close as we get in this type of proceeding.

2 I'm comfortable that they're reasonable because of
3 how they compare with others. I could not sit here and tell
4 you under oath I believe they are precisely correct, because
5 I simply don't have the information to do that.

6 JUDGE WEISMANDEL: So what you're saying is that we
7 should be, as we are in general rate increase cases,
8 comfortable with a range of reasonableness and that your
9 numbers, based upon the checks that you've explained, fall
10 within that range of reasonableness?

11 THE WITNESS: I do. I think there are broad and
12 narrow ranges, and I think this as you compare these is a
13 fairly narrow range, and I think it needs to be in this
14 context, because we're talking about minute of use rates
15 that in and of themselves may vary little, but times a very
16 large number of minutes may matter a lot. So the range is
17 fairly narrow, but I think that's really what we see here.

18 So, yeah, I guess dating back to the rate of return
19 cases that I used to do for telephone and for power, I think
20 that is a good allegory for where we are. We're in a range
21 of reasonableness here. I can't tell you it's the
22 definitive answer, but I'm comfortable telling you that it's
23 in that range that's reasonable.

24 JUDGE WEISMANDEL: Thank you, Mr. Wood.

25 Does counsel have any questions for Mr. Wood in light

1 of the questions that I've asked him? Mr. Thomas?

2 MR. THOMAS: No, we don't, Your Honor.

3 JUDGE WEISMANDEL: Mr. Arfaa?

4 MR. ARFAA: No, Your Honor, but I would move for the
5 admission at this point of what have been marked for
6 identification as Exhibits DJW-7, DJW-8, DJW-9 and DJW-10,
7 if that's appropriate at this time.

8 MR. THOMAS: We have no objection.

9 JUDGE WEISMANDEL: No objection. There being no
10 objection, what have previously been marked for
11 identification as Exhibits DJW-7 through and including DJW-
12 10 are admitted.

13 (Whereupon, the documents marked as
14 Verizon Wireless Exhibits Nos. DJW-7
15 through DJW-10 were received in
16 evidence.)

17 JUDGE WEISMANDEL: Mr. Wood, you are excused with our
18 thanks.

19 (Witness excused.)

20 JUDGE WEISMANDEL: Is Mr. Wood free to leave if he
21 needs to and not be available tomorrow?

22 MR. THOMAS: Yes.

23 JUDGE WEISMANDEL: He is. You may get on with your
24 life.

25 I have 12:37. Would this be an appropriate time to

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take a luncheon break for those of you who indulge?

MR. THOMAS: Yes, Your Honor. Could we go off the record for a second?

JUDGE WEISMANDEL: Certainly.

(Whereupon, at 12:37 p.m., the hearing was adjourned, to be reconvened at 1:30 p.m., this same day.)

FORM 2

AFTERNOON SESSION

(1:30 p.m.)

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JUDGE WEISMANDEL: Back on the record.

As I understand it, Verizon Wireless is going to present their next witness at this time.

MR. ARFAA: Yes, Your Honor. Verizon Wireless calls Marc B. Sterling to the stand. Your Honor, with your permission, I would like to propose the following slightly out of ordinary procedure. I would like to introduce Mr. Sterling and authenticate his testimony. Then I would like to have Ms. Critides do his oral surrebuttal and defend his cross-examination, if that's acceptable to you, sir.

JUDGE WEISMANDEL: That's fine. Mr. Sterling, would you raise your right hand, please?

Whereupon,

MARC B. STERLING

having been duly sworn, testified as follows:

JUDGE WEISMANDEL: Thank you. Please be seated. I'll remind you please speak up.

DIRECT EXAMINATION

BY MR. ARFAA:

Q. Mr. Sterling, could you please state your full name, title and business address for the record?

A. Yes. My name is Marc B. Sterling. I am a contract negotiator for Verizon Wireless. My business

FORM 2

1 address is One Verizon Place, Alpharetta, Georgia, 30004.

2 Q. Thank you. Do you have before you -- pardon me.

3 MR. ARFAA: Your Honor, I would ask that the
4 documents I just passed out, Mr. Wood's direct testimony and
5 Mr. Wood's rebuttal testimony on behalf of Verizon Wireless,
6 be marked respectively as Verizon Wireless Statements 1.0
7 and 1.1.

8 JUDGE WEISMANDEL: They will be so marked for
9 identification. I note that the statement marked as No. 1.0
10 includes two exhibits, MBS-1 and MBS-2, and the statement
11 marked 1.1 includes one exhibit marked MBS-3. I'm sorry;
12 two exhibits, MBS-3 and MBS-4.

13 (Whereupon, the documents were marked
14 as Verizon Wireless Statements Nos.
15 1.0 and 1.1 for identification.)

16 MR. ARFAA: Thank you, Your Honor. And I may have
17 misspoke earlier. I may have said Mr. Wood's statements,
18 and I meant Mr. Sterling's.

19 May that be so marked, Your Honor?

20 JUDGE WEISMANDEL: All those items are marked as
21 identified for identification purposes.

22 MR. ARFAA: Thank you.

23 BY MR. ARFAA:

24 Q. Mr. Sterling, do you have before you what have
25 been marked for identification as Verizon Wireless

1 Statements 1.0 and 2.1 -- 1.1? Excuse me. Do you have
2 before you the statements that have been marked for
3 identification?

4 A. I have 1.0. I'm not sure I have the right one.
5 (Documents handed to witness.)

6 A. Thank you. Yes, I do.

7 Q. Are those, in fact, the direct and rebuttal
8 testimonies respectively that you submitted in this
9 proceeding?

10 A. Yes, they are.

11 Q. For the record, the direct testimony, was that
12 the statement that you submitted on January 23, 2004 and
13 then supplemented on February 3rd, 2004?

14 A. That is correct.

15 Q. And for the record, is the rebuttal Statement
16 No. 1.1 the statement that was served on February 4, 2004?

17 A. That is correct.

18 Q. Were Verizon Wireless Statements 1.0 and 1.1
19 prepared by you or under your direction and control?

20 A. Yes, they were.

21 Q. And if I asked you the questions set forth in
22 Verizon Wireless Statements 1.0 and 1.1 today, would your
23 answers be the same as those set forth in the statements?

24 A. Yes, they would.

25 Q. And are the statements set forth in Verizon

1 Wireless Statements 1.0 and 1.1 true and correct?

2 A. Yes, they are.

3 MR. ARFAA: Your Honor, at this time I would like to
4 move for the admission of what have been previously marked
5 as Verizon Wireless Statements 1.0 and 1.1, subject to cross
6 and timely motions to strike.

7 JUDGE WEISMANDEL: Subject to cross-examination and
8 any timely and appropriate motions, what have been marked
9 for identification as Verizon Wireless Statement 1.0, to
10 include Exhibits MBS-1 and 2, and Verizon Wireless Statement
11 No. 1.1 and Exhibits MBS-3 and 4 are admitted.

12 (Whereupon, the documents marked as
13 Verizon Wireless Statements Nos. 1.0
14 and 1.1 were received in evidence.)

15 DIRECT EXAMINATION

16 BY MS. CRITIDES:

17 Q. Mr. Sterling, are you familiar with Lynn Hughes'
18 rebuttal testimony filed on February 4th, 2004?

19 A. Yes, I am.

20 Q. In her rebuttal testimony around page 7, she
21 indicated that you and Ms. Hughes had already agreed to a
22 traffic ratio of 70/30. Can you explain your opinion of
23 that event?

24 A. Yes, I can. I disagree with Ms. Hughes'
25 statement. Verizon Wireless had offered a 70/30 traffic ✓

1 split in the context of negotiations and as part of a larger
2 counter-proposal to many terms in ALLTEL's template or draft
3 agreement. ALLTEL did not agree with many of those other
4 proposed changes by Verizon Wireless.

5 Further, ALLTEL offered no traffic data to support a
6 70/30 split or 70/30 ratio or to lead us to the conclusion
7 that we should agree to any specific traffic split without
8 -- agree to any such traffic split on its own without any
9 concessions to any of the other terms that Verizon Wireless
10 has proposed.

11 And so, no, I do not believe we had agreed to a 70/30
12 ratio.

13 Q. At page 25 of Ms. Hughes' testimony, rebuttal
14 testimony, she questioned the traffic flow information that
15 you compiled from the Meadville switch. Can you explain why
16 the information you provided in your testimony only
17 concerned direct interconnection facilities at the Meadville
18 switch and did not consider indirect traffic flows?

19 A. Yes. First, I would like to explain that
20 Verizon Wireless is able to measure the minutes that go in
21 and out over direct trunk groups. For direct trunk groups
22 that connect us to Verizon Pennsylvania tandems, we can
23 measure the minutes that go in and out over those trunk
24 groups, but we cannot identify the carrier that's ultimately
25 originating or terminating those minutes on the other side.

1 When we look at traffic over direct trunk groups with
2 ALLTEL, again, we can measure the minutes in and out over
3 those trunk groups, and in that case we really don't need to
4 be able to identify the other carrier, because we know we're
5 only exchanging traffic with ALLTEL over those direct trunk
6 groups.

7 I did look at -- I did identify that in Pennsylvania,
8 Verizon Wireless has three points of interconnection
9 currently with ALLTEL, and I looked at the traffic that was
10 exchanged over those points of interconnection. I found
11 that in two of the three cases, traffic currently is only
12 flowing in the land to mobile direction over those groups;
13 and in the third connection, which was Meadville, I found
14 that traffic was flowing directly in both the land to mobile
15 as well as mobile to land directions, and so I compared the
16 traffic exchange directly at Meadville for purposes of my
17 analysis.

18 Q. Can you explain why or why not you may not be
19 able to make such a comparison with respect to indirect
20 traffic?

21 A. Yes. As I mentioned previously, for indirect
22 traffic, which is the traffic exchanged through Verizon
23 Pennsylvania's tandems, while we can measure the minutes
24 over the trunk groups we have to those tandems, we cannot
25 identify the traffic by a subtending LEC on the other end of

1 Verizon's tandems.

2 As we did, though, put data together in response to
3 interrogatories by ALLTEL, we identified that we are
4 currently sending approximately 4.6 million minutes per
5 month to ALLTEL indirectly. We got that data from reports
6 that came from Verizon Pennsylvania, the tandem provider.

7 We requested of ALLTEL data on the traffic they
8 originate indirectly through Verizon Pennsylvania tandems to
9 us. Their response to our interrogatory acknowledged that
10 they do send traffic indirectly to us, but they did not
11 provide any information on the amount or volumes of that
12 traffic sent to us indirectly; and so, without that piece,
13 without knowing the volume of traffic that ALLTEL is sending
14 indirectly to us, I'm not able to come up with the same type
15 of analysis or ratio on the indirect traffic as I was able
16 to for the directly exchanged traffic at Meadville.

17 Q. So as of today, have you received any
18 information on the amount of traffic that ALLTEL originates
19 indirectly through a Verizon tandem to Verizon Wireless?

20 A. No, I have not.

21 Q. Mr. Sterling, are you familiar with Mr.
22 Caballero's testimony?

23 A. Yes, I am.

24 Q. Prior to your receipt of Mr. Caballero's
25 rebuttal testimony on February 4th, 2004, did you have any

1 indication that they were revising their cost model or
2 seeking to enter a revised cost model for Pennsylvania
3 specifically?

4 A. No, I did not. We had requested cost study
5 information from ALLTEL at least as early as June of 2003,
6 and we received the cost information in December of 2003,
7 the cost model information; and during all of that time,
8 while we didn't agree with the rates they were requesting or
9 suggesting or proposing, we understood ALLTEL's position to
10 be that those rates, the rates reflected in the initially
11 submitted cost study, we understood their position to be
12 that those were their rates.

13 In fact, the cost model that was initially submitted
14 in December did have what we understood to be Pennsylvania
15 specific information in it. It had calculations for not
16 only Pennsylvania, but it calculated rates for North
17 Carolina, South Carolina and what I would understand to be
18 each of ALLTEL's LEC operating companies in Georgia, and we
19 understood each of those calculations to be state specific.

20 Beyond that, I'm not aware of any communication from
21 ALLTEL that there would be any updated or revised study
22 provided.

23 Q. Thank you. Mr. Sterling, can you explain why
24 Verizon Wireless' position on the sharing of interconnection
25 facilities' costs do not require ALLTEL to serve territory

1 outside of its rate center or service area boundary?

2 A. Yes. Verizon Wireless is not suggesting that
3 ALLTEL provide service outside of its service area
4 boundaries. Verizon Wireless is suggesting that ALLTEL be
5 responsible for the cost of the facilities that transport
6 their originated traffic to Verizon Wireless.

7 Q. Does this explanation have anything to do with
8 ALLTEL's ability to serve customers?

9 A. Again, we're not suggesting that ALLTEL serve
10 customers outside of its territory. What we're suggesting
11 is that with calls that originate on ALLTEL's network in
12 accordance with reciprocal compensation regimes, ALLTEL is
13 the cost causer for that traffic, and so it's their
14 obligation to pay to get that traffic to us. They don't
15 have to physically build outside of their territory. They
16 could share in the cost of Verizon Wireless facilities that
17 would be outside their territory coming back to our switch
18 or they could get those facilities from a third-party
19 provider.

20 Q. Mr. Sterling, just one more question. Are there
21 any other ways that carriers can meet and exchange costs,
22 meet point arrangements that they can get into in order to
23 share the costs of reciprocal compensation at, say, a point
24 within ALLTEL's rate center?

25 A. Yes. We, in fact, recently offered a proposal

1 to ALLTEL of an alternative methodology for sharing the cost
2 of connecting facilities actually in many ways very similar
3 to the arrangement that is provided for in our
4 interconnection agreement with Commonwealth --

5 MS. MATZ: Your Honor, we object.

6 JUDGE WEISMANDEL: On what basis?

7 MS. MATZ: We believe at this point Mr. Sterling is
8 going into settlement discussions that occurred over the
9 weekend. Those are not discussions that were part of formal
10 negotiations. They are not discussions that were part of
11 the record.

12 JUDGE WEISMANDEL: Are you done?

13 MS. MATZ: Yes.

14 JUDGE WEISMANDEL: You don't have to stand.

15 MS. CRITIDES: Your Honor, I disagree. We are
16 talking about arrangements that are very similar to
17 agreements that were raised this morning, and Mr. Sterling
18 has a right to address those arrangements, because those
19 interconnection agreements were brought up in testimony
20 earlier today on cross-examination.

21 MR. ARFAA: And, also, just may I?

22 MS. CRITIDES: Go ahead.

23 MR. ARFAA: And Ms. Critides will contradict me when
24 I'm wrong, but Your Honor will remember that the parties are
25 under a continuing duty to negotiate under the Telecom Act,

1 and I'm unaware of any distinction drawn by parties or
2 counsel between confidential settlement negotiations so-
3 called and the negotiations that are statutory, must occur,
4 and which have been the subject of many questions already
5 today.

6 JUDGE WEISMANDEL: I think it gets to be a mighty,
7 mighty fine line to draw, and perhaps, you know, in
8 hindsight -- and I don't mean this critically, Mr. Sterling
9 -- perhaps it would have been better had Mr. Sterling
10 answered the question, yes, there are other methods and left
11 off the part that we just recently talked about, but, you
12 know, you're not going to get that toothpaste back in the
13 tube. I'm going to let it go.

14 MS. MATZ: I'm going to move to strike it, Your
15 Honor.

16 MR. ARFAA: I would also say -- excuse me. Mr.
17 Sterling was testifying as to his own offer. That's not --
18 ALLTEL has no right to strike that. I just realized that.
19 They have no right to say that's confidential.

20 JUDGE WEISMANDEL: You won. Quit. It's the top to
21 stop.

22 MR. ARFAA: Right.

23 MS. CRITIDES: Your Honor, should he answer or should
24 I rephrase the question?

25 JUDGE WEISMANDEL: Do you remember the question,

1 Mr. Sterling?

2 THE WITNESS: Yes. I believe I can answer that
3 question.

4 JUDGE WEISMANDEL: Go ahead.

5 THE WITNESS: Yes. There are other alternative
6 approaches to sharing the costs of connecting facilities,
7 and one example would be the arrangements as outlined in our
8 interconnection agreement with Commonwealth Telephone. In
9 that scenario -- and it was discussed earlier during Mr.
10 Woods' testimony. In that specific example, four points of
11 interconnection were identified. Two of those points of
12 interconnection were shown to be at Verizon Wireless cell
13 sites.

14 I did not negotiate the Commonwealth agreement, but
15 my expectation and understanding would be that those cell
16 sites would likely be within Commonwealth's service
17 territory. From the point within that service territory,
18 the arrangements provided for in our agreement with
19 Commonwealth Telephone provide that Verizon Wireless is
20 responsible for the cost of 100 percent of the facility from
21 that point of interconnection back to our switch and that
22 Commonwealth Telephone is responsible for 100 percent of the
23 cost of the facility within their territory from the cell
24 site back to their switch; and that was two of the four
25 scenarios in that agreement.

1 There was one interconnection identified at a
2 Commonwealth wire center, but the fourth example or specific
3 point of interconnection in that agreement, as I understand
4 it, is a meet point with Commonwealth at their service area
5 boundary and from that meet point -- in other words, as
6 opposed to connecting off of a cell site, we might run the
7 connecting facility straight from our switch. At that meet
8 point, that distinguishes where the responsibility for the
9 cost of the facilities changes; and, again, from that meet
10 point back to Verizon Wireless' switch, Verizon Wireless is
11 responsible for 100 percent of the cost of that facility,
12 and from the meet point boundary at Commonwealth's
13 territory, Commonwealth is responsible for 100 percent of
14 the cost of that facility from that boundary to their
15 switch.

16 Q. Mr. Sterling, are you aware if that was a
17 negotiated or arbitrated agreement?

18 A. I understand that to be a negotiated agreement.

19 Q. Can you think of any requirements under the FCC
20 rules or reciprocal compensation regime that would require
21 you to meet in the manners that you describe in the
22 Commonwealth agreement?

23 A. No. In my opinion, that would be a compromise
24 type of scenario. Again, my position from a policy
25 perspective would be that the originating LEC would be

1 responsible for the facilities to get their originated
2 traffic to me, and as an originating wireless carrier, I
3 would be responsible for facilities to get our originated
4 traffic to them.

5 Q. Can you clarify? Do you mean facilities or do
6 you mean actual cost of facilities?

7 A. Yes. Excuse me. Again, as I mentioned earlier,
8 we're not looking for any telephone company to physically
9 have to construct facilities outside of their territory, but
10 they could share the cost of facilities we have, or if they
11 choose, they could get facilities leased from a third-party
12 provider.

13 MS. CRITIDES: Thank you, Mr. Sterling. I have no
14 further questions.

15 JUDGE WEISMANDEL: Thank you. Cross-examination?

16 MS. MATZ: Yes, Your Honor. I will be conducting the
17 cross-examination of Mr. Sterling.

18 JUDGE WEISMANDEL: Ms. Matz.

19 MS. MATZ: May we have one minute, Your Honor?

20 JUDGE WEISMANDEL: Yes.

21 (Pause.)

22 MS. ARMSTRONG: Your Honor, if we might, prior to
23 commencing cross-examination, we have two exhibits that are
24 going to be -- at least one of them is going to be used in
25 Mr. Sterling's cross. Might we ask that they be identified

1 for the record?

2 JUDGE WEISMANDEL: Certainly.

3 MS. ARMSTRONG: Thank you, Your Honor. First of all,
4 we would ask that there be identified as ALLTEL Exhibit 4,
5 ALLTEL Pennsylvania, Inc's, response to the arbitration
6 petition of Verizon Wireless. We have agreed with Verizon
7 Wireless that that exhibit may be stipulated into the
8 record.

9 MR. ARFAA: That's correct.

10 MS. CRITIDES: Yes, that's correct.

11 JUDGE WEISMANDEL: The court reporter and I have been
12 given copies of that. It will be so marked for
13 identification.

14 (Whereupon, the document was marked
15 as ALLTEL Exhibit No. 4 for
16 identification.)

17 JUDGE WEISMANDEL: Ms. Critides, is Ms. Armstrong's
18 representation correct that it's being admitted by
19 stipulation?

20 MS. CRITIDES: Yes it is.

21 MS. ARMSTRONG: And, Your Honor, the second exhibit
22 that we have pre-marked for identification and pre-
23 stipulated with Verizon Wireless we have marked for
24 identification as ALLTEL Exhibit No. 5, and it contains
25 Verizon Wireless' response to ALLTEL's first set of

1 interrogatories. Copies have been given to the reporter and
2 to Your Honor and to Verizon Wireless, and they, too, have
3 been stipulated to be admitted into the record.

4 MR. ARFAA: One question for clarification.

5 MS. ARMSTRONG: I'm sorry. We did agree with Mr.
6 Arfaa that they filed an amended supplemental response to
7 one of the interrogatories in their first set which we have
8 not included, because, in fact, it was included in Mr.
9 Sterling's testimony.

10 The other item that I would point out is that with
11 respect to their amended second supplemental response to the
12 interrogatories, Appendix B, because it was marked
13 proprietary, has been omitted because none of the parties
14 thought it was essential to include for purposes of accuracy
15 of the exhibit.

16 JUDGE WEISMANDEL: Does that sound correct?

17 MR. ARFAA: I'm sorry. What was the last --

18 MS. ARMSTRONG: I misstated. We had excluded the
19 proprietary list of all of the interconnection agreements
20 because it was marked proprietary and made it easier to
21 identify the exhibit as a non-proprietary exhibit, and it
22 was not essential to the accuracy of the exhibit.

23 MS. CRITIDES: Yes, that's correct.

24 MR. ARFAA: That's correct.

25 JUDGE WEISMANDEL: All right. So what we have as

1 ALLTEL Exhibit No. 5 or at least what I have in my
2 possession is the responses of Cellco Partnership to the
3 first set of interrogatories of ALLTEL Pennsylvania, Inc.,
4 that being through Interrogatory I-24, and then another
5 documented labeled "Amended Second Supplement to Responses
6 of Cellco Partnership to First Set of Interrogatories of
7 ALLTEL Pennsylvania, Inc.," with the noted exception of
8 documents as described by Ms. Armstrong. Correct?

9 MS. ARMSTRONG: Your Honor, I have one other comment
10 to make, and I will apologize. It appears that when we
11 asked Exhibit 1 to be excluded, Exhibit 2 was also excluded.
12 That was not intended. When we talked to Mr. Arfaa, we
13 talked about just excluding Exhibit No. 1.

14 We will submit corrected ALLTEL Exhibit 5 to make
15 sure that they include Exhibit 2, but exclude Exhibit 1.

16 JUDGE WEISMANDEL: Exhibit 2 to which document?

17 MS. ARMSTRONG: Exhibit 2 to their amended
18 supplemental response.

19 JUDGE WEISMANDEL: Amended second supplement?

20 MS. ARMSTRONG: Correct.

21 MS. MATZ: What happened, Your Honor, is we got the
22 amended second supplement yesterday after we had already
23 prepared our exhibits of the unamended, the original second
24 supplement, and when we gave it to the secretary to flip
25 exhibits, she inadvertently pulled that off, and it wasn't

1 intended to be pulled off.

2 JUDGE WEISMANDEL: What we need to do then is the
3 court reporter and I need to remember that what we have
4 isn't the final document, and you will make the appropriate
5 substitutions before this matter is concluded on the record.

6 MS. MATZ: We certainly will, Your Honor.

7 (Whereupon, the document was marked
8 as ALLTEL Exhibit No. 5 for
9 identification.)

10 MR. ARFAA: Your Honor, while we're at a break, may I

11 --

12 JUDGE WEISMANDEL: We're not really on a break.

13 MR. ARFAA: Pardon me. Just so they're together in
14 the record, we had also intended to introduce through
15 stipulation our Petition for Arbitration as Verizon Wireless
16 Hearing Exhibit 1. Is it appropriate now to do that or
17 should I do it later?

18 JUDGE WEISMANDEL: That would be a good thing to do,
19 and we'll get them all out of the way right now.

20 MR. ARFAA: It's just that one. This is the petition
21 that we filed with attachments to initiate this proceeding.
22 Ms. Armstrong and I have agreed that it may be admitted.

23 (Whereupon, the document was marked
24 as Verizon Wireless Hearing Exhibit
25 No. 1 for identification.)

1 JUDGE WEISMANDEL: All right. What have been marked
2 for identification and has just been described, some at
3 excruciating length, as ALLTEL Exhibits 4 and 5 are admitted
4 by stipulation, as is Verizon Wireless Exhibit 1.

5 Correct, folks?

6 MR. ARFAA: Yes, Your Honor.

7 (Whereupon, the documents marked as
8 ALLTEL Exhibits Nos. 4 and 5 were
9 received in evidence.)

10 (Whereupon, the document marked as
11 Verizon Wireless Hearing Exhibit No.
12 1 was received in evidence.)

13 JUDGE WEISMANDEL: Now, Ms. Matz, I think we're ready
14 for you to proceed.

15 MS. MATZ: Thank you, Your Honor.

16 JUDGE WEISMANDEL: Thank you.

17 CROSS-EXAMINATION

18 BY MS. MATZ:

19 Q. Good afternoon, Mr. Sterling.

20 A. Good afternoon.

21 Q. Mr. Sterling, I can assure you that you'll make
22 your flight.

23 Am I correct that none of Verizon Wireless'
24 interconnection agreements that they have with Pennsylvania
25 carriers have been arbitrated?

1 A. That is correct.

2 Q. Am I correct that, in fact, Verizon Wireless has
3 not arbitrated any interconnection agreements nationwide?

4 A. I believe that is not correct. Let me just
5 explain that I am one of five contract negotiators within
6 Verizon Wireless, and it is my understanding that one of my
7 counterparts has arbitrated interconnection agreements.

8 One that comes to mind was an interconnection
9 agreement with SBC Ameritech, although I'm not sure off the
10 top of my head which state.

11 Q. As a matter of fact, you did note in the -- or
12 it was noted in one of the interrogatory responses that the
13 SBC Ohio contract was partially arbitrated and partially
14 negotiated.

15 A. That sounds correct, yes.

16 Q. With that exception, were there other
17 arbitrations that you're aware of?

18 A. No, not that I'm aware of.

19 Q. Am I correct that the interconnection agreements
20 that ALLTEL Pennsylvania, Inc., has with carriers in
21 Pennsylvania have all been negotiated?

22 A. Their agreements with Verizon Wireless have been
23 negotiated. I'm not aware of their agreements with other
24 wireless carriers being arbitrated, but I don't know for
25 sure.

FORM 2

1 Q. You reviewed those agreements, did you not? You
2 reference them in your --

3 MS. CRITIDES: Objection, Your Honor. He says he
4 doesn't know.

5 MS. MATZ: Your Honor, I have a different question
6 pending right now.

7 MS. CRITIDES: Okay. It sounded like you were
8 badgering.

9 THE WITNESS: Can I ask just for clarification,
10 you're talking about Verizon Pennsylvania's agreements with
11 other wireless carriers?

12 BY MS. MATZ:

13 Q. No. I'm talking about ALLTEL Pennsylvania's
14 interconnection agreements with other wireless carriers in
15 Pennsylvania.

16 A. Okay. And the question is regarding those
17 agreements, whether any of those have been arbitrated?

18 Q. That was the question, and I believe you
19 answered you didn't know.

20 A. I know that Verizon Wireless has not arbitrated
21 any agreements with ALLTEL Pennsylvania. I'm not aware of
22 any other arbitrated agreements that ALLTEL Pennsylvania
23 has, but I can't say for certain whether they have actually
24 zero versus potentially some at all.

25 Q. Well, you reviewed -- in discovery, you asked

1 for ALLTEL Pennsylvania interconnection agreements, did you
2 not?

3 A. Yes; and the ones that we received, as far as I
4 know, those were all negotiated agreements.

5 Q. Thank you. Just so we're clear, you're not
6 maintaining that ALLTEL has other interconnection agreements

7 --

8 MS. CRITIDES: Your Honor, I object. I think we're
9 still asking for the same answer.

10 JUDGE WEISMANDEL: Ms. Critides, please wait until
11 she completes the question before you make your objection.

12 Go ahead, Ms. Matz.

13 MS. MATZ: Thank you, Your Honor.

14 JUDGE WEISMANDEL: And the witness is cautioned not
15 to begin to answer until his counsel has had an opportunity
16 to make her objection.

17 THE WITNESS: Yes, Your Honor.

18 JUDGE WEISMANDEL: Thank you.

19 BY MS. MATZ:

20 Q. You're not contending that ALLTEL Pennsylvania
21 has other interconnection agreements in Pennsylvania that
22 they did not provide you to review, are you?

23 A. I agree; I am not contending that.

24 Q. Okay. And the agreements that you did review
25 which were provided to you by ALLTEL you now state you

1 believe were negotiated?

2 A. That's correct.

3 Q. Maybe you won't make your flight tonight. I
4 don't know.

5 A. It just seems like you would know better than I
6 would.

7 Q. Now, am I correct that Verizon Wireless has no
8 arbitrated decision on issues it raises in this proceeding
9 with regard to obligations to interconnect indirectly?

10 A. I believe that's correct, yes.

11 Q. Now, the interconnection agreements that ALLTEL
12 provided you that it has with other wireless carriers in
13 Pennsylvania, do you recall what the provision was in those
14 agreements for the bill due date?

15 A. I do not recall. Actually, when we received
16 those, I was looking at the per minute rates, but I do not
17 recall what was in there for the bill due date.

18 Q. Well, we can do this the quick way or we can go
19 through them one by one. Would you accept subject to check
20 that without exception, those contracts that address the
21 issue of the bill due date, the bill payment was due within
22 30 days of the date of the invoice, or would you like to see
23 the contract?

24 A. I could accept that that's in there.

25 Q. Now, you also provided or Verizon Wireless

1 provided to ALLTEL copies of interconnection agreements that
2 it has in Pennsylvania. Do you recall that?

3 A. Yes.

4 Q. Would you accept subject to check that the
5 interconnection agreement that Verizon Wireless has with
6 Sprint has a provision in the contract for the payment of
7 the bill 30 days from the bill date, or would you like to
8 see that contract?

9 A. No. I could agree to that.

10 Q. Would you agree that the agreement that Verizon
11 Wireless has with Verizon North has a provision in it for
12 the payment of the bill 30 days of the bill date as printed
13 on the face of the bill, or would you like to see --

14 A. I could accept that. I don't recall that
15 specifically offhand, but that's certainly likely; and if
16 it's in there, I believe you. That's fine. I can accept
17 that.

18 Q. And would you agree with me that in the
19 interconnection agreement Verizon Wireless has with Bell
20 Atlantic Pennsylvania, it has a provision in it that says
21 payment of bills under the agreement are due within 30 days
22 of the date of such statement?

23 A. Yes, I can accept that.

24 Q. And would you agree with me that in the
25 interconnection agreement that Verizon Wireless has with GTE

1 North, there is a provision in the agreement for the payment
2 of bills within 30 days of the bill date as printed on the
3 face of the bill?

4 A. Yes, I can agree with that.

5 Q. And would you agree with me that in the
6 interconnection agreement that Verizon Wireless has with
7 Bell Atlantic Pennsylvania, Inc., the provision in the
8 contract for billing and payment provides for payment of
9 billed amounts under the agreement to be made within 30 days
10 of the date of such statement?

11 A. Yes, I can agree.

12 Q. Now, on the issue of the what is referred to as
13 the most favored nation clause in the contract --

14 A. Yes.

15 Q. You refer to a provision in the North Pittsburgh
16 Telephone Company interconnection agreement. Do you recall
17 that?

18 A. Yes, I do.

19 Q. And I think it was established earlier that that
20 was a negotiated interconnection agreement.

21 A. Yes. I understand that to be the case.

22 Q. And, in fact, Verizon Wireless indicated in its
23 responses to discovery that in that agreement, Verizon
24 Wireless agreed to pay for indirect traffic according to the
25 ITORP process. Do you recall that?

1 A. I recall --

2 Q. Would you like me to show you the interrogatory
3 response?

4 A. No. I recall that in the interrogatory
5 response, I did not negotiate that agreement. I have looked
6 at that agreement, and I didn't find where that provision
7 was in there, but I understood that to be what our response
8 was to the interrogatory. ~~I actually understood that~~
9 ~~agreement also to have a provision that bill payments are~~
10 ~~due 30 days from receipt of invoice.~~

11 MS. MATZ: Your Honor, I would ask the witness to
12 please restrict his answers to the questions that are posed.

13 JUDGE WEISMANDEL: Mr. Sterling --

14 THE WITNESS: Yes, Your Honor.

15 MS. MATZ: And I would move to strike the gratuity
16 that was thrown in at the end of that.

17 JUDGE WEISMANDEL: That will be stricken as not
18 responsive to the question.

19 BY MS. MATZ:

20 Q. In fact, Mr. Sterling --

21 MS. CRITIDES: Excuse me, Your Honor. Can she refer
22 me back to which answer to which question again?

23 MS. MATZ: If you would just let me speak, Ms.
24 Critides.

25 MS. CRITIDES: Fine.

1 BY MS. MATZ:

2 Q. If you would look at what was painfully
3 identified this morning as ALLTEL Exhibit 5, I believe. It
4 would be the answer found in response to Interrogatory I-6,
5 and that would be on page 7.

6 (Document handed to witness.)

7 Q. Mr. Sterling, I've just handed you a copy of
8 Verizon Wireless' interrogatory response to ALLTEL
9 Interrogatory I-6, the answer to which appears on page 7.

10 A. Yes.

11 Q. Could you read that please to yourself?

12 (Witness complying.)

13 A. Yes. I've done that.

14 Q. So you would agree with me that the North
15 Pittsburgh interconnection agreement indirect traffic is
16 exchanged at the ITORP rate?

17 A. Yes, in accordance with that negotiated
18 agreement.

19 Q. Now, you make a statement in your rebuttal
20 testimony that -- you make reference in your rebuttal
21 testimony to the fact that without Verizon Wireless'
22 preferred most favored nation language in the contract, the
23 Commission could be called upon every year to arbitrate
24 decisions.

25 Do you recall that?

1 A. Can you point out where that is in the rebuttal,
2 please?

3 Q. Page 13, and the answer continues over onto the
4 top of 14, and I think it's the sentence that starts on line
5 2 and ends on line 3. Actually, it ends on line 4.

6 A. Yes. I agree.

7 Q. Isn't the purpose of a most favored nation
8 clause to allow a company to opt into an existing agreement?

9 A. Yes, it is.

10 Q. Mr. Sterling, just one point of clarification
11 for the record. You understood when I asked you the initial
12 series of questions about provisions in Verizon Wireless'
13 existing Pennsylvania interconnection agreements that there
14 are various interconnection agreements that appear to
15 duplicate Verizon systems, but that is because you had a GTE
16 at one point, you have amendments through Verizon North, and
17 you have Verizon Pennsylvania? Was that clear to you?

18 MS. CRITIDES: Your Honor, I'd like to object. I
19 don't know if there was a question in there, but it sounded
20 like testimony to me.

21 JUDGE WEISMANDEL: It sounded like a question to me
22 that could be answered yes or no whether it was clear to him
23 or not.

24 THE WITNESS: I'm sorry. Can you repeat that again
25 just so I make sure when I answer that?

1 BY MS. MATZ:

2 Q. In fact, because of how Verizon ILEC itself is
3 and because of Verizon Wireless constituting various cellco
4 across the Commonwealth, was it clear to you that when I
5 referenced an agreement, for example, between GTE and
6 Verizon Wireless and Verizon North and Verizon Wireless,
7 they were duplicate agreements? It was a GTE agreement with
8 a cellco in the northeast and a Verizon PA agreement with a
9 cellco in the southeast? I could show you the --

10 A. Yes. I was going to explain I believe we
11 currently have I want to say four different interconnection
12 agreements in Pennsylvania between various Verizon Wireless
13 entities and various Verizon ILEC entities. There was
14 essentially what was originally a GTE Wireless agreement
15 with Verizon Pennsylvania and a 360 Communications
16 interconnection agreement with Verizon Pennsylvania, and,
17 similarly, a GTE Wireless agreement with what was GTE North,
18 now Verizon North, and a 360 Communications agreement with
19 Verizon North, previously GTE North.

20 MS. MATZ: I may have attempted, Your Honor, to use
21 shorthand and just refer to them either as Verizon PA or
22 Verizon North and then everything as Verizon Wireless when,
23 in fact, I'm looking at the contracts, and I just wanted to
24 make sure the witness wasn't confused or I didn't leave any
25 confusion on the record.

1 JUDGE WEISMANDEL: It sounds like he wasn't.

2 MS. MATZ: Very good. Thank you, Mr. Sterling.

3 That's all I have.

4 JUDGE WEISMANDEL: Mr. Sterling, do you have a copy
5 of your direct testimony, what has been marked for
6 identification as Verizon Wireless Statement No. 1.0?

7 THE WITNESS: Yes, sir.

8 JUDGE WEISMANDEL: Would you turn to page 18, please?

9 THE WITNESS: Yes, Your Honor.

10 JUDGE WEISMANDEL: Lines 7 through 8, there are two
11 sentences there. The first sentence consists of the single
12 word "No," and then there is another sentence. Would you
13 read that to yourself, please?

14 (Witness complying.)

15 THE WITNESS: Yes; I've done that.

16 JUDGE WEISMANDEL: Can you give me the citation for
17 where the FCC has made that ruling?

18 THE WITNESS: I would understand that, Your Honor, to
19 be within the FCC's local interconnection order, but I don't
20 have a specific cite within that order.

21 JUDGE WEISMANDEL: You indicated, I believe, that
22 there are currently three points of interconnection between
23 Verizon Wireless and ALLTEL; is that correct?

24 THE WITNESS: Yes, Your Honor.

25 JUDGE WEISMANDEL: Do you know whether those three

1 points of interconnection are all within a single LATA?

2 THE WITNESS: My understanding is that between the
3 three of them, we're actually looking at three different
4 LATAs.

5 JUDGE WEISMANDEL: Three different LATAs?

6 THE WITNESS: Yes, I believe so.

7 JUDGE WEISMANDEL: All right. Are those points of
8 interconnection on ALLTEL's network within each of the three
9 LATAs?

10 THE WITNESS: My understanding is that, yes, I would
11 expect that they are. I have not spoken directly to our
12 region network engineers about that, but my understanding
13 is, yes, they are on ALLTEL's network.

14 JUDGE WEISMANDEL: Thank you. Do counsel have any
15 questions for Mr. Sterling in light of the questions that
16 I've asked?

17 MS. CRITIDES: Your Honor, would you like me to
18 provide legal support for the question that you posed to Mr.
19 Sterling?

20 JUDGE WEISMANDEL: No. I asked Mr. Sterling the
21 question based on his testimony. Thank you.

22 Any questions in light of the questions I've asked
23 Mr. Sterling?

24 MS. MATZ: No, Your Honor.

25 JUDGE WEISMANDEL: Ms. Critides, any questions,

1 Mr. Arfaa?

2 MS. CRITIDES: No. We're done, Your Honor.

3 JUDGE WEISMANDEL: Okay. Mr. Sterling, you're
4 excused with our thanks. Is Mr. Sterling free to leave and
5 to be unavailable tomorrow?

6 MS. MATZ: We will not hold him hostage, Your Honor.

7 JUDGE WEISMANDEL: Good. Thank you, Mr. Sterling.

8 THE WITNESS: Thank you, Your Honor.

9 (Witness excused.)

10 MS. ARMSTRONG: Would it be Your Honor's pleasure to
11 proceed with Ms. Hughes?

12 JUDGE WEISMANDEL: Whenever you folks are ready, we
13 can go right ahead.

14 MS. ARMSTRONG: If Your Honor pleases, we'd call Ms.
15 Lynn Hughes to the stand.

16 JUDGE WEISMANDEL: Ms. Hughes, would you raise your
17 right hand, please?

18 Whereupon,

19 LYNN HUGHES

20 having been duly sworn, testified as follows:

21 JUDGE WEISMANDEL: Thank you. Please be seated.

22 MS. ARMSTRONG: If Your Honor pleases, we have
23 previously distributed to the parties, to Your Honor, and
24 have provided two copies to the court reporter of what has
25 been pre-marked for identification as ALLTEL Statement No.

1 1, ALLTEL Statement No. 1R and attached ALLTEL Exhibit 1A.
2 May they be so identified?

3 JUDGE WEISMANDEL: So marked for identification
4 purposes.

5 MS. ARMSTRONG: Thank you, Your Honor.

6 (Whereupon, the documents were marked
7 as ALLTEL Statements Nos. 1 and 1R
8 and Exhibit No. 1A for
9 identification.)

10 DIRECT EXAMINATION

11 BY MS. ARMSTRONG:

12 Q. Ms. Hughes, will you please state your name and
13 business address for the record?

14 A. My name is Lynn Hughes, and my business address
15 is One Allied Drive, Little Rock, Arkansas.

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

17 A. I'm employed by ALLTEL Communications as a
18 contract negotiator.

19 Q. In that position, have you caused to have
20 prepared direct testimony in question and answer form for
21 the purpose of this proceeding?

22 A. Yes.

23 Q. Do you have in front of you a copy of what has
24 been pre-marked for identification as ALLTEL Statement No. 1
25 containing your direct testimony?

1 A. Yes.

2 Q. Do you have any corrections or additions to make
3 to ALLTEL Statement 1?

4 A. No.

5 Q. Statement 1?

6 A. The direct testimony?

7 Q. Yes.

8 MS. ARMSTRONG: Your Honor, may we go off the record?

9 JUDGE WEISMANDEL: Yes.

10 (Discussion off the record.)

11 JUDGE WEISMANDEL: Back on the record.

12 BY MS. ARMSTRONG:

13 Q. You have no corrections or additions to ALLTEL
14 Statement 1?

15 A. That's correct.

16 Q. If I were to ask you the questions contained in
17 ALLTEL Statement No. 1, would you give the answers as set
18 forth therein?

19 A. Yes.

20 Q. And are those answers true and correct to the
21 best of your knowledge, information and belief?

22 A. Yes.

23 Q. Turning now to your ALLTEL Statement No. 1R and
24 attached Exhibit 1A, was that rebuttal testimony prepared by
25 you or under your supervision and direction?

1 A. Yes.

2 Q. Do you have any corrections or additions to make
3 to ALLTEL Statement No. 1R or Exhibit 1A?

4 A. Yes. I have one correction. On page 26, line
5 8, the term "wireless" appears after "Verizon" between
6 "Verizon ILEC," and that word is to be removed.

7 Q. So the word "wireless" on line 8 should be
8 stricken?

9 A. That's correct.

10 Q. If I were to ask you the questions contained in
11 ALLTEL Statement No. 1R, would you give the answers as set
12 forth therein as you have corrected them?

13 A. Yes.

14 Q. And are those answers true and correct to the
15 best of your knowledge, information and belief?

16 A. Yes.

17 Q. And finally, referring to Exhibit 1A containing
18 a copy of the CMRS agreement involving Verizon Wireless and
19 United Telephone Company of Pennsylvania, also known as
20 Sprint, is Exhibit 1A a true and accurate representation of
21 those pages of that agreement?

22 A. Yes.

23 MS. ARMSTRONG: If Your Honor pleases, we would move
24 into the record subject to cross-examination and appropriate
25 motions Statement No. 1, Statement No. 1R and Exhibit 1A of

1 Ms. Hughes.

2 JUDGE WEISMANDEL: Subject to cross-examination and
3 any timely and appropriate objections, what have been marked
4 for identification as ALLTEL Statement 1 and ALLTEL
5 Statement 1R, which includes ALLTEL Exhibit 1A, are
6 admitted.

7 (Whereupon, the documents marked as
8 ALLTEL Statements Nos. 1 and 1R and
9 Exhibit No. 1A were received in
10 evidence.)

11 BY MS. ARMSTRONG:

12 Q. Ms. Hughes, Mr. Sterling in his rebuttal
13 testimony on page 3 offered to utilize 257,000 minutes of
14 use as a threshold for direct interconnection, but then he
15 put the caveat only to the extent that the end office
16 traffic is exchanged at ALLTEL's tandem location.

17 Can you respond to that offer?

18 A. Well, I'm unclear as to what the purpose of this
19 offer is. ALLTEL's offices sit both behind an ALLTEL tandem
20 and they could possibly sit behind a Verizon ILEC tandem. A
21 threshold needs to be established for both situations.

22 Thresholds are needed in contracts in order to
23 circumvent call problems that both of our customers could
24 incur. For example, a Verizon Wireless customer could call
25 an ALLTEL customer. If there is not enough facilities

1 available because of the amount of volume of traffic that
2 are placed on those facilities, the Verizon Wireless
3 customer could receive an intercept message. They could
4 receive a fast busy on their phone. And these mechanisms
5 are put in place into contracts to prevent those type of
6 instances from occurring.

7 ALLTEL initially proposed a DS-1 level as the
8 industry standard that is used. We also have counter-
9 proposed that with a flat minute of use based amount that
10 each party could measure to determine when a direct
11 connection should be established and not use an indirect
12 route.

13 The 257,000 minutes of use was offered, and ALLTEL
14 believed that's fair in all circumstances.

15 Q. Continuing to look at Mr. Sterling's rebuttal on
16 pages 3 and 4, he offers an opinion on why he believes that
17 the New York Public Service Commission decision, which you
18 cited in your direct testimony in support of ALLTEL's
19 position that it is obligated only to deliver traffic to its
20 border, is applicable only to CLECs and not CMRS providers.

21 Are you familiar with that New York case?

22 A. Yes.

23 Q. And is it accurate to state that that case was
24 not applicable to CMRS carriers?

25 A. That is correct. Initially, the case did only

1 include traffic that was exchanged between CLECs and
2 independents, but further on and during the case, the New
3 York Commission issued an Order that said that this would
4 apply to all carriers and, in fact, stated in this Order
5 that all carriers are responsible for transporting the
6 traffic from the service territory boundaries of the
7 independents back through facilities to their service
8 locations.

9 Verizon ILEC has executed agreements with several
10 independents in the State of New York that provides for this
11 provision; and, in fact, in that same Order, Verizon ILEC
12 stipulated that they were in agreement that the independents
13 should not bear the burden of those costs incurred outside
14 of their networks.

15 MS. ARMSTRONG: If Your Honor pleases, we would ask
16 that there be marked for identification as ALLTEL Exhibit
17 No. 6 the agreement referenced by Ms. Hughes between the
18 local exchange carriers in New York and Verizon Wireless.
19 May it be so identified?

20 JUDGE WEISMANDEL: So marked for identification.

21 (Whereupon, the document was marked
22 as ALLTEL Exhibit No. 6 for
23 identification.)

24 BY MS. ARMSTRONG:

25 Q. Ms. Hughes, you have in front of you what has

1 been marked as ALLTEL Exhibit No. 6. Is this the agreement
2 that you were referring to in your prior answer?

3 A. Yes, it is.

4 Q. And is that the agreement that the parties
5 entered into pursuant to the New York Public Service
6 Commission Order that you discussed?

7 A. Yes, it is.

8 MS. ARMSTRONG: Your Honor, in order to make sure we
9 don't miss anything, may I ask that ALLTEL Exhibit 6 be
10 admitted into the record subject to cross-examination and
11 applicable motions.

12 JUDGE WEISMANDEL: Subject to cross-examination and
13 any timely and appropriate motions or objections, what has
14 been marked for identification as ALLTEL Exhibit 6 is
15 admitted.

16 (Whereupon, the document marked as
17 ALLTEL Exhibit No. 6 was received in
18 evidence.)

19 BY MS. ARMSTRONG:

20 Q. Referring to page 5 of Mr. Sterling's rebuttal,
21 lines 3 to 5, Mr. Sterling asserts that the choice to
22 interconnect indirectly is really ALLTEL's choice since as
23 an alternative to indirect transit, ALLTEL could build out
24 facilities directly to meet Verizon Wireless in Verizon
25 ILEC's territory; and, therefore, ALLTEL should be required

1 to pay the third-party transit charges associated with
2 indirect interconnection.

3 Do you have a comment on that statement?

4 A. Yes, I do. It is Verizon Wireless' choice to
5 directly interconnect with ALLTEL upon our network. It is
6 also Verizon's choice to establish their service facilities
7 in a distant location from ALLTEL. Therefore, if Verizon
8 Wireless has chose to not directly interconnect with ALLTEL
9 causing a cost to be incurred because the traffic would have
10 to be routed through a third party, Verizon Wireless should
11 bear the cost of that third party.

12 Q. Is it ALLTEL's position that it is never the
13 cost causer as Mr. Sterling argues on lines 14 to 15 of his
14 page 5?

15 A. If ALLTEL incurs cost or is required to bear the
16 cost outside of its network, then ALLTEL is not the cost
17 causer. There needs to be a distinguishing between direct
18 interconnection and indirect interconnection. Direct
19 interconnection is when the two parties would directly
20 connect on ALLTEL's network and share in the cost of that.

21 The indirect interconnection occurs when the parties
22 are utilizing a third-party transit provider. Indirect
23 interconnection is being utilized because of Verizon's
24 choice for distant location of their switch. Therefore,
25 this is not ALLTEL's choice for where they choose to

1 identify where they're going to place their switch, and it
2 is not ALLTEL's choice that they did not choose to directly
3 interconnect with us. Therefore, no, ALLTEL is not the cost
4 causer and this is not our choice.

5 Q. On page 6 of Mr. Sterling's rebuttal, he states
6 that it is certainly technically and economically feasible
7 for ALLTEL to share in connecting to Verizon Wireless' four
8 switches in Pennsylvania. Do you agree?

9 A. No, I don't agree. Under this proposal, ALLTEL
10 is being requested to share in the cost of transport to the
11 distant location of wherever Verizon Wireless chooses to
12 place that within the MTA.

13 To give an example, there is an MTA in Pennsylvania
14 that encompasses Bell of Pennsylvania and New York. Verizon
15 Wireless has a switch established in Buffalo, New York.
16 Under this proposal, ALLTEL would require not only to share
17 in the cost of transport outside of our network, but
18 actually into another state.

19 ~~I've also been advised by legal counsel that if we~~
20 ~~incurred this cost, that this could possibly be~~
21 ~~unconstitutional confiscation of ALLTEL --~~

22 MS. CRITIDES: Objection, Your Honor. Isn't that
23 hearsay. I mean, I don't know where counsel is.

24 JUDGE WEISMANDEL: That last remark will be stricken.

25 MS. ARMSTRONG: Your Honor, I believe that you will

1 find plenty of instances in the testimony of Verizon
2 Wireless where their witnesses have been advised and they
3 make legal arguments as well.

4 JUDGE WEISMANDEL: Yes, but, Ms. Armstrong, if you
5 want to make that argument, make it in briefs here. Don't
6 do it through a witness, please.

7 MS. ARMSTRONG: Thank you, Your Honor.

8 BY MS. ARMSTRONG:

9 Q. On page 7 of Mr. Sterling's testimony beginning
10 on lines 1 through 3, can you respond to his testimony that
11 the point of interconnection for land to mobile is any point
12 on Verizon Wireless' network within the MTA?

13 A. Yes, I can. The point of interconnection for
14 direct interconnection has been established by the federal
15 rules that it has to be within the incumbent LEC's network.
16 There have been several court decisions on this issue with
17 the major RBOCs. The decisions that have been placed upon
18 the RBOCs have stated that they have to be responsible for
19 transporting traffic and the costs associated with that only
20 on their network. They have never been imposed the
21 responsibility to incur any cost outside of their network.

22 So, therefore, I do not agree with Mr. Sterling's
23 statement that we are responsible for the point of
24 interconnection within Verizon Wireless' network within the
25 MTA.

1 Q. On page 7, line 7 to page 8, line 2,
2 Mr. Sterling in his rebuttal testimony asserts that ALLTEL
3 agreed to provide local calling for its customers to locally
4 rated NPA/NXXs, and, therefore, ALLTEL cannot charge its
5 customers toll charges for these calls.

6 Do you have a response to that testimony?

7 A. Yes. ALLTEL did agree with Verizon Wireless to
8 provide local dialing parity. ALLTEL has also asserted in
9 its discussions and through contract language that we would
10 not incur any costs assessed with turning these calls up and
11 dialing them locally that could be assessed from a third-
12 party transit provider.

13 If ALLTEL is required to incur those costs, ALLTEL
14 would have to increase rates in order to encompass that, to
15 recover those costs, and the increase in the costs could
16 only occur to those customers that are actually utilizing
17 and calling Verizon Wireless customers.

18 To apply a rate to encompass a cost for us to recover
19 to all end-users would not be fair.

20 Q. Ms. Hughes, do I understand your testimony then
21 that ALLTEL has agreed to provide dialing parity so long as
22 it does not incur any cost?

23 A. That's correct.

24 Q. Is it appropriate for Verizon Wireless to direct
25 ALLTEL in terms of how it charges its customers?

1 A. No, it's not.

2 Q. Is there a similarity in the calling pattern
3 between the scenario you described if you have to pay a
4 transit provider and toll calls?

5 A. In a toll call situation, which would be a one-
6 plus dial call, typically that could either be delivered to
7 an IXC, and that would not even be delivered by ALLTEL to
8 Verizon Wireless, and I'm not sure, when you're talking
9 about toll dialing, those codes that I think are being
10 discussed here are more locally dialed instead of toll,
11 because in toll dialing you have a cost recovery mechanism,
12 whether it be access or toll, that costs can be recovered
13 from.

14 Q. However, under both scenarios, the call may well
15 in fact be transported to a switch distant from the ALLTEL
16 switch?

17 A. That's correct.

18 Q. On page 8, lines 7, Mr. Sterling accuses ALLTEL
19 of seeking to drag third party transit providers into CMRS
20 agreements unnecessarily in an effort to avoid
21 responsibility for the costs ALLTEL incurs in transporting
22 traffic indirectly. Is this accurate?

23 A. ALLTEL has never asserted that the third party
24 transit provider has to be a party to the agreement between
25 ALLTEL and Verizon Wireless. What ALLTEL has stated is that

1 the responsible party that will be paying the third party
2 charges must be documented in the interconnection agreement.
3 Before implementation of the interconnection agreement with
4 Verizon Wireless, ALLTEL will either have to work with
5 Verizon LEC to change the ITORP agreement or set up some
6 other type of contract with them in order for ALLTEL to
7 receive the data in order to bill Verizon Wireless for
8 indirect traffic.

9 Q. Have those arrangements and the issues related
10 thereto been raised in North Carolina?

11 A. Yes, they have.

12 Q. Do you know what Mr. Sterling's testimony there
13 has indicated with respect to that matter?

14 A. In North Carolina, Bell South, as the ILEC ✓
15 there, is providing a meet point type arrangement where they ✓
16 are negotiating and signing agreements to provide the data ✓
17 to the independents for use in billing to the wireless ✓
18 carriers.

19 Q. On page 9, lines 4 to 11, of Mr. Sterling's
20 rebuttal testimony, he asserts that Verizon Wireless offered
21 a 70/30 factor in the context of several open items. Can
22 you respond to that?

23 A. Yes. ALLTEL received the proposed 70/30 split
24 from Verizon Wireless I believe either on the second
25 conference call that I had, or maybe -- I'm not exactly

1 which call, but it was early in the discussions that we had
2 with them. ALLTEL accepted the change that was proposed by
3 them, and at that time Verizon Wireless never stipulated
4 that that factor was being proposed based upon the
5 resolution of other issues. At that time in the
6 negotiations there were still several issues open, and it
7 was never discussed that if ALLTEL accepted the 70/30, that
8 other issues would be resolved also.

9 Q. Of what effect is Mr. Sterling's assertion that
10 Verizon Wireless sells numbers that are rated in rate
11 centers local to 72 of ALLTEL's 103 exchanges and that
12 somehow results in a higher land to mobile factor?

13 A. I cannot -- Mr. Sterling or Verizon Wireless has
14 not provided any factual data for us to review to support
15 that, and I'm not aware of any data in the industry that
16 would factually support that just because they have locally
17 rated codes in our territory, that that would increase the
18 volume of land to mobile. You know, you would think, just
19 from a common sense basis, that both volumes of traffic
20 would increase.

21 Q. On page 10 of his rebuttal testimony, Mr.
22 Sterling addresses ITORP and states that not only was
23 Verizon Wireless not a party to that agreement, but also
24 that Exhibit G of the ITORP agreement between Verizon ILEC
25 and the independents actually provides that the ITORP

1 settlement method is superseded once the wireless carrier
2 and an independent enter interconnection agreements. Can
3 you respond?

4 A. Yes. The ITORP agreement is an agreement that's
5 in place between Verizon ILEC and the independents. Even
6 though Verizon Wireless was not a party to this agreement, ✓
7 in their agreement with Verizon ILEC they agreed to ✓
8 compensate Verizon ILEC for any costs that they incurred ✓
9 from independents when they transited, Verizon ILEC
10 transited traffic to these independents for termination. So
11 basically, by sending and transmitting the data and paying
12 the bill, they agreed to this arrangement. To state that
13 the ITORP arrangement would be superseded once an agreement
14 was signed between ALLTEL and Verizon Wireless, I cannot
15 support that factually by reviewing Exhibit G to Mr.
16 Sterling's testimony.

17 MS. ARMSTRONG: Your Honor, might we just have one
18 moment, please?

19 JUDGE WEISMANDEL: Certainly.

20 (Pause.)

21 BY MS. ARMSTRONG:

22 Q. Ms. Hughes, in Mr. Sterling's oral surrebuttal,
23 he discussed the meet point --

24 MR. ARFAA: Objection, Your Honor. The purpose of
25 surrebuttal is to respond to rebuttal. My understanding is

1 the way it works is you don't respond to what went on that
2 day or else it will never end and it is not fair. This is a
3 very long proceeding -- very short proceeding, and --

4 JUDGE WEISMANDEL: It just seems very long.

5 MR. ARFAA: In lawyer minutes it seems long, yes, my
6 client will tell you that. I'm sorry, I don't mean to be
7 jocular. My point is that it is fundamentally unfair, I
8 think, to respond to oral surrebuttal with further rejoinder
9 because -- why should ALLTEL have the last word in any of
10 this? We're the party who has the open and close. We then
11 would have a right to come back. It's unsupportable. There
12 have been many chances, if ALLTEL -- anyway, that's my
13 objection.

14 MS. ARMSTRONG: Your Honor, we only have one question
15 of Ms. Hughes for purposes of clarification about her
16 understanding of what Mr. Sterling indicated was the
17 compromise method of sharing costs that he had supposedly
18 offered, and we got into that discussion; and I just want
19 her to expand upon whether or not the meet point, in fact,
20 at the ALLTEL rate center versus the ALLTEL network versus a
21 Verizon cell tower -- how those relate so that the record is
22 clear.

23 MR. ARFAA: I reassert my objection, Your Honor.

24 JUDGE WEISMANDEL: Your objection is well-founded,
25 Mr. Arfaa. On the other hand, limited to the one question,

1 I'm going to let that occur, but don't be afraid to re-raise
2 the same objection if it becomes necessary.

3 MR. ARFAA: Thank you, Your Honor. I understand.

4 JUDGE WEISMANDEL: Do it in one question, Ms.
5 Armstrong.

6 BY MS. ARMSTRONG:

7 Q. Ms. Hughes, what is your understanding of the
8 offer Mr. Sterling made as a compromise method of sharing
9 costs relative to meeting ALLTEL on its network?

10 A. From the discussions that occurred, it was the ✓
11 same proposal that is in the Commonwealth agreement, that ✓
12 ALLTEL would meet Verizon Wireless at a Verizon Wireless ✓
13 cell site within an ALLTEL territory, or possibly at an ✓
14 ALLTEL exchange boundary, and that ALLTEL would bear the ✓
15 cost of that facility and transport to that point of ✓
16 interconnection, and, therefore, the shared cost of ✓
17 facilities would not come into play; each party would be ✓
18 responsible for their facilities on each side of the point ✓
19 of interconnection. And as Mr. Sterling alluded, that was
20 what was agreed to in the Commonwealth agreement. But I
21 must point out, for ALLTEL to do that, that still very
22 possibly could be off ALLTEL's network. Yes, it might be in
23 our territory, but a cell site could very possibly be on the
24 top of a mountain that ALLTEL has to construct facilities
25 to.

1 For an example, ALLTEL has -- if an end user customer
2 is located in a remote area, ALLTEL has it in its tariff
3 that there are provisions -- I believe they're called line
4 extensions; I'm not exactly sure on that, but there are
5 provisions in there that ALLTEL can assess the charge to the
6 end user for having to extend facilities where they do not
7 exist. Also, in Mr. Wood's testimony earlier today, when
8 discussing the rates in the Commonwealth agreement, he in
9 fact stated that those rates would in fact include the cost
10 up to wherever the point of interconnection is. That is
11 clearly not in the rates that ALLTEL has developed. ALLTEL
12 developed a rate for the tandem and a rate for the end
13 office. So I guess as a proposal for this, with the rate
14 structure that we have today, we would have no way to
15 recover the cost of those facilities to that distant
16 location, possibly even within our territory, that we would
17 be asked to build out to.

18 MS. ARMSTRONG: I promised one question, Your Honor.
19 Ms. Hughes is available for cross-examination.

20 JUDGE WEISMANDEL: Thank you, Ms. Armstrong.

21 Who will be conducting the cross-examination? Ms.
22 Critides?

23 MS. CRITIDES: I'd like to, Your Honor. Thank you.

24 **CROSS-EXAMINATION**

25 BY MS. CRITIDES:

1 Q. Ms. Hughes, in your direct testimony at page 2
2 you did incorporate a response of ALLTEL to the Verizon
3 Wireless petition for arbitration into your answer; correct?

4 A. I can look at that.

5 Q. Do you want to check it? Go ahead.

6 A. What page did you say that was?

7 Q. Page 2 of your direct you incorporated the
8 response that ALLTEL filed.

9 A. Can you tell me what line that is?

10 Q. It's direct testimony, page 2, lines 11 and 12.

11 A. Okay.

12 Q. So you're familiar with that; correct?

13 A. I see that, yes.

14 Q. My question has to do with a case that was cited
15 in the response called Mountain Communications v. Qwest. It
16 was an FCC case released on 2/4/02. Were you aware that
17 that case was recently vacated and remanded by the D.C.
18 Circuit Court?

19 MS. ARMSTRONG: Your Honor, I'm going to object. I
20 was not allowed to ask her for legal conclusions. They can
21 brief the impact of whatever the Circuit Court may have said
22 relative to what Ms. Hughes averred.

23 JUDGE WEISMANDEL: I think the question as phrased
24 was calling for a factual answer, Ms. Armstrong, so I'm
25 going to overrule the objection.

1 Do you need the question repeated, Ms. Hughes?

2 THE WITNESS: I'm sorry?

3 JUDGE WEISMANDEL: Do you need the question repeated?

4 THE WITNESS: Yes.

5 JUDGE WEISMANDEL: Ms. Critides.

6 BY MS. CRITIDES:

7 Q. In the ALLTEL response, ALLTEL relied in part on
8 a decision by the FCC called Mountain Communications, Inc.
9 v. Qwest, File No. EB, et cetera, released on 2/4/02. Were
10 you aware this case was vacated and remanded by the D.C.
11 Circuit Court on January 16 of 2004?

12 A. No, I was not.

13 Q. A question concerning the nature of indirect
14 traffic flows from ALLTEL. Are you aware whether ALLTEL
15 originates traffic indirectly to Verizon Wireless currently?

16 A. Yes, we do.

17 Q. Is ALLTEL compensating Verizon Wireless for any
18 of that traffic currently?

19 A. Currently there is not an agreement in place for
20 compensation of indirect traffic to Verizon Wireless.

21 JUDGE WEISMANDEL: Is that a no?

22 THE WITNESS: That's a no.

23 JUDGE WEISMANDEL: Thank you.

24 BY MS. CRITIDES:

25 Q. You just stated in your rebuttal and prior to

1 that you had indicated in your rebuttal testimony that there
2 was an agreement between yourself and Mark Sterling
3 concerning a traffic factor of 30/70 prior to the date that
4 we filed a petition for arbitration; is that correct?

5 A. That's correct.

6 Q. And you based that as of the last date that the
7 two parties negotiated prior to the filing of the
8 interconnection petition for arbitration?

9 A. Yes. As I've stated, that was a factor proposed
10 by Verizon Wireless and ALLTEL accepted that factor during
11 negotiations.

12 Q. Were you aware that in your response, which we
13 already have established is entered into evidence -- in your
14 direct testimony, you had incorporated your response into
15 evidence -- that in that response you had an Appendix 1 that
16 had the 70/30 traffic split shown as being proposed by
17 Verizon Wireless?

18 MS. ARMSTRONG: Your Honor, might I have that
19 question read back again?

20 THE WITNESS: Yeah, I'm a little bit confused with
21 the question.

22 BY MS. CRITIDES:

23 Q. I just wanted to lay a foundation that the
24 response has already been entered. But after that, in your
25 response, Appendix 2, the 70/30 traffic factor to Appendix

1 2, which is a red-lined agreement, is showing as proposed by
2 Verizon Wireless.

3 A. Are you asking me --

4 Q. Are you aware that it is being shown in red-
5 lined text as being proposed by Verizon Wireless?

6 A. Yes.

7 Q. Is it your position that the 70/30 traffic split
8 that is shown as proposed by Verizon Wireless was accepted
9 by both parties?

10 A. Yes.

11 MS. CRITIDES: I have no more questions, Your Honor.

12 JUDGE WEISMANDEL: Thank you.

13 Ms. Hughes, would you agree with me that the
14 Telecommunications Act of 1996 requires ALLTEL, as a LEC in
15 Pennsylvania, to interconnect with Verizon Wireless?

16 THE WITNESS: Yes.

17 JUDGE WEISMANDEL: Would you agree with me that the
18 Act specifically requires ALLTEL, or any other LEC, to
19 interconnect both directly and indirectly?

20 THE WITNESS: Yes, I would.

21 JUDGE WEISMANDEL: What do you understand to be meant
22 in the Act by "indirect interconnection," when the LEC has
23 that responsibility?

24 THE WITNESS: The Act establishes the responsibility
25 for indirect interconnection between the parties. I can't

1 say that I have a legal opinion on if the Act requires --

2 JUDGE WEISMANDEL: I don't want a legal opinion, I
3 want to know your understanding of what that means, the
4 responsibility to interconnect indirectly.

5 THE WITNESS: Yes. That means that the parties will
6 interconnect, indirectly or directly. An indirect
7 interconnection occurs through a third party, of course,
8 which in ALLTEL's case would be Verizon ILEC. ALLTEL has
9 agreed with Verizon Wireless that we would apply 251(b)(5)
10 and provide them reciprocal compensation for traffic that
11 ALLTEL originates and terminates to Verizon Wireless.

12 JUDGE WEISMANDEL: That's going a little beyond my
13 question, but I understand that.

14 THE WITNESS: Okay.

15 JUDGE WEISMANDEL: So what you see as the
16 differentiation between direct interconnection and indirect
17 interconnection is whether or not there's a third party's
18 facilities involved?

19 THE WITNESS: That's correct.

20 JUDGE WEISMANDEL: Would it be fair to say that that
21 doesn't necessarily follow that the terms of payment between
22 the parties has to change because it's direct as opposed to
23 indirect interconnection?

24 THE WITNESS: The payments between ALLTEL and Verizon
25 Wireless?

1 JUDGE WEISMANDEL: Between the carriers, right, not
2 the intermediary.

3 THE WITNESS: Okay. That's correct. That's correct.

4 JUDGE WEISMANDEL: They're independent questions.

5 THE WITNESS: That's correct.

6 JUDGE WEISMANDEL: Would you agree with me that the
7 ITORP process in Pennsylvania predates the enactment of
8 TRA-'96?

9 THE WITNESS: Yes.

10 JUDGE WEISMANDEL: Would you agree with me that for
11 all practical purposes -- and I'm emphasizing practical
12 purposes -- the ITORP process and agreement predates the use
13 of cell phones in Pennsylvania?

14 THE WITNESS: I'm not really sure, but that's
15 possible.

16 JUDGE WEISMANDEL: To any large extent.

17 THE WITNESS: Yes, that could be possible; yes.

18 JUDGE WEISMANDEL: It's my understanding, and you
19 correct me if I'm wrong, that the ITORP process dates back
20 to the '80s sometime. Does that sound right?

21 THE WITNESS: Yeah. I'm not really sure about that.
22 I'm sorry, Your Honor.

23 JUDGE WEISMANDEL: In any event, the ITORP process of
24 really based on access charge payments, is it not?

25 THE WITNESS: That's correct.

1 JUDGE WEISMANDEL: Would you agree with me that
2 access charge payments are significantly higher than
3 reciprocal compensation payments?

4 THE WITNESS: Yes, I agree with that.

5 JUDGE WEISMANDEL: Would you agree with me that the
6 reason the access charge payments are higher is because they
7 are, as I think one of my colleagues has repeatedly referred
8 to, laden with subsidies?

9 MS. ARMSTRONG: Your Honor, --

10 THE WITNESS: I'm sorry, I'm not really qualified to
11 answer that question.

12 JUDGE WEISMANDEL: Good answer.

13 They don't always need your protection.

14 (Laughter.)

15 MS. ARMSTRONG: Your Honor, might I ask just two
16 brief questions?

17 JUDGE WEISMANDEL: I'm not done yet, --

18 MS. ARMSTRONG: Oh, I'm sorry.

19 JUDGE WEISMANDEL: -- but when I am, you certainly
20 may ask as many as you have.

21 MS. ARMSTRONG: Thank you.

22 JUDGE WEISMANDEL: As a matter of philosophy, if you
23 will, Ms. Hughes, would you not agree with me that ALLTEL
24 and Verizon Wireless would perhaps be better off if they
25 continued what has been described today as the universal

1 procedure in Pennsylvania of reaching negotiated
2 interconnection agreements rather than arbitrator-imposed
3 agreements?

4 THE WITNESS: Yes, I can agree with that. I believe
5 if the parties can reach a negotiation and compromises on
6 agreements, it's much better than going through the
7 arbitration process.

8 JUDGE WEISMANDEL: And would you agree with me that
9 probably the biggest sticking points are the problems over
10 whether the access charge higher rates or the reciprocal
11 compensation lower rates are going to apply? That's
12 certainly one of them?

13 THE WITNESS: Well, I'm really not clear on that,
14 Your Honor, because that was really never discussed in the
15 negotiations. We have stated with Verizon Wireless, and
16 it's evident in our contract, that we were going to provide
17 reciprocal compensation at TELRIC-based pricing and that
18 when they terminated a call to ALLTEL indirectly, that
19 ALLTEL was going to assess them a recip. comp rate and not
20 an access rate. I believe the biggest issue here involved
21 is who pays that third party involved when the traffic is
22 indirectly routed.

23 JUDGE WEISMANDEL: And isn't that a matter of
24 negotiation between ALLTEL and the third party, and a
25 separate matter of negotiation between Verizon Wireless and

1 the third party?

2 THE WITNESS: I don't believe so, sir.

3 JUDGE WEISMANDEL: Why not?

4 THE WITNESS: If you look at the Act, the Act clearly
5 defines the responsibilities for reciprocal compensation
6 between the two parties that are entering into the
7 interconnection agreement. In fact, by definition,
8 reciprocal compensation means the parties are reciprocally
9 compensating each other. The Act never defines -- although
10 it outlays indirect interconnection is allowed, it never
11 outlays how that third party that's involved, that has true
12 network expense, should be compensated. It never identifies
13 that ALLTEL or any other ILEC --

14 JUDGE WEISMANDEL: Doesn't that just buttress my
15 point that it's a matter of negotiation between the LEC and
16 the third party and between the CMRS carrier and the third
17 party? The Act doesn't speak to it, doesn't need to speak
18 to it.

19 THE WITNESS: Yes, the Act does not speak to it, and
20 there's no federal rules that do, and I guess, Your Honor,
21 that's why we're in this position we are today, because the
22 parties could not reach an agreement on that, on whose
23 responsibility it was.

24 JUDGE WEISMANDEL: Your answering a slightly
25 different question. You're getting one step down from where

1 I am.

2 THE WITNESS: Okay. Sorry.

3 JUDGE WEISMANDEL: No, it's perhaps my fault; I'm not
4 being clear. What I'm saying to you is not the ultimate
5 costs that are going to be negotiated but the process.
6 Isn't it true that the process is that -- and we'll use the
7 specifics of the people that happen to be involved here, the
8 entities -- that it's incumbent upon ALLTEL to negotiate
9 with Verizon Pennsylvania for their services as the third
10 party in this indirect interconnection, to get the best deal
11 you can negotiate with Verizon Pennsylvania for whatever
12 services they're going to provide you, which would include,
13 I presume, providing you information when you need it of
14 minutes of use?

15 A. That's correct.

16 Q. What I'm saying is: isn't it true that it's ✓
17 incumbent upon ALLTEL to negotiate with Verizon ✓
18 Pennsylvania, just like it's incumbent upon Verizon Wireless ✓
19 to negotiate with Verizon Pennsylvania? ✓

20 THE WITNESS: Yes, that is true, Your Honor. ✓

21 JUDGE WEISMANDEL: And that the alternative to doing
22 that, if one of the two parties, the CMRS provider or the
23 LEC, the alternative to doing that, if they find that
24 distasteful, is to provide for direct interconnection?

25 THE WITNESS: That's correct -- well, I guess let me

FORM 2

1 clarify that. You say the parties provide for direct
2 interconnection. Are you saying either Verizon Wireless or
3 ALLTEL ILEC provide direct interconnection?

4 JUDGE WEISMANDEL: Yes.

5 THE WITNESS: I guess I really don't agree with that
6 statement, as I've said earlier.

7 JUDGE WEISMANDEL: You're free not to. You don't
8 have to agree with me. But the Act does say that a LEC has
9 the obligation to interconnect, directly or indirectly, and
10 if you choose not to indirectly connect, that doesn't leave
11 a whole lot of other choices, does it?

12 THE WITNESS: That's true, but it does stipulate in
13 251(c) that direct interconnection is within the incumbent
14 LEC's network. So I don't think that ALLTEL is opposed to
15 direct interconnection, it's just the proposals that we're
16 receiving from Verizon Wireless that we have concerns with.

17 JUDGE WEISMANDEL: Hasn't the FCC ruled that the
18 non-LEC gets to pick where the point of interconnection is,
19 as long it's within the LATA?

20 THE WITNESS: I believe 251(c) says that they can
21 choose any technically feasible point within the carrier's
22 network, and carrier is referred to up above as the local
23 exchange carrier.

24 You're saying in the LATA? I'm assuming that Your
25 Honor is talking about maybe some of the decisions that --

1 JUDGE WEISMANDEL: Yes. Hasn't that been established
2 now, that --

3 THE WITNESS: That has been established, but when it
4 is established that it is within the LATA, it's still within
5 that incumbent LEC's network. They have not been asked to
6 go outside of their network at all. What they have stated
7 is they have to incur the cost for transporting to any point
8 on their network for call completion. ALLTEL has stated
9 that they will do that. In allowing Verizon Wireless to
10 interconnect at our tandem, we will -- you know, there's
11 costs incurred for transporting back to the end office, and
12 ALLTEL has stated that they can interconnect at our tandem
13 and get access to all of our offices that are interconnected
14 behind that tandem. They must not establish another
15 interconnection point with ALLTEL.

16 JUDGE WEISMANDEL: If Verizon Wireless came to you
17 today and said, "We're willing to establish one point of" --
18 Mr. Sterling, I believe it was, I asked. Do you agree with
19 him that the three points of interconnection that currently
20 exist between ALLTEL and Verizon Wireless lie in three
21 separate LATAs?

22 THE WITNESS: Yes.

23 JUDGE WEISMANDEL: If Verizon Wireless came to ALLTEL
24 today and said, "We're willing to establish one point of
25 interconnection within each of those three LATAs on your

1 network, and we'll pay reciprocal compensation as determined
2 by Mr. Wood," how close would you be to a deal?

3 THE WITNESS: Very close, with one thing that I must
4 clarify. ALLTEL's network is a little bit different than,
5 example, Verizon ILEC. When they establish a single point
6 on their network in a LATA, their network is contiguous and
7 it's all interconnected. ALLTEL, of course, by the purchase
8 of a lot of different independents in Pennsylvania, may not
9 be configured that way. So to allow for a single point on
10 ALLTEL's network in the LATA, ALLTEL may have offices that
11 are in one section of the LATA that sit behind an ALLTEL
12 tandem that are interconnected, which would not be a problem
13 with establishing an interconnection, but they may have
14 offices still within that LATA that are not in any way
15 connected by ALLTEL facilities; they actually sit behind a
16 Verizon ILEC tandem. So I guess the question is --

17 JUDGE WEISMANDEL: But that's not Verizon Wireless'
18 problem, is it? ALLTEL made the decision to buy what it
19 bought.

20 THE WITNESS: I guess what you're asking is would
21 ALLTEL agree to incur the cost for transporting across
22 distant parts of the LATA when we have no interconnection
23 today between those offices, an interconnection would have
24 to be established to route those trunks, or we would have to
25 lease facilities or pay a third party in order to allow that

1 to occur, and I don't believe ALLTEL at this time would
2 agree with that.

3 JUDGE WEISMANDEL: Okay. Questions in light of the
4 questions I've asked Ms. Hughes?

5 Ms. Armstrong.

6 MS. ARMSTRONG: Thank you, Your Honor.

7 **REDIRECT EXAMINATION**

8 BY MS. ARMSTRONG:

9 Q. Ms. Hughes, is ALLTEL currently connected
10 directly and indirectly to Verizon Wireless so that any and
11 all Verizon Wireless traffic may be delivered?

12 A. Yes, we are.

13 Q. While the initial ITORP agreement may have
14 occurred some 12, 15 years ago, does Exhibit G, however,
15 specifically address CMRS providers?

16 A. Yes, it does.

17 Q. Ms. Hughes, is ALLTEL proposing in this
18 proceeding in any way to maintain the ITORP rates, or have
19 they agreed to recip. comp. rates for indirect traffic?

20 A. ALLTEL has agreed to recip. comp. rates for
21 compensation between the parties.

22 Q. His Honor asked you about a duty to negotiate
23 with Verizon PA. In negotiating with Verizon Wireless, do
24 you have any duty or obligation to negotiate with any third
25 party chosen by Verizon Wireless' configuration of its

1 traffic route?

2 A. Can you repeat that? I'm sorry.

3 Q. In the negotiations with Verizon Wireless, if
4 they, instead of choosing a Verizon ILEC tandem, chose some
5 other tandem, do you have an obligation to negotiate with
6 that third party in order to bring the traffic to the ALLTEL
7 network strictly because Verizon Wireless chose its routing
8 of the traffic to go through that third party facility?

9 A. No.

10 Q. Using the example you gave in your oral
11 testimony a short while ago in response to His Honor's
12 question, assuming Verizon Wireless chooses the Buffalo
13 tandem, is it your obligation to negotiate with Verizon of
14 New York to pay to have that traffic delivered to Buffalo?

15 A. No.

16 MS. ARMSTRONG: One moment, Your Honor.

17 JUDGE WEISMANDEL: Certainly.

18 (Pause.)

19 BY MS. ARMSTRONG:

20 Q. Ms. Hughes, is ALLTEL willing to directly
21 interconnect with Verizon Wireless anywhere on your existing
22 network?

23 A. Anywhere that's a technically feasible point
24 within our network, yes, we are.

25 Q. And is it Verizon Wireless' decision to use a

1 third party tandem provider at a location outside of your
2 network?

3 A. Yes, it is.

4 MS. ARMSTRONG: Your Honor, we have nothing further.

5 MS. CRITIDES: Your Honor, I have some questions that
6 were just raised by Ms. Armstrong's question.

7 **RECROSS-EXAMINATION**

8 BY MS. CRITIDES:

9 Q. Ms. Hughes, with respect to the Buffalo MTA,
10 does ALLTEL have any exchanges up in the Buffalo MTA within
11 Pennsylvania?

12 A. Within Pennsylvania? I'm not quite certain if
13 we do or not.

14 MS. ARMSTRONG: If Your Honor pleases, we can look at
15 the map and determine that.

16 MS. CRITIDES: I was just curious if she knew. And I
17 meant the Buffalo LATA, not the MTA, and we can look at the
18 map.

19 JUDGE WEISMANDEL: You asked the question and she
20 said she didn't know, --

21 MS. CRITIDES: Okay.

22 JUDGE WEISMANDEL: -- as I understand it, is where we
23 are at this point. If you want to follow up with that, go
24 ahead, please.

25 BY MS. CRITIDES:

1 Q. I'd also like to follow up with the
2 representations. For the purposes of originating traffic
3 indirectly, isn't it a fact that ALLTEL chooses to send its
4 traffic indirectly to Verizon Wireless?

5 A. ALLTEL sends traffic both directly and
6 indirectly.

7 Q. I was just wondering if you could answer yes or
8 no, and then give your explanation.

9 A. Yes, ALLTEL does route traffic indirectly to
10 Verizon Wireless, because there are certain locations within
11 ALLTEL that direct interconnections are not established, and
12 for ALLTEL's customers to place calls to Verizon Wireless,
13 there's no other alternative but to route it indirectly.

14 MS. CRITIDES: I have no more questions, Your Honor.

15 JUDGE WEISMANDEL: I neglected to ask one thing that
16 I meant to earlier, Ms. Hughes. I apologize. You spoke
17 about one of the items that's at issue here is when there
18 will be a requirement in the interconnection agreement to go
19 to direct interconnection, and I understood you to say that ✓
20 ALLTEL had originally proposed when traffic reached a DS-1 ✓
21 level, and Verizon Wireless, as I understood your testimony, ✓
22 countered that with a minutes of use number; is that ✓
23 correct?

24 THE WITNESS: Well, Verizon Wireless had proposed a ✓
25 minute of use level to ALLTEL. ✓

1 JUDGE WEISMANDEL: Okay.

2 THE WITNESS: And through our continued discussions,
3 ALLTEL agreed to propose an MOU back to them. What
4 basically ALLTEL did is took a minutes of use that would
5 equate to a DS-1 level.

6 JUDGE WEISMANDEL: Now you're getting to my question.
7 What is the minutes of use that, in your opinion, would
8 equate to a DS-1 level?

9 THE WITNESS: It's the minutes of use, the 257,000
10 that ALLTEL --

11 JUDGE WEISMANDEL: Two hundred fifty-seven thousand?

12 THE WITNESS: Yes, sir.

13 JUDGE WEISMANDEL: Thank you. That was it.
14 Anything further in light of that, counsel?

15 MS. CRITIDES: No more questions.

16 MS. ARMSTRONG: Your Honor, we have nothing else.

17 JUDGE WEISMANDEL: Then, Ms. Hughes, you're excused
18 with our thanks.

19 Is Ms. Hughes free to go home to Arkansas to her
20 children?

21 MR. ARFAA: Yes, Your Honor.

22 JUDGE WEISMANDEL: Thank you, Ms. Hughes.

23 (Witness excused.)

24 JUDGE WEISMANDEL: I've got about ten minutes after
25 3:00. What do you say we take a 15-minute break, come back

1 at 3:25.

2 (Recess.)

3 JUDGE WEISMANDEL: Let's go back on the record.

4 Ms. Armstrong.

5 MS. ARMSTRONG: Yes, Your Honor. During our break we
6 had an opportunity to have John read back one of the
7 questions that Your Honor posed to Ms. Hughes. She did not
8 understand all of your question, she missed the end of it.
9 Might we put her back briefly just to indicate what she was
10 responding to in your question?

11 JUDGE WEISMANDEL: Sure.

12 MS. ARMSTRONG: Thank you.

13 JUDGE WEISMANDEL: Ms. Hughes, I'll remind you you're
14 under oath. Please be seated.

15 MS. ARMSTRONG: Thank you, Your Honor.

16 **Whereupon,**

17 **LYNN HUGHES**

18 **having previously been duly sworn, testified further as**
19 **follows:**

20 **DIRECT EXAMINATION**

21 BY MS. ARMSTRONG:

22 Q. Ms. Hughes, in His Honor's questions to you, he
23 posed a question that asked if Verizon Wireless came to
24 ALLTEL and was willing to establish points of
25 interconnection on your network in the various LATAs, and

1 was willing to pay reciprocal compensation, and then he
2 stated at rates proposed by Mr. Woods, how close would you
3 be, something along that general line. How did you
4 understand his question, what did you respond, and how would
5 you respond if you had understood the entire question?

6 A. I did not understand or I did not hear the piece
7 where you said proposed by Mr. Woods rates. When I agreed
8 to that and said that ALLTEL would be willing to do that,
9 that was at the rates that would be proposed by ALLTEL or
10 the rates that are determined here, not the rate proposed
11 necessarily by Mr. Woods.

12 JUDGE WEISMANDEL: Thank you.

13 MS. ARMSTRONG: Thank you, Your Honor.

14 JUDGE WEISMANDEL: Thank you, Ms. Armstrong.

15 And with that, Ms. Hughes is free to go home to her
16 children; correct?

17 MS. ARMSTRONG: I'm sorry, Your Honor?

18 JUDGE WEISMANDEL: I said with that, Ms. Hughes is
19 now free to go home to her children?

20 MS. ARMSTRONG: Yes, Your Honor.

21 MR. THOMAS: She must take Mr. Caballero with her.

22 JUDGE WEISMANDEL: I thought he volunteered to spend
23 the night.

24 (Laughter.)

25 JUDGE WEISMANDEL: Would you raise your right hand,

1 please, sir?

2 Whereupon,

3 **CESAR CABALLERO**

4 having been duly sworn, testified as follows:

5 JUDGE WEISMANDEL: Thank you.

6 Before we go any further, just to make sure it's
7 absolutely clear on the record, all of the exhibits and
8 statements that have been conditionally admitted are
9 admitted finally at this point, there having been no timely
10 objections or motions made with respect to any of them.
11 That goes for both ALLTEL's and Verizon Wireless'.

12 Ms. Matz.

13 MS. MATZ: Your Honor, I'm standing but it's not me.

14 JUDGE WEISMANDEL: Oh, you're just standing; okay.

15 MS. ARMSTRONG: If Your Honor pleases, I am going to
16 authenticate Mr. Caballero's testimony, and then Mr. Thomas
17 is going to take over.

18 JUDGE WEISMANDEL: Very good.

19 **DIRECT EXAMINATION**

20 BY MS. ARMSTRONG:

21 Q. Mr. Caballero, would you please state your name
22 and business address for the record?

23 A. My name is Cesar Caballero. My business address
24 is One Allied Drive, Little Rock, Arkansas, 72202.

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

FORM 2

1 A. I am employed by ALLTEL Communications and I'm
2 the director of access and costing.

3 Q. In that capacity, did you prepare, for the
4 purpose of this proceeding, what has been marked as ALLTEL
5 Statement 2, ALLTEL Statement 2R, CC Exhibit 1 and CC
6 Exhibit 2?

7 A. Yes, I did.

8 MS. ARMSTRONG: Your Honor, copies of ALLTEL
9 Statement No. 2, in both public and proprietary versions,
10 have been pre-marked for identification, as have copies of
11 ALLTEL Statement 2R, in both public and proprietary
12 versions, and both Exhibit CC-1 and parts A, B, C and D of
13 CC-2 have been pre-marked for identification, and both of
14 those exhibits are proprietary.

15 JUDGE WEISMANDEL: And those documents shall all be
16 marked for identification purposes as just described by
17 counsel.

18 (Whereupon, the documents were marked
19 as ALLTEL Statements Nos. 2 and 2R
20 and ALLTEL Exhibits Nos. CC-1 and
21 CC-2 for identification.)

22 MS. ARMSTRONG: Thank you.

23 BY MS. ARMSTRONG:

24 Q. Mr. Caballero, do you have any corrections or
25 additions that you wish to make in ALLTEL Statement 2, 2R or

FORM 2

1 Exhibits CC-1 and CC-2?

2 A. No, I do not.

3 Q. If I were to ask you the questions contained in
4 ALLTEL Statements 2 and 2R, would you give the answers as
5 set forth therein?

6 A. Yes, I would.

7 Q. And is the information and data contained in
8 ALLTEL Statement 2, 2R and Exhibits CC-1 and CC-2 true and
9 correct to the best of your knowledge, information and
10 belief?

11 A. Yes, it is.

12 MR. THOMAS: Your Honor, we would like to present Mr.
13 Caballero now for surrebuttal and rejoinder.

14 MR. ARFAA: Objection. Surrebuttal is what we've
15 agreed to, what we believe is appropriate. Surrejoinder is
16 absolutely not, Your Honor; absolutely not. And I can go on
17 further if you like.

18 MR. THOMAS: As Mr. Arfaa's own witness, Mr. Wood,
19 has recognized on page 7 of his testimony, which is 2.0,
20 line 15, he states, "Section 51.505(e)(1) requires an
21 incumbent LEC to prove to the state Commission that the
22 rates for each element it offers do not exceed the forward-
23 looking economic cost." ALLTEL has the burden of proof in
24 this proceeding as to the cost and the rates. Having the
25 burden of proof, it has the right to go last.

1 As in every proceeding before this Commission, the
2 party with the burden of proof gets to put in rejoinder, has
3 the last statement on the issue. Now, today we heard
4 extensive surrebuttal by Mr. Wood. For the first time,
5 through Mr. Wood, we got these detailed calculations; first
6 time we've seen them. Now, certainly we should have the
7 right to have a witness come on and reply to them,
8 especially since we have the burden of proof. I believe our
9 position as to rejoinder is consistent with established
10 Commission practice for the party with the burden, and
11 hopefully this arbitration record won't cut ALLTEL short for
12 responding to these exhibits that Verizon for the first time
13 offered today.

14 JUDGE WEISMANDEL: There is no doubt that you will
15 have an opportunity to respond to those exhibits.

16 MR. ARFAA: Your Honor, --

17 JUDGE WEISMANDEL: I don't care what you call it, I
18 don't care if you call it surrebuttal, surrejoinder or any
19 other Latin phrase that you care to think of, you're going
20 to get to respond to those exhibits.

21 MR. THOMAS: Your Honor, that's all I ask.

22 MR. ARFAA: Well, I would like to have an
23 understanding up front; call this a motion in limine then.
24 A motion in limine, okay?

25 JUDGE WEISMANDEL: For?

1 MR. ARFAA: To exclude any more factual evidence
2 about ALLTEL's costs. And here's the basis for the motion,
3 Your Honor. We asked for ALLTEL's cost study informally in
4 June, you heard testimony, we asked for it formally on
5 December 19, it was due on December -- well, it was provided
6 on December 22. There was no password. We moved to compel.
7 You entered an order compelling strict compliance, because
8 ALLTEL had failed to object.

9 JUDGE WEISMANDEL: All right. Excuse me, Mr. Arfaa.
10 Here's the deal, folks. You're not going to present
11 something now that should have been included in your direct
12 testimony. I will not allow that.

13 MR. THOMAS: We don't intend to.

14 JUDGE WEISMANDEL: On the other hand, I am not going
15 to preclude them from responding to exhibits that were
16 introduced today, that they had never seen before to explain
17 -- I mean, Mr. Arfaa, you can't tell me that you're any less
18 curious than I am as to what Mr. Caballero's explanation is
19 going to be as to what happened with that formula.

20 MR. ARFAA: Your Honor, --

21 JUDGE WEISMANDEL: And I'm certainly going to find
22 out, so you might as well enjoy it with me.

23 MR. ARFAA: Your Honor, I will enjoy it with you.
24 All I'm saying is that testimony should not be a Trojan
25 horse for still further revised assumptions, data,

1 projections, demand projections, things like that.

2 JUDGE WEISMANDEL: Did I not just say that they will
3 not be allowed to introduce anything that should have been
4 included in their case in chief?

5 MR. ARFAA: You did, sir, but I'm afraid that --

6 JUDGE WEISMANDEL: If you think I'm straying from
7 that, I'm sure you'll bring me back.

8 MR. ARFAA: Thank you, Your Honor.

9 JUDGE WEISMANDEL: Thank you.

10 MR. THOMAS: May I proceed?

11 JUDGE WEISMANDEL: Yes.

12 DIRECT EXAMINATION

13 BY MR. THOMAS:

14 Q. Mr. Caballero, can you hear me?

15 A. Yes, I can.

16 Q. Behind you, Mr. Wood put up a little -- I don't
17 know if I'll call it a diagram or what I'll call it, but
18 there's a little chart behind you; and under the left side,
19 he has "old model." On the right side, he has "new model."
20 This morning he presented his explanation of the two models.
21 I referred to the old model as your Exhibit CC-1 and the new
22 model as your Exhibit CC-2.

23 Were you in the hearing room at the time?

24 A. Yes, I was.

25 Q. So it's clear, what is the difference between

1 Model CC-1 and Model CC-2?

2 A. The difference between Model CC-1 and CC-2, at
3 the time we filed direct, we had not at ALLTEL finalized a
4 TELRIC study for ALLTEL Pennsylvania. So we provided CC-1,
5 which takes a look at relationships in other areas of ALLTEL
6 where we had actually completed TELRIC studies, and we
7 compared the relationships between embedded investment and
8 forward-looking investment from the result of those TELRIC
9 studies and developed factors, and then we applied those
10 factors to the investment of ALLTEL Pennsylvania to derive
11 forward-looking investment.

12 CC-2, we had already started working on a TELRIC
13 study for Pennsylvania that I mentioned was not final yet.
14 We completed that in between the time of direct and
15 rebuttal, and that CC-2 study actually eliminates the use of
16 factors from other ALLTEL study areas and develops forward-
17 looking investment from specific inputs relative to ALLTEL
18 Pennsylvania.

19 The top portion that Mr. Wood refers to, it is very
20 similar or the same in both models because the change took
21 place in the bottom part.

22 With CC-1, as to the bottom part, all that we
23 provided as backup was how we developed the factors from the
24 other ALLTEL studies and applied them to Pennsylvania.

25 On CC-2, we provided, as Mr. Wood talked about this

1 morning, a lot of paper backup that comes from those models
2 where the network modernization, as he calls it, takes
3 place, and the reason that we cannot provide that on a soft
4 copy is because it comes from very different models,
5 engineering models, pricing models, and we really don't have
6 the capability to provide that on a soft copy.

7 You know, he mentions that a key to study these
8 models is the openness of it, and that's really true
9 relative to the large ILECs, Your Honor. I mean, every time
10 that we've received studies from the Verizons, the Bell
11 Souths, that takes place, but they have built all these back
12 models specific to their TELRIC study and they will link up
13 to their TELRIC model. Ours do not. I mean, we don't have
14 the capabilities that the Bell companies have, so we have
15 different engineering models that the engineers use for
16 capital improvements, and we actually use what they use to
17 re-size, optimize and reprice the network and come up with a
18 TELRIC investment.

19 So the reason for not providing a soft copy of all
20 the backup is not that we're trying to keep Verizon Wireless
21 from analyzing the study. It's that we really don't have
22 the means to do it effectively.

23 As you recall, Your Honor, in the early sessions of
24 TELRIC studies, the RBOCs didn't have that capability
25 either, and during cost proceedings, they actually held

1 workshops and invited interested parties to take a look and
2 ask questions, and we would be willing to do that if that
3 helps Verizon Wireless understand the model and it would
4 help them in not having to go through all that paper backup
5 that we provided with CC-2.

6 Q. Now, just so I'm clear and it's clear for
7 everybody, the part of the CC-2 model that you don't have
8 electronically, is that this portion here (indicating)?

9 A. It is that portion there, yes.

10 JUDGE WEISMANDEL: And that's the bottom portion?

11 THE WITNESS: Yes, sir.

12 JUDGE WEISMANDEL: What Mr. Wood referred to as the
13 investment portion? Would that be right?

14 THE WITNESS: That's correct.

15 JUDGE WEISMANDEL: Thank you.

16 BY MR. THOMAS:

17 Q. Now, with respect to CC-1 or the old model, what
18 did you provide to Verizon Wireless?

19 A. We provided the same top part that we did in
20 CC-2, and as a proxy for the bottom part, what we provided
21 was the calculations of the forward-looking factor that we
22 utilized for ALLTEL Pennsylvania that was derived from
23 TELRIC studies from other ALLTEL companies.

24 Q. Was that provided electronically?

25 A. Yes, it was.

1 Q. And hearing Ms. Matz here today, there is
2 controversy over the password. Did you provide the password
3 for that?

4 A. Yes. We provided the password to --

5 MR. ARFAA: Are we talking about CC-1 or CC-2?

6 THE WITNESS: CC-1.

7 MR. ARFAA: CC-1?

8 THE WITNESS: Yes, sir.

9 BY MR. THOMAS:

10 Q. And that was provided at the direction of Judge
11 Weismandel?

12 A. Yes.

13 Q. Now, with respect to the bottom portion of CC-2,
14 am I correct that what you just said you don't have that
15 data electronically?

16 A. It is not easy to put on a CD-ROM. I think what
17 I was offering is we have all those models that they can
18 come and take a look and see how the calculations take place
19 and the different pricing models that we use, but they don't
20 link up electronically to the TELRIC model, so it's
21 impossible to provide them on a CD-ROM or a soft copy for
22 their review.

23 Q. Now, with respect to CC-2 and the bottom
24 portion, the investment portion, what did you provide to
25 Verizon Wireless?

1 A. We provided printouts of the various algorithms
2 that we used to develop forward-looking investment. So Mr.
3 Wood has printouts relative to the repricing and re-sizing
4 of the network both at the switching level, transport level,
5 and I believe we included loop level even though I agree
6 with him that loop costs are not part of this proceeding.

7 Q. Now, with respect to the studies that you
8 presented, and I'll focus on CC-2 for now.

9 A. Okay.

10 Q. With respect to that study, have you submitted
11 studies like CC-2 in other states?

12 A. Yes. We have submitted similar studies in
13 Kentucky, Nebraska and the State of New York.

14 Q. In those states, have you received the criticism
15 that you received here today concerning the content of what
16 you provided --

17 MR. ARFAA: Objection; foundation. There has been no
18 establishment that what was provided in those states is
19 exactly the same as what was provided here. I assume the
20 studies were different studies. If that's incorrect and
21 they were identical, that needs to be established as
22 foundation before the question as to what criticisms were
23 received in those states is relevant.

24 JUDGE WEISMANDEL: The question was -- as I
25 understood it, the previous question was "Have you submitted

1 studies like CC-2" -- not, exactly the same, but like CC-2 --
2 "in other states?" And Mr. Caballero identified states
3 where they had been submitted. And now the question, as I
4 understand it, pending is "Was there criticisms directed at
5 those studies in those states?"

6 What foundation need be established?

7 MR. ARFAA: Well, I guess how like the studies are
8 will govern how relevant --

9 JUDGE WEISMANDEL: I think you may be ahead of
10 yourself by one question, Mr. Arfaa.

11 MR. ARFAA: I will withdraw the --

12 JUDGE WEISMANDEL: Again, this is a yes or no answer.

13 MR. ARFAA: I withdraw the objection, Your Honor.

14 BY MR. THOMAS:

15 Q. To help Mr. Arfaa out --

16 MR. ARFAA: I don't need your help, Mr. Thomas.

17 MR. THOMAS: I always try to help you.

18 BY MR. THOMAS:

19 Q. Was the --

20 JUDGE WEISMANDEL: Let's refrain from that kind of
21 thing.

22 BY MR. THOMAS:

23 Q. Was the format of the studies you presented in
24 Kentucky and Nebraska and New York similar to the format you
25 presented in this case?

1 A. It was similar and the methodology was the same.

2 Q. Now, am I correct that ALLTEL has wireless
3 operations?

4 A. Yes, we have wireless operations.

5 Q. Has the ALLTEL Wireless operations made
6 negotiation requests to --

7 JUDGE WEISMANDEL: Excuse me, Mr. Thomas. You're
8 making it very difficult for the court reporter.

9 MR. THOMAS: Okay. I'm sorry. I thought he could
10 hear me better over here.

11 BY MR. THOMAS:

12 Q. Has ALLTEL Wireless made interconnection
13 requests to rural ILECs in other jurisdictions?

14 A. Yes. We have done them specifically in
15 Wisconsin and Nebraska.

16 Q. Wisconsin and Nebraska?

17 A. Yes, sir.

18 Q. Have you received cost studies from --

19 MR. ARFAA: Objection, objection. I'm sorry. Are we
20 talking about ALLTEL Pennsylvania.

21 MR. THOMAS: We're talking about ALLTEL Wireless.

22 MR. ARFAA: Excuse me.

23 MR. THOMAS: We're talking about ALLTEL Wireless.

24 MR. ARFAA: Excuse me. During the course of this
25 proceeding, Ms. Armstrong has been very clear that ALLTEL

1 Pennsylvania is the only carrier at issue here. Whether
2 ALLTEL Nebraska received a request from some other entity
3 really is not relevant as the issues have been framed.

4 JUDGE WEISMANDEL: I think you got that backwards,
5 Mr. Arfaa. He asked the witness -- correct me if I'm wrong,
6 Mr. Thomas. Mr. Thomas asked the witness if ALLTEL had a
7 wireless entity, and the answer was yes. And I believe the
8 next question was "Has the wireless entity entered into
9 interconnection agreements with rural ILECs in any
10 jurisdictions?"

11 Is that correct?

12 MR. THOMAS: That's correct, Your Honor.

13 MR. ARFAA: Thank you, Your Honor. I was confused,
14 but I still have an objection. Mr. Caballero is not here to
15 testify on behalf of the ALLTEL Wireless entity. He's here
16 for ALLTEL Pennsylvania. Any information he has about what
17 the ALLTEL Wireless entity does is hearsay, which I
18 understand is admissible but cannot be used to rely --

19 JUDGE WEISMANDEL: Well, it's not even admissible if
20 it's properly objected to.

21 MR. ARFAA: I object.

22 JUDGE WEISMANDEL: What is the purpose here of this
23 question?

24 MR. THOMAS: Your Honor, according to Mr. Arfaa's
25 witness, Mr. Wood, he claimed there are industry standards

1 about openness and what type of studies have to be
2 presented. Everything has to be presented electronically.
3 Mr. Caballero's testimony that I'm trying to get on the
4 record here now is directed at that conclusion of the
5 Verizon Wireless witness.

6 I want Mr. Caballero to testify from the standpoint
7 of the ALLTEL Wireless operations what studies has ALLTEL
8 received from other LECs. Let's look at an industry
9 standard. What other studies -- what are these rural ILECs
10 across the country presenting from the standpoint of cost
11 studies?

12 Now, he has testified that they have received cost
13 studies in two other studies from rural ILECs, Wisconsin and
14 Nebraska, and I'm trying to ask him how what was the format
15 of those cost studies and to compare them to what the rural
16 ILEC in Pennsylvania, ALLTEL Pennsylvania has presented to
17 Verizon Wireless, and address what is an industry standard
18 for a rural ILEC.

19 MR. ARFAA: He did not ask him about the industry
20 standard for the rural ILEC. He asked him about specific
21 experience by a carrier who is not a party to this
22 proceeding, and there is absolutely no foundation that any
23 rural ILEC in Nebraska or anywhere else had anything like a
24 subsidiary of an \$8 billion company, Your Honor. I believe
25 that the foundation has not been established for the

1 relevance of this question.

2 JUDGE WEISMANDEL: Overruled. Go ahead, Mr. Thomas.

3 MR. THOMAS: John, I won't begin to ask you the
4 question he objected to. I can't. That's too far back.

5 BY MR. THOMAS:

6 Q. With respect to Nebraska and Wisconsin, the
7 rural ILECs that presented cost studies to ALLTEL Wireless,
8 were those cost studies totally electronic? Were they soft,
9 hard? What was presented in those two states?

10 A. In those two states, they initially presented
11 only paper copies of their cost studies. When I went back
12 to Ms. Hughes and requested a soft copy, we were told that
13 under the rules all that they were required to do was to
14 provide cost studies and they had no obligation whatsoever
15 to provide soft copies, and they never have.

16 JUDGE WEISMANDEL: You said under the rules.

17 THE WITNESS: That's what the rural ILECs said; that
18 under the rules --

19 JUDGE WEISMANDEL: Thank you.

20 MR. ARFAA: Objection; move to strike. What the
21 rural ILECs said about the rules really does go far beyond
22 this witness' competence or the relevance of the testimony.

23 JUDGE WEISMANDEL: Overruled. Go ahead, Mr. Thomas.

24 BY MR. THOMAS:

25 Q. Now, earlier this morning there was a lot of

FORM 2

1 discussion between Mr. Wood, myself, also Judge Weismandel
2 as to your CC-2 study and the blocks, how difficult it was
3 to use those blocks and the macros involved and so forth.

4 Do those macros, do those blocks, do they in any way
5 flaw the study?

6 A. No, they do not. The purpose of the macros --
7 and I think Mr. Wood had it right this morning. I mean,
8 macros are very useful, especially when resources are tight,
9 because what they enable you to do is to perform a multitude
10 of functions in one step, Your Honor. So they're very
11 efficient, and they read data and they compile data and they
12 produce output sheets, and they're very useful to do.

13 I understand the difficulty that Mr. Wood had
14 relative to some of the macros as they relate to protecting
15 some of the spreadsheets in the model, and I just want to
16 make clear to you and to Verizon Wireless that the reason
17 that those macros are there is not to hinder them in any way
18 from their review of the model, but we actually do have
19 users of the model at ALLTEL and we have somebody who is
20 making the changes to the model that's necessary; and so the
21 macros protect those spreadsheets to insure that the users
22 don't have the capability to make some of those changes.

23 So I understand the difficulty that Mr. Wood had in
24 trying to access maybe some of those spreadsheets, but the
25 intent really was not to hinder them. The intent is really

1 to protect ALLTEL from changes in the model that could
2 really impact the results later on. So I actually disagree
3 with him in the sense that we have the macros to protect the
4 integrity of the model and to protect the results of the
5 model rather than to keep a third party from making a
6 thorough analysis of the model.

7 Q. The individuals you want to protect the model
8 from, am I correct --

9 A. The individuals that I want to protect the model
10 from are my own employees who actually use the model rather
11 than make some of the algorithm changes to the model, and
12 they analyze results and they help us to put the packages
13 together when we have proceedings such as this. They should
14 not be changing any of the formulas. They should just be
15 analyzing the results.

16 So the purpose of those macros is to protect ALLTEL
17 from other employees making changes to the model when they
18 should not be making changes to the model.

19 Q. Also, the word "booby-trap" was used this
20 morning. Is the ALLTEL study booby-trapped?

21 A. No; and there's no intent to booby-trap the
22 model. I mean, we'll be happy to work with Verizon Wireless
23 in answering any questions they may have about the model.
24 You know, from the time that I became involved, the time
25 frame has been very compressed, Your Honor, and we have been

1 trying to provide a model that certainly satisfied
2 especially some of Wood's criticisms relative to CC-1, and
3 our intent here is not to preclude them from analyzing any
4 input or algorithm that the model has. We will be happy to
5 share those with them.

6 Q. You made reference to how the Verizon cost
7 models were developed over time, and you stated there were
8 workshops and so forth. The parties had an opportunity to
9 participate and learn how the model works and everything,
10 and now you've stated that you'd be quite willing to have
11 Verizon Wireless participate in should I call it a workshop
12 with the ALLTEL people to understand the model?

13 A. Absolutely.

14 Q. Do you have any suggestion as to how the
15 arbitration process should accomplish that process maybe
16 from the standpoint of the possibility of interim rates or
17 something like that?

18 A. Yes. I think Your Honor has the ability to set
19 interim rates relative to these two parties and provide
20 additional time for Verizon Wireless to take an additional
21 look at the ALLTEL model. As Mr. Wood said, he really has
22 not had the opportunity to look into it at the level of
23 detail that he wished he had the time to do it.

24 So I think it would be a good thing to give them the
25 opportunity to look at the model in more detail and to ask

1 questions and allow us to work with Mr. Wood directly, if
2 necessary, to satisfy any concern that Verizon Wireless may
3 have.

4 Q. Do you have a copy of Verizon Wireless' Exhibit
5 DJW-9 that was introduced this morning?

6 A. I think I do. Let me find it.

7 (Pause.)

8 A. Yes, I do.

9 Q. I want to look at, I think it's page three of
10 that exhibit. That's the last page.

11 A. On page three of that exhibit, Mr. Wood
12 recalculated the ALLTEL rate based on the description of a
13 formula from the model that we provided in CC-2.

14 Q. Where was that formula labeled? Did he put an
15 exhibit in?

16 A. No. I believe that formula is on DJW-8, on page
17 14 of that exhibit.

18 Q. Are you referring to the middle column there
19 under source?

20 A. Under source, under forecast units. The
21 description under that source, it reads one plus line 22
22 times line 43, and Mr. Wood pointed out that that's not what
23 the calculation is doing, and I agree with him, but that's a
24 result of a mistake on explaining the formula, Your Honor.

25 I think the formula is working the way that ALLTEL

1 intended, and I'd like to go over the explanation of how
2 that 90 percent works, if I may.

3 Q. Mr. Caballero, let me just stop you for a
4 minute.

5 A. Okay.

6 Q. Based upon what you just said, are you saying
7 the label one plus line 22 --

8 A. Is incorrect. It should read line 22 times line
9 43. The one plus should not be in that source column.

10 MR. ARFAA: Your Honor --

11 BY MR. THOMAS:

12 Q. Is that the way the CC-2 study works, then?

13 A. That's the way the calculation is performed, but
14 that's not the way that it reads on the label.

15 MR. ARFAA: Objection, move to strike. They're
16 changing their cost documentation once again, Your Honor.

17 JUDGE WEISMANDEL: No, they're explaining what was
18 discovered this morning. Thank you. Overruled.

19 BY MR. THOMAS:

20 Q. Let's make this clear, Mr. Caballero. You
21 aren't going to change your study by changing the label, are
22 you?

23 A. No, and I'm trying to support the number that is
24 in the study. I am not changing any of the numbers that we
25 provided in the CC-2 study.

1 Q. So the formula that you applied in CC-2 was not
2 one plus line 22, but simply line 22 times line 23?

3 A. Times line 43.

4 Q. Times line 43?

5 A. That's correct.

6 Q. As a result of applying the improper formula, as
7 a result of you mislabeling the study, Mr. Wood calculated
8 the rate shown on page three of DJW-9; is that --

9 A. That's correct.

10 Q. Why are those rates, by misapplying the formula,
11 not correct?

12 MR. ARFAA: Objection, leading.

13 BY MR. THOMAS:

14 Q. Are those rates correct or not correct?

15 A. No, they are not correct. The reason they are
16 not correct is because they are overstating ALLTEL demand.

17 The way that the model works, Your Honor, is 100
18 percent to us means no growth. That's the base line of
19 current units. So when we have that 90 percent factor, it
20 actually means that we have a ten percent reduction over the
21 five year period, as Mr. Wood explained this morning the
22 model is actually doing.

23 If we had a 90 percent increase, it would read 190
24 percent rather than 90 percent. And the reason that we have
25 a ten percent decrease over a five year period which is a

1 little, it's about two percent decreasing minutes a year,
2 that's reflective of what we expect for ALLTEL Pennsylvania
3 minutes of use-wise.

4 Minutes of use are not increasing the way Mr. Wood
5 testified this morning. He's testifying that ALLTEL
6 Pennsylvania is going to see about 18 percent per year
7 growth in minutes over the next five years, and the industry
8 is just not going that way and I don't think he has
9 supported that 18 percent growth per year to reach that 90
10 percent over the five years.

11 Q. What percent growth was reflected in your study,
12 CC-2?

13 A. I actually include a ten percent decrease over
14 the five year period which is about a two percent decline in
15 minutes on an annual basis.

16 Q. And what was that based upon?

17 A. It was based on studies that we had performed
18 for ALLTEL Pennsylvania that reflect that minutes are indeed
19 not growing but we're beginning to lose minutes, and so we
20 included that on the forward looking demand.

21 Q. In what time period?

22 A. We looked at the last three years of data
23 relative to interexchange minutes.

24 Q. As a result, do you believe that Mr. Wood's
25 rates in the block on page three, Exhibit DJW-9, whether

1 those rates would be valid either on an interim basis or
2 would be correct to use on a final basis?

3 A. No. I don't think they should be used at all
4 for reciprocal compensation. These rates are artificially
5 low because they really use a much higher growth in demand
6 for the ALLTEL Pennsylvania properties which we certainly
7 are not experiencing today.

8 Q. Mr. Wood testified earlier this morning that
9 your study was incorrect referring to page 14, DJW-8,
10 because you didn't apply the one plus 22 times 43 formula.
11 Was your study incorrect?

12 A. The label was incorrect. The study was not
13 incorrect.

14 Q. Looking at Mr. Wood's Statement 2.1, and I want
15 to direct your attention to page 15, and on line five of
16 that page, there's the same number -- it's marked
17 proprietary -- that number that appears on that page, is
18 that the same number you just referred to?

19 A. It is the same number that I just referred to.

20 Q. And the basis of that number, again, was based
21 upon historical --

22 A. Based on a study of minutes of use relative to
23 ALLTEL Pennsylvania and what we would expect growth-wise
24 over the next five years.

25 MR. THOMAS: Your Honor, bear with me. I'm reading

1 through my notes here.

2 JUDGE WEISMANDEL: Yes.

3 (Pause.)

4 MS. MATZ: Your Honor, can we go off the record for a
5 minute?

6 JUDGE WEISMANDEL: Off the record.

7 (Discussion off the record.)

8 JUDGE WEISMANDEL: Back on the record. Ms. Matz?

9 MS. MATZ: Thank you, Your Honor.

10 I wanted to note for the record that we have been
11 able to obtain the missing Exhibit II to the second
12 supplement to the responses of Cellco Partnership's first
13 set of interrogatories of ALLTEL Pennsylvania.

14 It was intended to be copied with the amended second
15 supplement, and because of the late delivery of the amended
16 second supplement yesterday, it wasn't. But it has been
17 distributed to the parties and appended to the record copies
18 now.

19 JUDGE WEISMANDEL: It becomes a part of what's been
20 admitted as ALLTEL Exhibit No. 5.

21 MS. MATZ: Yes, Your Honor. If you would just take
22 the small binder clip that's on ALLTEL Exhibit 5 and stick
23 it in the back, that's the order that it was intended to be
24 presented.

25 JUDGE WEISMANDEL: Thank you.

1 MS. MATZ: Thank you.

2 MR. THOMAS: Ready to proceed, again.

3 JUDGE WEISMANDEL: Yes, sir.

4 BY MR. THOMAS:

5 Q. Mr. Caballero, I want to skip back now to the
6 old study or your Exhibit CC-1, the CC-1 study. On page 12
7 over to 13 of Mr. Wood's Statement 2.1, he claims your
8 forward looking factors cannot magically transform an
9 embedded network configuration into a forward looking
10 efficient configuration. Do you agree with his criticism?

11 A. No, I don't. As I explained earlier, Your
12 Honor, the way that we developed that factor was to take
13 into account other TELRIC studies that we had performed for
14 other ALLTEL properties and we took a very close look at
15 what happened between embedded investment and forward
16 looking investment and developed a factor based on those
17 studies that we applied then to ALLTEL Pennsylvania.

18 I don't think CC-1 was an embedded study at all. I
19 think the application of the forward looking factor removes
20 any type of embedded cost study relative to that.

21 I do agree that it is a top down approach rather than
22 a bottoms up approach. I think that's the way that Mr. Wood
23 referred to it this morning, but nothing in the rules
24 precludes the use of factors to derive forward looking
25 investments.

1 So I don't think it was a magical factor. It was a
2 well thought factor that came from other compliant TELRIC
3 studies and we applied that factor to the ALLTEL
4 Pennsylvania properties.

5 Q. I want to look back to Mr. Wood's page 13 again,
6 Statement 2.1, lines 1 through 10. He takes issue with the
7 factor you applied for switching and transport facilities.

8 On line eight, he claims that there is no basis in
9 the FCC rules for the procedure you employed. Do you have
10 any comment you would like to make with respect to this
11 statement?

12 A. Yes. Actually, I think the FCC rules are silent
13 relative to, how do you arrive at forward looking
14 investment. There's no question that the Commission's rules
15 are intended to not use embedded cost studies for the
16 development of reciprocal compensation factors, but I think
17 that this indirect approach which is based in actual TELRIC
18 studies would be acceptable and the Commission really is
19 silent as to the use of factors to develop forward looking
20 investment.

21 Q. On page eight of Statement 2.1, lines four
22 through 12, Mr. Wood states that there's no reason to assume
23 ALLTEL incurs costs based on small rural ILEC
24 characteristics.

25 A. Right.

1 Q. And he cites revenue figures and customer
2 figures for the entire ALLTEL system. Do you agree with his
3 conclusion?

4 A. No. I think what he's trying to infer, and I
5 think that's actually something he said this morning, is
6 that ALLTEL as an \$8 billion company should have the
7 purchasing power of a large company and should have access
8 to significant vendor discounts of an \$8 billion company,
9 which is not small by any stretch of the imagination, and I
10 don't disagree with that. We're not, you know, just one
11 little area.

12 However, then he proposes a rate that he derives from
13 Verizon GTE. And so if we compare Verizon to ALLTEL, I
14 don't think we have the purchasing power that a Verizon
15 company would have.

16 I did the same thing that Mr. Wood did. I went to
17 the Verizon website and I looked at their fourth quarter
18 earnings, and they reported 2003 earnings of \$68 billion,
19 eight times those of ALLTEL. And they have approximately
20 160 million customers, about 14 times the size of ALLTEL.

21 So while I agree that we do enjoy some vendor
22 discounts and purchasing abilities and we actually include
23 those discounts in the TELRIC model, we are nowhere near to
24 the discounts that Verizon could get from the size that they
25 have.

1 Q. Now, Mr. Caballero, one of the figures that you
2 just cited for the Verizon system -- and I think you used
3 the word "earnings." Was that a revenue figure?

4 A. I used the revenue figure, but I obtained that
5 from the earnings, fourth quarter earnings report that they
6 recently had.

7 Q. And what was that revenue figure?

8 A. That revenue figure for 2003 was \$68 billion.

9 Q. On page 14 of Mr. Wood's Statement 2.1 beginning
10 on line eight, he states that it was impossible to determine
11 the sensitivity of the results to changes in inputs. Do you
12 have a comment as to whether it was impossible or not?

13 A. I think that all the calculations are derived
14 from the inputs page in the model, Your Honor. We have
15 different sheets that interconnect with each other.

16 And even when we provided CC-1 originally, the one
17 sheet that was never password protected was the inputs
18 sheet, and he could have changed any number in the inputs
19 sheet and the worksheet would have recalculated every single
20 rate that he would have wanted to change.

21 So even if he was not able to change one of the
22 formulas as he mentioned this morning, he would have been
23 able to change the minutes in the input sheet to whatever
24 level he wanted to and he would have recalculated all of the
25 transport and termination rates in the model.

1 So I think he could have changed inputs relative to
2 investment, to costs, to demand and he could have
3 established new rates and compared those to establish the
4 sensitivity of the model.

5 Q. Now, with respect to your CC-2 model that you
6 filed last week, and you were here this morning during Mr.
7 Wood's problems in assessing the details of it, are you
8 willing to provide all the passwords and everything needed
9 to provide them full detail of the study with an explanation
10 of the --

11 A. Absolutely.

12 Q. -- bottom block there on the right side --

13 A. Yeah, we would willing to --

14 Q. -- in a workshop scenario or anything?

15 A. We would be willing to talk to Mr. Wood directly
16 and have him come to Little Rock if needed for him to verify
17 all the inputs and the modeling that takes place, since we
18 are unable to give them the soft copy at this time.

19 Q. From Mr. Wood's standpoint, and you being a cost
20 analyst, would it be difficult to fully analyze a cost study
21 within the time frames of an arbitration proceeding such as
22 this?

23 A. It would be very, I think it would be very
24 difficult. I don't see that Mr. Wood would have had the
25 opportunity to look at the model at the level of detail that

1 he would have wanted to, and I think it would be appropriate
2 to give him additional time to look at the model and ask
3 additional questions relative to the model, and we would be
4 glad to work with him and resolve any issues that he may
5 have as they relate to the model.

6 Q. Would that also apply to your CC-1 study?

7 A. It would apply to the CC-1 study if he wanted to
8 go over that one as well.

9 Q. Did you have any discussions with Mr. Wood this
10 past Sunday concerning the --

11 A. We had a short conversation last Sunday, yes, we
12 did.

13 Q. Any of the criticisms raised today, were they
14 raised in that call?

15 A. No, they were not.

16 Q. On page 17 of Statement 2.1, Mr. Wood reviews
17 ALLTEL's study for different states and concludes, based
18 upon a comparison with Georgia Accucom, that the model
19 and/or your testimony are inaccurate. Do you have any
20 comment you'd like to make on this?

21 A. Yeah. Georgia Accucom is a very interesting
22 company. It's got only three wire centers. They're very
23 close together, and all of them are served out of a host.
24 And what's interesting is, the host is not part of the
25 Accucom system. It's part of the ALLTEL Georgia system.

1 So their transport costs are very low because of the
2 close proximity and the limited number of exchanges.
3 There's only three exchanges in that company.

4 Q. Is it reasonable to expect a higher correlation
5 between the number of interexchange minutes and the reported
6 cost per minute for local switching as assumed by Mr. Wood
7 on page 18, Statement 2.1?

8 A. I think he's missing the number of switches that
9 would be required to switch the minutes that he's talking
10 about. I would agree that if you have two areas with the
11 same number of switches and one has a lot more minutes than
12 the other, that the number of interexchange minutes really
13 is the driver of lowered costs.

14 However, when we develop TELRIC models, one of the
15 requirements under FCC rules is that you keep your existing
16 switch location. So I think he would need to take into
17 account the number of switches that are required to perform
18 the switching capability within each of the areas to see if
19 there's another explanation for the difference in costs as
20 they relate to the amount of minutes going through those
21 switches.

22 So I think he missed that part of the analysis and I
23 think it could prove very useful if you take into account
24 the number of switches.

25 Q. Now, Mr. Caballero, I'm going to take you back

1 to Verizon Wireless Exhibit DJW-9 again, the third page. I
2 think maybe we'd better --

3 A. Which exhibit is this?

4 Q. No. 9 that had the rates that we addressed
5 previously.

6 A. Okay.

7 Q. And page three.

8 A. Yeah.

9 Q. I'd like to clear up something on the record
10 here. Line 21, he refers to a Type 2A direct connection,
11 line 22 to a Type 2B direct connection.

12 MR. THOMAS: Your Honor, I'd ask that there be marked
13 for identification as ALLTEL Exhibit No. 7 a one page
14 document with a little diagram on it. One line's a 2A and
15 one's a 2B.

16 JUDGE WEISMANDEL: So marked for identification.

17 (Whereupon, the document was marked
18 as ALLTEL Exhibit No. 7 for
19 identification.)

20 BY MR. THOMAS:

21 Q. Do you have a copy of ALLTEL Exhibit 7?

22 A. Yes, I do.

23 Q. Could you explain, using that exhibit, what is a
24 Type 2A and what is a Type 2B connection?

25 A. Sure. A Type 2A connection is where Verizon

1 Wireless connects directly to the ALLTEL tandem and as a
2 result they have access to any and all end offices that
3 ALLTEL has behind that tandem.

4 So I think Mr. Wood's calculation, he's taking into
5 account transport that takes place between the Verizon --
6 the tandem and the end office, any transport that you may
7 have between the end office and any remotes as he mentioned
8 this morning, Your Honor, relative to that end office, and
9 transport terminations. A Type 2B --

10 Q. Let me stop you there. I want to have it clear
11 on the Type 2A connection. The tandem shown on the exhibit
12 there, that would be an ALLTEL tandem?

13 A. That would be an ALLTEL tandem.

14 Q. Is it possible for a number of end offices to be
15 served behind that tandem?

16 A. Yes. Usually that's the purpose of the tandem,
17 is to have several end offices behind that tandem.

18 Q. But our exhibit here just has one; is that
19 correct?

20 A. It just has one, but usually you have more than
21 one.

22 Q. Okay. Now, there's a circle with an R on it
23 behind the end office. What's that?

24 A. It stands for a remote, and a lot of the times
25 where you don't have enough lines to really deploy a full

1 switch, what you do is you put the software in the end
2 office and you are able to serve some of these customers
3 from what we call remote offices. So you still have some
4 switching taking place at the remote, but all the SMARTS are
5 really residing on the central office. But you do have some
6 additional transport costs of taking a call from the end
7 office to the remote.

8 Q. Okay. Mr. Caballero, you explained 2A. Explain
9 the 2B connection.

10 A. The 2B connection is where Verizon Wireless
11 comes directly into an end office, and that usually takes
12 place because they have enough usage into that end office
13 where it makes it better for them to establish that
14 connection.

15 When you have a 2A connection then, you only have
16 some transport and end office switching -- I'm sorry, for
17 2B. For 2A before -- I missed that -- you also have some
18 tandem switching relative to the tandems since we are the
19 owners of that tandem.

20 When you have a 2A connection -- a 2B connection,
21 there is no tandem switching charge because they're
22 bypassing the tandem and they go straight into the end
23 office.

24 Q. Now, an indirect interconnection, would that be
25 through a third party's tandem?

1 A. It would be through a third party's tandem.

2 Q. Thank you.

3 JUDGE WEISMANDEL: And that's not illustrated on
4 Exhibit 7?

5 THE WITNESS: That is correct.

6 BY MR. THOMAS:

7 Q. Mr. Caballero, on page two of Mr. Wood's
8 Statement 2.1, he states that the ALLTEL study is not in
9 compliance with the Telecom Act or the FCC rules. In other
10 words, I believe he's saying that they really aren't TELRIC
11 studies.

12 In your opinion, are the studies that ALLTEL has
13 submitted in this arbitration proceeding TELRIC studies?

14 A. Yes, they are. I think the biggest issue that
15 Mr. Wood had relative to CC-1 is the applications of factors
16 as I mentioned before to derive forward looking investment.
17 However, such an indirect approach is not precluded by the
18 FCC.

19 In addition, CC-2 completely does not use factors at
20 all. It is based on forward looking investment derived
21 directly from ALLTEL Pennsylvania specific inputs and fully
22 compliant with TELRIC rules.

23 Q. Has any state declared the model that you
24 employed in CC-2 to be a TELRIC model in compliance with the
25 Act?

1 A. Yes, the state of New York has previously
2 determined that.

3 MR. THOMAS: Your Honor, I request there be marked
4 for identification as ALLTEL Exhibit 8, which is a document,
5 the first page entitled Stipulation, and then attached to it
6 is an order of State of New York Public Service Commission.

7 JUDGE WEISMANDEL: So marked for identification.

8 (Whereupon, the document was marked
9 as ALLTEL Exhibit No. 8 for
10 identification.)

11 MR. THOMAS: Your Honor, the stipulation that I
12 attached there, it wasn't signed, but I have the signed copy
13 here if anybody wants to look at the signatures and see if
14 they're the same, but they are.

15 BY MR. THOMAS:

16 Q. Mr. Caballero, do you have ALLTEL Exhibit 8?

17 A. I do.

18 Q. What is the stipulation showing there?

19 A. The stipulation relates to an arbitration
20 between ALLTEL in New York and FairPoint and we were
21 required to file TELRIC studies to the New York Public
22 Service Commission.

23 They found some issues with our first study that we
24 submitted and we were required to file a revised study,
25 which we did. And in this stipulation, it recites that we

1 filed our revised TELRIC study pursuant to the Commission
2 order, and we filed that September 1st of 2000.

3 Q. Now, the TELRIC study referred to there in the
4 stipulation, is that study the same as the study that you
5 have identified as CC-2 here?

6 A. The methodology is the same, yes, sir.

7 Q. And the stipulation that is a stipulation
8 between FairPoint and ALLTEL New York, would you explain
9 that? Did you stipulate as to rate? Did you reach a
10 negotiated rate based upon that study?

11 A. Yes, we did.

12 Q. And were those negotiated rates approved in the
13 order attached to it?

14 A. Yes, the New York Public Service Commission
15 approved those rates and in their findings and conclusion,
16 and I'm reading from the order, they're saying the rates
17 were derived from total element long run incremental costs,
18 TELRIC cost studies submitted in the context of this
19 proceeding.

20 Q. In New York, the TELRIC study that you submitted
21 in New York, was it totally electronic or was it submitted
22 in the format you submitted here to Verizon Wireless?

23 A. It was submitted in the same form that we have
24 submitted it to Verizon Wireless.

25 Q. Now, the New York order approved UNE rates based

1 upon that TELRIC study for ALLTEL New York; is that correct?

2 A. It approved UNE rates, yes, it did.

3 Q. Are you able to calculate what the fallout
4 transportation transit rates would be using the New York
5 approved UNE rates based upon that TELRIC study?

6 A. I can calculate an estimation based on the end
7 office switching UNE, transport UNE and tandem switching
8 UNE, yes.

9 MR. ARFAA: Your Honor, I object. This is beyond the
10 scope of the rejoinder. They're adding new information to
11 buttress their study from another study on a different rate
12 element for a different service filed in a different state.
13 It's beyond the scope I believe of your earlier ruling.

14 MR. THOMAS: Your Honor, first, the Verizon Wireless
15 witness has testified that the ALLTEL study is not a TELRIC
16 study.

17 The Verizon Wireless witness has gone to other ALLTEL
18 studies, for example the Georgia Accucom study, and drew
19 conclusions on that study.

20 Now, in reply to that, we'd like to go and we are
21 showing that the New York Commission has found this study
22 here to be a TELRIC study and we want to bring in, in
23 rebuttal to what Mr. Wood concluded from Georgia Accucom,
24 what the rates are in New York.

25 JUDGE WEISMANDEL: I'm going to sustain the

1 objection, Mr. Thomas. I think you've made your point that
2 at least one other state has found, as Mr. Caballero
3 testified, the methodology to be TELRIC compliant, which is
4 not quite the same thing as saying that the study is a
5 TELRIC study, but close enough. You've made your point.

6 MR. THOMAS: Thank you.

7 (Pause.)

8 MR. ARFAA: Your Honor, while Mr. Thomas is looking
9 through his notes, may I ask how much more he has? I don't
10 know whether we need to make plans to come back tomorrow
11 morning.

12 MR. THOMAS: I have about three minutes, Your Honor.

13 JUDGE WEISMANDEL: Three minutes, he says.

14 BY MR. THOMAS:

15 Q. Referring to page 18, line 15 of Statement 2.1,
16 Mr. Wood avers that you stated that it's not unusual for
17 rates in new interconnection agreements to be approximately
18 double --

19 A. What page am I on? Excuse me.

20 Q. I'm looking at page 18, line 15 of Mr. Wood's
21 Statement 2.1.

22 A. Okay.

23 Q. Where he avers that you stated that it's not
24 unusual for rates in new interconnection agreements to be
25 approximately double. Is that what you really said?

1 A. No, absolutely not. I think all I said on my
2 direct testimony, Your Honor, was that the original rate
3 that we had entered into was not a cost based rate, that it
4 was a negotiated rate, and a lot of those negotiations took
5 place shortly after the Telecom Act of 1996 and ALLTEL had
6 very little direct connections, which the rate applied to
7 direct connections, not to indirect traffic.

8 And ALLTEL was still being compensated for all the
9 indirect traffic through the ITORP plan, so all I was trying
10 to say was that the rates included in the original agreement
11 were not cost based rates, and that these rates that we were
12 proposing were cost based rates. I never mentioned whether
13 it was typical for any rate to double or anything like that.

14 Q. Mr. Caballero, I'd like to direct your attention
15 to page three of Statement 2.1, line 14. Mr. Wood states
16 that ALLTEL is now saying that if its excessive rates are
17 not approved, it will seek a 251(f)(2) suspension. Is that
18 what ALLTEL is saying?

19 A. No. We always said that that suspension is only
20 applicable to -- are you talking the rural exemption at this
21 point in time?

22 Q. No, I'm talking about the suspension, the
23 251(f)(2).

24 A. We never said if this Commission approves the
25 Verizon proposed rate, any rates, that we would avail

1 ourselves of that suspension, only to the extent that it is
2 I believe economically burdensome, just as it states on the
3 Act.

4 But I don't recall saying that we would automatically
5 assert it if this Commission approved some standard rate for
6 reciprocal compensation.

7 Q. Okay. Last question. Mr. Wood has recommended
8 a .0078 cent rate in this proceeding, which I believe he
9 termed as a composite rate or a blended rate. You have
10 recommended rates based upon 2A, 2B and also indirect
11 interconnection. Have you made any calculation to see what
12 the fallout into a blended rate of your recommended rates
13 would be?

14 A. It would be approximately 1.65 cents per minute.

15 MR. THOMAS: Your Honor, I have no further questions.

16 JUDGE WEISMANDEL: Thank you, Mr. Thomas.

17 MR. ARFAA: Your Honor, may I have ten minutes to
18 talk to Mr. Woods so I can prepare?

19 JUDGE WEISMANDEL: Ten minutes?

20 MR. ARFAA: Yes.

21 JUDGE WEISMANDEL: Twenty to five; we'll reconvene at
22 ten to five.

23 (Recess.)

24 JUDGE WEISMANDEL: Back on the record.

25 Mr. Caballero is available for cross-examination.

CROSS-EXAMINATION

1 BY MR. ARFAA:

2 Q. Good afternoon, Mr. Caballero.

3 A. Good afternoon.

4 Q. During your surrejoinder or rejoinder, you say
5 that the FCC rules do not preclude a methodology that begins
6 with embedded costs and applies a factor; is that correct?
7

8 MR. THOMAS: Mr. Arfaa, I didn't hear a word you
9 said.

10 JUDGE WEISMANDEL: You're going to have to stay
11 around a microphone, Mr. Arfaa.

12 BY MR. ARFAA:

13 Q. Mr. Caballero, in your testimony, you stated
14 that -- I think it was in reference to CC-1, your original
15 cost study -- that the FCC rules do not preclude a
16 methodology that begins with embedded costs and applies a
17 factor. Do you recall that testimony?

18 A. Yeah. I think what I said is that the FCC rules
19 don't preclude the use of factors.

20 Q. Do they preclude the use of embedded costs?

21 A. They preclude the use of embedded costs to
22 determine the transport and termination rates, yes.

23 Q. Okay. I'm going to show you what was previously
24 admitted as page one of Exhibit DJW-2. I'll bring it to
25 you.

1 MR. ARFAA: If I may approach, Your Honor?

2 JUDGE WEISMANDEL: Certainly.

3 BY MR. ARFAA:

4 Q. And this is a reproduction, I'll ask you to
5 accept subject to check, of FCC 51.505, and I'd like you to
6 start reading at the bottom of the page, subsection (d).
7 Would you read that, please, out loud?

8 A. Sure. "Factors that may not be considered. The
9 following factors shall not be considered in the calculation
10 of the forward looking economic cost of an element.
11 Embedded costs. Embedded costs are the costs that the
12 incumbent LEC incurred in the past and that are recorded in
13 the incumbent LEC book of accounts."

14 Q. That's fine. Thank you. Now, you also
15 testified, sir, regarding the time frames required to
16 perform a study.

17 A. Correct.

18 Q. I'm sorry, analyze a study that's already been
19 performed, about the time that Mr. Wood may have had to
20 analyze your second study, and things like that. Do you
21 recall generally that subject of testimony?

22 A. Yes.

23 Q. Now, Mr. Sterling testified that Verizon
24 Wireless requested ALLTEL's study to support its proposed
25 rates in these negotiations in June of 2003. Is that about

1 eight months ago?

2 A. That sounds correct.

3 Q. Would that have been enough time to analyze a
4 cost study, in your opinion?

5 A. If I would have been made aware at that time,
6 yes. I had no contact with Mr. Sterling at any time last
7 year or ever.

8 Q. Were you an employee of ALLTEL at that time?

9 A. Was I what? Excuse me.

10 Q. Were you working for ALLTEL at that time?

11 A. I was working for ALLTEL at that time.

12 Q. So if the negotiators had needed a cost study,
13 they would have come to you and given --

14 A. Yes, they would have.

15 Q. Okay. But you're saying they didn't?

16 A. I'm saying I was not -- yeah.

17 Q. So that request was never transmitted to you?

18 A. Right. I never had a request in June of 2003.

19 Q. I see. Now, you produced CC-1 I believe on
20 December 22nd; is that right?

21 A. Yes.

22 Q. Without the password, but you produced the study
23 otherwise?

24 A. Right.

25 Q. Now, if you had produced CC-2 on December 22nd,

1 Mr. Wood would have had more time to analyze it; isn't that
2 correct?

3 A. That is correct.

4 Q. But instead you produced it on February 4th?

5 A. I was not completed with CC-2 by the time that
6 we filed CC-1.

7 Q. Now, you said that -- I understand that's your
8 testimony, but you also stated that the CC-2 methodology was
9 adopted in other states; is that right?

10 A. The methodology was adopted in other states,
11 yes.

12 Q. When was that methodology developed?

13 A. The ALLTEL methodology, that was before my time
14 but it was developed probably in the late nineties, early
15 2000 -- late nineties, probably. That's the time frame when
16 the actual methodology was developed.

17 Q. When were you asked to produce the cost study
18 for Pennsylvania for reciprocal compensation?

19 A. November, sometime.

20 Q. When were you asked, not by -- I just want to be
21 clear, not by Verizon Wireless.

22 A. I understand. I've never had any contact with
23 Verizon Wireless.

24 Q. Right. When were you asked to apply the CC-2
25 methodology to Pennsylvania?

1 A. We had some requests from a CLEC and we were in
2 the process of developing those, and that's the reason we
3 had already started, but it was not finished. To my
4 knowledge, we have not had to provide those prices to the
5 CLEC yet.

6 Q. And when was that, sir, that you were requested?

7 A. We started the study in the second half of 2003,
8 relative to starting to gather all the data necessary to
9 perform this study.

10 Q. Now, were you involved in the -- well, strike
11 that. Will you accept subject to check that when Verizon
12 Wireless requested all of your cost studies and inputs in an
13 interrogatory on December 19th, that ALLTEL's response was,
14 the cost study had been provided, with reference to CC-1?

15 A. As it was relative to CC-1, yes.

16 Q. No, I mean, your response was just, the cost
17 study has been provided.

18 A. Right. Subject to check, I --

19 Q. At that time, you were in fact working on CC-2,
20 were you not?

21 A. I was working on CC-2 at the time, but we had
22 provided CC-1 already.

23 Q. Did you indicate anywhere to Verizon Wireless in
24 that interrogatory response or in your testimony, your
25 direct testimony, that you were working on CC-1 -- CC-2,

1 excuse me?

2 A. I don't recall, but probably not.

3 Q. Now, I want to direct your attention if I may to
4 what has been marked as DJW-9 and admitted which is the
5 recalculation, page three. Do you have that with you?

6 A. Yeah, I can get it.

7 Q. Okay.

8 (Pause.)

9 Q. I can bring you a copy.

10 A. Just give me a second.

11 (Witness perusing document.)

12 A. DJ --

13 Q. Nine, please, yes, sir. DJW, excuse me, for the
14 record. Turn to page three, please, last set of lines, cost
15 per minute per month. Do you recall your discussion with
16 Mr. Thomas of the elements in the 2A direct interconnection
17 rate?

18 A. Yes.

19 Q. There were several -- there's a calculation
20 that's a relatively simple sum there. Did Mr. Wood do there
21 just exactly what you did in your testimony?

22 A. Yes.

23 Q. So there's no difference in terms of what was
24 added up, just --

25 A. The only difference is the amount of minutes

1. that he used to direct the rate. That's the only change.

2. Q. Just so I'm clear, you're not suggesting that
3. there was any improper addition. Your only disagreement
4. with that is the number of minutes used; is that right?

5. A. My only disagreement is, he's using a
6. significantly larger amount of minutes of use in the
7. calculation of the rate.

8. MR. ARFAA: A moment, please, Your Honor.

9. JUDGE WEISMANDEL: Certainly.

10. (Pause.)

11. MR. ARFAA: Thank you, Your Honor.

12. BY MR. ARFAA:

13. Q. Mr. Caballero, do you recall towards the end of
14. your surrejoinder testimony with Mr. Thomas, you were
15. discussing an existing or a previously existing
16. interconnection agreement between Verizon Wireless and
17. ALLTEL Pennsylvania?

18. MR. THOMAS: Mr. Arfaa, I hate to ask you this, but
19. could you repeat that? We just didn't hear.

20. MR. ARFAA: I apologize.

21. BY MR. ARFAA:

22. Q. Do you recall in your surrejoinder testimony
23. towards the end, you were discussing a previous agreement
24. between ALLTEL Pennsylvania and Verizon Wireless?

25. A. When we were discussing the previous rate, yes.

1 Q. And you suggested that that rate only applied to
2 the end office, is that right? It's only an end office
3 rate?

4 A. No, no, no. I said, to direct connections.

5 Q. To direct connections, I'm sorry, that's right.

6 A. Yes.

7 Q. Now, that issue and that agreement is currently
8 being litigated before this Commission, is it not?

9 A. I think so.

10 Q. In front of Judge Paist, okay.

11 Please turn to DJW-8, page three.

12 A. Okay.

13 Q. Now, I want to go first to page 15 of that
14 exhibit. Are you with me?

15 A. Yes, sir.

16 Q. Now, I'm looking at the 90 percent growth, trunk
17 growth factor.

18 A. Yes, sir.

19 Q. Now, your testimony is that by putting a 90
20 percent there, that's an indication that the growth is
21 actually minus ten percent; is that right?

22 A. That's the way that it works in the model, yes,
23 sir.

24 Q. Okay. Turning to page three, I'd like you to go
25 to line 28, please, and that says expense adjustment factor.

1 Are you with me?

2 A. Yes.

3 Q. And the figure there is given, minus 2.61
4 percent, right?

5 A. Yes.

6 Q. So that's a reduction of 2.61 percent?

7 A. Yes.

8 Q. I see. Now, I'm going to show you some pages
9 from your documentation from CC-1, I believe. The pages
10 were not numbered. In the interest of time, I'm going to
11 ask you to verify that they're all that they purport to be.
12 I'm not going to admit them into evidence.

13 JUDGE WEISMANDEL: How about letting counsel for
14 ALLTEL take a look at them first?

15 (Pause.)

16 MR. ARFAA: May we approach?

17 JUDGE WEISMANDEL: Certainly.

18 BY MR. ARFAA:

19 Q. This is a page entitled -- do you recognize this
20 page?

21 A. Yes, I do.

22 Q. What is it?

23 A. It is the development of a forward looking
24 factor for each of the switches that ALLTEL has in its
25 system.

1 Q. Okay. And on the right hand side, for switch
2 type DMS-100, what is the forward looking to book ratio?

3 A. According to that, it's 56.94 percent.

4 Q. But it's shown as negative 56.94 percent?

5 A. Yes.

6 Q. With a minus sign; is that right?

7 A. That's correct.

8 Q. And the next factor, DSM-100 RSC-S, is that also
9 shown as a negative factor?

10 A. Yes, it is.

11 Q. And there are also positive factors, right?

12 A. Yeah.

13 Q. And the negative factors, all the negative
14 factors depicted here are depicted with a minus sign, aren't
15 they?

16 A. Yes, sir.

17 Q. Okay. Do you recognize this, can you identify
18 this?

19 A. Yes. This is the development of interexchange
20 transport UNE per minute costs.

21 Q. Line six, forward working fiber factor, could
22 you look under just the entry for Georgia Communications?

23 A. Yes. It's minus 24 percent.

24 Q. And that means a decrease of 24 percent, right?

25 A. Yes, sir.

1 Q. And it's depicted there with a minus sign,
2 right?

3 A. In that spreadsheet, it is, yes, sir.

4 Q. And will you accept, on this sheet, a similar
5 sheet, the same thing?

6 A. It's very similar as this sheet, right.

7 Q. So in all those cases, the negative factors were
8 indicated with a minus sign, correct?

9 A. Yes, sir.

10 Q. Page 14, please of DJW-8, the source column with
11 the one plus line, who wrote that?

12 A. That would be one of the employees who reports
13 directly to me.

14 JUDGE WEISMANDEL: Mr. Caballero, I'm going to have
15 to ask you to speak up. I'm sorry.

16 THE WITNESS: I'm sorry. It would be written by one
17 of the employees who reports directly to me.

18 BY MR. ARFAA:

19 Q. Did you review this before it was submitted?

20 A. I reviewed it but obviously I missed it.

21 Q. Thank you, Mr. Caballero. Now, you mentioned
22 that similar studies have been submitted in other states; do
23 you recall that testimony?

24 A. I do recall that testimony.

25 Q. Was this page, which has been now marked page 14

1 of DJW-8, submitted in those proceedings?

2 A. It would have been submitted. I cannot tell you
3 if was submitted with the same label.

4 Q. Is there any reason that your employee would
5 have changed this for Pennsylvania?

6 A. I don't know.

7 Q. You don't know. Are your growth factors
8 different for Pennsylvania, Mr. Caballero?

9 A. My growth relative to what?

10 Q. The negative 10 percent growth factor which
11 you've denominated positive 90 percent in DJW-8, is that
12 growth factor the same growth factor for the corresponding
13 factor -- same number for the corresponding factor of other
14 states?

15 A. It should not be. You have to do forward
16 looking demand for each individual state just like you do
17 forward looking investment for each individual state.

18 Q. So this was prepared especially for
19 Pennsylvania?

20 A. CC-2 was prepared specifically for Pennsylvania.

21 Q. And these workpapers also were, were they not?

22 A. Yes.

23 Q. There was a reference to a study being submitted
24 in New York. Do you recall that testimony?

25 A. I recall that testimony.

1 Q. What was the growth factor there, do you know?

2 A. I don't recall.

3 MR. ARFAA: I'd make a data request for that growth
4 factor, please, Your Honor. Can Mr. Caballero provide that?

5 JUDGE WEISMANDEL: This isn't a rate case. There's
6 no on-the-record data requests here.

7 MR. ARFAA: Mr. Thomas made several of them earlier.

8 JUDGE WEISMANDEL: Mr. Thomas made requests. I never
9 ruled on anything. Nobody ever asked me to rule.

10 MR. ARFAA: Say no more, Your Honor. Thank you for
11 that clarification.

12 BY MR. ARFAA:

13 Q. CC-1, what growth factor was used there?

14 A. I think for demand, the same factors were used.

15 Q. The same factors as in CC-2?

16 A. Yes.

17 Q. Was the same factor used in every state?

18 A. In every state?

19 Q. CC-1, if I recall correctly --

20 A. CC-1, the demand was the same in CC-1 and CC-2.

21 The only difference between CC-1 and CC-2 was the
22 development of forward looking investment.

23 Q. In CC-1, was the same demand -- pardon me --

24 A. The same demand was used in CC-1 that was in
25 CC-2.

1 Q. Understood, but CC-1 did studies for several
2 different states, did it not?

3 A. Yes.

4 Q. And was the demand factor the same for all the
5 different states?

6 A. I would have to look at the schedule.

7 MR. ARFAA: If I may have one more moment, we're
8 getting there.

9 JUDGE WEISMANDEL: Certainly.

10 (Pause.)

11 BY MR. ARFAA:

12 Q. Could you please turn to page ten, Mr.
13 Caballero, of your rebuttal statement, which is 2R? I'll
14 wait until you get there. Starting at line five, you
15 describe forward looking demand, and you have three points.

16 Would you review that and after you've reviewed it,
17 let me know where in there if anywhere you suggest, if you
18 do, that the growth rate for forward looking demand would be
19 negative. Do you suggest that anywhere in that statement?

20 A. No, I do not say anything like that on that
21 statement.

22 Q. Mr. Caballero, ALLTEL is a regulated company,
23 correct?

24 A. The ILECs are, yes.

25 Q. And at some level, they're a publicly traded

1 company as well?

2 A. Yes.

3 Q. And they file reports with the FCC, right?

4 A. Uh-huh.

5 Q. And the SEC, which is the Securities and
6 Exchange Commission?

7 A. I would imagine so.

8 Q. If you know, sir, is ALLTEL reporting negative
9 growth in demand to the FCC or the SEC?

10 A. As a matter of fact, in our last annual filing
11 to the FCC, I believe we used negative growth as did NECA on
12 behalf of all the rural carriers. For the first time, they
13 used negative growth.

14 THE REPORTER: NECA, N-E-C-A?

15 THE WITNESS: N-E-C-A.

16 JUDGE WEISMANDEL: What's that an acronym for?

17 THE WITNESS: National Exchange Carrier Association.
18 They file tariffs on behalf of all the rural carriers.

19 JUDGE WEISMANDEL: Thank you, sir.

20 BY MR. ARFAA:

21 Q. Is that for all traffic or a particular kind of
22 traffic, Mr. Caballero?

23 A. That would be for local switching minutes,
24 primarily.

25 Q. Is that rate -- you said the NECA rate. Just

1 tell me what that acronym means.

2 A. It stands for National Exchange Carrier
3 Association.

4 Q. Is that a bunch of small carriers?

5 A. They file interstate access tariff on behalf of
6 all the small rural carriers, yes.

7 Q. And is that rate an aggregate rate or an
8 individualized rate?

9 A. It is an aggregate rate, and they have different
10 bands for local switching to take into account the different
11 costs associated with some of those carriers.

12 Q. So that number being reported is an aggregate
13 NECA rate, correct?

14 A. Yes. The tariff would be an aggregate NECA
15 rate.

16 Q. Not ALLTEL specific?

17 A. Not ALLTEL specific, and actually ALLTEL doesn't
18 belong to -- in a lot of our study areas, we're not part of
19 the NECA. We file our own tariffs.

20 Q. Fair enough. That explains it.

21 (Pause.)

22 MR. ARFAA: That's all we have, Your Honor.

23 JUDGE WEISMANDEL: Mr. Caballero, early, what
24 probably seems like days ago to you now, early on in your
25 testimony, you testified and repeatedly -- and I made a note

1 of it -- you repeatedly used a specific word, and I want to
2 follow up a little bit with you on that. You talked about
3 the, for want of a better word, the 40 hidden macros that
4 Mr. Wood discussed. Do you remember that?

5 THE WITNESS: Yes, sir.

6 JUDGE WEISMANDEL: You repeatedly used the word
7 "intent," and said that ALLTEL had no intent to mislead,
8 ALLTEL had no intent to make it more difficult, ALLTEL had
9 no intent to have the analysis more difficult than it would
10 otherwise be, etcetera, etcetera.

11 And I'm presuming that you choose your words
12 carefully. You seem to have through the rest of your
13 testimony. And I wonder if you would be as comfortable
14 making those statements if we substituted the word "effect"
15 for the word "intent," particularly if we're talking about
16 somebody else's ability to verify your cost study.

17 Would you be as comfortable saying that those 40
18 hidden macros did not have the effect of making
19 verification, and I believe the word that Mr. Wood used was
20 impossible? Would you be comfortable making that statement?

21 THE WITNESS: Probably not. Probably some of those
22 macros, because we do protect some of the spreadsheets as I
23 mentioned earlier, for our own protection, make sure that
24 our own users are not changing the model, could have
25 affected the way that he was studying the model. So some of

1 those macros could have that effect.

2 JUDGE WEISMANDEL: Okay. And I'm understanding your
3 testimony to be, and please correct me if I'm wrong here,
4 again I'm going to refer to DJW-8. Do you have that
5 available to you, sir?

6 THE WITNESS: Yes, sir.

7 JUDGE WEISMANDEL: On page 14?

8 THE WITNESS: Page 14?

9 JUDGE WEISMANDEL: Yes, sir.

10 THE WITNESS: Yes, sir.

11 JUDGE WEISMANDEL: The first, if you will, the first
12 major category of the chart is labeled, forecast unit
13 summary, correct?

14 THE WITNESS: Yes, sir.

15 JUDGE WEISMANDEL: And then the very next one is
16 labeled, forecast units.

17 THE WITNESS: Yes, sir.

18 JUDGE WEISMANDEL: It's my recollection that the
19 testimony earlier today was that the forecast units is
20 looking out over a five year time frame; is that correct?

21 THE WITNESS: Yes, sir.

22 JUDGE WEISMANDEL: I remembered that correctly?
23 Good. Am I then correct in understanding that it's your
24 testimony that ALLTEL is projecting over the next five years
25 a ten percent decrease from its current minutes of use?

1 THE WITNESS: Yes, sir.

2 JUDGE WEISMANDEL: Do you disagree with Mr. Wood's
3 testimony when, as I recall, he testified that a 90 percent
4 increase, which is how he was interpreting this, fit in with
5 the industry norm?

6 THE WITNESS: Yeah, I disagree with that statement,
7 Your Honor.

8 JUDGE WEISMANDEL: You disagree with that. You
9 disagree with the fact that it's an industry norm or you
10 disagree with the fact that it applies to ALLTEL?

11 THE WITNESS: I disagree with the fact that it is an
12 industry norm. I think if you talk to any carrier, they're
13 not experiencing today growth in minutes close to 18 percent
14 per year which would equate to his 90 percent.

15 JUDGE WEISMANDEL: Okay. You said that the 10
16 percent decrease over the next five years was projected
17 based on an analysis of the last three years' actual; is
18 that correct?

19 THE WITNESS: Yes, sir.

20 JUDGE WEISMANDEL: What was the reduction in minutes
21 of use from 2002 to 2003?

22 THE WITNESS: Seventeen percent for Pennsylvania.

23 JUDGE WEISMANDEL: Seventeen percent decrease for
24 ALLTEL Pennsylvania?

25 THE WITNESS: For all minutes, yes, sir.

1 JUDGE WEISMANDEL: Okay. How about from 2001 to
2 2002?

3 THE WITNESS: It was pretty flat between 2000 and
4 2001. The decrease began in 2001 into 2002 compared to
5 2001, and it really accelerated last year.

6 JUDGE WEISMANDEL: Is it too early to have any
7 figures for this year?

8 THE WITNESS: For 2004?

9 JUDGE WEISMANDEL: Yes, sir.

10 THE WITNESS: Yeah, I don't have any at this time.

11 JUDGE WEISMANDEL: Fair enough.

12 Do counsel have any questions for Mr. Caballero in
13 light of the questions that I've asked?

14 MR. ARFAA: One moment.

15 (Pause.)

16 MR. THOMAS: We have nothing further, Your Honor.

17 JUDGE WEISMANDEL: Thank you. Verizon?

18 MR. ARFAA: Nothing further, Your Honor.

19 JUDGE WEISMANDEL: Mr. Caballero, you are excused
20 with our thanks, and we hope you'll both be able to still
21 catch your flight.

22 (Witness excused.)

23 JUDGE WEISMANDEL: Ladies and gentlemen, we have one
24 more witness if we're going to need him at all. Where do we
25 stand on that?

1 MS. ARMSTRONG: We also have a few exhibits to move
2 in, but as for Mr. Watkins, my understanding is we need not
3 produce him and we may stipulate as to the testimony; is
4 that correct?

5 MR. ARFAA: Your Honor, that's not correct. There's
6 no need to bring him here, but I'd like to make, for the
7 record, I'd like to say we'd like to move to strike his
8 testimony and have a motion in limine that it not be
9 admitted.

10 JUDGE WEISMANDEL: On what basis?

11 MR. ARFAA: Two bases. Just give me a moment.

12 JUDGE WEISMANDEL: Well, Mr. Arfaa, if you can bear
13 with me just a second, let's go ahead and take care of these
14 exhibits.

15 MR. ARFAA: Please.

16 JUDGE WEISMANDEL: So we don't forget, all right?
17 Ms. Armstrong?

18 MS. ARMSTRONG: If Your Honor pleases, I believe
19 ALLTEL Exhibits 6 and 7 and 8 that were used that were not
20 admitted into the record, being the --

21 JUDGE WEISMANDEL: Help me with what's Exhibit 6,
22 please.

23 MR. THOMAS: Seven was the diagram. Eight was the
24 New York order.

25 JUDGE WEISMANDEL: Wasn't six a part of something

1 already, or am I wrong?

2 MR. THOMAS: Seven was the diagram, the 2A-2B
3 diagram.

4 MS. ARMSTRONG: And eight is the New York order.

5 JUDGE WEISMANDEL: Yes.

6 MR. THOMAS: Six, you're looking for?

7 JUDGE WEISMANDEL: Yes, because I don't have it. I'm
8 not seeing it real quickly here as a separate document. I
9 thought it was part of something, but I may be wrong.

10 (Pause.)

11 MS. ARMSTRONG: The New York agreement, Your Honor, I
12 believe is No. 6.

13 JUDGE WEISMANDEL: The New York agreement?

14 MS. ARMSTRONG: The agreement between the independent
15 LECs -- and that was already admitted in, I believe.

16 JUDGE WEISMANDEL: It's part of something else, is it
17 not?

18 MS. ARMSTRONG: No, Your Honor. It's the separate
19 agreement.

20 JUDGE WEISMANDEL: I'm sorry, but I'm just not laying
21 my hands on it up here. And what troubles me is I don't
22 have it written down -- ah, yes, I do. Ms. Hughes, not Mr.
23 Caballero, okay. Now it's a matter of finding it.

24 MS. ARMSTRONG: We just weren't sure that those three
25 had been moved in or admitted and we would like to do that.

1 JUDGE WEISMANDEL: Any objection to the admission of
2 what's been marked for identification as ALLTEL Exhibits 6,
3 7 or 8?

4 MR. ARFAA: No, Your Honor.

5 JUDGE WEISMANDEL: Okay. There being no objection,
6 those exhibits are admitted.

7 (Whereupon, the documents marked
8 as ALLTEL Exhibits Nos. 7 and 8
9 were received in evidence.)

10 JUDGE WEISMANDEL: Thank you, Ms. Armstrong and Mr.
11 Arfaa. Now, let's get back to where we interrupted Mr.
12 Arfaa's train of thought. You were moving to strike Mr.
13 Watkins' testimony?

14 MR. ARFAA: Your Honor, yeah. I was going to move to
15 strike it on two grounds. The first is that it's virtually
16 entirely legal opinion by a non-lawyer as to what the FCC
17 meant, what Congress meant, what the FCC would have done if
18 they had thought of X or Y. It really is not proper. It
19 certainly is not fact testimony and it's not competent legal
20 opinion testimony.

21 I would say, to the extent it sets forth ALLTEL's
22 position, it's improper rebuttal because it should have been
23 in their case in chief.

24 I believe it should be excluded. Your Honor's
25 earlier statement suggests to me that you're going to deny

1 the motion, so in the alternative I would also move -- well,
2 I would just like -- we move to strike it. If the motion is
3 denied, we will waive cross-examination as long as it's
4 understood that our failure to cross-examine Mr. Watkins in
5 no way suggests an acquiescence or a validation in any of
6 his opinions about what the FCC meant doing X or Y or those
7 sorts of conclusions.

8 JUDGE WEISMANDEL: Ms. Armstrong?

9 MS. ARMSTRONG: Your Honor, as to the latter piece of
10 Mr. Arfaa's statement, clearly failure to cross-examine on
11 any particular point is never an admission of total
12 acceptance and we take the record and brief it as we all
13 deem appropriate.

14 With respect to the first part, however, I suggest
15 that if you look at Mr. Sterling's direct testimony, his
16 testimony is replete with references to what the FCC meant,
17 what the Telecom Act requires, what the FCC rules require,
18 and he specifically claims that ALLTEL is required to do
19 such and such as a result of FCC policy and FCC rules and
20 the Telecom Act.

21 He very specifically cites 251, 252 of the Telecom
22 Act. He cites the subpart (f) rules on pricing, the subpart
23 (h) rules on reciprocal comp, rule 20.11 on CMRS.

24 If you look through Mr. Watkins' testimony, he very
25 carefully responds citation by citation to FCC rule and the

1 Telecom Act in responding to Mr. Sterling's interpretation
2 of those, and if Mr. Watkins is not allowed to testify as to
3 his interpretation, neither is Mr. Sterling. And that was
4 my point earlier this morning.

5 We can obviously all brief the issues based upon
6 whatever slant anybody wants to take on Mr. Sterling's
7 testimony or Mr. Watkins, but the point is, we are clearly
8 entitled to respond to Mr. Sterling's allegations, his
9 conclusions, and if we don't have a right to respond to that
10 policy, we don't think that you would have a factually
11 accurate record, Your Honor.

12 It is not testimony that is new to Verizon Wireless.
13 Mr. Watkins was in fact a witness in the Verizon complaint
14 proceeding where Verizon Wireless in fact had a witness.
15 Verizon Wireless' witness' testimony in that proceeding is
16 very much like it is in this proceeding, obviously expanded.

17 Mr. Watkins' testimony is nothing new. Verizon
18 Wireless is familiar with Mr. Watkins. His testimony is
19 totally proper and should be included.

20 MR. ARFAA: May I respond, Your Honor?

21 JUDGE WEISMANDEL: Briefly.

22 MR. ARFAA: I would just say this, Your Honor. Mr.
23 Sterling, like Ms. Hughes, was charged with presenting each
24 of their company's positions in this case. They have done
25 so. It's a regulatory case, so they cite regulations.

1 They also have rebutted each other. They are the
2 ones who are company witnesses. They are employees of the
3 company. They're company representatives. They
4 participated in the negotiation. They are part of the team
5 that formulates the position in this case.

6 Mr. Watkins is not. Mr. Watkins is a hired expert
7 that testifies on the meaning of regulations. He is not
8 even an attorney. There's no fact whatsoever.

9 The rebuttal that Ms. Armstrong wishes to make should
10 have been made and was made by Ms. Hughes. Mr. Watkins adds
11 nothing but 31 pages of legal opinion. There's no fact at
12 issue in his testimony. I submit it's improper.

13 MS. ARMSTRONG: Your Honor, if I might, we can go
14 through page by page of Mr. Sterling's testimony, looking at
15 page five, whether Section 251(b) of the Act legally
16 obligates ALLTEL; lines 15, the parties' different legal
17 opinions --

18 JUDGE WEISMANDEL: Well, I'm ready to rule. It's
19 going to be admitted for whatever it's worth. Obviously,
20 the gentleman is not an attorney and any legal opinions he
21 expresses will be given the weight that they deserve from a
22 non-attorney. I say that with no offense to anyone here
23 who's not an attorney, but that's one of the things I get
24 paid for. I'll take the responsibility for being able to
25 discount that.

1 MR. ARFAA: Thank you, Your Honor.

2 JUDGE WEISMANDEL: All right.

3 MS. ARMSTRONG: Based upon that, Your Honor, we would
4 ask that --

5 JUDGE WEISMANDEL: Now, what do you want to do about
6 -- excuse me, Ms. Armstrong. What do you want to do about
7 cross-examining him in light of that ruling?

8 MR. ARFAA: As I understand, Your Honor, when he says
9 the FCC meant X, he's not going to be understood to be
10 testifying as to personal knowledge of what the
11 Commissioners meant, because he's talking --

12 JUDGE WEISMANDEL: It's his opinion.

13 MR. ARFAA: Pardon?

14 JUDGE WEISMANDEL: It's his opinion.

15 MR. ARFAA: Right. So we can handle that in the
16 brief, I'm sure. We will not cross-examine.

17 JUDGE WEISMANDEL: Fine. All right. So then there
18 is no necessity for Mr. Watkins to appear?

19 MR. ARFAA: Correct.

20 JUDGE WEISMANDEL: Cross-examination is waived of Mr.
21 Watkins. Does that complete --

22 MS. ARMSTRONG: Your Honor, we would move then that
23 what has been pre-marked for identification as ALLTEL
24 Statement No. 3 and attached Exhibits A through E be
25 admitted into the record.

1 JUDGE WEISMANDEL: Okay. And I think technically, to
2 be correct, it's 3R.

3 MS. ARMSTRONG: I'm sorry, 3R. Thank you, Your
4 Honor.

5 JUDGE WEISMANDEL: And that will be admitted.

6 (Whereupon, the document was marked
7 as ALLTEL Statement No. 3R with
8 Exhibits A through E for
9 identification and received in
10 evidence.)

11 JUDGE WEISMANDEL: All right. Does that conclude
12 your case, Ms. Armstrong, Mr. Thomas?

13 MS. ARMSTRONG: Yes, Your Honor.

14 JUDGE WEISMANDEL: Mr. Arfaa, Ms. Critides?

15 MR. ARFAA: Yes, Your Honor.

16 MS. CRITIDES: Yes.

17 JUDGE WEISMANDEL: Okay. Before we go off the
18 record, before the company people leave, I want to say some
19 things, because I want the company people to carry this
20 message back with them.

21 If you folks let this go to an arbitrated decision,
22 you're foolish. Free advice is worth just what you paid for
23 it, but I'm giving you some. Don't do it. Work it out.

24 You will both get a better result if you come to an
25 agreement that you can both live with than if you have first

1 me and then the five Commissioners develop the terms that
2 you're going to have to live with and do business under for
3 the next X number of years.

4 I'm not in the telephone business. As far as I know,
5 none of the Commissioners are in the telephone business.
6 And even more importantly, I'm not going to have to live
7 with it. My salary, my profit to my shareholders is not
8 going to be dependent upon the agreement that's reached, nor
9 are the Commissioners'.

10 If you don't work this out, you're making a big
11 mistake and you're doing a disservice to your employers, and
12 I mean that on both sides.

13 Now, the attorneys, I want to tell you right now that
14 any of the issues that are identified -- and I know there's
15 at least one and perhaps two or three -- that are stalking
16 horses, if you will, for the other 21 cases I have are not
17 going to be decided in this arbitration. I will tell you
18 that right now. So figure those issues are already
19 resolved, also.

20 I urge you to get back together with your clients and
21 impress upon them that they are much better served if they
22 keep up what has been the precedent thus far and work the
23 things out themselves.

24 If you'd like, I can go so far as to give you some
25 quick takes on a couple of the issues. I will tell you that

1 my initial philosophy -- and this is going to cut both ways,
2 depending upon the issues, which again is all the more
3 reason why the business people ought to work this out
4 themselves -- my philosophy going through these issues both
5 ways is going to be that who I determine is causing the cost
6 to be incurred is going to pay for it.

7 And that will cut, as you're well aware, as we go
8 through the issues, that will cut in your favor on one issue
9 and in their favor on the other and vice versa. But that's
10 going to be the lodestar, if you will, of how I approach it.
11 Whoever I determine is causing the cost is going to pay the
12 cost.

13 That MFN issue, that's a gimme. They won that one.
14 To say that you can enter into an agreement that both
15 parties are supposedly be making business arrangements and
16 business plans on for the next one, three, five years, but
17 if something better comes along tomorrow we can drop it
18 after a week, this is not Las Vegas. This is not a Britney
19 Spears marriage. We're going to make the agreement last
20 just a little longer than that, okay?

21 I guess I'd better stop at this point. I don't want
22 to go too much further, but I do think, and those of you who
23 have appeared before me before know that I may not be good
24 at a whole lot of things, but I try to be real good about
25 letting everybody know where I'm coming from.

1 I don't like to be sandbagged. When I was on that
2 side of the bench, I didn't like to be sandbagged, and I try
3 not to do it to people. I try to let you know where I'm
4 coming from. You can think I'm goofy as all get out, but at
5 least you know.

6 I really, honestly, sincerely believe that you will
7 be doing your employers and clients a disservice if you
8 don't get this thing resolved by yourselves without having
9 something arbitrary imposed upon you.

10 I will also tell you that the way I will decide this
11 case, if I have to, is the way I did the only other one of
12 these I've done, which is pick one of the two final best
13 offers. Each issue is going to be a zero sum game. You're
14 either going to win it or lose it. I'm not going to try and
15 split any babies here, okay?

16 With all of that said, thank you all very much. I
17 guess we don't have to reconvene tomorrow. We all get an
18 extra day to work on getting it resolved.

19 MR. ARFAA: Yes, sir. Thank you, Your Honor.

20 MR. THOMAS: Your Honor, thank you.

21 JUDGE WEISMANDEL: Thank you all.

22 (Whereupon, at 5:32 p.m., the proceedings were
23 concluded.)
24
25

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me and thereafter reduced to typewriting by me or under my direction, and that this transcript is a true and accurate record to the best of my ability.

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By: John A. Kelly

John A. Kelly,
Certified Verbatim Reporter

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