

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
of the implementation of the local calling area)
provisions of the amended Michigan)
Telecommunications Act.)

CASE. NO. U-12528

THE MICHIGAN EXCHANGE
CARRIERS ASSOCIATION, INC.

Rebuttal Testimony of Agris Pavlovskis

Dated: September 27, 2000

Q. Did you file direct testimony in this case?

A. Yes.

Q. Ameritech Michigan Witness Eric L. Panfil addresses intercarrier compensation issues, asserting that the calls affected by Section 304(11) will solely be carried by local service providers as part of local service and that they will be subject to local reciprocal compensation. Do you agree?

A. No. These are interexchange calls and toll service is the service used; therefore, they are subject to toll access charges. Mr. Panfil's assertion is a result of inappropriately equating the categorization of a product i.e. the ~~A~~local call~~@~~ with the service used by the provider to carry that call. The calls remain interexchange calls but are only ~~A~~considered~~@~~ local calls for billing. He incorrectly ties intercarrier compensation to the labeling on end user bills. Intercarrier compensation should be tied to the underlying type of service carrying those calls.

Contrary to his assertions, these calls are not within the local service area. In fact, the opposite is true. These calls are between local service areas and, thus, the service used to provide them by definition is toll service (with the exception of EAS). Consequently, intercarrier compensation for non-EAS calls subject to Section 304(11) is to be based on toll access rates.

Q. Verizon witness Rodney P. Aldridge asserts that existing access compensation arrangements will be replaced with local termination arrangements, but with an adjustment for ISP traffic. Do you agree?

A. No. Verizon will continue to have customers located in exchanges of MECA members and will carry interexchange traffic for these customers. That traffic, as well as traffic originating in Verizon exchanges and terminating in non-EAS exchanges will be subject to toll access charges. As to ISP traffic, it will continue to be treated as specified by the Commission.

Q. Do you agree with the assertion of AT&T and TCG witness Cathleen M. Conway at page 15 of her direct testimony that only local exchange carriers are required by statute to implement Section 304(11)?

A. No. Ms. Conway gives no support for her assertion. Rather, she ignores the fact that interexchange facilities will be required to transport these calls. Who better to transport these calls efficiently and economically than the carriers that have interexchange facilities all ready in place? These carriers are the toll carriers. There is no justification for exempting toll carriers from Section 304(11).

Q. Ameritech Michigan also asserts that traffic subject to Section 304(11) should be the sole responsibility of incumbent local exchange carriers with over 250,000 customers. Does Ameritech Michigan's testimony support this conclusion?

A. No. In fact the testimony of Ameritech Michigan's witness Harry Semerjian makes a compelling case for requiring that interexchange carriers also be subject to Section 304(11).

Q. What specifically does Mr. Semerjian testify to that supports the non-exemption of interexchange carriers from Section 304(11).

A. There are two general areas. First, the cost of network reconfiguration and, second, the length of time required by Ameritech Michigan to implement Section 304(11). Regarding the cost of network

reconfiguration, Mr. Semerjian cited a report to the Legislature, which said that it would cost Ameritech Michigan \$45.1 - \$46.1 million in one time expenses to establish a local calling area... which is 25 miles in all directions. He further pointed to the need for a significant increase in interoffice trunk capacity; and the need for additional physical equipment and enabling software to control the switching offices. No doubt a good portion of these additional costs would be caused by customers migrating off interexchange carriers' networks. Second, Ameritech Michigan, according to Mr. Semerjian, will take a minimum of 15 months to fully reconfigure its network in order to implement Section 304(11).

In my judgement, I think the Legislature did not intend to cause one class of carriers to incur such significant costs while exempting other classes of carriers that already have the necessary networks in place. Further, I think that the Legislature did not want the implementation of 304(11) to take a minimum of 15 months while Ameritech Michigan and Verizon "retool". Therefore, I do not believe that Ameritech Michigan's body of testimony supports their opinion that the implementation of 304(11) rests with only the incumbent LECs with more than 250,000 customers. This section of the MTA should apply to all carriers with more than 250,000 customers in Michigan.

Q. Would it be difficult for toll carriers to bill for local calls?

A. No. As Mr. Semerjian points out in his testimony, 7 or 11 digits can be rated as local calls. Therefore, interexchange carriers can implement section 304(11) allowing their customers to have the same service as ILEC customers.

Q. AT&T and TCG witness Conway states at page 8 of her direct testimony that if the Commission interprets Section 304(11) to apply to adjacent exchanges beyond the providers' own geographic serving area, then

CLECs would be required to negotiate interconnection agreements with many additional local providers.'

Would CLECs be required to negotiate agreements with MECA member companies?

A. No. Toll access tariffs should apply. Nevertheless, if this Commission determines that Section 304(11) requires that carriers compensate each other based on local interconnection rules, then MECA members will issue tariffs with appropriate termination rates. Tariffs are appropriate because MECA's members are exempt under the Federal Telecommunications Act from the obligation to negotiate agreements with interconnecting carriers. Thus, if a local reciprocal compensation scheme were to apply, carriers terminating traffic subject to 304(11) to MECA member company exchanges would be billed according to the rates, terms and conditions of those tariffs and there would be no need to negotiate interconnection agreements for this class of traffic.

Q. Z-Tel Communications, Inc. witness Ron A. Walters requests at page 6 of his direct testimony that the Commission find that there will be no requirement for CLECs to enter into interconnection agreements with rural independent LECs to complete local calls originating from Ameritech exchanges and he further requests consistent application of local calling area definitions for both retail billing and intercompany settlements.

What is your opinion regarding his intercompany compensation concerns?

A. As I indicated, the use of tariffs by the small incumbent LECs will avoid the need to negotiate individual interconnection agreements. However, for appropriate intercompany billing and compensation to be accomplished, the correct Carrier Identification Code ("CIC") or Carrier Information Parameter ("CIP") must be provided by the originating carrier to the terminating carrier. In order for a local reciprocal compensation scheme to work, the Commission must also order the mandatory identification of the originating carrier on all call information to ensure that all calls are properly identified so they can be billed.

Q. Ms. Conway also asserts that section 304(11) should be interpreted to apply to traffic

originating and terminating within a local exchange providers' territory, and Section 312(4) (relating to toll providers' obligation to offer optional discount adjacent exchange toll calling plans) should be interpreted to apply to traffic between territories. Does her suggested interpretation of Section 312(4) raise any issues for customers in small incumbent LEC exchanges?

A. Yes. Her recommended interpretation of Section 312(4) is directed toward customers in Ameritech Michigan and Verizon exchanges. Regarding customers in the exchanges of small incumbent LECs (who are exempt from Section 304(11)), Ameritech Michigan, Verizon and other presubscribed intraLATA toll providers should continue to offer adjacent exchange toll calling plans. Thus, those plans will continue to apply within the service territories of small independent LECs.

Q. Does this complete your testimony?

A. Yes.