Exhibit No.:
Issue: Arbitration Issues
Witness: Don Price
Sponsoring Party: Verizon Access
Type of Exhibit: Direct Testimony
Case No.: TO-2008-0037

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

Petition of MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services for Arbitration of an Interconnection Agreement with Embarq Missouri, Inc. Under Section 252(b) of the Telecommunications Act of 1996	))))))	Case No. TO-2008-0037

DIRECT TESTIMONY OF DON PRICE
ON BEHALF OF MCIMETRO ACCESS TRANSMISSION SERVICES LLC D/B/A VERIZON ACCESS TRANSMISSION SERVICES

SEPTEMBER 13, 2007

Case No. TO-2008-0037
Direct Testimony: Don Price
On Behalf of Verizon Access
September 13, 2007

STATE OF TEXAS)
) SS.
COUNTY OF TRAVIS)

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

Petition of MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services for Arbitration of an Interconnection Agreement with Embarq Missouri, Inc. Under Section 252(b) of the Telecommunications Act of 1996	)	Case No. TO-2008-0037

AFFIDAVIT OF DON PRICE

COMES NOW Don Price, of lawful age, sound of mind and being first duly sworn, deposes and states:

1. My name is Don Price. I am Director - State Regulatory Policy in the Verizon Business Regulatory and Litigation Department, including for MCImetro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services ("Verizon Access").

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony in the above-referenced case.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge, information and belief.

Don Price

SUBSCRIBED AND SWORN to before me, a Notary Public, this 13th day of September, 2007.

Emma R. Azarani
Notary Public

My Commission Expires:
(SEAL)

EMMA R. AZARANI
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
FEBRUARY 24, 2010

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Don Price, and my business address is 701 Brazos, Suite 600, Austin, Texas, 78701.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am the Director – State Regulatory Policy in the Verizon Business Regulatory and Litigation Department. Verizon Business targets its services primarily to large business and government customers. MCImetro Access Transmission Services LLC, which is part of Verizon Business, is doing business in Missouri as Verizon Access Transmission Services ("Verizon"). I am testifying here on behalf of Verizon.

Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE AND EDUCATIONAL BACKGROUND?

A. I have more than 28 years experience in telecommunications, the vast majority of which is in the public policy area. I worked for the former GTE Southwest in the early 1980s, then moved to the Texas Public Utilities Commission in 1984. There, I acted as a Commission witness on rate-setting and policy issues. In 1986, I became Manager of Rates and Tariffs, and was responsible for Staff analyses of rate design and tariff policy issues in all telecommunications proceedings before the Commission. I was hired by MCI in 1986, where I spent 19 years in jobs focused on public policy issues relating to competition in

telecommunications markets, including coordination of positions in interconnection agreement negotiations.

With the close of the Verizon/MCI merger in January 2006, I assumed my current position as Director – State Regulatory Policy for Verizon Business. I work with various corporate departments, including those involved with product development and network engineering, to develop and coordinate policies permitting Verizon Business to offer enterprise and wholesale products to meet customer demands.

During my career, I have testified before state regulators in at least 24 states on a wide range of issues in many types of proceedings, including interconnection agreement arbitrations with local exchange carriers. I earned Master's and Bachelor's degrees in sociology from the University of Texas at Arlington in 1978 and 1977, respectively.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will explain Verizon's positions on the issues still in dispute between Verizon and Embarq with respect to their negotiation of a new interconnection agreement ("ICA").[1] The parties have worked hard to settle most of their disputes, so only two issues remain for Commission resolution.

[1] A copy of the ICA that was submitted with Verizon's petition is attached hereto.

II. VERIZON'S ACCESS'S POSITIONS ON THE ISSUES

ISSUE 1: WHAT COMPENSATION SHOULD APPLY TO VIRTUAL NXX TRAFFIC UNDER THE INTERCONNECTION AGREEMENT? (ICA § 55.4)

Q. WHAT IS THE NATURE OF THE PARTIES' DISPUTE ABOUT COMPENSATION FOR VIRTUAL NXX ("VNXX") TRAFFIC?

A. The parties' differences revolve around two questions: which entity is entitled to compensation for handling vNXX traffic and what rate should apply?

Q. WHAT IS VNXX TRAFFIC?

A. "Virtual NXX" or "vNXX" is an arrangement whereby a telephone number is assigned to a customer associated with a rate center other than the one that corresponds to his physical location. A call delivered to an end user located outside the geographic boundaries of the local calling area to which the call's NXX is associated is vNXX traffic.[2] VNXX numbers are often assigned to Internet Service Providers ("ISPs") in order to allow the ISP to serve internet users outside the local calling area associated with the ISP's physical location. This allows the ISP's users to avoid incurring toll charges when they access the Internet via the ISP's dial-up service.

[2] The term "NXX" refers to the first three digits of a customer's seven-digit phone number. In describing the full ten-digit number used in the North American Numbering Plan, it is typically expressed in the form NPA-NXX-XXXX.

Q. WHY IS VNXX TRAFFIC DIFFERENT FROM OTHER TYPES OF TRAFFIC THAT THE PARTIES EXCHANGE?

A. To understand this issue, it is helpful to first compare the legacy incumbent local exchange carrier ("ILEC") networks and Verizon's competitive local exchange carrier ("CLEC") network.

Because of their long histories in operating telephone networks, the ILECs' network design remains essentially the same as it was in the first half of the 20th century. That basic design consists of a hub-and-spoke architecture with a switch located centrally in each exchange. The switch in each exchange provides dial-tone service to customers within that relatively small geographic area. Telephone numbers assigned to the customers generally consist of ten digits in the form of NPA-NXX-XXXX. The first three digits indicate the Numbering Plan Area ("NPA"), commonly known as the area code, and the next three digits refer to the exchange code. Under standard industry practice, area codes and exchange codes generally correspond to a particular geographic area served by a Local Exchange Carrier ("LEC"), and customers in the area share the same NPA/NXX – *e.g.*, 573-634 – as the first part of each unique 10-digit telephone number. In short, the phone numbers in that area are typically assigned from the same NPA-NXX. An ILEC such as Embarq that serves large geographic areas would in this manner have

many exchanges,[3] with a switch in each exchange, and with each switch containing only those few NPA-NXXs required for number assignments within that exchange.

CLEC networks do not share this historical heritage, nor do they share the same network design. Most CLEC networks, including Verizon's, were designed in the late 1990s, based on then-current design principles and technologies, to efficiently meet the needs of their new (not legacy) customer base. Therefore, in contrast to ILEC networks, CLEC networks typically utilize many fewer switches to serve an area comparable to numerous ILEC exchange areas. Unlike the traditional ILEC network design, there is not a one-for-one correspondence between CLEC switches and a particular exchange, and it is not unusual for a single CLEC switch to contain many more NPA-NXXs than reside in one ILEC switch. A single Verizon switch in Missouri, for example, utilizes more than 30 NXXs to serve Verizon's customers within the St. Louis LATA, which includes the 314, 636 and 573 area codes.

Telecommunications traffic arrives at the correct destination on the basis of industry-standard, regularly published routing rules -- the Local Exchange Routing Guide ("LERG") -- that must be honored by all carriers: local exchange, wireless, and interexchange. For any carrier

[3] This geographic area may comprise a "rate center," or "the geographic point and corresponding geographic area which are associated with one or more particular NPA-NXX codes which have been assigned to Embarq or CLEC for its provision of Basic Local Exchange Telecommunications Services." Interconnection Agreement, § 1.93.

to receive traffic from another carrier (beyond service exclusively to ported numbers), at least one NPA-NXX code must be "activated" in the LERG for a specific geographic area. For purposes of the LERG, the relevant geographic areas are associated with "rate centers,"[4] as defined by the ILECs' state-approved tariffs and by reference to the ILECs' service territories.

With this in mind, a CLEC activating an NPA-NXX in the LERG assigns that NPA-NXX to a specific rate center based on internal business decisions as to the area within which it offers service. The CLEC's assignment of that NPA-NXX to a rate center means that other customers assigned to that rate center can reach the CLEC's customers using a local dialing plan — that is, without having to dial "1+."

Q. CAN YOU PROVIDE A MISSOURI EXAMPLE?

A. Yes. The LERG contains information for Embarq's Jefferson City, Missouri service territory that designates the switch(es) in the Embarq network to which a call should be sent so it can be delivered in Jefferson City. For incoming calls from interexchange carriers, that designation likely would be an access tandem (also known as a toll tandem) somewhere in the Local Access and Transport Area ("LATA"). For calls from another local exchange carrier (including a CLEC), the designation would perhaps be a local tandem in the vicinity. In either case, the call

[4] Section 1.93 of the Interconnection Agreement defines "Rate Center."

would be handed from the tandem (possibly an Embarq tandem, or perhaps AT&T's) to Embarq's local central office serving the called party in Jefferson City.[5]

Similarly, in the case of calls destined for Verizon's network, the LERG identifies the Verizon switch for delivery of a call to the same Jefferson City, Missouri rate center. As noted above, the LERG identification is based on assignments by the respective carriers, rather than where the switches are located, especially for non-legacy CLEC networks, like Verizon's. As a result, the Verizon switch serving Jefferson City may well be located elsewhere (for example, St. Louis). The location of the CLEC switch in another LATA (or even another state) has no direct bearing on where traffic is delivered to the CLEC. In the example, that point will be in Jefferson City.

Q. WITH THIS BACKGROUND INFORMATION, COULD YOU PROVIDE AN ILLUSTRATION TO HELP EXPLAIN THE OPPOSING VIEWS ON COMPENSATION?

A. Yes. Attached as Exhibits DP-1 and DP-2 are diagrams representing two call situations. The comparison and contrast between the two scenarios highlights the traditional views of ILECs and CLECs on compensation for vNXX calls. For the sake of simplicity, the diagrams

[5] This description is somewhat generic, as other interconnection and routing architectures exist. For example, interexchange carriers or CLECs would not utilize a tandem where they have implemented direct trunking arrangements to an Embarq end office, and in those situations would hand off traffic at the Embarq end office.

do not attempt to replicate the full scope of the service areas over which the ILEC and CLEC, given the differences in their networks, must haul traffic from their respective customers to reach the point at which the carriers' networks are interconnected.

Q. HOW ARE THE TWO SCENARIOS SIMILAR?

A. In both scenarios, the calls from the Embarq customer to the Verizon customer are handled by both carriers in the same manner. In both cases, Embarq's switch routes its customer's call to interconnection trunks with Verizon, and Embarq hands the call off to Verizon at the point of interconnection ("POI"). And in both scenarios, when Verizon recognizes the incoming call from Embarq's customer, it switches that call to the appropriate facility for termination to its customer. Note that the LERG assignment of the 573-934 NXX by Verizon is for Embarq's Exchange "A" rate center.

Q. HOW ARE THE TWO SCENARIOS DIFFERENT?

A. The location of the Verizon customer is the only difference. In the "Local Call Example" scenario (Exhibit DP-1), both the Embarq and the Verizon customers are in Exchange "A." In the "vNXX Call Example" scenario (Exhibit DP-2), however, the Verizon customer is no longer in the same exchange as the Embarq customer. In both scenarios, the POI to which each carrier must bring its traffic is the same. The term "virtual NXX" or "vNXX" applies to this second situation in which the Verizon customer in

Exchange B (as defined by Embarq) has been assigned a telephone number ("NXX") associated with a rate center in Exchange A. This difference between the two scenarios is at the root of the industry's dispute about vNXX compensation.

Q. USING YOUR ILLUSTRATIONS, PLEASE SUMMARIZE THE TRADITIONAL OPPOSING VIEWS OF CLECS AND ILECS ON VNXX COMPENSATION.

A. The traditional CLEC perspective is that vNXX calls are local, so the CLEC should receive reciprocal compensation for terminating them. This view derives from two basic points. First, the CLEC's LERG assignment for the NXX – 573-934 in the illustrations – was made for the Exchange "A" rate center, and calls to numbers assigned to the same rate center are typically rated as "local" for retail billing to the calling party. Second, because these calls are rated as local by virtue of the number the CLEC has assigned to its customer, CLECs typically take the position that they should receive the compensation applicable to local calls – that is, reciprocal compensation – for the functions they provide in terminating traffic from the ILEC's customer.

The traditional ILEC perspective arises from its historical position as a provider of exchange access services to interexchange carriers. In the exchange access arena, ILECs receive compensation through access charges for the functions they provide to originate jurisdictionally

interexchange “toll” calls, so they contend that access charges should apply to “interexchange” vNXX calls. ILECs have also expressed concern that vNXX arrangements may increase the amount of traffic for which the ILEC is providing a substantial amount of transport, especially if the CLEC has only a single point of interconnection in the LATA.

The customary ILEC and CLEC positions are, therefore, diametrically opposed. The ILEC position is that it is providing an originating exchange access function, so it should be compensated according to its switched access tariffs. The CLEC perspective is that it is terminating “local” traffic originated by another LEC, so it should receive reciprocal compensation. The dispute is further complicated by fact that the overwhelming majority of vNXX traffic is not voice, but dial-up Internet traffic (that is, Internet service providers have been assigned most of the vNXX telephone numbers). The ILECs’ customers are dialing these virtual NXX numbers with their computer modems to access ISPs such as America Online, Microsoft Networks, Earthlink and others. Because that usage is very different than traditional voice calls, end users are quite sensitive to the costs they incur. If the Commission orders Verizon to pay access charges on all vNXX calls, such that dial-up Internet calls become subject to toll charges, consumers are not likely to reach their ISPs through dial-up access. In fact, in ongoing negotiations with a major ISP, Verizon and the ISP have agreed in principle on language excusing Verizon from providing service to the ISP if Verizon is required

to pay access charges on ISP-bound calls. It is, therefore, important for the Commission to consider how its intercarrier compensation decision in this arbitration may affect end users' ability to access the Internet.

Q. WHAT IS YOUR UNDERSTANDING OF EMBARQ'S POSITION ON THIS ISSUE?

A. Embarq adopts the traditional ILEC position that access charges should apply to interexchange vNXX calls. See Response of Embarq Missouri, Inc. to Verizon's Petition for Arbitration, p. 1 and Attachment A, at pp. 1-2. Embarq's position is based on the theory that originating access should apply to vNXX traffic just like other interexchange calls and that the numbers dialed are not relevant with respect to intercarrier compensation.

Q. IS EMBARQ CONSISTENT IN APPLYING THIS THEORY?

A. No. In the arbitration between Verizon and Embarq in Minnesota, Embarq took the position that dial-up Internet calls are "local" only if an ISP's modem banks and/or servers are located in Embarq's local calling area. However, in that case, Embarq also acknowledged that it partners with EarthLink, a nationwide ISP, in providing a "co-branded" dial-up Internet access service. With respect to that service, however, Embarq made clear that it was indifferent to the location of EarthLink's modem banks and servers, so access (and toll) charges would not necessarily

apply to vNXX calls to the Embarq/EathLink service. In other words, while Embarq expressed concern over the potential loss of access charges when Verizon's network is used to provide dial-up Internet service using vNXX arrangements, Embarq did not have the same concerns for dial-up traffic destined for EarthLink's network. Embarq's failure to adhere to the compensation principles it urges the Commission to impose upon Verizon undermines Embarq's credibility and raises discrimination concerns. In this regard, adopting Embarq's position would allow it to favor its own co-branded dial-up Internet service by adding significantly to the cost -- to Verizon – of providing a competing service.

Q. BASED ON THE INFORMATION YOU HAVE ABOUT EMBARQ'S CO-BRANDED INTERNET ACCESS SERVICE, DOES EMBARQ TREAT VNXX CALLS TO EARTHLINK LIKE INTEREXCHANGE CALLS?

A. No. I don't believe Embarq is applying to its own service the principle it advocates here — that is, that vNXX calls are no different than other interexchange calls. To determine how Embarq treats the dial-up traffic to EarthLink, I reviewed the website where customers and prospective customers can determine what numbers they would dial to reach the Embarq/EarthLink service. In one example, I was able to determine that Embarq customers in Jefferson City have several "local" telephone numbers that can be used for dial-up Internet access. The screen shots of the numbers allowing customers to reach the co-branded

Embarq/EarthLink service by dialing a local call are appended to this testimony as Exhibit DP-3. As I noted above, Embarq is not concerned about the location of EarthLink's modem banks and servers, so I do not believe that Embarq knows or cares if EarthLink has any modem banks or servers located in its service territory in Missouri.

In the second example, I inquired as to service in Maryville, an Embarq exchange north of St. Joseph near the Iowa border. Again, the website provided an access number for the co-branded Embarq/Earthlink service and showed that number to be "local" to Embarq's customers in Maryville. That screen shot is appended to this testimony as Exhibit DP-4. I have discussed with Verizon network planners the likelihood that an EarthLink modem bank or server is located in either Maryville or Pickering, and the consensus is that it would be highly inefficient to place such equipment in either of those areas. That is because the equipment available today to provide the network modem functionality is high-density equipment, designed for placement in locations where it can be used for a concentration of traffic over a wide geographic area. Although I have not been able to confirm whether EarthLink has a modem bank or server in either location, such a result would be highly inefficient from a network engineering perspective and is thus highly unlikely. These facts cast serious doubt on how consistently Embarq is applying its "policy" that the location of the modem bank and server is important in determining whether a call is "local."

Q. HAS THE FCC ATTEMPTED TO ADDRESS INTERCARRIER COMPENSATION FOR VNXX TRAFFIC?

A. Yes. The FCC has attempted to clarify the law regarding intercarrier compensation, but disputes nonetheless frequently have been brought before the states – often, as here, in the form of a request for arbitration. Recognizing this reality, the FCC has expressed its intention to decide the issue of vNXX compensation in its ongoing Intercarrier Compensation Rulemaking. *See Developing a Unified Intercarrier Compensation Regime*, Notice of Proposed Rulemaking, CC Docket No. 01-92, 16 FCC Rcd 9610, at ¶ 115 (2001) and Further Notice of Proposed Rulemaking, 20 FCC Rcd 4685, at ¶ 15 n. 48 (2005). Therefore, any solution reached in this arbitration by necessity will be interim pending nationwide action by the FCC; the interconnection agreement should require rapid implementation of any new national intercarrier compensation program following its adoption by the FCC.

Q. HOW SHOULD THE VNXX COMPENSATION ISSUE BE ADDRESSED IN THE MEANTIME?

A. VNXX compensation should be addressed through market-based solutions, rather than by resort to the usual, polarized win-lose paradigm of regulatory decision-making. This is the industry trend and, in fact, a number of carriers are already operating under such market-based solutions in Missouri.

Under the arrangement Verizon is proposing here, if the parties have at least one POI for the exchange of traffic in each ILEC tandem serving area where the CLEC assigns telephone numbers to its customers, the rate for vNXX traffic delivered to Internet service providers is $0.0007 per minute of use (which is the FCC's default rate for traffic bound to an Internet Service Provider ("ISP-bound traffic") that an originating carrier hands off to another carrier for delivery to an ISP in that same local calling area.) (Verizon's proposed § 55.4.2.) In LATAs where the parties do not have a POI in each of the ILEC's tandem serving areas, vNXX traffic (including voice, as well as ISP-bound, although Verizon does not currently expect to have any voice vNXX traffic) is exchanged on a bill-and-keep basis.[6] (Verizon's proposed § 55.4.3.)

This compromise solution is similar to the approaches to which a number of large ILECs and CLECs (including Sprint) have agreed in the absence of regulatory intervention. For instance, Verizon (and other CLECs) negotiated and implemented such region-wide agreements with SBC (prior to the January 2005 announcement of SBC's merger with AT&T), with the Verizon ILECs (before the February 2005 announcement of the Verizon/MCI merger), and, most recently, with

[6] "Bill and keep" refers to an arrangement in which neither of two interconnecting parties charges the other for terminating traffic that originates on the other party's network.

BellSouth in all of its states. The Verizon ILECs, likewise, negotiated intercarrier compensation agreements with, among many others, AT&T (before its merger with SBC), MCI (before its merger with Verizon), and Level 3, and a number of carriers, including Sprint, have adopted these negotiated agreements. Although these agreements differ in their specifics, each includes a fundamental trade-off under which the CLEC receives compensation for handling vNXX calls originated by the ILEC in exchange for the CLEC's commitment to accept greater responsibility for transporting the traffic from the ILEC's originating end office. These multi-state agreements avoid the uncertainty of disparate, state-specific outcomes that may result from litigation; they eliminate billing and invoicing problems for multi-state carriers; and they allow parties to appropriately weigh their own business interests.

Although Embarq has not agreed to this approach thus far, Verizon remains willing to accept it if the Commission wishes to adopt it as an interim resolution of the vNXX compensation issue until it is settled by the FCC. Verizon's compromise position -- a significant departure from the traditional CLEC litigation position -- appropriately balances the parties' respective interests, in keeping with the trend toward market-based resolution by sophisticated adversaries of an otherwise thorny regulatory problem.

Q. IF THE COMMISSION DECLINES TO ADOPT VERIZON'S MARKET-BASED RESOLUTION TO THE VNXX COMPENSATION ISSUE, WHAT OTHER APPROACH MIGHT THE COMMISSION TAKE?

A. If the Commission declines to adopt Verizon's approach, even though it is the best way to resolve this issue, I would expect the Commission to be guided by its Order last year in the Socket Telecom/CenturyTel arbitration. (Case No. TO-2006-0299, Final Commission Decision (June 27, 2006)). In that case, the Commission ruled that all vNXX calls would be subject to a "bill and keep" arrangement.

ISSUE 2: WHERE VERIZON IS NOT PURCHASING UNE LOOPS OR RESOLD SERVICES FROM EMBARQ, SHOULD EMBARQ BE PERMITTED TO CHARGE VERIZON A MONTHLY CHARGE FOR "MAINTENANCE AND STORAGE" OF CUSTOMERS' BASIC DIRECTORY LISTING INFORMATION THAT IS BASED ON EMBARQ'S TARIFFED RATE FOR MAINTAINING AND STORING ADDITIONAL DIRECTORY LISTINGS?

Q. WHAT IS THIS ISSUE ABOUT?

A. This dispute is about what charges, if any, Embarq should be permitted to assess on Verizon for maintaining and storing directory listings in its database.

Q. IS THERE A DISPUTE ABOUT EMBARQ'S CHARGES FOR DIRECTORY LISTINGS IN SITUATIONS WHERE VERIZON IS BUYING UNE LOOPS OR RESOLD SERVICE FROM EMBARQ?

A. No. Embarq has agreed that if Verizon is purchasing Unbundled Network Element ("UNE") loops or resold services from Embarq, it will not charge anything for providing a single basic directory listing for each Verizon customer. However, in situations where Verizon is not purchasing UNE loops or resold services (*i.e*., where Verizon is self-provisioning the loop), Embarq seeks to assess two types of charges on Verizon.

Q. WHAT ARE THE TWO DIRECTORY LISTING CHARGES THAT EMBARQ HAS PROPOSED TO CHARGE IN SITUATIONS WHERE VERIZON IS SELF-PROVISIONING LOOPS?

The first charge, under § 75.3.3, is a nonrecurring charge for processing directory listing service orders. Verizon has agreed to pay that charge.

The second charge that Embarq's proposed § 75.2.5 would allow it to assess is a monthly recurring charge for maintaining and storing the directory listings in Embarq's database. Embarq proposed a specific charge for the first time in its Response to Verizon's Petition for Arbitration, suggesting that its retail tariffed rate of $2.25 a month for a residential foreign listing is an appropriate proxy for wholesale directory

listing maintenance and storage. Response of Embarq Missouri, Inc. to Verizon's Petition for Arbitration, Attachment A, at 3.

Q. WHAT IS THE STANDARD INDUSTRY PRACTICE WITH RESPECT TO CHARGING FOR DIRECTORY LISTINGS?

A. My understanding is that most do not charge either their retail customers or interconnecting CLECS for storing a "basic" directory listing (meaning a single listing associated with a customer's telephone number) in their database. For example, Embarq's General Exchange Tariff provisions for "primary listings" clearly state that "one listing without charge, termed the primary listing, is provided…[f]or each separate customer service…."[7]

Some ILECs do charge a nonrecurring service order charge for *ordering* directory listings, but that charge typically covers the work involved in processing the order, such as entering the user's listing information in the ILEC's databases.

Q. WHY DON'T ILECS TYPICALLY CHARGE FOR STORING OR MAINTAINING BASIC DIRECTORY LISTINGS?

A. The costs of providing the listing may be covered by other charges, such as the nonrecurring service order fee that I mention above. That one-time fee may cover all costs associated with the directory listing, which

[7] P.S.C. MO – No. 22, Section 9, Second Revised Page 2 (effective November 27, 2004).

makes sense given that any future costs for simply storing and maintaining the information are quite small compared to the initial costs of processing the order.

Perhaps more importantly, my understanding is that the ILEC typically has an economic incentive to not charge for storing basic directory listings because any costs associated with them are offset by benefits the ILEC receives for maintaining as comprehensive a database as possible. The ILEC typically contracts with a directory publisher to publish the directory listings and to distribute them to all customers within its service area. From the publisher's point of view, the usefulness of the directory – and therefore the value of the advertising that the publisher includes in the directory – is diminished if the listings received from the ILEC are not comprehensive. The ILEC can typically strike a better deal with the directory publisher if it can offer a more valuable database to the publisher, and maintaining a comprehensive set of directory listing information enhances its value. Thus, many ILECs do not charge their retail customers, or interconnecting CLECs, for basic directory listings because they do not want to risk having gaps in the data they provide the directory publisher.

Q. DOES EMBARQ HAVE A LEGITIMATE REASON TO DEVIATE FROM THE USUAL INDUSTRY PRACTICE?

A. Not to my knowledge. I don't see any reason why the economics I explain above would not apply to Embarq. In fact, Embarq, presumably to ensure that it has a comprehensive database to provide to a directory publisher, negotiated a provision under which Verizon "agrees to provide CLEC customer listing information, including without limitation directory distribution information, to Embarq, at no charge." *See* ICA § 75.3.4. It is ironic, as well as unfair, that Embarq *requires* Verizon to provide directory listing information to it for free, yet at the same time seeks to charge Verizon for storing and maintaining that information in its database.

As I mention above, Verizon has already agreed to pay a nonrecurring charge for processing the service order associated with a request for a directory listing. But the additional monthly charge that Embarq proposes for "routine maintenance and storage" of directory listings are unjustified.

Q. WHY ARE EMBARQ'S PROPOSED CHARGES FOR MAINTAINING AND STORING DIRECTORY LISTINGS UNJUSTIFIED?

A. First, as discussed above, Embarq has an incentive to maintain and

store the data regardless of whether or not it is compensated for doing so.

Second, Embarq has not proposed a specific monthly fee for Commission approval, but proposes to charge undisclosed rates by reference to retail tariffs for a different service.

Third, Embarq has not demonstrated that any costs it incurs with respect to directory listing are not fully recovered by the nonrecurring charge that Verizon has already agreed to pay.

Fourth, Embarq's proposed monthly fee is discriminatory. Under 47 U.S.C. § 251(b) and the FCC's implementing regulations, Embarq must provide CLECs with nondiscriminatory access to directory listing. As Verizon explained in its Petition (at Att. A) (and as it will explain more fully in its legal briefs), in a dispute involving that obligation, Embarq must prove that it is permitting nondiscriminatory access. Embarq has not met that burden. Its interconnection agreement with Level 3 Communications, for example, treats Level 3 more favorably (by providing free directory listings) than Embarq proposes to treat Verizon. That agreement, which Embarq entered into last year, provides that "Embarq agrees to include one basic White pages listing for each Level 3 customer located within the geographic scope of its White Page

directories, at no additional charge to Level 3." *See* Master Interconnection, Collocation and Resale Agreement for the State of Missouri between Level 3 Communications, LLC and Embarq Missouri, Inc. (filed with the Missouri Public Service Commission Oct. 16, 2006 and approved by the Commission in Case No. TK-2007-0157 effective Dec. 1, 2006), at § 74.3.3.

Q. WAS VERIZON THE ONLY PARTY TO OPPOSE EMBARQ'S PROPOSED CHARGE FOR DIRECTORY LISTING MAINTENANCE AND STORAGE IN THE MINNESOTA ARBITRATION?

A. No. The Minnesota Department of Commerce ("DOC") actively participated in the Verizon/Embarq arbitration in Minnesota and opposed Embarq's proposed charge for maintenance and storage of directory listings. DOC's witness testified that she was familiar with the costs associated with storage and maintenance of directory listings from a proceeding involving Qwest, the predominant ILEC in Minnesota. DOC's witness indicated that she had reviewed a cost study submitted by Qwest around 1997, and that the costs were "extremely low and in no way did $2 [the monthly recurring charge proposed by Embarq in Minnesota] bear a reasonable relationship to that cost."[8] While DOC's

[8] Petition of Verizon Access for Arbitration of an Interconnection Agreement with Embarq Minn., Inc., OAH Docket No. 12-2500-18075-2, MPUC Docket No. P430,5321/M-07-611, Hearing Transcript ("Tr.) of August 23, 2007, at 235. See also Direct Testimony of Katherine A. Doherty, Minn. Dep't of Commerce, Petition of

witness acknowledged that Embarq's costs may be different than Qwest's, and that the cost study she reviewed was about 10 years old, she believed that the costs would have gone down over that period of time, not up. Asked by Embarq's counsel if she had to pick a rate based on everything she knows, DOC's witness responded:

> I would say zero, because I have nothing to say anything else. I see that other carriers are charging zero. I don't see any information about -- Embarq's costs haven't been provided. I don't see any competitive alternatives which indicates to me that -- despite what I heard earlier, that Embarq could be a bottleneck in terms of listings. I don't know that. But I don't have any information to tell me otherwise. So I would have to say zero.[9]

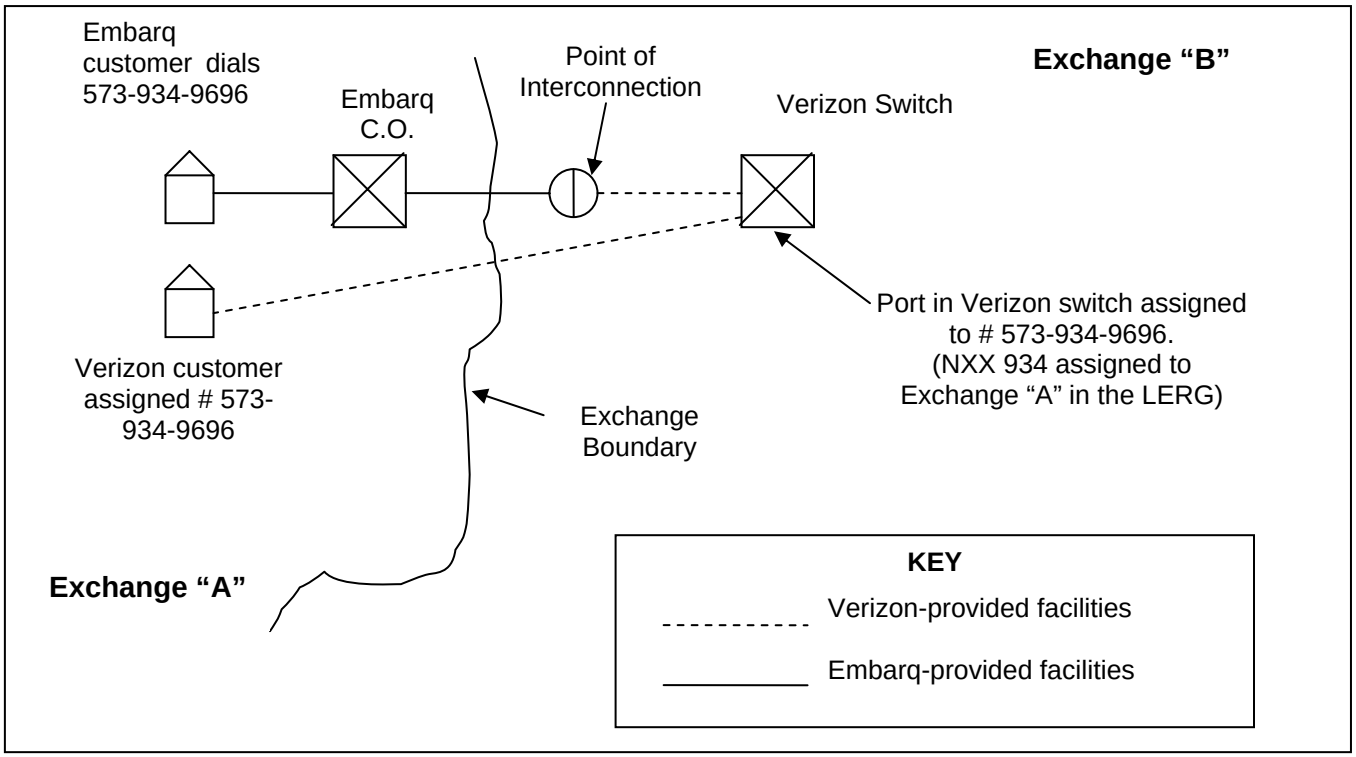
Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

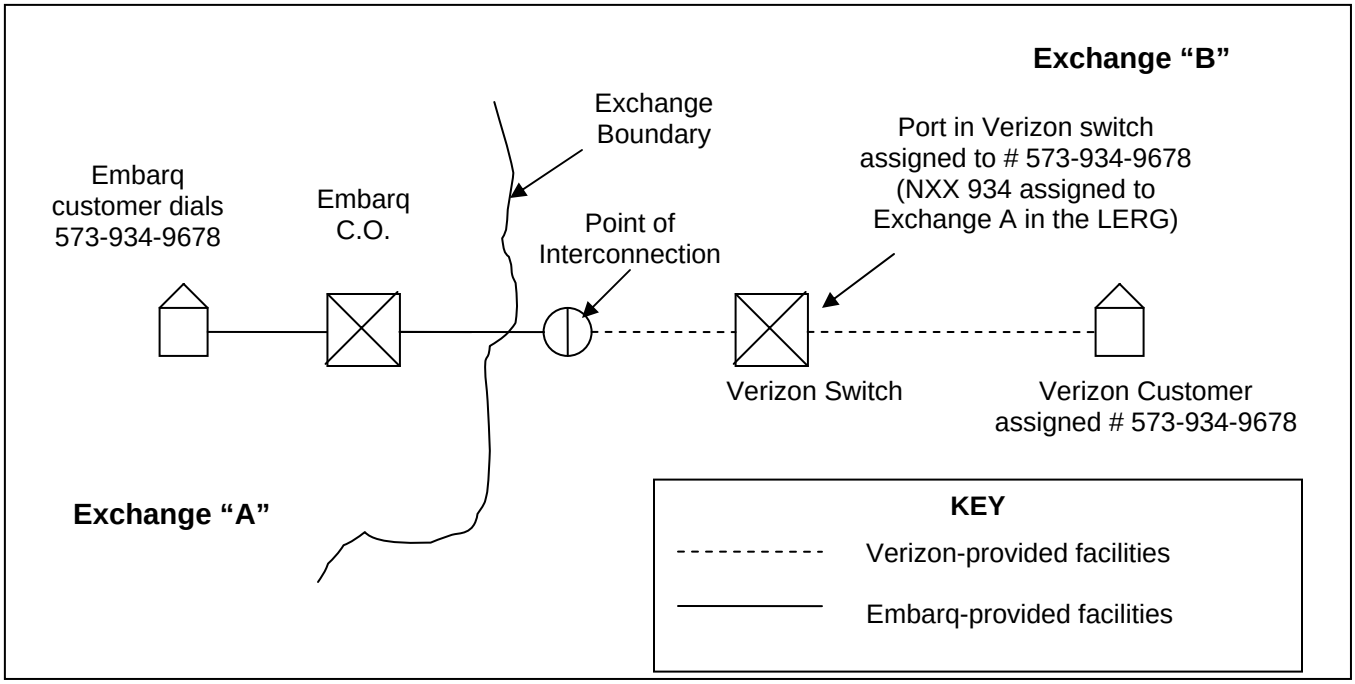
A. Yes.

Verizon Access for Arbitration of an Interconnection Agreement with Embarq Minn., Inc., OAH Docket No. 12-2500-18075-2, MPUC Docket No. P430,5321/M-07-611, at 19-22 (advising that Embarq had not met its burden to justify establishment of any rate for directory listings).

[9] Tr., at 236-237.

Missouri Public Service Commission
Docket No. TO-2008-0037
Direct Testimony of Don Price
Local Call Example: ILEC to CLEC
Exhibit DP-1, Page 1 of 1




Exchange "B"
Exchange Boundary
Port in Verizon switch assigned to # 573-934-9678 (NXX 934 assigned to Exchange A in the LERG)
Embarq customer dials 573-934-9678
Embarq C.O.
Point of Interconnection
Verizon Switch
Verizon Customer assigned # 573-934-9678
Exchange "A"
KEY
Verizon-provided facilities
Embarq-provided facilities