

Exhibit No.:
Issues Addressed: Issue 27
Issue 29
Issue 40

Witness: Jeffrey W. Reynolds
Sponsoring Party: CenturyTel of Missouri, LLC
Type of Exhibit: Direct Testimony
Case No.: TO-2009-0037
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CENTURYTEL OF MISSOURI, LLC

DIRECT TESTIMONY

OF

JEFFREY W. REYNOLDS

CASE NO. TO-2009-0037

CenturyTel
Exhibit No. 15
Case No(s). TO-2009-0037
Date 10-28-08 Rptr PF



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1 **INTRODUCTION**

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

3 A. My name is Jeffrey W. Reynolds. My business address is 118 W. Streetsboro Street #190
4 Hudson, Ohio 44236.

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

6 A. I am a principal in the economic consulting firm of Reynolds Schultheis Consulting, Inc.

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

8 A. CenturyTel of Missouri, LLC (hereinafter referred to as "CenturyTel")¹ in this
9 proceeding between CenturyTel and Charter Fiberlink-Missouri, LLC ("Charter").

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

11 A. I have over thirty years experience in the telecommunications industry with management
12 and executive positions in engineering, finance, marketing and regulatory areas. Prior to
13 forming Reynolds Schultheis Consulting, Inc. in November of 2007 I was a principal in
14 Parrish, Blessing & Associates, Inc., a consulting firm located just outside of
15 Washington, DC. From 1992 to 2001 I was Vice President – Wholesale Product
16 Management for ALLTEL Communications Services, Inc. (now Windstream) in Little
17 Rock, Arkansas. From 1985 to 1992 I was Director – Revenues for Alltel Service
18 Corporation in Hudson, Ohio. I began my career with North Pittsburgh Telephone
19 Company (now Consolidated Communications) in 1974 as a traffic engineer.

¹ The Parties have continued to negotiate since the filing of the Petition and it is anticipated that the Parties will continue negotiations following the filing of the Revised Statement of Unresolved Issues on September 2, 2008. If there are any discrepancies between this testimony and CenturyTel's Disputed Points List filed in this Docket on August 25, 2008 (the "CenturyTel DPL"), this testimony is intended to be controlling as it represents the most current state of CenturyTel's position thereunder. In an effort to assist the Arbitrator with the status of the proceeding, CenturyTel retains the right to file an updated and current interconnection agreement and DPL prior to submission of this matter for decision.

1 I have been preparing or overseeing the production of cost analyses and studies for my
2 entire professional career. While at Alltel, I was responsible for the development of the
3 regulatory costing models that supported the company's access and universal service
4 filings. I also established an economic costing group to develop studies using other
5 economic models. This group performed a variety of cost analysis including long run
6 service incremental cost (LRSIC) studies, total service long run incremental cost
7 (TSLRIC) studies, and other forms of cost analysis.

8 With the passage of the Telecommunications Act of 1996 I was tasked with formulating
9 Alltel's compliant cost models for use in interconnection proceedings. These costs
10 models were required to be based on Total Element Long Run Incremental Cost
11 ("TELRIC") as that costing methodology was established by the Federal
12 Communications Commission ("FCC").

13 I have testified in a number of state jurisdictions on costing issues, particularly in the area
14 of costing policy as it relates to intercarrier compensation, interconnection and universal
15 service. Over the years I have also been involved at the federal level with cost and rate
16 development issues as they relate to access and universal service.

17 **Q. Are you familiar with the structure and requirements of Section 251 of the**
18 **Telecommunications Act of 1996 ("Act") and related FCC orders?**

19 **A.** Yes. My experiences in the telecommunications industry related to interconnection and
20 local number portability have provided me a working understanding of the requirements
21 of 251 of the Act as well as the FCC's rules and decisions that implement the
22 requirements of the Act.

1
2 **PURPOSE**

3 **Q: What is the purpose of your testimony?**

4 A. The purpose of my testimony is to address Issues 27, 29 and 40 that concern disputed
5 language and terms between the Parties. The resolution of these issues will then allow
6 the Parties to finalize the Agreement. (As used in this testimony, I note that the term
7 "Agreement" refers to the interconnection agreement being negotiated/arbitrated by the
8 Parties.) Primarily I will explain why CenturyTel is justified in charging for various
9 non-recurring charges ("NRCs") associated with the service orders that Charter will send
10 to CenturyTel and why Charter is obligated to pay such charges. I will discuss the cost-
11 causative aspects of Charter's activity and relate that to the appropriate NRC rate. I will
12 also provide support for the NRC rates that CenturyTel has included in the Agreement.
13 Additionally I will provide testimony explaining CenturyTel's position regarding the
14 ability of CenturyTel recover its costs with respect to upgrades and enhancements to its
15 Operations Support System ("OSS").

16 **SPECIFIC ISSUE TESTIMONY**

17 **Issue 27 When Charter submits an LSR requesting a number port, should Charter be**
18 **contractually required to pay the service order charge(s) applicable to such**
19 **LSR?²**

20 **Issue 40 Should the Pricing Article include Service Order rates and terms?**
21

22 **Q: Why should issues 27 and 40 be addressed together?**

23 A. Issues 27 and 40 concern local service request ("LSR") charges. Although the
24 Agreement also uses the term "Initial Service Order" or "ISO", that term is conceptually

² Charter's contends that Issue 27 should be framed as follows: "Should CenturyTel be allowed to assess a charge for administrative costs for porting telephone numbers from its network to Charter's network?"

1 the same as LSR and I will use the terms interchangeably. Issue 27 addresses whether a
2 LSR charge should be imposed on a porting request and Issue 40 addresses the inclusion
3 of the LSR charge in the Agreement.

4 **Q: Could you explain the reason why CenturyTel disagrees with Charter's statement of**
5 **issue 27?**

6 A. Yes. While I reserve the right to amend this response once I see what reasons Charter
7 may provide for its statement of Issue 27, it appears from Charter's statement that it
8 questions the right of CenturyTel to assess a LSR charge to Charter upon the submission
9 by Charter of a porting request to CenturyTel. Accordingly, CenturyTel believes that its
10 issue statement is more descriptive of the very limited scope of the actual dispute
11 between the Parties – whether the LSR NRC rate should apply to LSRs submitted for
12 porting requests.

13 **Q. Please describe in general the process for a CenturyTel end-user customer to**
14 **become a customer of Charter and maintain their current phone number.**

15 A. In order for a CenturyTel customer to become a customer of a facilities-based
16 competitive local exchange carrier ("CLEC"), such as Charter, and retain his or her
17 telephone number, CenturyTel must "port" the number to Charter. This is a process that
18 allows the number(s) associated with a given end-user customer to be used by Charter to
19 provide service and to have it appear to all other telecommunications carriers that the
20 telephone number is being used by a Charter customer. In order to achieve the porting of
21 a telephone number CenturyTel must access databases, verify information and initiate
22 and complete service order activity.

1 The process followed by CenturyTel has many steps. Initially a CLEC must submit a
2 bona-fide request ("BFR") to initiate the porting process between CenturyTel and that
3 CLEC. Then CenturyTel must complete the required testing and account set up
4 activities. Once these initial processes are complete a very brief description of the
5 necessary steps to process a Local Service Request ("LSR") for the porting of an
6 individual customer is as follows:

7 a. The CenturyTel provisioning representative must access the CenturyTel CLEC
8 website to retrieve pending orders;

9 b. The CenturyTel representative then determines the types of orders that are
10 pending and an unassigned order is selected and reviewed to ensure all that all sections of
11 the order have been completed by the submitting CLEC;

12 c. The CenturyTel representative then establishes an account in the CenturyTel
13 billing system;

14 d. The name and address on the LSR are verified against the account in order to
15 eliminate the possibility of an unauthorized party attempting to port a number;

16 e. The porting end user's account must be reviewed and checked to determine if an
17 Access Line Freeze has been added to the account or if there are issues with the account
18 that would be affected by the port (e.g., pricing plans, directory advertising and contracts,
19 calling card, additional line, Web Access product, wireless, etc.);

20 f. CenturyTel requires that all of the end user's services are addressed in the LSR
21 and anything not identified must be referred back to the submitting CLEC;

22 g. If the information on the LSR is complete and correct, the order is submitted to be
23 worked, i.e., the order is then processed by the CenturyTel representative;

1 h. At this time, the necessary order entry activities take place – these include
2 entering the due date, selecting “Local Number Portability” from the “Reason Code”
3 drop-down list, choosing the company the customer is porting to from the “Ported To”
4 drop-down list, selecting the “Billing and Records” checkbox, completing the Contact
5 information group box, entering detailed notes taken from the LSR including account
6 number, end-user name (name designated on the Ensemble account), address, telephone
7 number and the end-user’s new provider;

8 i. The CenturyTel representative then opens the appropriate CenturyTel operating
9 company account of the CLEC to which the customer is porting and that representative
10 then manually enters all of the end-user account information into the CLEC’s operating
11 company account since this end-user account information is necessary to process the port
12 and bill the ISO. If no errors are found, it is at this point that the CLEC is sent a Firm
13 Order Confirmation that the order has been processed by CenturyTel;

14 j. If errors appear, they must be identified and corrected by the CenturyTel
15 representative;

16 k. After the CenturyTel representative finishes the order entry work, the order is sent
17 to the CenturyTel personnel responsible for performing the port in accordance with the
18 North American Numbering Council (“NANC”) porting procedures.

19 l. Upon completion of the actual port, the CenturyTel representative receives
20 notification from the CenturyTel personnel responsible for performing the port that the
21 port was completed in accordance with NANC porting procedures;

1 m. In those instances where the port could not be completed the CenturyTel
2 representative receives notification from the CenturyTel personnel responsible for
3 performing the port and an explanation of why the port could not be completed.

4 n. The CenturyTel representative must again access the CenturyTel CLEC website
5 to retrieve the pending CLEC order;

6 o. It is at this point that the pending order is either placed in jeopardy status or the
7 order is shown as completed and the CLEC is notified.

8 **Q. Does CenturyTel incur any costs when it processes a LSR associated with porting**
9 **numbers for a CLEC such as Charter?**

10 A. Yes. CenturyTel expends both human and systems resources to review, verify and enter
11 a porting LSR. This resource expenditure is incremental to CenturyTel and the cost is
12 attributable to the CLEC (Charter) creating the LSR activity.

13 **Q. Why are the costs of the LSR attributable to Charter?**

14 A. Costs should be recovered from those whose actions cause the costs to be incurred. This
15 principle ensures that customers and competitors are provided with the correct price
16 signals when making a purchasing decision, and ensures that both the customer and
17 competitor understand that they will be charged for the costs they require to be incurred
18 by the responding entity. Therefore, when Charter causes costs to be incurred by
19 CenturyTel and then fails to pay the cost, Charter places the cost recovery burden on
20 CenturyTel, its customers or other competitors. That result, in turn, is improper and
21 contrary to long-standing and accepted regulatory policy that the carrier causing costs
22 should pay for such costs. To do otherwise is neither equitable nor efficient and amounts

1 to Charter being subsidized by CenturyTel, its customers and other carriers with which
2 CenturyTel already charges a LSR rate.

3 **Q. Based on your response above, is it correct that CenturyTel assesses charges for**
4 **processing LSRs?**

5 A. Yes.

6 **Q. Does CenturyTel assess charges for processing CLEC LSRs that are associated with**
7 **the porting of numbers?**

8 A. Yes. It is CenturyTel's policy to charge for processing an LSR regardless of the type of
9 LSR. In addition to number porting, LSRs are processed for a variety of purposes
10 including customer records searches, directory listing changes, resale of CenturyTel
11 services and the ordering of services for the CLEC's internal use.

12 **Q. Has the FCC established costing rules applicable to local number portability?**

13 A. Yes, in its Third Report and Order³ on number portability the FCC established a cost
14 recovery mechanism for Local Number Portability ("LNP") costs. The FCC also has a
15 specific rules applicable to this LNP recovery – 47 C.F.R. § 52.33.

16 **Q. Are any costs recovered under this LNP cost recovery mechanism included in**
17 **CenturyTel's LSR charge for porting?**

18 A. No. The costs underlying the CenturyTel LSR charge are separate and apart from the
19 costs recovered under the FCC's LNP cost recovery mechanism. As I stated earlier,
20 CenturyTel charges for all types of LSRs – regardless of the purpose. The costs
21 considered under the Third Report and Order were primarily for database and systems
22 upgrades to allow for LNP to be implemented. The service order type costs associated

³ *In the Matter of Telephone Number Portability, Third Report and Order*, CC Docket No. 95-116, FCC 98-82, 13 FCC Rcd 11,701 (Re. May 12, 1998) (*Third Report and Order*).

1 with porting a number to a particular CLEC were not contemplated by the Third Report
2 and Order to be included in the FCC's LNP cost recovery mechanism. Charter incorrectly
3 argues that CenturyTel is limited to recovering carrier-specific costs that are directly
4 related to number portability through a monthly, federally tariffed end-user LNP charge
5 only.

6 As also explained by another CenturyTel witness, Steven E. Watkins, the FCC, in a
7 clarification order on LNP costs released in 2004,⁴ stated that carrier-specific costs that
8 are not directly related to providing LNP are not recoverable through the tariffed end-user
9 LNP charge. Furthermore, in an earlier order the FCC reaffirmed its previous conclusion
10 that costs, such as costs related to LSRs, may be recovered through other mechanisms.⁵

11 As we stated in the LNP Investigation Order, "[t]he *Cost Classification*
12 *Order* does not exclude all costs for modifications to OSS, but instead
13 excludes those costs incurred as an incidental consequence of number
14 portability." As we stated in the *Third Report and Order*, the costs carriers
15 incur as an incidental consequence of number portability are not costs
16 directly related to providing number portability and are, thus, ordinary
17 costs of doing business in this new environment. These costs may not be
18 recovered through number portability charges. However, they may be
19 recovered through price caps and rate-of-return recovery mechanisms.⁶

20 In the *Third Report and Order*, the FCC concluded "that carrier-specific costs directly
21 related to providing number portability are limited to costs carriers incur specifically in
22 the provision of number portability services, such as for the querying of calls and the

⁴ *In the Matter of Telephone Number Portability*, BellSouth Corporation Petition for Declaratory Ruling and/or Waiver, Order, CC Docket No. 95-116, FCC 04-91, 19 FCC Rcd 6800 (Rel. Apr. 13, 2004) ("*LNP Clarification Order*").

⁵ *In the Matter of Telephone Number Portability*, Memorandum Opinion and Order on Reconsideration and Order on Application for Review, CC Docket No. 95-116, FCC 02-16, 17 FCC Rcd 2578 (Rel. Feb. 15, 2002) ("*2002 LNP Order*").

⁶ *2002 LNP Order* at paragraph 104.

1 porting of telephone numbers from one carrier to another. Costs that carriers incur as an
2 incidental consequence of number portability, however, are not costs directly related to
3 providing number portability.”⁷ The FCC has “also interpret[ed] the phrase ‘porting
4 telephone numbers from one carrier to another’ narrowly, as referring only to the systems
5 for uploading and downloading LRN information to and from the regional Number
6 Portability Administration Centers (NPACs) and for transmitting porting orders between
7 carriers.”⁸

8 The costs that are caused by Charter’s ordering activity, which include CenturyTel’s
9 ordering activity related to number porting that I have identified above, are clearly not
10 covered the FCC’s LNP recovery mechanism as demonstrated by the FCC’s orders and
11 the FCC’s LNP cost recovery mechanism.

12 **Q. Does CenturyTel maintain that application of its LSR charges are appropriate when**
13 **a request is made by Charter to have a number ported to it by CenturyTel?**

14 A. Yes. CenturyTel maintains that a non-recurring service order fee is properly assessed
15 upon another carrier for any LSR, including those LSRs that request CenturyTel to
16 transfer (*i.e.*, “port”) an end-user telephone number in connection with the end-user’s
17 change of local exchange carrier.

18 **Q. Can Charter claim that CenturyTel is attempting to charge for the transmission of**
19 **porting LSRs between Charter and CenturyTel?**

20 A. No. As I stated earlier, the *Third Report and Order* refers to the costs of “systems” used
21 “for transmitting porting orders.” The administrative costs associated with processing an

⁷ *Third Report and Order* at para. 72.

⁸ Telephone Number Portability Cost Classification Proceeding. Docket 95-116, RM 8535, DA-98-2534, 13 FCC Rcd 24495 (Rel. Dec. 14, 1998) (“LNP Cost Classification Order”) at para. 14.

1 LSR are not included in the “systems” used “for transmitted porting orders.” As the FCC
2 indicated in its *LNP Clarification Order* in the context of the BellSouth petition for
3 declaratory ruling on LNP cost recovery, LSR costs do not constitute costs directly
4 related to providing number portability and are therefore not recoverable through the
5 federally tariffed end-user LNP charge. This would specifically exclude LSR costs.⁹

6 **Q. Has the FCC rendered any other decisions that support CenturyTel’s position**
7 **relative to charging the competitor versus the end-user?**

8 A. Yes. It is my understanding that in both the *Third Report and Order* and the *LNP*
9 *Clarification Order*, the FCC determined that the costs associated with intermodal LNP
10 should be recovered from the ILEC end-users through the monthly end user charge
11 (sometimes referred to as the “LNP charge”). Similar to Charter’s dispute with
12 CenturyTel, Verizon Wireless argued in the *LNP Clarification Order* that BellSouth
13 intended to improperly assess a carrier transaction-based charges whenever Verizon
14 Wireless requested to port a telephone number from BellSouth to Verizon Wireless.
15 Verizon Wireless urged the FCC to find that the costs were recoverable only through end-
16 user charges. BellSouth responded that the transaction-based fees are imposed whenever
17 a carrier submits a LSR to BellSouth, and that LSRs do not always involve the porting of
18 a telephone number. For example, BellSouth argued that when a carrier seeks to order a
19 line for resale, to disconnect a local exchange service, or to port a number from
20 BellSouth, the requesting carrier submits an LSR and BellSouth imposes a transaction-
21 based fee. BellSouth also argued that the transaction fees were not specific to wireless
22 LNP, and should not be considered directly related to the provision of wireless LNP. The

⁹ *LNP Clarification Order* at footnote 49.

1 FCC, in the *LNP Clarification Order*, agreed with BellSouth that an LSR charge was
2 proper and that the ILEC was prohibited from recovering transaction costs by including
3 this cost in the end-user LNP assessment. Since costs are incurred, the ILEC must seek
4 to recover its costs from the cost causer – Verizon Wireless in the Bell South case and
5 Charter in this proceeding when it makes a request to CenturyTel to port a telephone
6 number to Charter... The appropriate mechanism in either case is the LSR charge or,
7 using the term in the Agreement, the ISO charge.

8 **Q. Do you recall your earlier statement that the Commission's decision on this issue**
9 **should be based on cost causation principles?**

10 **A.** Yes.

11 **Q. Does this statement presume that the rates proposed by CenturyTel are cost based?**

12 **A.** Yes.

13 **Q. Are CenturyTel's NRC rates cost based?**

14 **A.** Yes. CenturyTel performed cost studies of its various non-recurring functions. The rates
15 identified in the Agreement and the Joint DPL are cost based.

16 **Q. Please identify the rates have been identified in the Joint DPL?**

17 **A.** They are:

- 18 • Initial Service Order Charge - Simple
- 19 • Initial Service Order Charge - Complex
- 20 • Subsequent Service Order Charge

21 **Q. Please describe the nature of the identified rates?**

1 **A.** Each of the identified rates is a non-recurring charge associated with the service order
2 activities that are anticipated to occur under the Agreement. The charges are based on the
3 costs associated with the function at issue and event-specific.

4 **Q.** **Could you please explain the basis for the NRCs that CenturyTel is proposing?**

5 **A.** CenturyTel has utilized a forward-looking cost methodology that is compliant with the
6 FCC's TELRIC process. The costs developed are those which are necessary to provide
7 the requested services and functions for the foreseeable future.

8 **Q.** **Has CenturyTel provided the cost studies underlying these rates to Charter?**

9 **A.** Yes, on July 9, 2008 and additional information was provided in discovery responses to
10 Charter. The costs are identified in attached Schedule JWR-1 – Proprietary.

11 **Q:** **How should the Commission resolve issues 27 and 40?**

12 **A:** Consistent with cost causation principles and the Commission's prior ruling in this area
13 as well as FCC's pronouncements I have noted herein, CenturyTel's language and terms
14 are necessary and reasonable and should be adopted by the Commission.

15 **Issue 29** **Should the Agreement preserve CenturyTel's rights to recover from Charter**
16 **certain unspecified costs of providing access to "new, upgraded, or**
17 **enhanced" OSS?**

18 **Q.** **Please summarize CenturyTel's position regarding issue 29.**

19 **A:** CenturyTel has requested that language be included in the Agreement that would allow
20 CenturyTel to recover its costs with respect to upgrades and enhancements to its OSS,
21 should such upgrades and enhancements occur during the term of the Agreement. The
22 provision would only relate to OSS costs and would allow a modification in the pricing
23 only after the Commission has reviewed and approved the modification in pricing.

1 **Q: What is Charter's position regarding Issue 29?**

2 A: Charter does not want the language included in the Agreement and, therefore, must want
3 the Commission to approve an approach where CenturyTel must incur the costs for OSS
4 related enhancements but not be able to recover those costs.

5 **Q. Is Charter's position reasonable?**

6 A. No. If CenturyTel incurs costs it should have the ability to recover them. Absent this
7 recognition with respect to CenturyTel's OSS, there would be no reason or incentive to
8 make improvements to the CenturyTel OSS because, carrying Charter's view of Issue 29
9 to its logical conclusion, those costs would not be recoverable. That result is
10 unreasonable.

11 **Q: Is CenturyTel's position reasonable?**

12 A: Yes. This language preserves CenturyTel's right to recover its costs with respect to
13 upgrades and enhancements to its OSS. Although the potential exists that the costs may
14 increase, Charter would only be required to pay such charges if CenturyTel *first obtains*
15 Commission approval of the rates and the Commission then also determines that Charter
16 should be responsible for payment of such charges. If CenturyTel's OSS system was
17 enhanced, CenturyTel should not be forced, under the Agreement, to provide Charter
18 with enhanced OSS without charge. It is reasonable that CenturyTel is protected for this
19 potential increase in costs.

20 **Q: How should the Commission resolve Issue 29?**

21 A: CenturyTel's language is necessary and reasonable, protects all Parties interest and
22 should be adopted by the Commission.

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

1 A. Yes.

Schedule JWR-1

NP

(Note: Schedule JWR-1 is deemed Proprietary in its entirety)

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

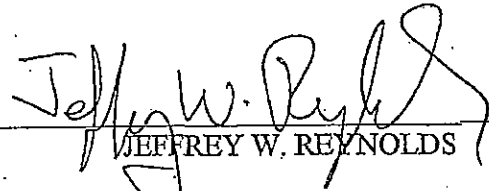
In the Matter of the Petition of Charter Fiberlink-)
Missouri, LLC for Arbitration of an Interconnection) Case No. TO-2009-0037
Agreement Between CenturyTel of Missouri, LLC)
And Charter Fiberlink-Missouri, LLC.)

STATE OF ARKANSAS)
) ss.
COUNTY OF PULASKI)

AFFIDAVIT OF JEFFREY W. REYNOLDS

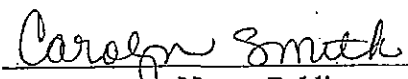
COMES NOW Jeffrey W. Reynolds, of lawful age, sound of mind and being first duly sworn, deposes and states:

1. My name is Jeffrey W. Reynolds. I am a telecommunications economic consultant.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony in the above-referenced case prepared on behalf of CenturyTel of Missouri, LLC.
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.



JEFFREY W. REYNOLDS

SUBSCRIBED AND SWORN to before me, a Notary Public, this 29th day of September, 2008.



Notary Public

My Commission Expires: June 1, 2016

