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Interconnection Negotiations

L. Bruce Sparling

Rebuttal Testimony

Southwestern Bell Telephone Company

TC-2000-225, et al.

**Missouri Public
Service Commission**

SOUTHWESTERN BELL TELEPHONE COMPANY

REBUTTAL TESTIMONY

OF

L. BRUCE SPARLING

CASE NO. TC-2000-225, et al.

St. Louis, Missouri

May 15, 2000

Missouri Public
Service Commission

Southwestern Bell Telephone Company)

CASE NO. TC-2000-225, et al.

REBUTTAL TESTIMONY OF L. BRUCE SPARLING

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is L. Bruce Sparling and my business address is 800 N. Harvey, Room 199,
3 Oklahoma City, Oklahoma 73102.

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

5 A. I am employed by SBC Telecommunications, Inc., as Director-Settlement
6 Administration / Industry Relations.

7 **Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?**

8 A. I am responsible for directing the development and implementation of Southwestern
9 Bell Telephone Company's centralized information system to support independent
10 ILEC compensation processes.

11 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

12 A. I have a Bachelor of Science in Electrical Engineering degree from Southern
13 Methodist University, Dallas, Texas. I also have a Masters of Business
14 Administration from Southern Methodist University.

15

16 **Q. PLEASE OUTLINE YOUR WORK EXPERIENCE.**

17 A. I was regularly employed by Southwestern Bell Telephone Company in 1969. Prior
18 to that time, I had worked for the company on a cooperative engineering program
19 while pursuing my undergraduate engineering degree. Beginning in 1969, I have
20 been continuously employed by the company and have held various management

1 positions in network engineering and planning, network operations and regulatory
2 operations in Texas and Oklahoma. In recent years I have held the positions of Pool
3 Administrator for the Oklahoma IntraLATA Toll and Surcharge Pools and the
4 Oklahoma Intrastate Pool, and High Cost Fund Administrator for the Oklahoma High
5 Cost Fund. I also have been responsible for regulatory accounting matters in
6 Oklahoma and for SWBT's liaison with independent LECs in Oklahoma.

7
8 For a period beginning in April, 1996, until early 1998, I also served as a lead
9 negotiator responsible for interconnection negotiations between SWBT and
10 competitive local exchange carriers (CLECs) as contemplated by the
11 Telecommunications Act of 1996 ("the Act").

12 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY AND/OR APPEARED AS A**
13 **WITNESS BEFORE ANY COMMISSION?**

14 **A.** Yes. I have testified in Arkansas, Missouri and Oklahoma regarding rate and tariff
15 matters, the Oklahoma Access Charge Plan and/or interconnection agreements.

16
17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 **A.** The purpose of my testimony is to accurately describe relevant negotiations between
19 SWBT and Brooks relating to their Missouri interconnection agreement, and in
20 particular, respond to the inaccurate testimony which has been filed by Mr. Ed
21 Cadieux in this case.

1 **Q. WERE YOU INVOLVED IN THE NEGOTIATIONS BETWEEN SWBT AND**
2 **BROOKS WHICH LED TO THEIR MISSOURI INTERCONNECTION**
3 **AGREEMENT?**

4 A. Yes. I was the lead negotiator on that interconnection agreement for a team of SWBT
5 subject matter experts, including Russ Ewing (who was responsible for compensation
6 issues), and Mark Welch (who was responsible for network issues).

7
8 **Q. WERE YOU ALSO INVOLVED IN THE NEGOTIATIONS BETWEEN SWBT**
9 **AND BROOKS IN OKLAHOMA WHICH PRECEDED THE MISSOURI**
10 **NEGOTIATIONS REFERENCED BY MR. CADIEUX IN HIS DIRECT**
11 **TESTIMONY?**

12 A. Yes. I was the lead negotiator for that interconnection agreement as well.

13 **Q. DO YOU AGREE WITH MR. CADIEUX'S ALLEGATIONS REGARDING**
14 **THE NEGOTIATIONS RELATING TO COMPENSATION ISSUES WITH**
15 **BROOKS IN OKLAHOMA AND MISSOURI?**

16 A. No. As described below and in the testimony of SWBT witnesses Mark Welch and
17 Russ Ewing, Mr. Cadieux has significantly misrepresented the nature and substance
18 of the negotiations relating to compensation issues.

19 First, he constructs his story of the two-tiered rate structure applicable to local
20 reciprocal compensation proposed by SWBT in the Missouri negotiations as if that

1 were a new proposal made for the first time by SWBT. The facts are that SWBT
2 began its negotiations with Brooks in Oklahoma (which began and were concluded
3 before the Missouri negotiations started) with the same two-tiered structure for local
4 reciprocal compensation rates. Only in the give and take of the Oklahoma
5 negotiations, and after Brooks had maintained that it intended to be a full-service
6 local telephone company with balanced flows of traffic between all types of
7 customers, did SWBT agree in the Oklahoma negotiations to Brooks' proposal of a
8 "blended" or "combined" reciprocal compensation rate for local traffic exchanged
9 between the parties.

10
11 **Q. WHAT DO YOU MEAN BY A "BLENDED" RECIPROCAL LOCAL**
12 **COMPENSATION RATE?**

13
14 **A.** A "blended" reciprocal compensation rate means that the parties would pay each
15 other the same rate for each minute of traffic subject to local reciprocal compensation
16 that was delivered to the other party for termination irrespective of whether the traffic
17 was delivered to a tandem switch or if the traffic was delivered directly to the other
18 parties' end office.

1 Q. AS A MATTER OF COMPANY POLICY, DID SWBT BELIEVE A
2 "BLENDED" RECIPROCAL LOCAL COMPENSATION RATE WAS
3 APPROPRIATE?

4 A. No. As a matter of SWBT company policy, it soon became apparent that a blended
5 rate approach did not properly match the different costs incurred for direct end office
6 trunking on the one hand and tandem trunking on the other. Around the time the
7 SWBT/Brooks Missouri negotiations were taking place, SWBT determined that it
8 would not agree to a blended rate in future negotiations (including the Brooks
9 negotiations for a Missouri interconnection agreement).

10 Q. PLEASE EXPLAIN WHY THE BLENDED RECIPROCAL LOCAL
11 COMPENSATION RATE STRUCTURE WAS NOT ACCEPTABLE TO
12 SWBT?

13 A. As discussed in Mark Welch's testimony, it is really a matter of network efficiency.
14 Where SWBT has network facilities in place, SWBT would prefer to deliver traffic
15 that is destined for Brooks' network directly to Brooks' end offices. Doing so
16 eliminates the need for Brooks to switch this traffic at a tandem switch and transport
17 it to Brooks' end office. When SWBT delivers traffic subject to reciprocal
18 compensation to a Brooks tandem switch, SWBT should pay a higher rate, since
19 Brooks has additional costs to switch this traffic at the tandem and carry it to its end
20 office, where it is switched again. But when SWBT delivers traffic subject to
21 reciprocal compensation directly to a Brooks end office, it should not have to pay the

1 higher tandem rate. Since SWBT has extensive facilities in place, SWBT preferred a
2 two tiered rate structure, to allow it the option of delivering traffic over its own
3 facilities directly to Brooks' end offices.

4 **Q. ARE THERE ADDITIONAL INACCURACIES IN MR. CADIEUX'S**
5 **TESTIMONY?**

6 A. Yes. Mr. Cadieux constructs his story of SWBT's expressed concerns in the Missouri
7 negotiations regarding Brooks' actual targeting of customers with directionally
8 unbalanced, SWBT-to-Brooks traffic as if SWBT had agreed that it was financially
9 obligated to pay local reciprocal compensation for ISP access traffic destined for the
10 Internet. The facts are that during a negotiation session in January, 1997, SWBT's
11 network negotiator (Mark Welch) and Mr. Cadieux had a discussion centering on
12 differences in each company's network architecture and trying to determine ways to
13 exchange high volumes of traffic efficiently by avoiding the high cost of unnecessary
14 tandem switching, as described above. It was SWBT's position that neither company
15 should have to bear the burden of extra capital or expense for unnecessary steps of
16 switching. These discussions were a follow up to discussions that had taken place in
17 November, 1996, on the same network issue. At the January, 1997, meeting, I
18 observed that, contrary to what Brooks had represented to me in the Oklahoma
19 negotiations, Brooks was concentrating on high volume traffic in the SWBT-to-
20 Brooks direction, some of which was destined for the Internet. I expressed my
21 concern to Mr. Cadieux that, especially in the context of a large amount of SWBT-to-
22 Brooks traffic, SWBT would want to retain the option of carrying such traffic directly

1 to Brooks' end offices. In fact, I mentioned traffic bound for the internet during this
2 discussion only because I was aware that Brooks was demanding large increases in
3 interconnection trunks in Oklahoma for such traffic, NOT because I believed or
4 agreed that traffic bound for the Internet was local traffic. Certainly, I never
5 suggested or stated to Mr. Cadieux that SWBT would agree to pay reciprocal local
6 compensation for traffic bound for the Internet. I did not in the context of that
7 discussion or any other discussion indicate that ISP traffic should be treated as
8 anything other than interstate exchange access, and certainly did not indicate that
9 SWBT believed that such traffic was local traffic and subject to reciprocal
10 compensation. During the January negotiating session, SWBT simply reasserted its
11 position that either party should have the opportunity and incentive to control its costs
12 by direct trunking to the other party's end offices regardless of whether the traffic was
13 jurisdictionally local traffic subject to reciprocal compensation rates or access traffic
14 subject to access rates.

15 **Q. WERE YOU SURPRISED TO LEARN OF BROOKS' POSITION THAT ISP**
16 **TRAFFIC IS LOCAL?**

17 **A.** Yes. First and foremost, I believe that our agreements are clear regarding the
18 jurisdictional nature of all possible categories of traffic and how such traffic would be
19 compensated. The agreements are clear that the jurisdiction of traffic is dependent on
20 where the traffic originates and terminates, regardless of the number of digits dialed,
21 regardless of where the call is routed to reach its final destination, regardless of the
22 type of trunk carrying the traffic, and regardless of whether the call is broken into

1 segments before it reaches its final destination and is actually terminated.
2 Furthermore, both Mr. Charlie Johnson, the lead negotiator for Brooks, and Mr.
3 Cadieux have considerable background in the interexchange carrier industry and
4 should have had full knowledge of how such matters have been determined.

5 **Q. DID YOU EVER STATE TO MR. CADIEUX THAT SWBT WOULD BE**
6 **WILLING TO PAY RECIPROCAL LOCAL COMPENSATION FOR**
7 **TRAFFIC BOUND FOR THE INTERNET IF BROOKS WAS WILLING TO**
8 **ACCEPT A TWO-TIERED RECIPROCAL COMPENSATION RATE**
9 **STRUCTURE FOR TERMINATION OF LOCAL TRAFFIC?**

10 A. Absolutely not. As described above, SWBT believed that the two-tiered rate structure
11 for termination of local traffic subject to reciprocal compensation was a more
12 appropriate structure for such compensation, as it provided proper incentives to each
13 carrier to control costs by utilizing efficient network architectures. I never made any
14 statement to Mr. Cadieux that SWBT would be willing to pay Brooks reciprocal local
15 compensation for Internet traffic, because SWBT was not willing to do so. There was
16 no change of position on SWBT's part. This traffic is not "local" by any stretch of
17 the imagination, and certainly is not "local" as "Local Traffic" is defined in the
18 SWBT/Brooks Missouri interconnection agreement.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, at this time.