Q.Please state your name and address for the record.

A.My name is Birdelle Brown and my business address is 472 West Washington Street, Boise, Idaho.

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

A.I am employed by the Idaho Public Utilities Commission as a Telecommunications Analyst.

Q.Are you the same Birdelle Brown who previously filed Direct and Rebuttal Testimony in this proceeding?

A.Yes, I am.

Q.What is the purpose of this testimony in light of the fact that the Commission has received a Motion to Vacate the hearing?

A.Staff supports the Motion to Vacate the scheduled hearings at this time; nevertheless, I believe it is important to include some additional information on the record.  There seems to be little or no dispute regarding many of the significant issues in this case. This testimony addresses unresolved issues that need to be addressed and proposes a workshop, as other parties have suggested, to resolve these issues.

Q.Do you recommend that LECs use the equivalent of 2-PIC (Primary Interexchange Carrier) technology as a minimum requirement for providing intraLATA or intrastate equal access?

A.Yes.  The 2-PIC gives customers the best choice and can easily be implemented in most Idaho switches as they are presently configured.

Q.Do you recommend that conversion to equal access be on an intrastate rather than an intraLATA basis?

A.I do.  Because the Telecommunications Act of 1996 (the Act) will have the effect of removing LATA boundaries within the state, Staff sees no reason to preserve any portion of the LATA boundary structure.  Rates, tariffs and toll services will continue to be offered on intrastate and interstate bases, and it only makes sense to give customers choices consistent with the existing situation.

Q.What implementation schedule do you recommend?

A.I recommend, as I stated in my Rebuttal Testimony (pg. 6), that GTE and the independent local exchange companies (LECs) offer intrastate equal access throughout their serving areas within one year of the date of a Commission order.  U S WEST's conversion will be contingent on its entry into the interLATA toll market.

Q. Then you recommend not waiting for bona fide requests (BFRs)?

A.I recommend that the Commission’s order be considered a blanket BFR for all LECs.  I believe waiting for individual BFRs will cause the implementation of intrastate equal access to be staggered among exchanges and prolonged in some cases for several years.  Additionally, cost recovery and true-up procedures will be much easier to implement and track if conversion is uniform within serving areas, and administration and customer education will be more efficient.

Q.Would this schedule also apply to the exchanges recently sold by U S WEST?

A.No, it would not.  Each of these exchanges will require new switches.  It is reasonable to expect that the new switches being purchased will be ready to provide intrastate equal access and that the companies should be required to offer equal access upon installation.  Therefore, there should be no equal access implementation costs attributable to these switches.

Q.Do you recommend that LECs replace their switches or perform generic upgrades solely to provide intrastate equal access?

A.Absolutely not.  The switch technology and generic levels that are necessary to provide 2-PIC technology are the same as those necessary to comply with federal requirements to provide certain features and enhancements such as the expansion of Carrier Identification Codes.  Staff expects companies not currently equipped with this technology to install it in the near future to comply with federal requirements.  Companies that do not have the technical capability to provide intrastate equal access should request waivers to defer installation until it coincides with these companies’ modernization plans.

Q.Do you recommend balloting for intrastate equal access?

A.Not in most cases.  I recommend intrastate balloting only when the intrastate equal access conversion occurs concurrently with conversion to interstate equal access, where balloting is an FCC requirement.  The balloting process for the conversion to interstate equal access is expensive and cumbersome.  It would not be efficient to require a new round of balloting for intrastate equal access.

Q.Would you please explain why you believe the independent local exchange companies should be included in this proceeding rather than in a separate proceeding, as the Independent Telephone Association (ITA) has requested (Hendershot, Di, pgs. 3-4)?

A.Staff has carefully considered intrastate equal access and its effects on all companies, including the independent companies, and arrived at recommendations which we believe balance the concerns of the small rural companies with those of the large LECs.  Staff believes early implementation of intrastate equal access will benefit all Idaho customers.  The inclusion of waiver procedures, not only for companies who may be unable to meet Staff’s recommended due date, but also for those who may be experiencing other technical or financial hardships, was intended largely to accommodate the small LECs.  Staff also proposes a recovery charge that will ensure complete recovery of implementation costs for all companies without endangering local rates or the Idaho Universal Service Fund.  Staff recommends that these rates begin at low levels and then be stepped annually to encourage the early entry of intrastate providers into rural areas.  I believe that moving the issue of the independent companies to a separate proceeding will incur greater overall expenses without achieving any benefits.

Q.Mr. Hendershot said, in his Di, pg. 4, that he anticipated a petition to be filed by the ITA for exemption from the § 251 requirements of the Act.  Did the Commission receive such a petition?

A.Not at the time of this testimony.

Q.How will LECs recover their costs for implementation of intrastate equal access?

A.All parties to this case agree that LECs should recover their costs for implementation by assessing a separate intrastate switched access-type rate element, commonly called an Equal Access Recovery Charge (EARC).

Q.Who should pay the charges?

A.All telecommunications providers that provide intrastate toll using equal access should pay the cost of implementing it.  The EARC should be assessed on all carriers of intrastate toll, whether they access LEC switches through Feature Group D, Feature Group C or any internal means of access.

Q.How should these charges be assessed?

A.The EARC can be assessed on originating or total minutes of use (MOU) or on a presubscribed access line basis for a specified length of time.  Since the type of recovery method that is used in different serving areas can affect individual companies differently, I propose that each LEC choose the application that will best serve its need and specify in a proposed tariff which application it plans to use.  The preferred application, if approved by the Commission, would be used throughout the LEC's serving area.  This is consistent with existing practices, where a product is priced one way in one LEC's serving area and differently in another LEC’s serving area.  The type of recovery method would not alter the total amount to be recovered.

Q.How should the EARC be implemented?

A.Before intrastate equal access is made available, each company should determine its recoverable implementation costs, compile the amount and determine a rate and type of EARC (per MOU or per access line) to be assessed to all intrastate toll carriers.  Each company should submit an auditable itemization of allocation procedures and all costs, including taxes and interest, to the Commission with a proposed tariff specifying the amount of the charge and the method of recovery.  When it is approved, the recovery charge will be in effect for a specified time — five years if Staff's recommendation is adopted.  One year before that specified time is ended, each company should present to the Commission an analysis of actual costs and amounts recovered.  The Commission will determine whether true-ups are required, and if they are, EARCs will be adjusted to ensure complete recovery, but not over recovery, by the end of the specified time.

Staff proposes a stepped rate element that will recover a low percentage of cost in the beginning of the recovery period and recover more of the costs at the end.  This recovery plan, which has been used in several other states, should encourage early entry by competitors into the market.  A possible proration would be:

5.0%First year 12.5%Second year

20.0%Third year

27.5%Fourth year

35.0%Fifth year

The EARC rate element should be tariffed and billed separately from other charges.  It should not be considered as an access charge for purposes of determining statewide averages for the Universal Service Fund.

Q.How long should the EARC be in effect?

A.Staff recommends that intrastate equal access implementation costs be recovered over a five-year period.  This period is long enough to allow the charges to be kept low, but does not prolong the recovery past the probable useful life of the software.

Q.What costs should be recovered?

A.The incremental costs directly related to implementingintrastate equal access using a 2-PIC technology should be recovered.  This would include:     1) incremental costs to purchase, install and test the necessary software and hardware to activate the feature, and 2) administrative costs, including billing system upgrades, training, service order entry, balloting  (where necessary), customer education, PIC changes at conversion and other administrative expenses.  Where the technology required for 2-PIC equal access may also provide other features such as interchangeable area codes, expandable carrier identification codes and 800 number portability delay requirements, equal access costs should be prorated.

Q.Should LECs be reimbursed for lost toll revenue?

A.No, they should not.  Lost toll revenue is not a cost of implementing intrastate equal access and should not be included in the EARC costs.  The only companies likely to incur lost toll revenue are U S WEST, GTE and Citizens.  All of these companies have entered or will enter the statewide (interLATA) markets, and these markets should provide them the opportunity to recover any shortfalls incurred by market losses in their serving areas.  If it does not, the regulated companies could seek relief in a rate case.

Q.Should LECs be reimbursed for stranded trunks and additional trunk/circuit equipment?

A.I do not recommend that these items be considered for reimbursement.  LECs have some control over their facilities in the ground and can reuse them or change their facilities as the need arises.  Competition should eventually generate an increase in total demand that should result in more, not less, use of capacity over time.  Additional trunk terminations and circuit equipment are legitimate access costs that should be recovered through normal switched access charges.

Q.Should there be a charge for customers to change their PICs to the intrastate carrier of their choice?

A.Staff recommends a 90-day free period following the implementation of intrastate equal access.  Costs for change charges during this period should be recovered by the EARC.  After that period, customers should pay a rate that is tariffed for Idaho and is no more than the interstate rate.

Staff previously testified that where customers changed both the interstate and intrastate PICs, there should be only one charge.  Mr. Purkey stated in his Rebuttal Testimony (pgs.7-8) that there is very little overlapping activity in processing changes to the interstate PIC and to the intrastate PIC.  There would be costs associated with the intrastate change that would not be recovered if the LECs were not allowed to charge for the change.  This is complicated by the fact that interstate PIC change charges are FCC-approved rates booked to interstate revenue, leaving no opportunity for combined costs.  I withdraw my recommendation at this time and suggest that this topic be discussed in the workshop I propose below.

Q.U S WEST has raised the issue of handling "0" calls.  The Company suggests that either the calls should go to presubscribed IXCs so that every competitor is treated equally, or that U S WEST be the default for 0- calls with a compensation mechanism to which other IXCs contribute.  (Purkey, Di, pgs. 10-12.)  What is your opinion?

A.Staff recommends that 0- and 0+ local calls continue to go to the LEC and that 0+ long distance calls be handed to the customer’s interexchange carrier of choice.  The FCC is examining this implementation issue in a Notice of Proposed Rulemaking in CC Docket  No. 96-98.  Meanwhile, LECs are recovering costs for these local calls in their rate bases.

0+ calls occur when callers dial 0 plus a dialed number, as when using a calling card.  These calls generate revenue for the long distance providers and are desirable.  0- calls require operator intervention.  Some generate revenue, but many are for information like looking up rates or asking for the time of day or duration of a call.  There are essentially three types of 0- calls: 1) Emergency calls, which are local calls that must be handled by a local exchange operator unless the Commission decides to grant exemptions similar to those granted to pay phone providers; 2) Requests for information, such as time of day, are also local services.  If the calls are for number information, busy line verification or emergency interrupt, U S WEST has tariffs in place to recover costs plus a contribution for these calls; and 3) Requests for information that should be provided by the caller's toll carrier, such as time and charges, present some difficulty.  It is within the LEC's purview to either transfer the call to the appropriate carrier, provide the caller with information to place the call him/herself, or to advise the caller to hang up and call his or her carrier.  LECs recover these expenses in their local rates.

The North American Numbering Plan has designated 0- as the means to reach the local operator and 00- as the means to reach an interexchange carrier.  If a second interexchange carrier is presubscribed, that carrier can only be reached by dialing 10XXX.  It is reasonable to expect both LECs and toll carriers to educate their customers on the use of these numbers to

reach the carrier that can provide the service they are seeking.

Q.U S WEST wants to share the responsibilities of “carrier of last resort” and those of “designated carrier” with other IXCs or, as an alternative, to be compensated for them.  (Purkey, Di, pgs. 9-10, Reb,

pgs. 11-13.)  What is your opinion?

A.Staff believes Idaho law clearly protects customers from the withdrawal of carriers when there are no alternatives and permits any carrier to exit a toll market so long as there is a comparable provider of MTS services in that area.  Staff does not believe it is onerous to require U S WEST to continue to serve the areas it is now serving until competition enters.  Facilities are in place to accommodate this service and there is little additional cost for U S WEST to continue providing service to remote areas.  However, Staff does agree that an industry workshop should be convened to compile rules or standards to identify equivalent carriers and procedures for withdrawal of service within the limits and requirements of Idaho Code.

Q.Are there other issues that need to be addressed?

A.Several parties have recommended an industry workshop to resolve some of the issues that exist.  There are several issues to be discussed, some of which are:

\*How companies exit a market.

\*How customers should be transferred to other providers (customer notification and costs).

\*Whether we need rules for waivers from implementation of intrastate equal access.\*How to make the Commission aware of the existence of a sole provider in a given area so that withdrawal does not leave the customers without service.

\*Whether new customers who do not sign up for a carrier should be left without a carrier.

\*Further investigation of costs for providing simultaneous PIC change charges.

\*Whether there should be rules and/or penalties for slamming.

\*How intrastate PIC freezes should be handled.

\*Handling of proprietary customer information and customer privacy rights.

\*Need for joint construction/approval

 of scripts to be used in business offices.

Staff recommends a workshop to discuss these and any other issues the industry may have.

Q.When should these workshops occur?

A.Given that the FCC will be promulgating rules on dialing parity by August 8, 1996 (CC Docket 96-98),

I recommend the workshop(s) be held during the summer and recommendations be given to the Commission shortly after August 8, 1996.  That way issues will have been debated when the FCC rules come out and participants can ensure their recommendations comport with FCC rules.

Q.Does that conclude your Surrebuttal Testimony?

A.Yes.