

1 **6. Transport**

2

3 **Q. Let's turn to the sixth major section of your testimony. Could you explain your**
4 **concerns regarding transport costs?**

5 A. The costs generated by the FCC model (as well as my fund calculations presented in
6 the next section) include transport costs. These include the cost of transporting local
7 calls across larger exchange areas (e.g., Wichita, Topeka, and Kansas City) which
8 include multiple wire centers. They also include costs associated with the intraLATA
9 long haul network which is used to transport intraLATA toll calls and both intrastate
10 and interstate interLATA toll calls. This is not surprising since the FCC is concerned
11 with making sure that everyone in the country can talk with everyone at reasonable
12 rates, and thus it selected a model which includes forward booking costs for this long
13 haul function.

14 It is important to remember that many of the rural wire centers are single-switch
15 exchanges, where the costs associated with local transport should be minimal. Yet, the
16 FCC model results display the opposite pattern. As shown in Schedule 12, transport
17 costs per line estimates for the smallest wire centers far exceed the analogous costs for
18 the largest wire centers. Since the small wire centers have little or no transport within
19 the local exchange, it is readily apparent that the high level of transport costs calculated
20 by the FCC model is primarily, if not exclusively, related to the long haul function (e.g.
21 connecting the wire center to the toll tandem).

22

23 **Q. Do you have any other evidence demonstrating that the transport costs relate**
24 **to the costs of connecting to toll tandems?**

1 A. Yes. The Colby wire center in Northwestern Kansas serves as a host to the remote
2 switches in Atwood, McDonald and other nearby towns. Map 15 depicts the fiber
3 optic transport rings that are generated by the FCC model for the group of wire centers
4 hosted by the Colby switch. According to the FCC model, one fiber optic ring
5 connects Colby to the adjacent remote switches, and another fiber ring stretches
6 hundreds of miles across north-central Kansas, connecting the Colby group of wire
7 centers to the toll tandem in Salina.

8 The FCC model calculates monthly per line transport costs in Atwood of
9 \$1.22. The analogous costs in McDonald are \$19.50. Both of these figures are far
10 above the statewide average. Customers in Atwood can only call other customers in
11 Atwood without incurring toll charges. Similarly, customers in McDonald can only call
12 other customers in McDonald. If a customer in McDonald wants to call someone in
13 Atwood (or vice versa) they are required to pay a toll charge. Since the transport
14 figures primarily represent the cost of transporting calls between wire centers, and since
15 customers in McDonald and Atwood can't place local calls to any other wire centers, it
16 is readily apparent that these high transport cost levels are related to toll service, rather
17 than local exchange service.

18

19 **Q. Are you suggesting that the KUSF should not support the high cost of providing**
20 **toll and access service in rural wire centers?**

21 A. No. This is a policy matter for the Commission to resolve, and it certainly would be
22 reasonable for the Commission to conclude that these long haul costs should be
23 supported by the KUSF. My concerns are somewhat different.

1 First, I want to be sure the Commission understands what types of costs are
2 included in the KUSF calculations, so that it can make the appropriate policy decisions
3 concerning whether, and to what extent, the KUSF should be supporting these costs.

4 Second, the appropriate percentage of KUSF support for transport costs might
5 differ from the analogous percentage applicable to loop costs. For example, interstate
6 access charges recover 25% of the loop costs, while the analogous percentage
7 applicable to intraLATA transport costs can vary widely, depending upon the traffic
8 mix on a particular route. In the Colby example just discussed, I would anticipate that
9 interstate access charges are covering well in excess of 25% of the costs. If the majority
10 of the traffic on these routes were interstate in nature, then the majority of the costs
11 would already be supported through interstate access charges. Thus, it might be
12 appropriate for the KUSF to support less than 76% of these transport costs.

13 Third, as competition increases it will become increasingly important to ensure
14 that any KUSF support for high transport costs is provided to the carrier that is actually
15 bearing the burden of the high costs. If the KUSF calculations are developed entirely on
16 a per-loop basis, as I have assumed up to this point in my testimony, then a problem
17 could arise with carriers that provide their own loop facilities, but don't provide their
18 own transport facilities. For instance, I question whether a CLEC providing local
19 exchange service in McDonald should receive KUSF support for high transport costs,
20 if the CLEC doesn't have any transport facilities and instead purchases access service
21 from SWBT—particularly if the CLEC pays an average per-minute rate for this service.
22 In the latter case, the burden of the high costs of providing transport to McDonald will
23 actually be borne by SWBT, rather than the CLEC.