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STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

EL PASO TELEPHONE COMPANY)
)
)
Petition For Suspension Or Modification of)
Section 251(b)(2) requirements of the Federal)
Telecommunications Act pursuant to Section)
251(f)(2) of said Act; for entry of Interim)
Order; and for other necessary relief.)

Docket No. 04-0238

REBUTTAL TESTIMONY

OF

JASON P. HENDRICKS

FOR

EL PASO TELEPHONE COMPANY

43 Q. Please state your name and business address.

44 A. My name is Jason P. Hendricks, and my business address is 2270 LaMontana Way,
45 Colorado Springs, CO 80918.

46

47 Q. Are you the same Jason P. Hendricks who previously filed Direct Testimony in this
48 proceeding, which was marked for identification as El Paso Exhibit 1?

49 A. Yes, I am.

50

51 Q. Have you reviewed the Direct Testimony of Staff witness Jeffrey H. Hoagg (ICC Staff
52 Exhibit 1.0) and Mark A. Hanson (ICC Staff Exhibit 3.0), which has been filed in this
53 proceeding?

54 A. Yes, I have. I will be responding to certain portions of the Staff's testimony in my
55 Rebuttal Testimony.

56

57 Q. Have you also reviewed the Direct Testimony of Michael A. McDermott filed on behalf
58 of Verizon Wireless?

59 A. Yes, I have. I will be responding to certain portions of his testimony, as well.

60

61 Q. Do you have any initial comments concerning the Staff's Direct Testimony and the
62 conclusions reached therein?

63 A. Yes. On behalf of El Paso, we agree with the ultimate conclusions of the Staff as
64 contained in Mr. Hoagg's testimony that El Paso should be granted a further suspension
65 of the requirements to provide wireline-to-wireless local number portability pursuant to

66 Section 251(f)(2) of the 1996 Telecommunications Act (“the Act”). Specifically, we
67 agree that a further suspension is necessary to avoid imposing a significant adverse
68 economic impact on El Paso’s customers pursuant to Section 251(f)(2)(A)(i) of the Act
69 (ICC Staff Exhibit 1.0, at pages 4, 7, 8, 12 and 13). I would note that Mr. Hoagg reaches
70 that conclusion based on the lower projected per access line surcharge and/or rate
71 increase of \$0.73 per line, per month developed by the Staff and based upon Mr.
72 Hanson’s testimony. El Paso also agrees with Mr. Hoagg’s conclusion that the granting
73 of an additional suspension is consistent with the public interest, convenience and
74 necessity in accordance with the criteria of Section 251(f)(2)(D) (see ICC Staff Exhibit
75 1.0 at pages 4, 13, 14 and 18). Those conclusions and Mr. Hoagg’s analysis underlying
76 those conclusions are consistent with my Direct Testimony and the very reason that El
77 Paso is seeking a further suspension of the obligation to provide wireline-to-wireless local
78 number portability in this proceeding.

79

80 Q. What issues will you be addressing in your Rebuttal Testimony?

81 A. I will be discussing the testimony of each of the Staff witnesses. However, the primary
82 focus of my Rebuttal Testimony is to respond to the proposed changes that Mr. Hanson
83 has addressed in his testimony to the incremental costs per access line to El Paso if El
84 Paso is required to provide wireline-to-wireless number portability as was estimated and
85 addressed in my Direct Testimony and Attachments. I will also be addressing issues
86 raised in Mr. Hanson’s testimony with regard to transport and transiting costs. I will be
87 addressing Mr. Hoagg’s testimony with regard to the reasons why a further suspension
88 should be granted by the Commission to El Paso and the length of that suspension.

89 Finally, I will be addressing to the limited extent necessary the testimony submitted by
90 Mr. McDermott.

91
92 Q. With regard to Mr. Hanson's testimony, did you in your Direct Testimony and
93 Attachments present an analysis of El Paso's best estimates as to what incremental costs
94 might be incurred by El Paso in connection with any required provision of wireline-to-
95 wireless local number portability?

96 A. Yes, I did. As I indicated in my Direct Testimony, we attempted to quantify the
97 incremental costs of providing wireline-to-wireless local number portability and to
98 estimate the amount of the per access line surcharge and/or rate increase that would be
99 required to recover those costs from El Paso's customers in connection with El Paso's
100 request for a further suspension and the statutory criteria that a suspension is necessary to
101 avoid a significant adverse economic impact on users of telecommunications services
102 generally.

103
104 I made very clear in my Direct Testimony that we were not asking the Commission in
105 this proceeding to either make a determination concerning what an appropriate surcharge
106 on our access lines would be or to impose any such surcharge. In fact, under the FCC's
107 Rules, the Company would be filing a tariff with the FCC rather than this Commission to
108 establish such a surcharge.

109

110 Q. Does Mr. Hanson agree that local number portability costs are recovered via tariffs filed
111 by local exchange carriers, such as El Paso, with the FCC pursuant to the FCC's Rules
112 and Orders?

113 A. Yes, I believe he does. At lines 77 through 80 on page 4 of his testimony, he states as
114 follows:

115 "It is my understanding that the Commission has had no role in determining the
116 appropriate rates for LNP cost recovery to date. To my knowledge, all cost recovery for
117 LNP associated costs is obtained via incumbent local exchange carrier tariffs filed with
118 the FCC pursuant to that agency's rules and orders."
119

120 I will comment on this further subsequently in my testimony.
121

122 Q. Does Mr. Hanson acknowledge in his testimony that certain cost recovery issues related
123 to wireline-to-wireless local number portability have not, as yet, been addressed or
124 resolved by the FCC?

125 A. Yes, he does. In several different sections of his testimony, Mr. Hanson discusses the
126 fact that the FCC has not resolved cost recovery issues or transport and transiting. As is
127 shown in both my Schedules and Mr. Hanson's Schedules, those costs are significant.
128

129 Q. Does Mr. Hanson generally agree with the format of the cost develop put forth in your
130 Direct Testimony for El Paso?

131 A. He indicates that he does at lines 146 through 147 on page 7 of his testimony and
132 indicates that it "appears to be consistent with the format for LNP end user charges in
133 NECA Tariff FCC No. 5".
134

135 Q. Am I correct that Mr. Hanson in his testimony then goes on to raise what he describes as
136 “concerns” with regard to certain of the incremental costs you have included and
137 quantifies the effect of his recommendation on the potential costs for end user charges per
138 access line?

139 A. Yes, that is correct. I would observe at the outset that I recognize that Mr. Hanson is
140 simply doing his job as a member of the Staff and is entitled to his opinion concerning
141 the estimates of the incremental costs that I have presented for Hanson. However, since I
142 believe his concerns and specific corrections are without merit, I am going to respond to
143 those issues in my testimony.

144
145 However, before doing so, I would make the following observations. First, the changes
146 that Mr. Hanson recommends in his Scenario 1 had the effect of reducing the potential
147 incremental costs that would be recovered from each of El Paso’s access lines from \$1.10
148 per line, per month to \$0.73 per line, per month. Since the Staff’s recommendation
149 contained in Mr. Hoagg’s testimony grant a further suspension for the reasons contained
150 therein, it was based upon Mr. Hanson’s estimated cost or surcharge of \$0.73. The
151 differences of opinion that Mr. Hanson and I have could, at this juncture, be deemed to be
152 academic.

153
154 In addition, as I indicated earlier, Mr. Hanson and I are in agreement that the Rules and
155 Orders of the FCC determined, and will determine, the amount of any end user surcharge
156 that can be recovered from El Paso’s access line customers in the event El Paso, at some
157 point in the future, provides wireline-to-wireless number portability. As a result, the

158 opinions that Mr. Hanson or I may have, or any disagreements we have, borders on being
159 irrelevant since it is the FCC's Rules and Orders that will dictate the costs that can be
160 recovered for any end user surcharge related to El Paso's future provision of LNP.

161

162 Q. With regard to start up, legal and regulatory costs, Mr. Hanson states as follows at lines
163 203-208 of his Direct Testimony:

164 "I have removed the upfront amount of regulatory and legal fees that are listed as start up
165 costs. These costs appear to be discretionary in nature and borne by the management of
166 the company to provide it with information and advice for protecting the interests of the
167 company. I do not oppose the recovery of such costs, but I don't believe that these are
168 costs that should be recovered from end-users via a LNP surcharge."
169 Please respond.

170

171

172 A. Mr. Hanson removes all start-up regulatory and legal costs and expenses based upon the
173 opinion that they are "discretionary in nature and borne by the management of the
174 company to provide it with information and advice for the purpose of protecting the
175 interests of the company". In my Direct Testimony, I indicated that we had just
176 estimated an initial or start-up legal and regulatory costs in the amount of \$20,000.
177 While the amount is an estimate, I believe it is a reasonable one.

178

179 In today's business environment, I cannot agree with Mr. Hanson that obtaining
180 necessary legal advice and performing necessary regulatory work is "discretionary" in the
181 sense that it is not necessary. Obtaining the necessary legal assistance and doing work to
182 comply with regulatory requirements is both a necessary and prudent expense to be
183 incurred by El Paso for the protection of the company itself and its customers.

184

185 Incremental legal and regulatory expenses will need to be incurred if the company is
186 required at some point to provide wireline-to-wireless local number portability.
187 Agreements will need to be entered into with each of the wireless carriers seeking to port
188 numbers and legal advice and review of any proposed agreements will be necessary to
189 protect the Company's interests. El Paso is also concerned about liability issues, not only
190 with regard to our arrangements with other carriers but with the Company's customers, as
191 well, and would be seeking legal advice in that regard if the Company is required to
192 provide wireline-to-wireless local number portability. It is likely that El Paso would need
193 legal counsel to review and advise the Company concerning any agreements or notices
194 that would need to be provided to 9-1-1 systems. Agreements with vendors to do
195 necessary work to implement wireline-to-wireless LNP may also need to be reviewed by
196 legal counsel. On both the regulatory and legal sides, incremental start-up costs would be
197 incurred with regard to any LNP surcharge to be filed with the FCC. These costs are
198 directly related to the implementation of local number portability and should be
199 recovered under the FCC's Rules via the end user surcharge for local number portability.
200
201 Mr. Hanson goes on in his response to indicate that he does "not oppose the recovery of
202 such costs" but does not "believe that these costs should be recovered directly from end
203 users via an LNP surcharge". Since El Paso would have no other means to recover the
204 costs other than increasing rates to El Paso's customers, it would seem to make little
205 difference from the customer's point of view whether the charges are recovered through
206 an LNP surcharge or an increase in basic rates. The economic impact on El Paso's
207 customers would be the same.

208

209 Q. With regard to customer education costs contained within your analysis, Mr. Hanson

210 states as follows at lines 210-216 of his Direct Testimony:

211 “I have also reduced the amount of customer education expense. The company projected
212 a mailing twice a year to its customers informing them of the ability to port their local
213 exchange numbers to a wireless provider. I am unaware of any requirement that the
214 company should inform its customers of the ability to do this on a biannual basis. My
215 scenario includes the cost of one initial mailing to customers to inform them of the ability
216 to port their phone number to a cell phone.”

217

218 Please respond.

219

220 A. In my Direct Testimony, I indicated that it was the view of El Paso’s management that

221 there would need to be at least two customer education mailing pieces prior to

222 implementation and that El Paso would then need to have two ongoing mailings for

223 customer education purposes each year. It has been El Paso’s management’s experience

224 that the Company needs to provide information concerning such things as new services to

225 its customers multiple times to make sure the information reaches everyone and is

226 absorbed by all of El Paso’s customers. Customer education is an ongoing process, and I

227 would respectfully suggest that El Paso is in the best position to judge what is needed in

228 this regard.

229

230 Q. Mr. Hanson states in lines 224-244 of his testimony that he has concerns about the

231 calculation of transport and transit costs and asks the company to address his concerns in

232 its rebuttal testimony. What are Mr. Hanson’s concerns?

233

234 A. Mr. Hanson states that he has a concern about the transport and transit costs for two
235 reasons. He states that the first reason is because he is unsure whether the minutes for
236 some local calls were counted twice – once as an originating minute and once as a
237 terminating minute. He states that the second reason is because he is unsure how
238 extended area service (EAS) calls were treated in the calculation and whether they should
239 be included in the local minutes of use calculation for purposes of calculating transport
240 and transit costs.

241

242 Q. Please explain how the transport and transit usage was calculated in the LNP cost
243 development attached to your direct testimony.

244

245 A. Attachment 1 provides an example of how the transport and transit usage was
246 determined. In the example, it is assumed that the company has 1,000 access lines and
247 2,000,000 total local minutes of use (MOU) per year, of which 1,000,000 are originating
248 MOU and 1,000,000 terminating MOU. It is also assumed that customers who port to a
249 wireless carrier from the company are average users who make 1,000 minutes worth of
250 local calls per year and receives 1,000 minutes worth of local calls per year. In the
251 attached spreadsheet, as in the LNP cost development model, it is assumed that 6% of
252 customers would port in year 1, and an additional 1% of customers would port in each
253 additional year until year 5 (in year 5, the LEC would have 10% fewer customers than in
254 year 0).

255

256 Taking year 1 as an example, if 6% of the customers port to a wireless carrier, the
257 company would lose 60,000 originating local minutes of use per year. I have assumed
258 that the customers who ported to wireless carriers will still want to call their neighbors as
259 much as they used to. But now the calls from the ported customers to their neighbors will
260 be originated from the wireless network. Since the company does not have direct trunks
261 with any wireless carrier, the calls would need to be terminated by the company over the
262 common trunks it has in place between it and the tandem provider. The additional
263 minutes that terminate over the common trunks from the wireless carrier as a result of
264 calls made from the ported numbers to the company's customers are one component of
265 the incremental transport and transit usage developed by the company.

266

267 The other component of the incremental transport and transit usage I developed is for the
268 traffic that originates over the common trunks as a result of LNP. The same customers
269 who ported to wireless carriers are also assumed to receive calls from their neighbors at
270 the same frequency as they did before - 1,000 minutes per year. Those minutes that
271 formerly terminated within the company's territory must now be sent as originating
272 minutes over the common trunks through the tandem company and on to the wireless
273 carrier. It is assumed that the company would pay query and transport costs for those
274 calls. So for year one, if 6% of customers ported to wireless carriers, then 60,000
275 additional minutes would be originated over the common trunks.

276

277 In sum, 120,000 additional minutes would be transferred over the common trunks as a
278 result of customers porting to wireless carriers under our assumptions – 60,000 minutes

279 would be terminated over the common trunks as a result of calls made by the ported
280 customers to the company's customers and 60,000 minutes would be originated over the
281 common trunks as a result of calls made by the company's customers to the ported
282 customers. The same logic applies for each subsequent year. The last line in the
283 document proves that the method used in the LNP cost development model attached to
284 my direct testimony is equal to such calculations. Particularly, as stated in response to
285 Staff Data Request 2.37, originating and terminating local MOU were used as the input in
286 the model. In this example, 2,000,000 minutes would have been the input. Multiplying
287 the assumed porting penetration figure of 6% by the 2,000,000 figure results in an
288 incremental transport and transit usage figure of 120,000 MOU in year one.

289

290

291 Q. Please explain why the MOU for local calls were not counted twice.

292 A. The local minutes used for developing transport and transit costs were not counted twice.

293 Attachment 1 is the mathematical proof that the model assumptions did not double count

294 transport and transit usage. The result of the model assumptions is that for some calls

295 originating minutes were used and for other calls terminating minutes were used.

296 Because a customer makes and receives calls, one needs to look at the impact on

297 incremental network usage for both situations under in an LNP environment. Again,

298 calls originated by the ported customer become terminating minutes over the common

299 trunks and calls terminated by the ported customer become originating minutes over the

300 common trunks. But either terminating or originating minutes are used - not both - for

301 each call to or from a ported number.

302

303 Q. Mr. Hanson raises questions and asks that the Company respond concerning how EAS
304 minutes are calculated in the model. Please respond.

305

306 A. El Paso does not have EAS, and therefore, no EAS minutes were calculated in the model.

307

308 Q. Mr. Hanson attaches to his testimony as Schedule 3.2 what he terms Scenario 2 in which
309 he removes all of the transport and transiting costs as well as making the other
310 adjustments discussed above. Please respond to Mr. Hanson's inclusion of this Scenario.

311 A. As both Mr. Hanson and Mr. Hoagg acknowledge, transport and transiting costs will be
312 incurred in connection with the provision of wireline-to-wireless local number portability
313 under the FCC's Order. Whatever thoughts Mr. Hanson may have about the ability to
314 accurately estimate what those costs would be at this point in time does not mean that the
315 costs are not real and will not be incurred. Scenario 2 and the information contained in
316 Attachment 3.2 effectively remove the costs that, in fact, would be incurred, and to that
317 extent, would only serve to be misleading.

318

319 Contrary to the content of Scenario 2, Mr. Hanson acknowledges on page 9 of his
320 testimony his belief that "it is appropriate to assume that the LEC will incur transport and
321 transiting costs". He goes on to indicate that Staff witness Hoagg concurs and has,
322 therefore, used Scenario 1 in his analysis of the potential adverse economic impact. In
323 my opinion, Scenario 2 and Attachment 3.2 do not provide information that is useful to
324 the Commission at this point in time.

325

326 Q. Do you have any concluding remarks with regard to your responses to Mr. Hanson's
327 testimony and the issues covered therein?

328 A. Yes. I recognize that Mr. Hanson is charged with analyzing and commenting on El
329 Paso's testimony and Attachments in which I presented El Paso's estimates of what the
330 incremental costs to El Paso would be of providing wireline-to-wireless local number
331 portability. Mr. Hanson, in his testimony, has in large part accepted those estimates; and
332 he indicates that in his Scenario 1 the incremental costs per access line, per month was
333 \$0.73 rather than the \$1.10 calculated as estimated in my Direct Testimony and
334 Attachments. While the difference at this point in time does not appear to be meaningful
335 in light of the ultimate recommendations contained in Mr. Hoagg's testimony with regard
336 to El Paso receiving a further suspension of any obligation it may have to provide
337 wireline-to-wireless number portability, I believe it is important to respond to Mr.
338 Hanson's testimony to make certain that El Paso's position is clear on the record in the
339 event these costs become the subject matter of testimony and discussion in the future.

340
341 In addition, El Paso is not asking the Commission to make a determination as to the
342 amount of any end user customer surcharge that would be applicable to El Paso's
343 customers in the event El Paso is required to provide wireline-to-wireless local number
344 portability. Since any charge would be based upon the then existing FCC Rules and
345 Orders, I believe it is not necessary for the Administrative Law Judge or the Commission
346 to make specific findings of fact with regard to the individual cost items where
347 disagreements exist between El Paso, as expressed in my testimony, and Mr. Hanson.

348

349 Q. With regard to the testimony of Staff witness Jeffrey H. Hoagg (ICC Staff Exhibit 1.0),
350 do you have any general comments or response?

351 A. Yes, I do. As I already stated, El Paso is in agreement with the Staff's recommendation
352 as contained in Mr. Hoagg's testimony that El Paso be granted a further suspension of
353 any requirements it has to provide wireline-to-wireless local number portability. In
354 addition, El Paso agrees with Mr. Hoagg's conclusion that such a suspension is necessary
355 to avoid a significant adverse economic impact on users of telecommunications services
356 generally; i.e., El Paso's access line subscribers, and that the granting of a further
357 suspension would be consistent with the public interest, convenience and necessity.

358
359 Mr. Hoagg has presented a thoughtful analysis by recognizing that a determination of
360 whether the granting of a suspension meets the statutory criteria requires an examination
361 not only of the costs involved but also the demand for wireline-to-wireless local number
362 portability. In my Direct Testimony, I indicated El Paso's belief that there was relatively
363 little demand for wireline-to-wireless local number portability in the rural areas that El
364 Paso serves. The "take rates" of Verizon and SBC, as cited by Mr. Hoagg at pages 11
365 and 12 of his testimony, indicate that the demand for wireline-to-wireless local number
366 portability is extremely low; i.e., approximately 0.02%, even in the more urban areas
367 served by those companies. As suggested by Mr. Hoagg at page 14 of his testimony, the
368 granting of a further suspension will allow for more reliable information to become
369 available concerning any demand for the service that may exist generally and with regard
370 to the rural areas, such as those served by El Paso. Mr. Hoagg, at pages 14 and 15, also
371 correctly suggest that the granting of a further suspension will allow for issues to be

372 resolved concerning cost recovery and a greater certainty about the costs involved. El
373 Paso also specifically agrees with Mr. Hoagg's testimony, appearing at lines 321-334 on
374 page 15.

375
376 Mr. Hoagg's testimony also acknowledges the unresolved issues that exist concerning
377 significant cost recovery items and the unique impact of those issues on small companies,
378 such as El Paso, where wireless carriers do not have a point of presence or numbering
379 resources resulting in the requirement that calls to ported numbers be transported outside
380 of the Company's serving territory. Mr. Hoagg also recognizes the present unknowns
381 associated with any requirement that small companies, such as El Paso, provide wireline-
382 to-wireless local number portability because of the appeals of the FCC's Orders related to
383 wireline-to-wireless local number portability pending in the Federal Court of Appeals for
384 the District of Columbia (Staff Exhibit 1.0 at pages 17 and 18.)

385

386 Q. At pages 19 and 20 of Mr. Hoagg's testimony, he discussed his recommendation for a
387 temporary suspension. Please comment and respond.

388 A. At lines 439 and 440, Mr. Hoagg recommends that the length of the additional suspension
389 would be for a time period of no greater than 30 months. He goes on to observe at lines
390 444-449 that a suspension of approximately two years should be sufficient for obtaining
391 the additional vital information that is discussed and sufficient time for the resolution of
392 other relevant issues, including court cases and FCC proceedings concerning transport
393 obligations and weighting arrangements. He goes on at page 20 to indicate his belief that
394 a suspension for less than two years would likely not be sufficient to accomplish the

395 objectives he has outlined and that a suspension should not be granted for longer than that
396 for legitimate purposes.

397

398 Finally, he correctly observes that temporary suspensions were granted by the
399 Commission in Docket Nos. 03-0726, 03-0730, 03-0731, 03-0732 and 03-0733 and were
400 for 30 months from May 24, 2004 to November 24, 2006.

401

402 In the Petition filed by El Paso in this docket and in my Direct Testimony, the Company
403 has sought a further temporary suspension from the obligations it may have to provide
404 wireline-to-wireless number portability for 30 months from May 24, 2004 to November
405 24, 2006. Since the filing of the Petition and the submission of Direct Testimony, an
406 Interim Order has been entered granting a temporary suspension until a final Order is
407 entered in this docket, which is likely to occur in late August, 2004. Since the
408 suspensions granted in the first five dockets as noted above end on November 24, 2006,
409 El Paso believes it is appropriate that its requested suspension (through November 24,
410 2006) be the same as what the Commission has granted the other companies. While that
411 is now somewhat less than 30 months and somewhat more than two years, such a
412 suspension would appear to be consistent with Mr. Hoagg's recommendation and the
413 Commission's actions with regard to similar requests.

414

415 Q. Does the testimony of Mr. McDermott on behalf of Verizon Wireless respond to the
416 evidence contained in your Direct Testimony and Attachments that a suspension of a
417 wireline-to-wireless number portability requirement is necessary to avoid a significant

418 adverse economic impact on users of telecommunications services generally and is in the
419 public interest, convenience and necessity pursuant to the requirements of Sections
420 251(f)(2)(A)(i) and 251(f)(2)(B)?

421 A. No. The only factual evidence contained in Mr. McDermott’s testimony relates to his
422 background, where Verizon Wireless does business, and his claim that Verizon Wireless
423 is ready to provide number portability. The rest of his testimony and attachments
424 consists of testimony and opinions (some legal) and documents prepared by other parties,
425 which he is trying to get incorporated into the record. As a result, little Rebuttal is
426 required.

427

428 Q. Was El Paso dilatory in seeking a suspension of the wireline-to-wireless number
429 portability requirements from this Commission as alleged by Mr. McDermott?

430 A. No. No wireless carrier has had or now has a point of presence or numbering resources
431 within El Paso’s serving area. While the FCC previously directed “service provider”
432 number portability, the so-called “geographic” or “location” number portability has not
433 been directed. Prior to the FCC’s November 10, 2003 Order, El Paso, as well as other
434 companies in Illinois and throughout the nation, thought in the circumstance where
435 wireless carrier did not have a point of presence or numbering resources within the
436 Company’s area that any such request for porting would constitute a “location”
437 portability that was not required.

438

439 As members of the Staff and the Administrative Law Judge are aware, all of the
440 companies who have filed Petitions in this round of dockets followed the requests for a

441 suspension in the first five dockets involving companies in a Top 100 MSA prior to filing
442 their own separate Petition for suspension. After the hearings in those five dockets in
443 February, 2004, which resulted in each of those five companies and the Staff jointly
444 recommending to the Commission the granting of further suspensions to November 24,
445 2006, El Paso promptly filed its Petition in this docket seeking similar relief.

446

447 Q. At pages 14 and 15, Mr. McDermott claims that El Paso and the other Petitioners needed
448 to submit evidence “that the application of the wireline-to-wireless local number
449 portability obligations would be likely to cause undue economic burdens beyond the
450 economic burden typically associated with efficient competitive entry.” Is he correct?

451 A. No. The criteria that he references, if at all applicable, pertains to the requirements of
452 Section 251(f)(2)(A)(ii).

453

454 The Company has submitted evidence that the suspension is necessary to avoid a
455 significant adverse economic impact on users of telecommunications services generally;
456 and Mr. Hoagg has specifically recommended a suspension based upon the criteria
457 contained in Section 251(f)(2)(A)(i), not Section 251(f)(2)(A)(ii).

458

459 Q. Is the question and answer contained in Mr. McDermott’s testimony, beginning at line
460 339 on page 20 and ending on line 355 on page 21, relevant to those used in this docket?

461 A. No, for several reasons. I would note first that the question and answer deals with the
462 issue of whether a suspension is “necessary to avoid imposing a requirement that is
463 unduly economically burdensome.” As indicated above, the Company’s evidence and

464 Mr. Hoagg's recommendation to grant a further suspension is based upon the statutory
465 criteria that it is necessary to avoid a significant adverse economic impact on users of
466 telecommunications services generally and not based upon the requirement that it is
467 necessary to avoid imposing a requirement that is unduly economically burdensome.

468
469 Second, 83 Ill. Adm. Code 733 deals with this Commission's implementation of the
470 Advanced Services requirement contained in Section 13-517 of The Illinois Public
471 Utilities Act and has nothing to do with the suspension of Section 251(b) local number
472 portability requirements contained in the Federal Act. Even if 83 Ill. Adm. Code 733 was
473 relevant (which it is not), the waiver standards related to a request based upon the
474 necessity to avoid a significant adverse economic impact on users of telecommunications
475 services generally are set forth in Section 733.105(a) rather than (b) cited by Mr.
476 McDermott.

477
478 Q. Do you have any further comments with regard to Mr. McDermott's testimony and
479 Verizon Wireless' position that El Paso, at this point in time, should be required to
480 provide wireline-to-wireless local number portability resulting in El Paso's subscribers
481 being required to pay the costs associated therewith despite the significant adverse
482 economic impact on El Paso's subscribers?

483 A. Verizon Wireless' position is totally unsupported by factual testimony submitted in this
484 case and is contrary to the testimony and evidence that I have submitted, on behalf of El
485 Paso, and Staff witness Hoagg, as submitted on behalf of the Staff. I would draw the

486 Administrative Law Judge's particular attention to lines 274-282 of Mr. Hoagg's
487 testimony where he states as follows:

488 "A temporary suspension is particularly appropriate in my view, since El Paso
489 subscribers choosing not to "port" their landline telephone number to a wireless carrier
490 (presumably because they perceive insufficient value in doing so), will pay the bulk of
491 the costs associated with W-W LNP. Most, if not all, of those El Paso subscribers
492 choosing to "port" their landline number to wireless service likely would have no further
493 subscriber relationship with El Paso. These former El Paso subscribers thus would not
494 contribute toward the costs of W-W LNP (recovered by El Paso on a per-access line
495 basis).

496 Verizon Wireless is asking that all of El Paso's customers who choose not to port their
497 landline telephone be required to pay the costs of provisioning those services while any
498 customers who chose to port their numbers would not contribute toward the recovery of
499 those costs.
500

501

502 Q. Do you have any other comments you'd like to make?

503 A. Yes. In my direct testimony, I mistakenly included incorrect switch cost information for
504 deploying LNP. Specifically, I said that El Paso's switch vendor, Siemens, stated it
505 would charge \$4,000 for switch translations. Actually, the \$4,000 switch translations
506 information provided to me by El Paso was its internal cost estimates for the additional
507 switch translations work it anticipates performing (80 hours times a \$50 loaded labor
508 rate).

509

510 In addition, the LNP software cost estimate included in Attachment 1 of my direct
511 testimony was incorrect. Specifically, I included a cost estimate of \$8,840 in the LNP cost
512 development model when the actual cost quote from Siemens, with taxes, is \$16,734.38.

513 The printouts from the model changes are included in Attachment 2 to this rebuttal

514 testimony and should be considered a replacement to those contained in Attachment 1 to
515 my direct testimony.

516

517 Q. What is the result of the change in the LNP software cost quote?

518 A. El Paso's per subscriber cost estimate for deploying LNP has increased from \$1.10 to
519 \$1.18. Correspondingly, Staff's Scenario 1 estimates increase from \$0.73 to \$0.82 and
520 Staff's Scenario 2 change from \$0.57 to \$0.66.

521

522 Q. Does that complete your Rebuttal Testimony in this docket?

523 A. Yes, it does.

**Exhibit 2.0
Attachment 1**

2,000,000 Total Local Minutes (originating plus terminating)

Calls between the company and the wireless carriers would be transported via the company's tandem provider

Assume company has 1,000 customers - each customer originates 1,000 local MOU and terminates 1,000 MOU per year

Total Originating LEC Minutes

Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
1,000,000	940,000	930,000	920,000	910,000	900,000
	60,000	70,000	80,000	90,000	100,000

Reduced each year because of wireless penetration

Minutes now terminated over common trunks from ported numbers
(customers who ported still call neighbors at same frequency)

In the first year, 6% of the customers (60) port their numbers. So, 60,000 (60 X 1,000) MOU from the company's former customers now come from wireless numbers and terminate to their neighbors in the company's territory. There are transport costs associated with these 60,000 MOU. The logic is the same in each subsequent year.

Total Terminating LEC Minutes

Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
1,000,000	940,000	930,000	920,000	910,000	900,000
	60,000	70,000	80,000	90,000	100,000

Reduced each year because of wireless penetration

Minutes now originated over common trunks to ported numbers
(neighbors still call customers who ported at same frequency)

In the first year, 6% of the customers (60) port their numbers. So, 60,000 (60 X 1,000) MOU from the company's customers to the company's former customers terminate to the wireless numbers. There are transport costs associated with these 60,000 MOU. The logic is the same in each subsequent year.

Total Transport	120,000	140,000	160,000	180,000	200,000
-----------------	---------	---------	---------	---------	---------

Increase in minutes originated and terminated over common trunks

Our model

Year 0	Year 1 - 6%	Year 2 - 7%	Year 3 - 8%	Year 4 - 9%	Year 5 - 10%
2,000,000	120,000	140,000	160,000	180,000	200,000

Increase in minutes originated and terminated over common trunks

1		
2	El Paso Telephone Company	
3	<u>I-CO Data</u>	
4	PBX Lines	0
5	ISDN-PRI Lines	0
6	Other Access Lines	2,210
7	Equipped Lines	2,210
8	Local MOU- Tandem 1	-
9	Local MOU- Tandem 2	8,924,248
10	Number of Employees	10
11	Number of End Offices Requiring Translations	1
12	RIC	\$ 0.001300
13	Tandem Switched Transport	\$ 0.003000
14		
15	<u>Tandem 1 Transiting Rates</u>	
16	Tandem Switching	\$ -
17	Tandem Transport	\$ -
18	Tandem Transport Facility	\$ -
19		
20	<u>Tandem 2 Transiting Rates</u>	
21	Tandem Transiting	0.0011662
22	Tandem Transport	-
23	Tandem Transport Facility	-
24		
25	<u>Assumptions</u>	
26	Average Holding Time Per Local Call	6.68
27	LNP Query Charge	\$ 0.000926
28	Present Value Factor, Year 1	0.89888
29	Present Value Factor, Year 2	0.80798
30	Present Value Factor, Year 3	0.72627
31	Present Value Factor, Year 4	0.65283
32	Present Value Factor, Year 5	0.58681
33	Wireless Penetration, Year 1	6%
34	Wireless Penetration, Year 2	7%
35	Wireless Penetration, Year 3	8%
36	Wireless Penetration, Year 4	9%
37	Wireless Penetration, Year 5	10%
38	Regulatory/Legal Fee Per Hour	\$ 200
39	Regulatory/Legal Hours, Year Zero	100
40	Customer Education, Cost Per Mailing	\$ 0.75
41	Customer Education, Number of Mailings Per Year	2
42	Employee Education, Cost Per Employee	\$ 300.00
43	Employee Education, Number Of Employees Per Year, 1-5	1
44	Cost Per Translation Per Office	\$ 4,000
45	Technical Cost Per Hour	\$ 50.00
46	Technical Hours, Year Zero	200
47	Technical Hours Per Year, 1-5	80
48	LNP Administration, Annual Fee	\$ 2,000
49	LNP Port Fee Per Ported Number	\$ 2.00
50	Software Cost Per Wired Line	\$ 4.00
51	Number of Employees Needing Technical Training	1
52	Cost Per Technical Training Per Employee	175

**LOCAL NUMBER PORTABILITY DATA
FOR DEVELOPMENT OF LNP END USER AND QUERY CHARGES**

El Paso Exhibit 1.0

Attachment 1

COMPANY NAME	El Paso Telephone Company
STUDY AREA NUMBER	0

AVERAGE MONTHLY LINES		YEAR					
		0 (Current)	1	2	3	4	5
1.	PBX	0	0	0	0	0	0
2.	ISDN-PRI	0	0	0	0	0	0
3.	Other (Sum of Residential, Single Line Business, Multiline Business, Centrex)	2,210	2,077	2,055	2,033	2,011	1,989
3a	TOTAL	2,210	2,077	2,055	2,033	2,011	1,989
3b	Present Value Access Line	2,210	1,867	1,661	1,477	1,313	1,167

INVESTMENTS		YEAR					
		0 (Current)	1	2	3	4	5
4.	Software Upgrades Total: (Please also itemize below, and provide descriptions in the right-most column)	\$20,734	\$0	\$0	\$0	\$0	\$0
4a.	LNP Software	\$16,734					
4b.	OSS	\$0					
4c.	Voice Announcements	\$0					
4d.	Switch Translations	\$4,000					
5.	Hardware & Other (Please list items below)						
5a.	LNP Hardware						
5b.	LNP Transport Hardware						
5c.							
5d.							
	TOTAL	\$20,734	\$0	\$0	\$0	\$0	\$0

EXPENSES (Maintenance etc.)		YEAR					
		0 (Current)	1	2	3	4	5
6.	Please list items below						
6a.	Regulatory/Legal/Admin/Order Processing	\$20,000	\$2,265	\$2,044	\$2,044	\$2,044	\$2,044
6b.	Employee Education	\$3,175	\$300	\$300	\$300	\$300	\$300
6c.	Technical Trouble	\$10,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
6d.	Customer Education	\$ 3,315	\$ 3,116	3083	\$ 3,050	\$ 3,017	\$ 2,984
	TOTAL	\$36,490	\$9,681	\$9,427	\$9,394	\$9,361	\$9,328

1 **El Paso Telephone Company**

El Paso Exhibit 1.0
Attachment 1

2 Transport Costs - Tandem 1

3 Year	Transit & Transport Expense
4 1	\$ -
5 2	\$ -
6 3	\$ -
7 4	\$ -
8 5	\$ -
9 Total	\$ -

10

11 Transport Costs - Tandem 2

12 Year	Transit & Transport Expense
13 1	\$ 2,927
14 2	\$ 3,415
15 3	\$ 3,903
16 4	\$ 4,390
17 5	\$ 4,878
18 Total	\$ 19,513

19

20 Query Dip Charges

21 Year	Query Charge
22 1	\$ 74
23 2	\$ 87
24 3	\$ 99
25 4	\$ 111
26 5	\$ 124
27 Total	\$ 495

	units	cost per	Total	Comments	
INVESTMENTS					
4a.	LNP Software	1	16,734	16,734	Switch Vendor Quote
4d.	Switch Translations	1	4,000	4,000	Switch Vendor Quote
4d.	OSS and Billing	1	-	-	Estimated Cost to Upgrade Billing System
EXPENSES					
6a.	Regulatory/Legal/Admin/Cust Svc	100	200	20,000	Projected 100 hours of regulatory/legal at a composite average billing rate of \$200/hour.
	yr1-5	5	2,000	10,000	
	yr1	133	2	265	
	yr2-4	88	2	177	
				10,442	Annual Fee charged by GVNW for LNP administration is \$2,000 and per port fee charged by GVNW is \$2
6b.	Employee Education	1	175	175	Switch Vendor Training Costs Times Number of Technical Employees
		10	300	3,000	Estimated training cost for non-technical employees.
6c.	Technical Support/Processing/Trouble	200	50	10,000	Estimated Technical labor hours for trouble, and support of LNP
		80	50	4,000	
6d.	Customer Education	2,210	1	3,315	Based on previous pre-prepared mail pieces estimated the cost of \$0.75 per customer per mailing. We projected that we would run two notices per year. Totals changes in years 2-5 as access lines change.

Certificate of Service

(Docket No. 04-0238)

A copy of the foregoing Rebuttal Testimony of Jason P. Hendricks filed on behalf of El Paso Telephone Company was served upon the following persons by e-mail this 1st day of June, 2004.

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