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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

CLERK OF SUPERIOR COURT
PHOENIX, ARIZONA

IN THE MATTER OF MIDVALE TELEPHONE
EXCHANGE, INC.'S APPLICATION FOR
AUTHORITY TO INCREASE RATES AND FOR
DISBURSEMENT FROM THE ARIZONA USF

T-02532A-00-0512

Arizona Corporation Commission
DOCKETED

MAR 15 2001

DOCKETED BY *Jaw*

DIRECT TESTIMONY OF

CURT HUTTSELL

CITIZENS COMMUNICATIONS

MARCH 15, 2001

1 Q. Please state your name and business address.

2 A. My name is Curt Huttzell. My business address is 4 Triad Center, Suite 200, Salt Lake
3 City, Utah 84180.

4
5
6 Q. By whom are you employed and in what capacity?

7 A. I am employed by Citizens Communications ("Citizens") as Director, State Government
8 Affairs.

9
10 Q. Please describe your current duties and responsibilities.

11 A. I am responsible for the management of regulatory and government affairs for Citizens'
12 local exchange and long distance telecommunications operations in Arizona, Utah and
13 New Mexico. My responsibilities include the implementation of all regulatory policies,
14 oversight of all regulatory activities including Citizens' intrastate rates and tariffs, and the
15 management of state regulatory and legislative proceedings and relations.

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17
18 Q. Please describe your education and professional experience.

19 A. I have been awarded B.S. and M.A. degrees in economics from Central Missouri State
20 University and the Ph.D. in economics from the University of Nebraska.

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22
23 I joined Citizens Communications in July of 1999. Prior to joining Citizens, I was Senior
24 Economic Analyst with the consulting firm of INDETEC International. The domestic

1 clients that I served while with INDETEC included U S WEST, BellSouth, Pacific Bell,
2 Nevada Bell, GTE, Bell Atlantic and Cincinnati Bell. My international clients included
3 the South Africa Telecommunications Regulatory Authority, Empresa de
4 Telecomunicaciones de Santa fe de Bogotá and the Vodafone Network (Australia). I
5 have also served as Utility Economist within the Telecommunications Section of the Utah
6 Division of Public Utilities and as Research Economist on the Telecommunications
7 Department Staff of the Missouri Public Service Commission. While with the Utah
8 Division and the Missouri Commission, I worked on many issues, including state
9 universal service funds, unbundling and interconnection, the structure of exchange access
10 charges, incentive regulation, and network modernization.

11
12 Q. Have you previously testified before any state regulatory commissions?

13
14 A. Yes. In addition to the Utah and Missouri Public Service Commissions, I have testified
15 before the Idaho Public Utilities Commission, the Iowa Utilities Board, the Montana
16 Public Service Commission, the Nebraska Public Service Commission and the
17 Washington Utilities and Transportation Commission.

18
19 Q. What is the purpose of your testimony?

20 A. The purpose of my testimony is to respond in part to the testimony of Mr. Lane R.
21 Williams and Dr. Don C. Reading in this docket on behalf of the Midvale Telephone
22 Exchange ("Midvale"). Specifically, my testimony addresses Midvale's proposal to
23 establish Extended Area Service ("EAS") between its Cascabel exchange and Qwest's
24

1 Benson and San Manuel exchanges (Don C. Reading, Direct Testimony and Exhibits,
2 July 14, 2000, page 22, lines 9-15).

3
4 Q. What is EAS?

5 A. EAS is service that enables subscribers to call from their local exchange to other
6 exchanges for a flat monthly fee. With EAS, subscribers do not incur usage-sensitive
7 charges for placing calls between exchanges. EAS is different from a local calling plan
8 ("LCP"), which also permits subscribers to call other exchanges for a flat monthly fee.
9 An LCP is an optional service for the subscriber and usually allows flat-rated calling in
10 only one direction. In contrast, EAS is mandatory and permits subscribers in the affected
11 exchanges to both place and receive calls without the caller incurring usage-sensitive
12 charges.
13

14
15 Q. Why is Citizens concerned about the Commission establishing EAS between local
16 exchanges belonging to Midvale and Qwest?

17 A. Citizens has an interest in the outcome of Midvale's EAS proposal because Citizens will
18 soon acquire the Benson exchange and Mammoth wire center from Qwest. The
19 Mammoth wire center is part of the San Manuel exchange. In addition, the Commission
20 has ordered Citizens and Qwest to implement optional two-way local calling between the
21 San Manuel exchange and the Tucson metropolitan calling area within 12 months after
22 closing. See Arizona Corporation Commission Decision No. 63268, pp. 6, 20-21, Docket
23 Nos. T-01051B-99-0737, T-01954B-99-0737, dated December 15, 2000.
24

1 Q. Does Citizens support Midvale's EAS proposal?

2 A. No. Citizens is opposed to establishing EAS between Midvale's Cascabel exchange on
3 the one hand and the San Manuel and Benson exchanges on the other. The reasons for
4 Citizens' opposition are twofold. First, Citizens opposes overlapping EAS areas.
5 Midvale's proposal creates two EAS areas overlapping at Cascabel. In Citizens'
6 experience, overlapping EAS areas invite arbitrage through EAS bridging. Preventing
7 EAS bridging can be costly and difficult for both the Commission and local exchange
8 carriers like Citizens. Second, Citizens' future customers in Benson and Mammoth
9 would not benefit appreciably from having EAS to Cascabel, but as compared to the
10 current arrangement, Citizens will both sacrifice toll and access revenues and incur
11 higher costs. Consequently, consumers of Citizens' other services, even those outside of
12 Benson and Mammoth, may pay higher rates and charges if the Commission approves
13 Midvale's proposal.

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15
16 Q. What do you mean by EAS bridging?

17 A. EAS bridging occurs whenever a third party purchases and resells EAS, thereby enabling
18 its subscribers to avoid paying usage-sensitive toll charges. The EAS bridger also avoids
19 paying switched access charges to the affected local exchange carrier. In so doing, the
20 EAS bridger profits from the difference between the flat EAS rates for a given volume of
21 traffic and usage-sensitive toll and exchange access charges. EAS bridging is commonly
22 illegal in that it usually violates the provisions of both local exchange and exchange
23 access tariffs.

24

1 Q. Has Citizens come across EAS bridging in its service territory?

2 A. Yes. In Montana, for example, Citizens recently encountered an EAS bridger who used a
3 combination of Citizens' local lines and call forwarding services to link overlapping EAS
4 areas. The bridger was an Internet Service Provider whose server was located in the
5 exchange of an independent telephone company near Citizens' Eureka exchange. The
6 independent's exchange is known as Eureka Rural. EAS had been established from
7 Eureka to Eureka Rural, from Citizens' Troy exchange to Eureka and from Citizens'
8 Libby exchange to Eureka. Thus, Eureka was the overlapping EAS area.

9
10
11 The bridger obtained local residential service under his own name and local business
12 service under the name of his ISP. He subscribed to residential lines in Troy, Libby and
13 Eureka, each equipped with call forwarding, and business lines in Libby and Eureka, also
14 equipped with call forwarding. The service addresses for the local lines were either
15 fictitious or terminated at locations with no connections to interior wiring or customer
16 premises equipment beyond the network interface device.

17
18 In this fashion, the bridger's ISP customers in Troy and Libby were bridged through
19 Eureka to his server in Eureka Rural and avoided paying toll charges. The bridger, in
20 turn, escaped paying switched access charges. He filed a complaint with the Montana
21 PSC when Citizens restricted the number of calls that could be simultaneously forwarded
22 from his local lines. After an investigation lasting several months, the Montana
23 Commission took no action on the ISP's complaint.

24

1 Q. Could a third party introduce a similar EAS bridging arrangement in Arizona under
2 Midvale's EAS proposal?

3 A. Yes. A bridger could establish himself in Cascabel as in Eureka, MT, and forward calls
4 from Benson to San Manuel and from San Manuel to Benson. Furthermore, with
5 optional local calling from San Manuel to Tucson, an EAS bridger could forward calls
6 from Benson and Cascabel to Tucson and from Tucson to Cascabel and Benson.

7
8
9 Q. Why will Citizens' future customers in Benson and Mammoth not benefit appreciably
10 from having EAS to and from Cascabel?

11 A. Subscribers in Benson and Mammoth place too few calls to Cascabel and receive too few
12 for EAS to be of much benefit to them. According to information recently supplied by
13 Midvale, the 170 subscriber lines in Cascabel placed only 6.3 calls per line per month to
14 Benson and fewer than 3.5 per line per month to San Manuel. In terms of the number of
15 lines in Benson, this means that the typical account received a very small proportion of a
16 call per month from Cascabel. Even assuming all the calls from Cascabel to San Manuel
17 were destined for Mammoth, this call volume also means that the typical account in
18 Mammoth received a very small proportion of a call per month from Cascabel.

19
20 According to information supplied by Qwest, callers in Benson and Mammoth seldom
21 dial up Cascabel subscribers. A very small percentage of Qwest's accounts in Benson
22 call Cascabel each month and a very small percentage in Mammoth call Cascabel. Such
23 infrequent calling is not indicative of a community of interest.

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1 call Cascabel each month and a very small percentage in Mammoth call Cascabel. Such
2 infrequent calling is not indicative of a community of interest.

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5 Q. Could Citizens' future customers in Benson and Mammoth be harmed by Midvale's EAS
6 proposal?

7 A. Yes. Citizens' revenues will likely fall and its costs rise as a result of implementing
8 Midvale's EAS proposal. Revenues will likely decrease as customers in Cascabel,
9 Benson and Mammoth substitute EAS for interexchange calling, and costs may well rise
10 as Citizens adds interoffice trunks to carry the EAS traffic and separate it from toll traffic.
11 To the extent revenues decline and costs increase, Citizens might have to make up the
12 difference in its upcoming general rate review in Arizona. The Commission's recent
13 decision approving the transfer of certain Qwest wire centers to Citizens ordered Citizens
14 to file an application enabling the Commission to examine the reasonableness of all of
15 Citizens' existing rates. See Arizona Corporation Commission Decision No. 63268, pp.
16 4, 20-21, Docket Nos. T-01051B-99-0737, T-01954B-99-0737, dated December 15,
17 2000. Not only are Citizens' local exchange rates in Benson and Mammoth subject to
18 change in this upcoming review, but all of Citizens' rates everywhere in Arizona are
19 subject to change, except for the Navajo Reservation. It is unfair to ask Citizens' current
20 and future customers to help pay for EAS routes that largely benefit customers in
21 Cascabel.

1 Q. Mr. Williams contends that it is undesirable for Cascabel customers to incur toll charges
2 placing calls to essential service providers such as schools, medical facilities and law
3 enforcement officials (Lane Williams, Direct Testimony, July 14, 2000, page 4, lines 13-
4 16). Do you agree?

5 A. No. Given the recent information supplied by Midvale, it does not appear that Midvale's
6 Cascabel subscribers are unduly burdened placing long-distance calls to Benson and San
7 Manuel. The average duration of a call from Cascabel to Benson is under 3.8 minutes,
8 and the average duration of a call from Cascabel to San Manuel is less than 4.2 minutes.
9 Even at the toll rate of 10¢ per minute, the average call from Cascabel to Benson would
10 cost only 38¢, and the typical call to from Cascabel to San Manuel would cost only 42¢.

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13 Q. Dr. Reading claims that Benson and Cascabel have a strong community of interest with
14 Cascabel (Don C. Reading, Direct Testimony and Exhibits, July 14, 2000, page 22, lines
15 10-12). Would you care to comment?

16 A. Yes. Dr. Reading's testimony does not examine nearly enough factors to determine a
17 community of interest. He mentions only call volumes in one direction, from Cascabel to
18 Benson and San Manuel. As I have pointed out above, call volumes in the opposite
19 direction are very small. Moreover, neither Dr. Reading's nor Mr. Williams' testimony
20 address any other important factors, such as a demonstrated public need or socio-
21 economic ties in the affected area.

22
23 Q. Have you had an opportunity to review Qwest's direct testimony in this proceeding?
24

1 A. Yes, I have reviewed the testimony of Starla R. Rook on behalf of Qwest.

2 Q. Do you have any comments on Ms. Rook's testimony?

3 A. Yes. Ms. Rook recommends that the Commission adopt rules regarding the criteria for
4 determining a community of interest, the methodology for measuring EAS costs and the
5 mechanisms for recovering EAS cost. Citizens concurs in Qwest's recommendation.
6 These elements of establishing EAS should apply uniformly throughout Arizona.

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9 Q. Please summarize your testimony.

10 A. Citizens opposes Midvale's proposal to establish EAS between Cascabel and Benson and
11 between Cascabel and San Manuel. Overlapping EAS areas such as would result
12 encourage EAS bridging that evades approved toll and access tariffs. Policing EAS
13 bridging is difficult and costly. Moreover, in this particular instance, Citizens' future
14 customers in Benson and Mammoth would seem to benefit little from EAS to and from
15 Cascabel. They make and receive too few calls per month. It is unfair to ask Citizens'
16 customers to bear higher rates supporting EAS routes that largely benefit subscribers in
17 Cascabel. Finally, Citizens supports Qwest's recommendation that the Commission
18 institute a rulemaking on EAS criteria, cost estimation and cost recovery.

19
20 Q. Does this conclude your testimony at this time?

21
22 A. Yes.

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