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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Petition of US LEC of Pennsylvania
Inc. for Arbitration with Verizon-Pennsylvania
Inc. Pursuant to Section 252(b) of the
Telecommunications Act of 1996

: Docket No. A-310814F7000
:
: 7/17/02 initial
: hrg

DIRECT TESTIMONY OF FRANK R. HOFFMANN, JR.
ON BEHALF OF US LEC OF PENNSYLVANIA INC.

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DATE: MAY 31, 2002

1 Q: PLEASE STATE YOUR NAME, TITLE, AND ADDRESS FOR THE RECORD.

2 A: My name is Frank R. Hoffmann, Jr. I am Senior Interconnection Manager for US LEC
3 Corp., the parent company of US LEC of Pennsylvania Inc. ("US LEC"), and its
4 operating subsidiaries, including the Petitioner in this proceeding. My business address
5 is 6801 Morrison Blvd., Charlotte, NC 28211.

6 Q: PLEASE DESCRIBE YOUR RESPONSIBILITIES FOR US LEC.

7 A: My responsibilities include directing and coordinating all activities related to US LEC's
8 Local Interconnection and Termination Agreements and the management of these agree-
9 ments and relationships with local carriers, and industry organizations. I am charged
10 with ensuring that these agreements address and support the financial and technological
11 goals of the company for local service. My specific duties include actual contract nego-
12 tiations, staff support for these finalized agreements, day-to-day coordination and point
13 of escalation of service/billing affecting issues surrounding these agreements.

14 Q: PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
15 PROFESSIONAL EXPERIENCE.

16 A: I received a Bachelor of Science degree and a Masters of Business Administration degree
17 from the University of Maryland, College Park, Maryland in 1986 and 1988,
18 respectively. I was employed by Bell Atlantic, Inc., in Arlington, Virginia, from 1988
19 through 1996. During that period I held various positions within Service Costs, External

1 Affairs, Carrier Relations, Marketing and Finance. My responsibilities during this period
2 included cost of service studies, rate development and tariff administration, performance
3 metrics, sales compensation, product management and interconnection agreement nego-
4 tiations. From 1996 through 1998, I worked for Teleport Communications Group, in
5 Baltimore, Maryland, and negotiated interconnection agreements and managed its
6 relationship with BellSouth. In 1998, Teleport was acquired by AT&T, where I was
7 responsible for establishing collocation, interconnection trunking and E911 networks. In
8 1999, I went to work for TriVergent Communications, in Greenville, South Carolina,
9 where I was responsible for all outside plant infrastructure build-out within ILEC central
10 offices. In 2001, I joined a voice-over-IP telecommunications company, Cbeyond, Inc.
11 My responsibilities included equipment engineering, vendor selection, procurement and
12 inventory. In 2002, I came to US LEC, in Charlotte, North Carolina, to work in Industry
13 Affairs, where I am currently employed.

14 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
15 **PUBLIC UTILITY COMMISSION?**

16 **A:** No. However, I have previously testified before the North Carolina Utility Commission,
17 the Massachusetts Department of Telecommunications and Energy, and the Florida
18 Public Service Commission.

19 **Q: HAVE YOU PARTICIPATED IN US LEC'S INTERCONNECTION**
20 **NEGOTIATIONS WITH VERIZON?**

1 A: Yes, I participated in the negotiating sessions. In addition, I have reviewed the points of
2 contention raised during the negotiations to ensure their consistency with US LEC's
3 network planning and design priorities.

4 Q: **PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.**

5 A: My testimony will address the technical, or network, perspective on Issues 1 and 2 in US
6 LEC's arbitration petition. I will explain how US LEC's single US LEC Interconnection
7 Point ("IP") per Local Access and Transport Area ("LATA") proposal appropriately
8 balances the financial responsibility of each party and is technically feasible, already in
9 use in the parties' current network interconnection architecture, and consistent with sound
10 engineering practices.

11 Q: **BEFORE ADDRESSING EACH ISSUE, PLEASE PROVIDE BACKGROUND ON**
12 **US LEC'S NETWORK ARCHITECTURE.**

13 A: The US LEC network is composed of advanced digital switches from Lucent
14 Technologies Inc. US LEC has a network of Lucent 5ESS AnyMedia digital switches
15 deploying advanced switching technology. US LEC uses the "Smart Build" strategy of
16 owning and operating its own digital switching centers while leasing the necessary fiber
17 transport from various network providers across its footprint. US LEC invests time,
18 money and resources into owning and operating our own network because we believe
19 that the quality and reliability of our network translates into improved operations,
20 products and services that we deliver to our customers.

1 US LEC typically serves a market by deploying a single switch and leasing
2 transport. This transport takes the form of point-to-point circuits and fiber ring facilities.
3 Because US LEC's switch supports both line and trunk connections, the transport is used
4 to provide both interconnection with the ILEC and US LEC customer's local loops. With
5 this network architecture, US LEC takes advantage of decreased transport costs to
6 provide service over a large area with a single switch. For example US LEC has two
7 switches in Pennsylvania: one in Philadelphia and one in Pittsburgh. These switches
8 serve two LATAs and numerous local calling areas within those LATAs.

9 **Q: PLEASE CONTRAST US LEC'S NETWORK ARCHITECTURE WITH**
10 **VERIZON'S.**

11 **A:** In contrast to US LEC's architecture, Verizon's network uses a large number of switches,
12 each serving a relatively small area. Rather than interconnect at every Verizon end
13 office, US LEC interconnects with Verizon's access network that is designed as a hub
14 and spoke network architecture in which traffic from a group of end offices is aggregated
15 and collected at a tandem. Thus, a call from a US LEC customer to a Verizon customer
16 must travel through a tandem switch to reach a Verizon customer or be directly routed to
17 the Verizon end office switch serving that customer. US LEC cannot deliver a call for
18 any Verizon customer to a particular end office except the small number of customers for
19 whom Verizon has established service from that switch. Verizon's local network is
20 comprised of multiple end office connections between each and every end office and may
21 also include one or more local tandems used to control traffic congestion. This local
22 network is typically referred to as a spider web network architecture in which traffic can
23 be routed directly from an end office to any other end office without the use of a tandem.

1 ISSUES 1 AND 2 (Glossary, Section 2.45; Interconnection Attachment, Sections 7.1.1.1,
2 7.1.1.1.1, 7.1.1.1.2, 7.1.1.2, 7.1.1.3)

3 **Q: PLEASE SUMMARIZE THE DISPUTE BETWEEN US LEC AND VERIZON**
4 **CONCERNING INTERCONNECTION POINTS.**

5 **A:** In order for US LEC and Verizon to exchange traffic between their respective customers,
6 they must interconnect their networks. The physical points at which they perform the
7 connection are called Points of Interconnection or "POIs" under Verizon's defined terms.
8 The billing points that distinguish the financial responsibility of each Party are called
9 Interconnection Points or "IPs" under Verizon's defined terms. Issues 1 and 2 relate to
10 the number of IPs that US LEC must establish and how and where US LEC must
11 establish them.

12 US LEC has agreed, in its negotiations with Verizon, to establish multiple POIs in
13 every LATA in which it interconnects with Verizon. US LEC has agreed to establish
14 POIs at every Verizon access tandem within each LATA, and, additionally, US LEC has
15 agreed to establish direct end office trunking to each Verizon end office where US LEC
16 delivers at least 200,000 minutes of use ("MOU") per month. US LEC has also agreed
17 that Verizon may designate multiple Verizon-IPs, one at each tandem in a LATA.
18 However, the parties have been unable to agree on the location and number of US LEC-
19 IPs.

20 The location and number of IPs has competitive and operational/service
21 implications, and is governed by the legal framework established in the
22 Telecommunications Act of 1996 ("1996 Act"). My testimony addresses the financial
23 and operational/service implications of multiple IPs while Wanda Montano will provide

1 testimony concerning the legal and competitive policy framework that makes Verizon's
2 position untenable. The Commission must consider all of these factors in making its
3 determination on this issue. The Commission must also take into consideration the fact
4 that Verizon, or at least Verizon's customers, benefit from interconnection that is
5 reasonable and fair because it permits their customers to reach ours.

6 **Q: IS IT TECHNICALLY FEASIBLE FOR VERIZON TO INTERCONNECT WITH**
7 **US LEC VIA A SINGLE US LEC-IP IN THE MANNER THAT US LEC IS**
8 **PROPOSING?**

9 **A:** Yes, as is evidenced by the fact that the parties operate using this architecture today.

10 **Q: SO US LEC IS ALREADY INTERCONNECTED WITH VERIZON IN**
11 **PENNSYLVANIA?**

12 **A:** Yes. After investing a substantial amount of personnel and financial resources in
13 planning and engineering the interconnection architecture, the parties executed an
14 interconnection agreement and interconnected in Philadelphia in 1999 and in Pittsburgh
15 in 2000.

16 **Q: DOES US LEC MAINTAIN A SINGLE US LEC-IP IN THE LATAS IN WHICH**
17 **US LEC PROVIDES SERVICE?**

18 **A:** Yes, US LEC offers service in two LATAs in Pennsylvania and maintains a single US
19 LEC-IP in each of those LATAs. Similarly, Verizon maintains its IP(s) at Verizon's
20 tandem switch(es) in each LATA. US LEC delivers its originating traffic to the Verizon-
21 IP via its ring transport that connects US LEC's switch to Verizon's tandem(s).

1 Additionally, US LEC has agreed that where it delivers at least 200,000 minutes of use
2 per month to a Verizon end office, it will deliver such traffic to that end office via direct
3 end office trunks it purchases from Verizon. Verizon delivers its originating traffic to the
4 US LEC-IP, located at US LEC's switch, and pays US LEC a non-distance sensitive
5 entrance facility charge.

6 **Q: PLEASE SUMMARIZE YOUR UNDERSTANDING OF VERIZON'S IP**
7 **PROPOSALS.**

8 **A:** Verizon calls its IP proposal "Virtual Geographically Relevant Interconnection Points" or
9 "VGRIPs." Through VGRIPs, Verizon is trying to dictate the physical manner in which
10 US LEC establishes its chosen IP. Verizon attempts to dictate US LEC's physical
11 network architecture by giving US LEC the "option," under Verizon-proposed Section
12 7.1.1.1, of establishing a US LEC-IP through collocation at each Verizon tandem and
13 other wire center designated by Verizon (so-called "option one"). Similarly, Verizon
14 attempts to dictate US LEC's physical network architecture by giving US LEC the
15 "option," under Verizon-proposed Section 7.1.1.2, of designating a US LEC end office
16 collocation arrangement as a US LEC-IP (so-called "option two"). Even though the
17 parties have operated under our existing network architecture for more than two years,
18 VGRIPs would give Verizon the right to request that US LEC alter the existing
19 architecture and would require that US LEC complete the transition to the new
20 architecture within thirty days (Section 7.1.1.3).

21 Verizon calls these "options" because VGRIPs gives US LEC the right to decline
22 Verizon's requests to establish these new collocated IPs. However, if US LEC exercises

1 this right and retains its preferred physical network architecture, the so-called "option
2 three" of VGRIPs shifts the financial responsibility for transporting all of Verizon's
3 originating traffic, beginning at the Verizon *end office*, from Verizon to US LEC. Thus
4 in one way or another, adoption of VGIPs would force US LEC to change either the
5 physical or financial aspect of its preferred, and existing, interconnection architecture
6 with Verizon.

7 **Q: WHY DOES US LEC OBJECT TO CHANGING THE PARTIES' EXISTING**
8 **ARCHITECTURE?**

9 **A:** First, the parties have invested a lot of time and resources to plan and implement the
10 existing architecture and US LEC does not believe that Verizon should have the power to
11 change that architecture at its sole discretion. Rather, the parties should mutually agree
12 to any changes in existing network architecture and such changes should be implemented
13 under a mutually agreeable timeframe, not the arbitrary and unreasonable thirty (30) days
14 proposed by Verizon. Second, in order to prevent any disruptions to existing customers,
15 it is important that existing network facilities not be disturbed as the successor
16 agreements are implemented. Third, because US LEC does not currently collocate with
17 Verizon, and because Verizon cannot provision collocation within thirty (30) days, it is
18 technically impossible to comply with Verizon's proposed transition period.

19 **Q: WHY DOES US LEC PREFER TO MAINTAIN THE EXISTING**
20 **ARCHITECTURE RATHER THAN ADOPT THE NEW ARCHITECTURE**
21 **PROPOSED BY VERIZON IN CONTRACT NEGOTIATIONS?**

1 A: As I mentioned, US LEC currently maintains a single US LEC-IP within each LATA
2 where US LEC provides local service. However, US LEC has not chosen collocation as
3 its method of interconnection. In fact, US LEC is not collocated with Verizon anywhere
4 in Verizon's territory because collocation is not currently part of US LEC's network
5 architecture. If Verizon were to exercise its right, under Verizon-proposed Section
6 7.1.1.3, to require US LEC to establish an IP via collocation at the Verizon tandem, US
7 LEC would have to order a collocation arrangement from Verizon at its tandem. In other
8 words, transitioning to Verizon's proposed interconnection architecture would impose
9 additional, unnecessary collocation costs on US LEC, as well as the burden of changing
10 the current network design to an architecture not currently supported by US LEC. US
11 LEC believes this is unreasonable and anticompetitive.

12 In addition to imposing an undue collocation cost burden on US LEC, Verizon's
13 transition timeframe is also impossible to meet. Under agreed-to language in the contract
14 (Collocation Attachment, Section 1.3.1), if US LEC has properly forecasted a need for
15 collocation six months prior to its application date, and if conditioned space is readily
16 available, Verizon does not have to turn over a collocation arrangement until 76 days
17 after US LEC submits its application and application fee. This 76-day deadline is well
18 beyond the 30-day transition period Verizon's proposes for moving US LEC's IP from its
19 switch to a collocation arrangement, making Verizon's proposed transition not only
20 unreasonable, but impossible to meet. To date, however, US LEC has not used
21 collocation arrangements as part of its network architecture and therefore has never
22 submitted a collocation forecast to Verizon. Therefore, Verizon would not be bound by
23 the 76-day deadline. US LEC believes this discrepancy, between collocation

1 provisioning intervals and Verizon's proposed transition period, exposes the truth about
2 Verizon's IP proposal. It is designed solely to disadvantage Verizon's competitor, US
3 LEC.

4 Although the contract is not explicit on this point, the parties have recently agreed
5 that US LEC could utilize a third-party collocation arrangement to satisfy the collocated
6 IP requirement under "option one" of Verizon's proposal. However, US LEC is not
7 currently utilizing a third-party collocation arrangement as its IP. Thus transitioning to
8 this method of interconnection would also take longer than Verizon's 30-day transition
9 deadline and impose additional, unnecessary costs on US LEC. Of course, as I've
10 already testified, US LEC objects to Verizon's proposal and urges the Commission to
11 adopt US LEC's proposal, which would clearly allow the parties to maintain our current
12 network architecture.

13 **Q: DO YOU AGREE WITH VERIZON'S ALLEGATION THAT ITS PROPOSALS**
14 **DO NOT AFFECT US LEC'S RIGHT TO ESTABLISH A SINGLE PHYSICAL**
15 **CONNECTION TO VERIZON'S NETWORK IN A LATA? (RESPONSE AT 8)**

16 **A:** No. A close reading of the contract reveals that most of the IPs Verizon seeks to have US
17 LEC establish are more than just points of financial demarcation. Under "option one,"
18 US LEC *must* establish its IP through collocation at the Verizon tandem. Similarly,
19 under so-called "option two," US LEC "may" designate an end office collocation
20 arrangement as its IP. Thus under either "option" one or two, the IP is more than just a
21 point of financial demarcation, it is an additional, physical connection between US
22 LEC's network and Verizon's network if US LEC wishes to avoid Verizon's transport
23 penalty (defined in 7.1.1.1.1).

1 Q: VERIZON SAYS THAT SECTION 7.1.1.1.1 IS APPROPRIATE COST SHARING.
2 (RESPONSE AT 8-9) PLEASE RESPOND.

3 A: Despite Verizon's arguments to the contrary, the text of the Verizon contract language
4 shows that its proposal *requires* US LEC to establish multiple, physical connections to
5 Verizon's network (under so-called "option one" and "option two") or, if US LEC refuses
6 to establish such physical connections, to pay for Verizon's transport costs *within* the
7 local calling area (so-called "option three").

8 Verizon's proposed contract language reveals that its "option three," also called a
9 "virtual IP," requires US LEC to pay for Verizon's originating tandem switching costs
10 and *all* of Verizon's originating transport costs, beginning at the *end office* serving the
11 customer that originates the call. The financial obligation Verizon shifts to US LEC
12 under "option three" is defined in Section 7.1.1.1.1 of the Interconnection Attachment:

13 Verizon's transport rate (calculated by taking the dedicated trans-
14 port per mile rate multiplied by the average mileage between the
15 originating end offices and the CLEC POI plus the fixed
16 dedicated transport rate and dividing the total by the average
17 minutes of use of a DS1), tandem switching rate (to the extent
18 that traffic is tandem switched), and other costs (to the extent
19 Verizon purchases such transport from US LEC or a third party)
20 *from Verizon's originating End Office* to US LEC's IP.
21 (Emphasis added.)

22 While the mechanics of calculating the transport rate are less than clear, what is clear is
23 that US LEC must pay for Verizon's transport beginning at the originating end office.

24 Thus, if US LEC does not establish a *collocated IP* at a Verizon tandem, Verizon
25 charges US LEC for transport beginning at the Verizon *end office*. This results in US
26 LEC paying for *all* of Verizon's transport costs *within the local calling area*. If US LEC

1 establishes a collocation arrangement at a Verizon end office but declines Verizon's
2 request to designate that collocation arrangement as a US LEC-IP, then US LEC again
3 must pay for *all* of Verizon's transport costs, beginning at that end office. No matter
4 which option one assesses, the result is the same: under Verizon's proposed language, US
5 LEC becomes obligated to pay all of Verizon's transport costs and, as I understand it, that
6 simply does not comply with the requirements of the Act as interpreted by the FCC. In
7 short, VGRIPs would shift to US LEC financial responsibility for all transport of
8 Verizon's originating traffic.

9 **Q: WHY DO YOU STATE THAT THE FINANCIAL RESPONSIBILITY FOR ALL**
10 **TRANSPORT WOULD BE "SHIFTED" TO US LEC?**

11 **A:** Because today Verizon bears financial responsibility for delivering its originating traffic
12 to US LEC's chosen IP, US LEC's switch. Moreover, even though Verizon may today
13 be carrying its originating traffic largely over common network facilities, it appears from
14 testimony Verizon has filed in another state arbitration with US LEC on this same
15 contract that Verizon wants to charge US LEC for dedicated transport facilities,
16 regardless of the amount of traffic it originates from the end office Verizon would
17 designate as a virtual IP.

18 As Verizon recognizes elsewhere in the contract, dedicated trunks should be
19 efficiently utilized. That is why the parties have agreed, in Section 2.3.1.3.1 of the
20 *Interconnection Attachment*, that each tandem trunk group should maintain a minimum
21 utilization rate of 60% and, in Section 2.2.4 of the *Interconnection Attachment*, that
22 direct end office trunks should be established only when the traffic threshold meets or

1 exceeds 200,000 minutes of use. However, if Verizon uses a dedicated facility to carry
2 its originating traffic under "option three," it would be ignoring these principles and tying
3 up valuable public switched telephone network ("PSTN") resources by dedicating
4 facilities to its exchange of traffic with US LEC regardless of utilization levels or volume
5 of minutes. Thus, adopting Verizon's "option three" could result in Verizon
6 provisioning unnecessary, excess transport capacity, encouraging inefficient network
7 behavior by Verizon, all in an effort to impose a costly and inefficient method of
8 interconnection on US LEC.

9 **Q: PLEASE RESPOND TO VERIZON'S ALLEGATION THAT ITS PROPOSAL IS**
10 **A REASONABLE ALLOCATION OF TRANSPORT COSTS BETWEEN THE**
11 **PARTIES. (RESPONSE AT 17)**

12 **A:** Verizon's proposal is not reasonable because it forces US LEC to either establish
13 multiple physical connections to Verizon's network or bear all costs of transport, for both
14 Verizon's originating traffic and US LEC's originating traffic. Under the virtual IP
15 "option three," when US LEC delivers traffic to Verizon, it is financially responsible for
16 the transport to bring its calls to the Verizon-IP and must pay Verizon reciprocal
17 compensation for transporting the call to the end user. Yet when a Verizon customer
18 originates a call, Verizon would have US LEC pay for all of the transport. In short,
19 Verizon's proposal is only "reasonable" if the Commission wants to relieve Verizon of
20 any financial obligation to transport the traffic it exchanges with competitive local
21 exchange carriers ("CLECs").

1 Q: VERIZON ARGUES THAT ITS COST-SHIFTING PROPOSALS ARE
2 JUSTIFIED BECAUSE A SINGLE POI PER LATA IS EXPENSIVE.
3 (RESPONSE AT 15) DO YOU AGREE?

4 A: No. Verizon argues that because a single POI per LATA is “expensive,” it is permitted to
5 “recover” its costs by moving the point of financial demarcation to shift transport
6 responsibility from Verizon to US LEC.

7 To support its “expensive interconnection” theory, Verizon relies on paragraph
8 199 of the *Local Competition Order*, which states:

9 The deliberate and explained substantive omission of explicit
10 economic requirements in sections 251(c)(2) and 251(c)(3) cannot
11 be undone through an interpretation that such considerations are
12 implicit in the term “technically feasible.” Of course, a requesting
13 carrier that wishes a “technically feasible” but expensive
14 interconnection would, pursuant to section 252(d)(1), be required
15 to bear the cost of that interconnection, including a reasonable
16 profit.¹

17 I understand that the FCC is currently considering rules that would clarify
18 whether a particular request for interconnection is “expensive.”² But Verizon selectively
19 quotes only one of the questions the FCC is considering relative to so-called “expensive”
20 interconnection. (Response at 15-16) The remainder of the paragraph Verizon quoted
21 from shows that the FCC is considering US LEC’s position as well:

22 Or, by requiring carriers to pay ILECs for transport outside a local
23 calling area, are we forcing the competitive carrier into an
24 inefficient replication of the ILEC network? Assuming that the

¹ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499, ¶ 199 (1996) (“*Local Competition Order*”) (subsequent history omitted).

² *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, FCC 01-132, ¶¶ 112-114 (rel. April 27, 2001) (“*Inter-carrier Compensation NPRM*”).

1 ILEC receives reciprocal compensation for transporting
2 terminating traffic, how precisely does a distant POI unfairly
3 burden the LEC? Is the efficiency concern limited to those
4 instances in which traffic between two networks is unbalanced
5 and/or where transport is required beyond a certain distance?³

6 These questions posed by the FCC make it clear that a single IP per LATA is not
7 automatically “expensive,” as Verizon would have the Commission believe. Verizon
8 would not be permitted to recover supposed expenses of loop provisioning or collocation
9 without demonstrating that it in fact incurred the costs it was seeking to recover, and the
10 same principle should govern here.

11 **Q: WHAT EVIDENCE DO YOU SUGGEST THE COMMISSION REQUIRE OF**
12 **VERIZON TO PROVE ITS “EXPENSIVE INTERCONNECTION” THEORY?**

13 **A:** In order to have its cost-shifting proposal adopted, Verizon should be required to show
14 that a single US LEC-IP per LATA causes Verizon to incur specific costs for which it is
15 not already compensated by the services it provides its customers that originate its traffic.

16 The cost of a single CLEC-IP per LATA could vary substantially depending on
17 the facilities being used to transport traffic to the IP, the traffic volumes, and mileage.
18 For example, depending on the local calling area and LATA, Verizon’s costs may be
19 minimal -- it may have facilities already available to carry Verizon’s originating traffic
20 from the local calling area to the CLEC-IP, there may be only a *de minimis* traffic volume
21 exchanged for that local calling area, and the distance between the local calling area and
22 the CLEC-IP may be minimal. In short, Verizon’s vague allegations of uncompensated
23 costs do not prove that US LEC’s requested interconnection arrangement is “expensive.”

³ *Id.* at ¶ 114.

1 Q: ARE THERE OTHER FINANCIAL CONSIDERATIONS THE COMMISSION
2 SHOULD TAKE INTO ACCOUNT IN EVALUATING THE PARTIES'
3 POSITIONS?

4 A: Yes. The Commission must consider the financial impact of Verizon's VGRIPs proposal
5 on competition. As the U.S. Court of Appeals for the Third Circuit recently held after
6 reviewing another Commission arbitration order:

7 To the degree that a state commission may have discretion in
8 determining whether there will be one or more interconnection
9 points within a LATA, the commission, in exercising that dis-
10 cretion, must keep in mind whether the cost of interconnecting at
11 multiple points will be prohibitive, creating a bar to competition in
12 the local service area.⁴

13 Adopting Verizon's proposal would fundamentally alter the economics of a CLEC's
14 decision to provide service to each and every local calling area in Pennsylvania beyond
15 the area where it establishes its initial point of presence. Verizon's multiple IP (whether
16 physical or virtual) requirement could deter a CLEC from competing with Verizon until
17 the CLEC has enough customers to justify efficiently utilizing the dedicated facility it is
18 forced to build or lease from Verizon. Adopting Verizon's multiple IP proposal also
19 expresses a policy preference for the incumbent's historical network architecture,
20 effectively penalizing new entrants for any deviation from that architecture. The
21 Commission should therefore also reject Verizon's proposal as inconsistent with the
22 public policy of opening Pennsylvania's telecommunications markets to competition.

23 Q: LET'S RETURN TO THE PHYSICAL NETWORK ARCHITECTURE IMPACTS
24 OF VERIZON'S PROPOSAL. WHY DOES US LEC OBJECT TO

1 **DESIGNATING A COLLOCATION ARRANGEMENT THAT US LEC HAS**
2 **ESTABLISHED AT A VERIZON END OFFICE AS A US LEC-IP?**

3 **A:** Verizon's proposal would require US LEC to plan and pay for additional, and potentially
4 inefficient and unnecessary, capacity for each collocation arrangement. For example,
5 although US LEC does not currently collocate in Verizon end offices, if US LEC decided
6 to order collocation in the future, it is possible that US LEC would not know if Verizon
7 wished to designate the new arrangement as a US LEC-IP until *after* that arrangement
8 was provisioned. CLECs typically design and use end office collocation arrangements to
9 access the incumbent's unbundled local loops. The traffic from those loops is aggregated
10 and, where necessary, multiplexed, at the CLEC's collocation site and transported back to
11 the CLEC's switch via transport the CLEC leases from the incumbent or another carrier.
12 Moving the CLEC-IP to an established end office collocation arrangement would require
13 that the CLEC add equipment in its collocation space and extra transport to carry the
14 Verizon-originated traffic from the collocation site back to the CLEC switch. Thus,
15 under Verizon's proposal, the CLEC's space requirements, equipment costs, and
16 transport costs would all increase. Furthermore, because the volume of traffic originating
17 from that end office may not fill a DS-1, US LEC may be forced to provide, and
18 inefficiently strand, a facility that will be underutilized. This is inconsistent with Section
19 2.2.4 of the contract. In that section, the parties have agreed that a DS-1 is the volume of
20 traffic that will justify direct end office trunking for the delivery of one party's traffic to
21 the other. However, notwithstanding the lack of sufficient traffic volume, Verizon's
22 proposed language in Section 7.1.1.2 would require that US LEC designate a collocation

⁴ *MCI Telecommunication Corp. et al. v. Bell Atlantic-Pennsylvania et al.*, 271 F.3d 491, 517 (3d Cir.

1 site US LEC had established at a Verizon end office as a US LEC-IP in order to avoid
2 Verizon's transport penalty (defined in Section 7.1.1.1.1). This would effectively force
3 US LEC to provide an underutilized direct end office facility to carry Verizon's
4 originating traffic back to US LEC's switch even though Verizon itself would not
5 establish a direct end office connection to US LEC if the collocation arrangement did not
6 exist.

7 **Q: DOES US LEC ANTICIPATE DEPLOYING END OFFICE COLLOCATION**
8 **ARRANGEMENTS DURING THE TERM OF THIS AGREEMENT?**

9 **A:** Collocation is not currently part of US LEC's business plan, however, it is possible that
10 US LEC will deploy end office collocation arrangements during the term of this
11 agreement. I do not agree with Verizon that by merely establishing a presence at
12 Verizon's end office we are therefore obligated to pick up (either financially or
13 physically) Verizon's originating traffic from that end office. The parties have agreed
14 that direct end office trunks are only necessary when certain traffic volume thresholds are
15 reached. Requiring US LEC to designate its end office collocation as an IP, or requiring
16 a virtual IP at that end office, regardless of the traffic volume originated from that end
17 office is just another Verizon attempt to impose additional and unnecessary costs on its
18 competitors.

19 **Q: COULD THE TRANSITION TO NEW PHYSICAL IPs ADVERSELY AFFECT**
20 **US LEC'S OPERATIONS?**

1 A: Yes, it would. Moving from existing to new physical IPs would interfere with US LEC's
2 growth and ability to add new customers during the transition and impose unnecessary
3 economic costs on US LEC.

4 Interconnecting two networks requires not only facilities, but also careful
5 planning and other necessary support systems. For example, moving from an existing IP
6 to a new physical IP could involve a facilities build or facilities augmentation, submitting
7 new trunk orders, and switch translations. All of this consumes scarce personnel and
8 network resources that could otherwise be used to grow US LEC's business and expand
9 its customer base. Furthermore, I understand that Verizon imposes a turn-up limit of nine
10 trunks per day. This means that after all the planning and network engineering is
11 completed, it could still take an inordinate amount of time to make the transition to a new
12 US LEC-IP. Thus during the transition period, Verizon could effectively stop US LEC's
13 ability to win new customers and jeopardize the growth of US LEC's existing customers'
14 business. Requiring US LEC to transition to a new physical US LEC-IP would therefore
15 give Verizon a competitive advantage in either retaining its existing customers or
16 winning customers new to the market during the transition period.

17 Q: **HOW DOES TRAFFIC VOLUME AFFECT THE ENGINEERING AND**
18 **FINANCIAL ASPECTS OF IPs?**

19 A: *If the volume of traffic originating from and/or terminating to an additional Verizon*
20 *tandem or end office is low, it is more efficient for such traffic to be carried on Verizon's*
21 *common network capacity. Establishing dedicated capacity that would be used solely to*
22 *carry low traffic volumes would be inefficient.*

1 Each carrier needs to install or lease transmission facilities and equipment to
2 deliver its originating traffic to the other party's IP. Of course Verizon has been in this
3 business for over 100 years and has built ubiquitous facilities to transport traffic
4 throughout its serving area. Since Verizon already has facilities in place that can carry
5 the traffic the parties exchange, and therefore benefits from economies of scale and the
6 technological advances in transport capacity, its costs to switch and transport the
7 incremental traffic it exchanges with US LEC are relatively low. Both parties benefit
8 from these economies of scale -- Verizon for its originating traffic and US LEC for its
9 terminating traffic. Furthermore, the amount of Verizon traffic that is destined for US
10 LEC likely makes up only a very small percentage of the total traffic Verizon transports
11 over its common network capacity.

12 In contrast, US LEC as a new entrant has not deployed transport facilities
13 throughout Verizon's serving area. Thus, in order for US LEC to reach additional
14 Verizon wire centers, US LEC must either construct new facilities, which requires local
15 permits, digging up streets, etc., or lease existing facilities from Verizon or another
16 carrier. In short, where traffic volumes from additional wire centers are low, if Verizon
17 requires US LEC to establish a US LEC-IP at the additional wire center, Verizon's
18 avoided costs are negligible but US LEC's costs are high. Furthermore, if US LEC
19 purchases dedicated transport from Verizon to haul Verizon's traffic from the
20 new/additional US LEC-IP back to US LEC's switch, then Verizon has succeeded,
21 through its designation of new/additional US LEC-IPs, in generating a significant amount
22 of revenue for itself from selling dedicated transport to US LEC. Finally, through their

1 proposal, Verizon may also strand PSTN resources since capacity dedicated to calls
2 between Verizon and US LEC customers may be grossly underutilized.

3 **Q: PLEASE SUMMARIZE YOUR PROPOSED RESOLUTION OF THESE ISSUES.**

4 **A:** The Commission should adopt US LEC's proposal on Issues 1 and 2 because it preserves
5 the parties' existing interconnection architecture, appropriately allocates the financial
6 burden of traffic exchange, is consistent with sound network engineering practices, and
7 promotes efficient network deployment.

8 **Q: DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

9 **A:** Yes.

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JUL 21 2002

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In Re: Petition of US LEC of Pennsylvania
Inc. for Arbitration with Verizon-Pennsylvania
Inc. Pursuant to Section 252(b) of the
Telecommunications Act of 1996**

: **Docket No. A-310814F7000**

:
: *7/17/02 initial*
: *hrq*

**REBUTTAL TESTIMONY OF FRANK R. HOFFMANN, JR.
ON BEHALF OF US LEC OF PENNSYLVANIA INC.**

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AUG 15 2002

US LEC St. 1.1

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DATE: JULY 9, 2002

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1 Q: PLEASE STATE YOUR NAME FOR THE RECORD.

2 A: My name is Frank R. Hoffmann, Jr.

3 Q: ARE YOU THE SAME FRANK R. HOFFMANN, JR. WHO FILED
4 DIRECT TESTIMONY IN THIS DOCKET ON MAY 31, 2002?

5 A: Yes.

6 Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

7 A: The purpose of my testimony is to address the arguments raised by Verizon's
8 witness Peter J. D'Amico concerning Issues 1 and 2 in US LEC's arbitration
9 petition.

10 Q: DO YOU AGREE WITH MR. D'AMICO THAT THE ESSENCE OF THE
11 DISPUTE BETWEEN THE PARTIES REGARDING THE POI AND IP
12 "BOILS DOWN TO HOW TO ALLOCATE FAIRLY THE TRANSPORT
13 COSTS?" (D'AMICO AT 3:18-22)

14 A: While allocating transport costs between Verizon and US LEC is one of the
15 aspects of the dispute in Issues 1 and 2, it is not the only one. These issues also
16 concern US LEC's ability to maintain its established point of interconnection, as
17 well as its established method of interconnection, with Verizon. Verizon's
18 "magnanimous" offer to share the costs of transporting its own customer's
19 traffic (D'Amico at 11:12-20) is conditioned on US LEC changing its
20 established point of interconnection and method of interconnection. Given the
21 parties' current network architecture design, Verizon's offer is not a
22 compromise at all.

1 **Q: MR. D'AMICO MENTIONS A COUPLE OF TIMES THAT US LEC HAS**
2 **"MISREAD" VERIZON'S PROPOSED CONTRACT LANGUAGE.**
3 **(D'AMICO AT 12:1-4, 12:18-19) PLEASE RESPOND.**

4 **A:** US LEC has not misread Verizon's proposed contract language. Mr. D'Amico
5 may not agree with US LEC's position, or with the words I use to describe their
6 proposed contract language. Verizon prefers words like "choice" and "may
7 refuse" and "significant compromise." But the bottom line is that through
8 VGRIPs, Verizon would force US LEC to "choose" between one of two equally
9 unpalatable options. US LEC would either have to change its existing and
10 preferred physical network architecture to establish new physical connections to
11 Verizon's network or relieve Verizon of its current financial responsibility for
12 transporting Verizon's customers' traffic. In other words, US LEC must either
13 establish the physical network architecture Verizon prefers today, or pay to
14 transport all of Verizon's originating traffic, including transport within the local
15 calling area where the call originated.

16 **Q. US LEC ASKED VERIZON TO CALCULATE THE TRANSPORT**
17 **PENALTY THAT WOULD APPLY UNDER VGRIPS IF US LEC DID**
18 **NOT ESTABLISH THE PHYSICAL IPS REQUIRED UNDER VGRIPS.**
19 **DO YOU AGREE WITH THE ASSUMPTIONS THAT VERIZON USES**
20 **AS THE BASIS FOR ITS CALCULATION?**

21
22 **A.** No. In response to Interrogatory No. 25 Verizon assumes "that no tandem
23 switching or other costs are incurred". This is impossible, as Verizon would
24 only impose the penalty if US LEC did not establish collocated IPs at Verizon's

1 tandems (or refused to identify an established US LEC end office collocation
2 arrangement as an IP). Since US LEC does not collocate at Verizon's end
3 offices, Verizon's implementation of the penalty would only occur if US LEC
4 established non-located POIs at Verizon's tandem(s). Therefore, Verizon's
5 originated traffic will always be tandem switched. If the cost of tandem
6 switching is included in the transport penalty that US LEC would incur under
7 VGRIPs (if it retained its current network architecture), the revised calculation
8 demonstrates that Verizon would deprive US LEC of approximately 44% of the
9 negotiated reciprocal compensation rate.

10 **Q: MR. D'AMICO STATES THAT VERIZON WANTS TO DELIVER ITS**
11 **TRAFFIC TO US LEC AT A MORE CENTRAL LOCATION.**
12 **(D'AMICO AT 11:16-17) PLEASE RESPOND.**

13 **A:** Verizon is aggregating and delivering its traffic to US LEC at a central location
14 today – US LEC's switch. Furthermore, Verizon is using facilities US LEC
15 ordered from Verizon and paid to establish. These ring and point-to-point
16 facilities permit Verizon to aggregate its traffic from many local calling areas
17 and deliver its traffic to US LEC over the facilities US LEC has purchased from
18 Verizon. Regardless of distance, US LEC charges Verizon the non-distance
19 sensitive entrance facility rate contained in Verizon's own state access tariff to
20 transport Verizon's traffic to US LEC's switch.

21 **Q: DO YOU KNOW WHY VERIZON'S VGRIPs PROPOSAL REQUIRES**
22 **US LEC TO USE A COLLOCATION ARRANGEMENT TO ESTABLISH**
23 **AN IP AT VERIZON'S TANDEMS?**

1 **A:** No. Verizon offers no explanation of why VGRIPs requires a collocated IP. In
2 fact, at an earlier stage in negotiations, Verizon offered US LEC a slightly
3 different, and more onerous, Geographically Relevant Interconnection Points
4 (“GRIPs”) proposal. Under GRIPs US LEC would be permitted to choose the
5 type of physical IP (Interconnection Attachment, Section 2.1.3), but would be
6 forced to establish a physical IP in every Verizon local calling area. This further
7 indicates the anticompetitive nature of Verizon’s proposals, both GRIPs and
8 VGRIPs, which are designed to foist unnecessary costs on US LEC and to
9 improve Verizon’s bottom line through increased collocation revenues.

10 **Q:** **DO YOU AGREE WITH VERIZON’S CHARACTERIZATION OF ITS**
11 **VIRTUAL IP PROPOSAL AS REQUIRING US LEC TO COMPENSATE**
12 **VERIZON FOR TRANSPORT ONLY *OUTSIDE* OF THE LOCAL**
13 **CALLING AREA IN WHICH THE CALL ORIGINATED? (D’Amico at**
14 **10:13-16)**

15 **A:** No. Despite Verizon’s arguments to the contrary, the text of the Verizon
16 contract language shows that its proposals *require* US LEC to pay for Verizon’s
17 transport costs *within* the local calling area if US LEC refuses to establish the
18 additional, physical IPs “requested” by Verizon. As I understand it, that
19 simply does not comply with the requirements of the Act as interpreted by the
20 FCC. In short, Verizon would force US LEC to either establish multiple
21 physical IPs or assume financial responsibility for all transport.

1 **Q: VERIZON ARGUES THAT ITS COST-SHIFTING PROPOSALS ARE**
2 **JUSTIFIED BECAUSE A SINGLE POI PER LATA IS EXPENSIVE.**
3 **(D’Amico at 16:18-17:5, 18:21-19:5) DO YOU AGREE?**

4 **A:** No. As I mentioned in my direct testimony, there are a number of factors that
5 contribute to the cost of interconnecting two networks, including available
6 facilities, traffic volume, and distance. Verizon has not presented any evidence
7 on any of those facts to support its allegations that it is “expensive” to inter-
8 connect with US LEC under the parties’ current architecture.

9 **Q: VERIZON ALLEGES THAT US LEC SHOULD BEAR THE COSTS OF**
10 **ITS CHOSEN NETWORK DESIGN. (D’Amico at 2:17-21) PLEASE**
11 **RESPOND.**

12 **A:** US LEC does bear the costs of its chosen network design. US LEC serves a
13 diverse base of customers that are physically located in the local calling areas it
14 serves. As such, when US LEC’s switch is located in one local calling area and
15 its customer is located in another, US LEC must transport its customer’s traffic
16 to US LEC’s switch and deliver that traffic to Verizon at Verizon’s IP (located
17 at the Verizon tandem or end office). In addition, US LEC must pay Verizon
18 reciprocal compensation for delivering US LEC’s traffic from the Verizon IP to
19 the Verizon end user, whether or not the IP and the end user are located in the
20 same local calling area. Similarly, when a Verizon customer calls a US LEC
21 customer, US LEC must accept the traffic at its designated IP and deliver that
22 traffic to its end user customer, including to end users located in another local
23 calling area. Thus US LEC clearly bears the cost of its network design choices.

1 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

2 A: Yes.

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JUL 21 2002

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

In Re: Petition of US LEC of Pennsylvania
Inc. for Arbitration with Verizon-Pennsylvania
Inc. Pursuant to Section 252(b) of the
Telecommunications Act of 1996

: Docket No. A-310814F7000

: A 7/17/02 initial hrg

DIRECT TESTIMONY OF WANDA G. MONTANO
ON BEHALF OF US LEC OF PENNSYLVANIA INC.

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AUG 15 2002

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DATE: MAY 31, 2002

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1 Q: PLEASE STATE YOUR NAME, TITLE, AND ADDRESS FOR THE RECORD.

2 A: My name is Wanda G. Montano. I am currently Vice President, Regulatory and Industry
3 Affairs for US LEC Corp., the parent company of US LEC of Pennsylvania Inc. ("US
4 LEC"), and its operating subsidiaries, including the Petitioner in this proceeding. My
5 business address is 6801 Morrison Blvd., Charlotte, NC 28211.

6 Q: PLEASE DESCRIBE YOUR RESPONSIBILITIES FOR US LEC.

7 A: I am responsible for the management of US LEC's relationships with state and federal
8 agencies who oversee our business, as well as for US LEC's relationships with
9 Incumbent Local Exchange Carriers (ILECs), Competitive Local Exchange Carriers
10 (CLECs), Independent Telephone Companies (ICOs) and wireless companies.

11 Q: PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
12 PROFESSIONAL EXPERIENCE.

13 A: I joined US LEC in January 2000. Prior to that, I was employed in various positions by
14 Teleport Communications Group (TCG) and then by AT&T following AT&T's
15 acquisition of TCG. In 1998-1999, I served as General Manager for North and South
16 Carolina (Sales Executive) for AT&T (Charlotte, N.C.) During 1997-1998 I was Vice
17 President & Managing Executive for North & South Carolina (Sales and Operations
18 Executive) for TCG (Charlotte, N.C.) During 1995-1997, I served as Vice President,
19 CLEC Services for TCG (Staten Island, N.Y.) During 1994-1995, I was Director of
20 Process Reengineering for TCG (Staten Island, N.Y.) During 1992-1994, I was Director
21 of Marketing for TCG (Staten Island, NY). During 1990-1992 I was Senior Product

1 Manager for Graphnet (Teaneck, N.J.). From 1982-1990, I was Regulatory Manager for
2 Sprint Communications Corp. in Reston, Virginia and, from 1979-1982 I was a paralegal
3 for GTE Service Corporation in Washington, D.C. I have a B.S. from East Carolina
4 University in Greenville, N.C. (1974). I received my Paralegal Certificate from the
5 University of Maryland in 1980 and I received my M.B.A. in Marketing & Government
6 Affairs from Marymount University of Virginia in 1988.

7 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
8 **COMMISSION?**

9 **A:** No, I have not; however, I have testified before the North Carolina Utilities Commission,
10 the New York Public Service Commission, the Florida Public Service Commission and
11 the Georgia Public Service Commission.

12 **Q: HAVE YOU PARTICIPATED IN US LEC's INTERCONNECTION**
13 **NEGOTIATIONS WITH VERIZON?**

14 **A:** Yes, I have participated in the negotiating sessions. In addition, I have reviewed the
15 points of contention raised during the negotiations to ensure their consistency with state
16 and federal requirements and policy.

17 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 **A:** The purpose of my testimony is to explain what I understand to be the legal and
19 competitive policy arguments in support of US LEC's position on Interconnection Points
20 ("IPs") (Issues 1 and 2), reciprocal compensation for Voice Information Services Traffic
21 (Issues 3 and 4), the use of "terminating party" or "receiving party" (Issue 5), reciprocal

1 compensation for virtual NXX” traffic (Issue 6), compensation for ISP traffic (Issue 7),
2 applicability of changes to Verizon’s tariffed and non-tariffed rates (Issue 8) and
3 insurance requirements (Issue 9).

4 **ISSUES 1 AND 2 (INTERCONNECTION ATTACHMENT, SECTIONS 7.1.1.1, 7.1.1.1.1,**
5 **7.1.1.2, 7.1.1.3; GLOSSARY, SECTION 2.45)**

6 **Q: PLEASE EXPLAIN THE POI AND THE IP TERMS VERIZON USES IN ITS**
7 **CONTRACT.**

8 **A:** In order for US LEC and Verizon to exchange traffic between their respective customers,
9 they must interconnect their networks as required by Section 251(c)(2) of the Act. The
10 physical points at which they perform the connection are called Points of Interconnection
11 or POIs under Verizon’s defined terms. The billing points that distinguish the financial
12 responsibility of each Party for transporting traffic are called Interconnection Points or
13 IPs under Verizon’s defined terms. US LEC is familiar with Verizon’s terms, and is
14 willing to use them, so long as the resulting obligations remain consistent with FCC
15 “rules of the road” that govern interconnection between Competitive Local Exchange
16 Carriers (“CLECs”) and Incumbent Local Exchange Carriers (“ILECs”).

17 **Q: PLEASE EXPLAIN THE FCC’S RULES OF THE ROAD.**

18 **A:** The first “rule of the road” is that US LEC is entitled to select a single, technically
19 feasible POI in a Local Access and Transport Area (“LATA”) for the exchange of traffic
20 with Verizon. The second “rule” is that each LEC bears the burden of delivering local
21 traffic originated by its customers to the POI and recovers such costs in the rates charged
22 to its end users. Unlike Verizon’s proposed contract terms, under FCC decisions, the
23 default rule is that the physical connection of the Parties’ networks and the demarcation

1 of financial responsibility are at the same point. Therefore, together, these rules require
2 that US LEC select the IP and bear the financial responsibility for carrying traffic
3 originated by its customers to the IP and, conversely, Verizon must bear the financial
4 responsibility for carrying traffic originated by its customers to the IP.

5 **Q: HOW DO THESE RULES APPLY TO THE PARTIES' INTERCONNECTION**
6 **ARRANGEMENTS IN PENNSYLVANIA?**

7 **A:** US LEC has two switches in Pennsylvania: one in Pittsburgh, serving Western
8 Pennsylvania and one in the Philadelphia area, serving Eastern Pennsylvania. In each
9 LATA where US LEC provides service, US LEC's IP is located at its switch. US LEC
10 has established POIs at each Verizon Access Tandem where US LEC has been assigned
11 NXX codes and provides local exchange services to its end users.

12 **Q: IF, AS A PRACTICAL MATTER, US LEC'S IP IS LOCATED AT US LEC'S**
13 **SWITCH, WHAT IS THE CRUX OF THE DISPUTE IN ISSUES 1 AND 2?**

14 **A:** From a policy perspective, US LEC has three major problems with Verizon's proposed
15 language. First, Verizon wants the right to designate the IP (whether physical or virtual)
16 or, given that US LEC has already designated two IPs in Pennsylvania, to require US
17 LEC to transition to additional IPs (whether physical or virtual) unilaterally designated
18 by Verizon. Second, Verizon wants to designate the method US LEC must use to
19 interconnect with Verizon. Third, if US LEC fails to comply with Verizon's demands,
20 Verizon wants to penalize US LEC by imposing transport charges for Verizon's
21 originating traffic, from the Verizon end office to US LEC's IPs, regardless of whether
22 or not US LEC's IP is located within the local calling area where the call originated. The

1 additional network reasons for rejecting Verizon's proposed interconnection structure are
2 addressed in more detail in Frank Hoffmann's testimony concerning Issues 1 and 2.

3 **Q: WHAT IS THE POLICY BASIS FOR US LEC'S POSITION THAT VERIZON**
4 **DOES NOT HAVE THE RIGHT TO DESIGNATE THE IP?**

5 **A:** The Act and the FCC recognize that new entrants, such as US LEC, must be able to
6 determine the most efficient location for the exchange of traffic. The Act grants CLECs,
7 not Verizon, the right to select the IP. Under 47 U.S.C. § 251(c)(2)(B), Verizon must
8 provide interconnection at any technically feasible point selected by US LEC. As the
9 Third Circuit recently held:

10 The decision where to interconnect and where not to
11 interconnect must be left to WorldCom, subject only to
12 concerns of technical feasibility. Verizon has not presented
13 evidence that it is not technically feasible for WorldCom to
14 interconnect at only one point within a LATA. Nor has
15 Verizon shown that it is technically necessary for
16 WorldCom to interconnect at each access tandem serving
17 area. *The PUC's requirement that WorldCom interconnect*
18 *at these additional points is not consistent with the Act.*¹

19 Under binding FCC rules, unless Verizon can meet its burden of showing that US LEC's
20 single IP in each LATA is not technically feasible, it must offer such interconnection to
21 US LEC.² Furthermore, the fact that the parties have already interconnected at a single

¹ *MCI Telecommunications Corp. et al. v. Bell Atlantic-Pennsylvania et al.*, 271 F.3d 491, 518 (3d Cir. 2001) (emphasis added).

² *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499, ¶¶ 198, 205 (1996) ("*Local Competition Order*"), *aff'd in part and vacated in part sub nom. Competitive Telecommunications Ass'n v. FCC*, 117 F.3d 1069 (9th Cir. 1997) and *Iowa Utils. Bd. v. FCC*, 120 F.3d 753 (8th Cir. 1997), *aff'd in part and remanded, AT&T Corp. et al. v. Iowa Utils. Bd. et al.*, 119 S.Ct. 721 (1999), *vacated in part on remand, Iowa Utils. Bd. v. FCC*, 219 F.3d 744 (8th Cir. 2000), *motion for partial stay granted, Iowa Utils. Bd. v. FCC*, Case no. 96-3321 et al., Order Granting Motion for Partial Stay of the Mandate (8th Cir. Sept. 22, 2000).

1 US LEC-IP in each LATA (as Frank Hoffmann testifies), is evidence that US LEC's
2 requested form of interconnection is technically feasible.³

3 **Q: WHY DOES US LEC OBJECT TO VERIZON'S REQUIREMENT THAT US LEC**
4 **ESTABLISH AN IP VIA COLLOCATION?**

5 **A:** As Frank Hoffmann explains, US LEC does not use collocation as its method of
6 interconnection with Verizon and, as such, is not collocated at any Verizon office in any
7 LATA in Pennsylvania. Nor does US LEC wish to change its method of interconnecting
8 with Verizon. Rather, US LEC prefers to exercise its right under the Act as well as other
9 agreed-to sections of the contract to choose one of the three methods the parties have
10 identified as acceptable interconnection methods. US LEC's right to select an entrance
11 facility or other method of interconnection is also granted by Section 251(c)(2), which
12 permits US LEC to select any technically feasible method of interconnection that will be
13 used to establish the IP.⁴

14 Under Verizon's proposed contract language, however, Verizon wants US LEC to
15 interconnect through collocation at Verizon's tandems, and to establish an IP at any other
16 collocation arrangement US LEC may establish at a Verizon end office or pay for
17 Verizon's originating tandem switching costs and all of Verizon's transport costs,
18 beginning at the Verizon end office where the call originates. These so-called "options"
19 require US LEC to mirror Verizon's legacy network architecture (either physically or

³ *Id.* at ¶ 204.

⁴ *Id.* at 64; *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499, ¶¶549-54 (1996) ("*Local Competition Order*") (subsequent history omitted).

1 financially); which may not be the most efficient forward-looking architecture for an
2 entrant deploying a new network, and therefore constitutes a barrier to entry.

3 **Q: PLEASE EXPLAIN THE THIRD PROBLEM CONCERNING VERIZON'S**
4 **TRANSPORT PENALTY.**

5 **A:** Verizon's transport penalty, the so-called "third option," is included in Sections 7.1.1.1.1,
6 7.1.1.2, and 7.1.1.3(b) of its proposed contract language. It provides that US LEC must
7 reduce its reciprocal compensation charges to Verizon if US LEC fails to establish (1) a
8 collocated IP at each Verizon tandem, (2) an IP at US LEC's collocation site at a Verizon
9 end office, or (3) a collocated IP at a Verizon tandem or end office within thirty (30) days
10 of Verizon's request to transition the parties' existing architecture to the IPs mandated by
11 Verizon. By reducing the termination rate Verizon pays to US LEC, Verizon effectively
12 is charging US LEC for transporting Verizon-originated traffic from Verizon's end office
13 over Verizon's network to the established IP. Under Verizon's position, US LEC could
14 be "charged" for transport from a Verizon end office to US LEC's IP, even if US LEC's
15 IP was located in the same calling area.

16 **Q: HAS THE FCC EVER CLARIFIED AN INTERCONNECTING LEC'S**
17 **OBLIGATION TO CARRY TRAFFIC THEIR CUSTOMER ORIGINATES TO**
18 **THE IP?**

19 **A:** Yes. As the FCC has noted, "[u]nder our current rules, the originating telecommuni-
20 cations carrier bears the costs of transporting traffic to its point of interconnection with

1 the terminating carrier.”⁵ The FCC has explained the basis of requiring each LEC to bear
2 this cost:

3 In essence, the originating carrier holds itself out as being
4 capable of transmitting a telephone call to any end user, and
5 is responsible for paying the cost of delivering the call to the
6 network of the co-carrier who will then terminate the call.
7 Under the Commission’s regulations, the cost of the facilities
8 used to deliver this traffic is the originating carrier’s
9 responsibility, because these facilities are part of the
10 originating carrier’s network. The originating carrier
11 recovers the costs of these facilities through the rates it
12 charges its own customers for making calls. This regime
13 represents “rules of the road” under which all carriers operate,
14 and which make it possible for one company’s customer to
15 call any other customer even if that customer is served by
16 another telephone company.⁶

17
18 Verizon’s obligation to deliver its originating traffic to US LEC’s IP is not
19 conditioned on US LEC establishing the collocated IPs Verizon is trying to require
20 through its contract proposals. As such, we believe Verizon’s transport penalty proposal
21 is inconsistent with both FCC rules and Commission precedent.

22 **Q: VERIZON ARGUES THAT IT MAY CHARGE US LEC FOR ITS**
23 **ORIGINATING TRANSPORT BECAUSE VERIZON IS ACTING AS A**
24 **TRANSPORT PROVIDER CONSISTENT WITH RULE 51.703(b). (RESPONSE**
25 **AT 15) PLEASE RESPOND.**

26 **A:** I disagree. Verizon cannot simply reclassify charges for delivering traffic Verizon
27 originates to US LEC as transport vendor charges. Rule 51.703(b) provides that “A LEC
28 may not assess charges on any other telecommunications carrier for telecommunications

⁵ *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Notice of Proposed Rulemaking, FCC 01-132, ¶ 70 (rel. April 27, 2001) (“*Inter-carrier Compensation NPRM*”).

1 traffic that originates on the LEC's network." The FCC has interpreted this rule to
2 prohibit charges to recover a LEC's costs of originating traffic "regardless of how the
3 LEC chooses to characterize those costs."⁷ In addition, where Verizon provides a facility
4 that is dedicated to the exchange of traffic between US LEC (e.g., as a "transport
5 provider") Section 51.709(b) also limits the amount Verizon may charge US LEC.
6 Specifically, Section 51.709(b) provides that:

7 (b) The rate of a carrier providing transmission facilities dedicated to the
8 transmission of traffic between two carriers' networks shall recover
9 only the costs of the proportion of that trunk capacity used by an
10 interconnecting carrier to send traffic that will terminate on the
11 providing carrier's network. Such proportions may be measured
12 during peak periods.
13

14 In other words, Rule 51.709(b) prohibits Verizon, as a transport provider, from
15 imposing charges on US LEC for the portion of the transport capacity that is used
16 to deliver Verizon's originating traffic to US LEC.

17 **Q: DOES THIS SAME REASONING ALSO SUPPORT US LEC'S POSITION THAT**
18 **VERIZON SHOULD NOT BE ABLE TO REQUIRE US LEC TO ESTABLISH AN**
19 **IP TO PICK UP VERIZON'S TRAFFIC AT EACH US LEC COLLOCATION**
20 **ARRANGEMENT AT A VERIZON END OFFICE?**

21 **A:** Yes. If Verizon were allowed to identify US LEC-IPs for delivery of Verizon's
22 originating traffic to US LEC and require US LEC to build or buy facilities to reach
23 those IPs, it would be able to disadvantage US LEC and impose additional and
24 unwarranted costs on new entrants. In effect, by requiring US LEC to move its IP to

⁶ *TSR Wireless, LLC. v. US West Communications, Inc.*, File Nos. E-98-13, E-98-15, E-98-16, E-98-17, E-98-18, Memorandum Opinion and Order, FCC 00-194, ¶ 34 (rel. June 21, 2000) ("*TSR Wireless*") (emphasis added), *aff'd, Qwest Corp. et al. v. FCC et al*, 252 F.3d 462 (D.C. Cir. 2001).

⁷ *TSR Wireless* at ¶ 26.

1 Verizon's end office, Verizon is again abdicating its responsibility to transport its own
2 customers' traffic to the IP selected by US LEC. Indeed, if Verizon were allowed such
3 discretion, it could force CLECs to essentially duplicate the incumbent's network. Such a
4 result is not in the public interest and would impede the development of competition.

5 **Q: WHAT ACTION DO YOU RECOMMEND THE COMMISSION TAKE?**

6 **A:** The Commission should find that US LEC has the right to maintain its single US LEC-
7 IPs in each LATA, and, at US LEC's option, its current interconnection method, at
8 Verizon's tandems for the receipt of traffic originated by Verizon's customers. The
9 Commission should reject Verizon's attempts to mandate the location of IPs and the
10 method of interconnection and Verizon's transport penalty proposal.

11 **ISSUES 3 AND 4 (GLOSSARY, SECTION 2.75; ADDITIONAL SERVICES ATTACH-**
12 **MENT, SECTIONS 5.1 AND 5.3; INTERCONNECTION ATTACHMENT, SECTION**
13 **7.3.7)**

14 **Q: PLEASE DESCRIBE THE ISSUES IN DISPUTE.**

15 **A:** First, in Issue No. 3, Verizon seeks to define an entire category of traffic as a class of
16 service that it wants the Commission to exclude from the parties' reciprocal
17 compensation obligations. Verizon first defines "Voice Information Services Traffic" as
18 a class of traffic that "provides [i] recorded voice announcement information or [ii] a
19 vocal discussion program open to the public." Further, Verizon attempts to utilize this
20 definition—which lacks a sound basis in law or fact—in Section 7.37 of the
21 Interconnection Attachment, to exclude the defined class of traffic from its reciprocal
22 compensation obligations.

1 Second, with respect to Issue No. 4, if US LEC's customers want to call Voice
2 Information Services connected to Verizon's network, then Verizon seeks to require US
3 LEC to provide, at its own expense, a separate, dedicated, trunk to carry that traffic.

4 **Q: WHAT IS US LEC'S POSITION ON ISSUE NO. 3?**

5 **A:** As with its efforts to eliminate reciprocal compensation for calls to ISPs, it appears that
6 Verizon's real thrust here is to deprive US LEC of compensation for providing a valuable
7 service to Verizon customers. In US LEC's view, the categories of traffic that Verizon
8 now wants to define as Voice Information Services Traffic fit completely the definition
9 of "Reciprocal Compensation Traffic" that is the basis for the parties' reciprocal
10 compensation obligations.

11 **Q: PLEASE EXPLAIN**

12 **A:** "Reciprocal Compensation Traffic" is defined in the proposed agreement as
13 "Telecommunications traffic originated by a Customer of one Party on that Party's
14 network and terminated to a Customer of the other Party on that other Party's network,
15 except for Telecommunications traffic that is interstate or intrastate Exchange Access,
16 Information Access, or exchange services for Exchange Access or Information Access."

17 The categories of traffic included in the definition of "Voice Information Services
18 Traffic" fit this definition: Whether the call is a "recorded voice announcement inform-
19 ation" or "a vocal discussion program open to the public," it is originated by a customer
20 of one party on that party's network and is terminated by a customer of the other party on
21 that party's network.

22 At the same time, the traffic at issue can not be characterized as interstate or
23 intrastate Exchange Access, Information Access, or exchange services for Exchange

1 Access or Information Access. In short, there does not appear to be any basis to exclude
2 what Verizon has defined as "Voice Information Services Traffic" and, as such, the
3 parties should be required to compensate each other for exchanging and terminating such
4 traffic.

5 **Q: ARE THERE ANY TECHNICAL PROBLEMS THAT WOULD ARISE IF THE**
6 **COMMISSION ADOPTS VERIZON'S POSITION?**

7 **A:** Yes, there are. As far as I know, there is no technically feasible, cost-effective way to
8 segregate so-called "Voice Information Services Traffic" from other traffic that is
9 eligible for reciprocal compensation, and Verizon has never offered US LEC any
10 proposals for how it believes this can be accomplished. In addition, this same problem
11 plagues Verizon in its drive to eliminate reciprocal compensation for calls to ISPs: the
12 traffic is indistinguishable from all other locally dialed traffic sent over local trunk
13 groups. Unlike intra- or interLATA toll traffic, which clearly is distinguishable, calls to
14 "Voice Information Service Providers" are indistinguishable from all other local traffic.

15 The only apparent way to segregate the traffic is to program switches to "flag"
16 calls to an identified data-base of providers. This is expensive and often inaccurate,
17 because it is not always possible to identify every single number that might be assigned
18 to a Voice Information Service Provider.

19 It also is intrusive. It would force US LEC, and every other CLEC, to inquire into
20 the proposed business plans of all customers so as to identify those who intend to offer
21 "Voice Information Services". It also would slow the operation of US LEC's switches
22 significantly because it would force the switch to add additional steps in the process of
23 handling every call.

1 Finally, even assuming the technical issues regarding the call processing can be
2 overcome, Verizon's proposal ignores privacy concerns that customers may raise about
3 sharing information about their business with other companies.

4 **Q: HOW SHOULD THE COMMISSION RESOLVE ISSUE NO. 3?**

5 **A:** First, US LEC believes that the Commission should reject entirely Verizon's request to
6 separately identify and define "Voice Information Services Traffic" as a separate
7 category of traffic. In that regard, Section 2.75 of the Glossary should be eliminated
8 from the Agreement. Second, those sections which purport to exclude "Voice
9 Information Services Traffic" from the parties' reciprocal compensation obligations
10 should be eliminated as well.

11 **Q: WHAT IS US LEC'S POSITION ON ISSUE NO. 4?**

12 **A:** Verizon's proposal—to force US LEC to construct a dedicated facility for the delivery of
13 calls from its customers to Voice Information Service Providers served by Verizon—
14 would impose significant costs on US LEC without any showing, first, that such a
15 dedicated facility even is necessary or, second, that the amount of traffic generated by US
16 LEC's customers and destined for Voice Information Services connected to Verizon's
17 network is sufficiently large as to warrant a separate trunk.

18 Moreover, as I discussed above in connection with Issue No. 3, even if Verizon
19 could demonstrate a need for a separate trunk—which it cannot do—it still would put US
20 LEC in the position of trying to segregate traffic which it simply cannot identify through
21 any technically feasible, cost effective means. Also as before, this would slow the
22 operation of US LEC's switch as it would have to identify calls destined for a Verizon-

1 served Voice Information Services Provider, separate those calls from all other traffic
2 destined for Verizon's customers, and then send that traffic down a dedicated trunk.

3 **Q: WHAT IS VERIZON'S POSITION?**

4 **A:** As I understand it, Verizon contends that it needs a separate trunk for billing purposes.
5 That may or may not be so, but Verizon should address its billing concerns on its own
6 network, not by imposing the requirement for separate trunking on US LEC. If Verizon
7 wants to measure the traffic, it can probably find a way to do so which does not involve
8 imposing any costs on US LEC. That would accomplish Verizon's goal without requiring
9 US LEC to go to the expense of putting in a separate, dedicated trunk.

10 **Q: HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

11 **A.** The Commission should adopt US LEC's position and direct that Section 5.3 of the
12 Additional Services Attachment to the Agreement should be deleted.

1 **ISSUE 5: (GLOSSARY, SECTION 2.56; INTERCONNECTION ATTACHMENT,**
2 **SECTIONS 2.1.2, 8.5.2, AND 8.5.3)**

3 **Q: PLEASE DESCRIBE THE DISPUTE AT ISSUE HERE.**

4 **A:** Historically, as well as currently, when it comes to billing, measuring and engineering
5 purposes, traffic is referred to as either originating or terminating. Thus, in any call,
6 there is an originating party served by an originating carrier and a terminating party
7 served by a terminating carrier. Against this long-standing, historical backdrop, Verizon
8 seeks to interject the entirely new concept of a “receiving party”. Verizon does not
9 define the term “receiving party” and US LEC is concerned that Verizon will use the
10 concept of a “receiving party” to escape some of its compensation obligations, which are
11 grounded in the traditional ‘originating party—terminating party’ designations.

12 **Q: WHAT IS US LEC’S POSITION ON THIS ISSUE?**

13 **A:** Verizon has not provided any reasonable explanation for its sudden desire to shift from
14 the traditional “terminating party” designation to the as yet undefined “receiving party.”
15 US LEC sees no need to disrupt the historic framework that has governed the transport,
16 exchange and billing of traffic for decades.

17 **Q: DOES THE AGREEMENT USE EITHER “TERMINATING PARTY” OR**
18 **“RECEIVING PARTY” CONSISTENTLY THROUGHOUT?**

19 **A:** No, it does not. For example, in section 7.2, the parties agree that they will compensate
20 each other for the “transport and termination” of Reciprocal Compensation Traffic. In
21 turn, “Reciprocal Compensation” is defined with respect to the “transport and
22 termination” of “Reciprocal Compensation Traffic”, which, itself, is defined with
23 reference to traffic that is “terminated on the other Party’s Network.”

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1 event that compensation framework is later overturned or vacated by the Court of
2 Appeals, then jurisdiction over ISP-bound traffic could, at least for some period of time,
3 revert to the Commission. In that instance, US LEC believes Verizon would seize on the
4 “receiving party” designation in the Agreement and contend that US LEC is not entitled
5 to any compensation for ISP-bound traffic because US LEC has conceded that the traffic
6 does not terminate at the ISP; rather, it is simply “received” there. In order to avoid that
7 result, US LEC believes that the agreement should refer consistently to the “terminating
8 party” for all purposes—establishing an IP, measuring traffic, billing for traffic and
9 paying for traffic.

10 **Q: HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

11 **A:** The Commission should accept US LEC’s position and direct that all references in the
12 Agreement to a party that is terminating traffic should refer to that party as the
13 “terminating party”. Further, all references to the party “receiving” traffic or to the
14 “receiving party” should refer instead to the party “terminating” traffic and to the
15 “terminating party”.

16 **ISSUE 6 (GLOSSARY, SECTION 2.56; INTERCONNECTION ATTACHMENT,**
17 **SECTION 7.2)**

18 **Q: PLEASE BRIEFLY DESCRIBE THE DISPUTE ON THIS POINT.**

19 **A:** There are really two issues in dispute under this single heading. First, Verizon is
20 obligated to pay intercarrier compensation for all calls originated by Verizon customers
21 to US LEC line numbers with “NXX” codes associated with the calling party’s local
22 calling area. Calls are conventionally rated and routed throughout the U.S. telephone
23 industry based upon the NXX codes of the originating and terminating numbers. There is

1 no reason to deviate from this convention now. These local calls are routed to the
2 interconnection point or POI for local traffic and handed off just as any other local call
3 would be. This practice should be continued such that calls between an originating and
4 terminating NXX associated with the same local calling area are rated and routed as
5 local.

6 The second issue in dispute is whether Verizon should be allowed to impose per-
7 minute originating switched access charges for carrying such calls to the parties' POI. As
8 this Commission is well aware, according to FCC Rules and Orders, access charges
9 cannot be imposed on locally dialed calls, such as are at issue here. Under any scenario,
10 the only costs Verizon incurs are the transport and switching charges required to bring
11 traffic to the interconnection point between Verizon and US LEC. These costs do not
12 change based upon the location of US LEC's customers, so there is no economic
13 justification for treating these calls differently from any other locally dialed call. Further,
14 it would be inconsistent and anti-competitive to allow Verizon to evade its intercarrier
15 compensation obligations and, at the same time, to charge US LEC originating switched
16 access charges for calls going to a particular NXX code. Not only would Verizon
17 double-recover for carrying such traffic (through local rates and access charges), but it
18 would be compensated for costs it does not even incur and would be given a free ride on
19 US LEC's network. Each of the issues, when considered individually, would put new
20 entrants such as US LEC at an extreme disadvantage in the marketplace if Verizon were
21 to prevail. Taken together, the requirement to pay Verizon access charges on local calls,
22 and being deprived the opportunity to recover any expenses for terminating calls for

1 Verizon, would be a devastating blow to US LEC in its bid to offer competitive local
2 exchange service in Pennsylvania.

3 **Q: WHAT IS VERIZON'S POSITION ON THIS ISSUE?**

4 **A:** Verizon argues for overturning the historical system I describe above, complaining that it
5 should not be required to pay intercarrier compensation even though a call would be rated
6 and billed to end-users as local by comparing the NXX codes of the originating and
7 terminating numbers. Further, Verizon argues that it should be able to charge originating
8 access charges for all calls to an NXX if customers with that NXX are physically located
9 outside the local calling area. Verizon provides no evidence that such calls increase its
10 costs as compared to other local calls in any way such that additional or different cost
11 recovery is justified. Verizon also fails to show that changing this historical system as it
12 suggests would provide any benefits to the public interest. In contrast, maintaining the
13 existing system will provide significant benefits to consumers and would be consistent
14 with the goal of increasing competitive offerings for consumers in Pennsylvania.

15 **Q: BEFORE TURNING TO THE SUBSTANCE OF THE DISPUTE, WHAT ARE**
16 **NXX CODES?**

17 **A:** NXX codes are the fourth through sixth digits of a ten-digit telephone number. For
18 example, in the telephone number for the Office of Administrative Law Judge, 717-783-
19 5452, the NXX code is "783".

20 **Q: HOW ARE CUSTOMERS ASSIGNED AN NXX CODE?**

21 **A:** Carriers, like US LEC and Verizon, request and are assigned blocks of telephone
22 numbers by the numbering administrator. The carriers then assign numbers to their
23 customers as requested.

1 Q: DOES US LEC CURRENTLY ASSIGN TELEPHONE NUMBERS TO
2 CUSTOMERS WHO ARE NOT PHYSICALLY LOCATED IN THE CALLING
3 AREA TO WHICH THAT NUMBER IS ASSIGNED?

4 A: No. US LEC does not currently utilize "virtual NXX" service in Pennsylvania; *i.e.*, US
5 LEC does not currently assign telephone numbers to customers that have no physical
6 presence in the local calling area associated with the telephone number. However, in
7 order to compete with Verizon's FX service, and to be able to offer its customers a full
8 range of services, US LEC believes it should be able to utilize this type of service.

9 Q: HOW IS THE RATING OF CALLS IMPACTED BY THE NUMBERS ASSIGNED
10 TO CUSTOMERS?

11 A: Standard industry procedure provides that each NXX code is associated with a particular
12 rate center within a local calling area.⁸ (A single rate center may have more than one
13 NXX code, but each code is assigned to one and only one rate center.) This uniquely
14 identifies the end office switch serving the NXX code, so that each carrier that is routing
15 a call knows which end office switch to send the call to. However, it is not uncommon
16 for NXX codes to be assigned to customers who are not physically located in the local
17 calling area where the NXX is "homed". When an incumbent local exchange company
18 ("ILEC") provides this arrangement, it typically is called foreign exchange or FX service.
19 This type of arrangement also may be referred to as "Virtual NXX" because the customer
20 assigned the telephone number has a "virtual" presence in the calling area associated with
21 that NXX. Calls to these customers are still routed to the end office switch associated

⁸ A rate center is a geographic location with specific vertical and horizontal coordinates used for determining mileage, for rating local or toll calls.

1 with the NXX code, but then are routed within the terminating carrier's network to the
2 called party's actual physical location.

3 **Q: WHY WOULD CARRIERS OR THEIR CUSTOMERS WANT A VIRTUAL NXX**
4 **CODE?**

5 **A:** Customers want to use virtual NXX codes because it allows them to take advantage of
6 state-of-the-art, currently available technologies to allow consumers to reach their
7 businesses without having the disincentive of a toll call. It also allows businesses and
8 organizations to provide service in other areas before they actually have facilities or
9 offices in those areas. Absent such calling plans, consumers would have to wait for
10 carriers to build out their networks – which could take years and millions of dollars. For
11 instance, so-called virtual NXX arrangements enable ISPs, among other customers, to
12 offer local dial-up numbers throughout Pennsylvania, including in more isolated, rural,
13 areas of the State. Access to the Internet is affordable and readily available in all areas of
14 the state because these NXX arrangements allow ISPs to establish a small number of
15 points of presence (“POPs”) that can be reached by dialing a local number regardless of
16 the physical location of the Internet subscriber. Rural small businesses especially benefit
17 from low-cost Internet access and increasingly depend on such access to remain
18 competitive. Thus, taking advantage of state-of-the-art technologies through virtual NXX
19 arrangements allows affordable Internet access, particularly in isolated and rural areas,
20 and this not only benefits Pennsylvania's consumers but also promotes economic
21 development.

22 Other organizations, such as the Pennsylvania State government, may also want to
23 make use of virtual NXX arrangements to allow residents to contact state agencies –

1 until CLECs had some success in attracting ISP customers and the ILECs began looking
2 for ways to avoid compensating them for serving and terminating calls to ISPs.

3 **Q: PLEASE DESCRIBE THE IMPACT OF VERIZON'S PROPOSED LANGUAGE**
4 **WITH RESPECT TO THE CUSTOMER'S PHYSICAL LOCATION IN MORE**
5 **DETAIL.**

6 **A:** The language proposed by Verizon—determining the rating of a call by reference to the
7 actual end points, not by reference to the NXX's of the calling and called parties—would
8 have at least three significant negative impacts in Pennsylvania. First, if the Commission
9 adopted Verizon's proposed language, Verizon would be able to evade its intercarrier
10 compensation arrangement a particular class of traffic. Second, and contrary to one of
11 the fundamental goals of the 1996 Act, Verizon's proposed language would have a
12 negative impact on the competitive deployment of affordable dial-up Internet services in
13 Pennsylvania, and on businesses that simply want an affordable way for their distant
14 customers to reach them. This negative impact would result from the increase in costs to
15 both consumers and providers under Verizon's proposal. Finally, Verizon's proposed
16 language would give Verizon a competitive advantage over US LEC in the ISP market.

17 **Q: HOW WOULD VERIZON EVADE ITS INTERCARRIER COMPENSATION**
18 **OBLIGATIONS TO US LEC BY LIMITING COMPENSATION TO CALLS**
19 **TERMINATING TO A CUSTOMER WITH A PHYSICAL PRESENCE IN THE**
20 **SAME LOCAL CALLING AREA AS THE ORIGINATING CALLER?**

21 **A:** Deviating from the historical practice of rating a call based upon the NXX codes of the
22 originating and terminating number would give Verizon the ability to arbitrarily re-
23 classify local calls as toll calls. This is because under Verizon's proposed language, it

1 would be nearly impossible and much more economically burdensome for US LEC (or
2 any other CLEC in a similar situation) to utilize virtual NXXs in the provision of service
3 to its customers.

4 As discussed above, Virtual NXXs are used by carriers to provide a local number
5 to customers in calling areas in which the customer is not physically located. If the
6 Commission adopts Verizon's language and allows Verizon to avoid rating calls based on
7 the NXX of the originating and terminating numbers, calls to "virtual NXX" customers
8 would effectively be reclassified as toll calls (at least in the intercarrier environment, if
9 not in the retail environment), and Verizon would no longer be obligated to compensate
10 US LEC for terminating what for decades have been rated as simple local calls.

11 **Q: IN ADDITION TO COMPENSATION CONCERNS, YOU HAD MENTIONED**
12 **THAT VERIZON WOULD CHARGE ORIGINATING ACCESS ON EVERY**
13 **"VIRTUAL NXX" CALL. DO THE COSTS INCURRED BY VERIZON IN**
14 **ORIGINATING SUCH A CALL JUSTIFY THIS ADDITIONAL CHARGE?**

15 **A:** No. First, as mentioned elsewhere in my testimony, LECs are not allowed to impose
16 access charges upon local traffic. Nevertheless, and despite this specific prohibition,
17 there is no additional cost incurred by Verizon when a virtual NXX is provided to a
18 CLEC customer, because Verizon carries the call the same distance (to the IP) and incurs
19 the same costs (in terms of local interconnection facilities used) regardless of the physical
20 location of the "virtual NXX" customer. Verizon's obligations and costs are therefore the
21 same in delivering a call originated by one of its customers, regardless of whether the call
22 terminates at a so-called "virtual" or "physical" NXX behind the CLEC switch.

1 Q: DOES THE USE OF VIRTUAL NXX CODES IMPACT THE HANDLING OR
2 PROCESSING OF A CALL TO A US LEC CUSTOMER?

3 A: No. Verizon would always be responsible for carrying the call to the IP on its own
4 network and then paying US LEC to transport and terminate the call from that point. The
5 use of a virtual NXX does not impact Verizon's financial and/or operational
6 responsibilities such that it should be able to avoid compensating US LEC or collect
7 additional compensation. Indeed, US LEC's customer has a presence in the local calling
8 area of the originating caller; it is a virtual presence, not a physical one, but the way the
9 call is handled is the same from Verizon's perspective.

10 Q: EVEN IF ONE WERE TO OVERLOOK THE FACT THAT VERIZON INCURS
11 NO ADDITIONAL COST IN ORIGINATING VIRTUAL NXX CALLS, DO YOU
12 THINK ACCESS CHARGES WOULD PROVIDE AN APPROPRIATE MEANS
13 OF COST RECOVERY FOR THIS TRAFFIC?

14 A: Not at all. Setting aside the fact that intercarrier compensation for local traffic is
15 governed by the reciprocal compensation rules of the FCC,⁹ and that access charges are
16 imposed on traffic other than local traffic, access charges are not cost-based, and it has
17 been federal and state policy in recent years to drive access charges down to forward-
18 looking economic cost. It makes no sense to impose an out-dated compensation regime
19 on an artificial category of traffic. At a time when regulators and the industry are looking
20 to move to more competitive market models by eliminating implicit subsidies in
21 telecommunications rates and intercarrier payments, it would seem contrary to that
22 movement to suddenly foist originating switched access charges on a certain type of local

⁹ FCC Rule 51.703(b) states, "A LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on the LEC's network."

1 traffic. The costs of originating this traffic do not differ from any other local call, and
2 thus there is absolutely no economic or policy justification for imposing switched access
3 charges on US LEC for traffic originated by Verizon customers.

4 **Q: IS VERIZON COMPENSATED FOR CARRYING THE TRAFFIC ORIGINATED**
5 **BY ITS CUSTOMERS TO THE US LEC IP?**

6 **A:** Yes, it is. The FCC's *TSR Order* is directly on point. The pertinent language with
7 respect to Verizon's compensation is as follows:

8 According to Defendants, the *Local Competition Order's* regulatory
9 regime, which requires carriers to pay for facilities used to deliver their
10 originating traffic to their co-carriers, represents a physical occupation of
11 Defendants property without just compensation, in violation of the
12 Takings Clause of the Constitution. We disagree. The *Local Competition*
13 *Order* requires a carrier to pay the cost of facilities used to deliver traffic
14 originated by that carrier to the network of its co-carrier, who then
15 terminates that traffic and bills the originating carrier for termination
16 compensation. In essence, the originating carrier holds itself out as being
17 capable of transmitting a telephone call to any end user, and is responsible
18 for paying the cost of delivering the call to the network of the co-carrier
19 who will then terminate the call. Under the Commission's regulations, the
20 cost of the facilities used to deliver this traffic is the originating carrier's
21 responsibility, because these facilities are part of the originating carrier's
22 network. *The originating carrier recovers the costs of these facilities*
23 *through the rates it charges its own customers for making calls.* This
24 regime represents "rules of the road" under which all carriers operate, and
25 which make it possible for one company's customer to call any other
26 customer even if that customer is served by another telephone company.¹⁰

27
28 By this reasoning, US LEC should not have to pay Verizon for Verizon-originated traffic
29 from the local calling area to US LEC's IP.

¹⁰ *TSR Wireless* at ¶34. (emphasis added) (footnotes omitted).

1 Q: THIS QUOTE SAYS THAT VERIZON WOULD RECOVER ITS COSTS
2 THROUGH THE RATES IT CHARGES ITS OWN CUSTOMERS. DO LOCAL
3 RATES COVER THE COST OF CARRYING THIS TRAFFIC TO THE IP?

4 A: The FCC has clearly stated that Verizon's rates cover these costs. This does not just refer
5 to Verizon's basic local rates. Local revenues include not only the basic local rate, but
6 other revenues from subscriber line charges, vertical services (i.e., call waiting, call
7 forwarding, anonymous call rejection and other star code features), universal service
8 surcharges, extended area service charges and contribution from access charges for
9 intraLATA and interLATA toll.

10 Q: IT APPEARS THAT YOU HAVE PLACED SPECIAL EMPHASIS ON THE
11 NEGATIVE IMPACTS ON RURAL AREAS OF THE STATE ASSOCIATED
12 WITH THE ADOPTION OF VERIZON'S POSITION. WHY WOULD RURAL
13 AREAS BE PARTICULARLY IMPACTED?

14 A: One of the most significant advantages of incumbency is the ubiquitous network of the
15 ILEC. For the most part, this network was bought and paid for by Verizon customers
16 over time, and Verizon had rates approved by the Commission that would allow it to
17 recover its costs of network deployment. Providers such as US LEC are in some cases
18 constrained from offering services on a widespread basis because they do not have the
19 advantage of having the ratepayer financed ubiquitous network that Verizon does.
20 Therefore, market entry is often confined to the more densely populated areas. The
21 intercarrier compensation for virtual NXX service as proposed by US LEC in this
22 arbitration would help to equalize these inherent inequities, at least for some customers,
23 by allowing US LEC to offer service state-wide, even to the more lightly populated areas

1 of Pennsylvania. Without this competitive equalization, US LEC would only be able to
2 reach such areas at some point in the future, if at all, thereby denying rural residents and
3 businesses the benefits of competition.

4 These comments should not be construed as US LEC asking for special treatment
5 because they are new competitors. Indeed, US LEC's position, supported by the
6 economic and technical arguments I have put forth above, would be just as compelling if
7 US LEC were an ILEC. I only raise the competitive ramification issue here to illustrate
8 the negative impact of adopting Verizon's proposed language.

9 **Q: HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

10 **A:** US LEC asks the Commission to conclude here that calls within a LATA originated by
11 Verizon customers and delivered to US LEC's virtual NXX customers are to be
12 considered local and subject to reciprocal compensation.

13 **ISSUE 7 (INTERCONNECTION ATTACHMENT, SECTIONS 8.1 AND 8.1.1;**
14 **GENERAL TERMS AND CONDITIONS, SECTION 50.2)**

15 **Q: PLEASE EXPLAIN THE NATURE OF THE PARTIES' DISAGREEMENT**
16 **ABOUT COMPENSATION FOR TERMINATING ISP-BOUND TRAFFIC.**

17 **A:** It addresses the compensation framework that the parties should utilize in the event the
18 interim compensation framework FCC's Internet Order is vacated or reversed on appeal.

19 **Q: WHAT IS US LEC'S POSITION WITH RESPECT TO COMPENSATION FOR**
20 **ISP-BOUND TRAFFIC IN THE EVENT THE INTERIM COMPENSATION**
21 **FRAMEWORK IN THE FCC'S INTERNET ORDER IS VACATED OR SET**
22 **ASIDE?**

1 A: In the interests of certainty and stability, and in order to avoid expensive and time-
2 consuming negotiations and litigation, US LEC advised Verizon that in the event the
3 interim compensation framework of the FCC's Internet Order is set aside, reversed, or
4 remanded, it is willing to forego the opportunity to be compensated at state rates and,
5 instead, has proposed that the parties accept the rate structure—but not the limitations on
6 growth and new markets—set forth in the Internet Order for the balance of the term of
7 the Agreement, or until the FCC imposes a permanent rate structure governing that
8 traffic.

9 **Q: HOW DID VERIZON RESPOND TO US LEC'S OFFER?**

10 A: Verizon declined US LEC's offer of compromise and will not address the issue in the
11 Agreement at all. Evidently, Verizon prefers instead to engage in lengthy negotiations
12 and, possibly extensive litigation, with US LEC in order to fix obligations that can, and
13 should be addressed at this stage of the proceeding.

14 **Q: HOW DOES US LEC PROPOSE TO MODIFY THE AGREEMENT?**

15 A: US LEC proposes to modify Section 8.1 of the Interconnection Attachment to provide
16 that the parties will be governed by the FCC's Internet Order and the rate framework set
17 forth therein. Similarly, US LEC added Section 8.1.1 to provide that if that Internet
18 Order is reversed, set aside or vacated on appeal, the parties will continue to compensate
19 each other for exchanging Internet Traffic using the rate structure in that Order, but
20 without applying the growth caps or new market limitations that no longer would be
21 applicable in the event of a reversal.

22 Finally, US LEC proposed a modification to Section 50.2 of the General Terms
23 and Conditions to preclude Verizon from terminating payments to US LEC for ISP-

1 bound traffic if the Internet Order is reversed. As Section 50.2 was written by Verizon, it
2 would have allowed Verizon to terminate any provision of the Agreement that provides
3 for the payment by Verizon to US LEC of compensation related to traffic, including, but
4 not limited to, Reciprocal Compensation and other types of compensation for termination
5 of traffic delivered by Verizon to US LEC. Then, if Verizon chose to exercise that right
6 of termination, it would have forced the Parties to negotiate appropriate substitute
7 provisions for compensation related to traffic. Section 50.2 further provided that if,
8 within sixty (60) days after Verizon's notice of termination, the Parties are unable to
9 agree in writing upon mutually acceptable substitute provisions for compensation related
10 to traffic, either Party may submit their disagreement to dispute resolution in accordance
11 with Section 14 of this Agreement.

12 **Q: WHY IS VERIZON'S PROPOSED LANGUAGE PROBLEMATIC?**

13 **A:** Given the long battles between CLECs and ILECs over compensation for ISP-bound
14 traffic that have been waged for years in Pennsylvania and elsewhere, US LEC sees
15 Verizon's position as ensuring months of fruitless negotiations and possibly additional
16 years of endless litigation over US LEC's entitlement to a payment stream that this
17 Commission previously held was proper.

18 **Q: HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

19 **A:** US LEC submits that the proposed compromise—a certain rate structure guaranteed for
20 the life of the contract—is a vastly superior alternative and should be adopted by the
21 Commission. As such, the Commission should adopt US LEC's modifications to
22 Sections 50.2 and 8.1 and accept US LEC's addition of section 8.1.1.

23 **ISSUE 8: (PRICING ATTACHMENT, SECTION 1.5)**

1 Q: PLEASE EXPLAIN THE PARTIES' DISAGREEMENT ABOUT THE
2 APPLICABILITY OF CHANGES TO VERIZON'S TARIFFED AND NON-
3 TARIFFED RATES.

4 A: US LEC and Verizon disagree about whether changes to Verizon's tariffed and non-
5 tariffed rates should affect the parties' agreement. This issue arises out of three separate
6 sections in the proposed template agreement. Section 1.5 of the Pricing Attachment
7 permits Verizon to supercede *any* rates (i.e., both tariffed rates and non-tariffed rates)
8 that the parties have agreed to through tariff filings that supercede the rates in the parties'
9 agreement whenever Verizon alters its existing rates or adds new tariffed rate elements or
10 services.

11 US LEC disagrees with the language proposed by Verizon in Section 1.5 of the
12 pricing attachment. Although US LEC agrees to be bound by tariffed rates that change
13 during the term of the parties' agreement in those cases where the parties have specified
14 that tariffed rates are to govern (and likewise recognizes that rates may justifiably be
15 altered due to changes in Applicable Law), it disputes Verizon's attempt to retain the
16 discretion to modify its non-tariffed rates at will.

17 Q: WHY DOES US LEC OPPOSE VERIZON'S DESIRE TO UNILATERALLY
18 MODIFY ITS NON-TARIFFED RATES?

19 A: As I have already explained, US LEC seeks certainty in the pricing of the services it
20 obtains from Verizon and does not believe that Verizon should be permitted to modify its
21 non-tariffed rates at will. With regard to any rates that the parties have negotiated and
22 incorporated into the parties' interconnection agreement, the rates should remain fixed for

1 the term of the agreement. It would be anticompetitive and detrimental to US LEC if
2 Verizon had the unfettered ability and sole discretion to modify its non-tariffed rates. No
3 justification exists for a pricing approach that puts US LEC at Verizon's mercy and
4 potentially subjects US LEC to an endless array of rate changes which are likely to
5 increase US LEC's costs of doing business with Verizon.

6 **Q: DOES US LEC TAKE THE POSITION THAT NONE OF THE RATES MAY BE**
7 **MODIFIED DURING THE LIFE OF THE PARTIES' AGREEMENT?**

8 **A:** No. US LEC acknowledges that tariffed rates may be altered during the term of the
9 agreement due to changes in applicable tariffs where the parties have agreed that tariffed
10 rates will apply to the particular rate element or service in question, and that changes in
11 Applicable Law may result in rate modifications. However, US LEC objects to Verizon's
12 effort to maintain the unilateral authority to change its non-tariffed rates at will, and these
13 rates should remain fixed unless the Applicable Law provisions of the parties' agreement
14 apply. Verizon should not be permitted to exercise the unlimited ability to make
15 subsequent modifications to rates that the parties have already agreed to.

16 **ISSUE 9 (GENERAL TERMS AND CONDITIONS, SECTION 21)**

17 **Q: PLEASE EXPLAIN THE DISPUTE BETWEEN US LEC AND VERIZON OVER**
18 **INSURANCE REQUIREMENTS.**

19 **A:** Sections 21.1-1.5 of the proposed template agreement reflect Verizon's view of what
20 insurance should be required for the various categories of coverage, and US LEC believes
21 that Verizon's proposals are excessive and unnecessary. Verizon's proposal is that US
22 LEC maintain \$2,000,000 in commercial general liability insurance, \$2,000,000 in

1 commercial motor vehicle liability coverage, workmen's compensation coverage as
2 required by Applicable Law, employer's liability coverage with limits of not less than
3 \$2,000,000 per occurrence, and \$10,000,000 excess liability. Instead, US LEC wishes to
4 maintain the current level of insurance coverage that it presently carries, which is as
5 follows: \$1,000,000 in commercial general liability insurance, \$1,000,000 in commercial
6 motor vehicle liability coverage, workmen's compensation coverage as required by
7 Applicable Law, \$100,000 in employer's liability coverage with a \$500,000 policy limit,
8 and \$10,000,000 excess liability.

9 **Q: WHAT IS THE BASIS FOR US LEC'S BELIEF THAT ITS CURRENT LEVELS**
10 **OF INSURANCE COVERAGE ARE ADEQUATE?**

11 **A:** US LEC believes that its present insurance coverage is more than adequate for purposes
12 of meeting its obligations under the parties' interconnection agreement, and objects to
13 Verizon's attempt to force it to unjustifiably impose its proposed coverage requirements.
14 Although US LEC will certainly comply with any applicable state law requirements
15 regarding the appropriate amount of insurance coverage, it urges the Commission to
16 reject Verizon's unreasonable proposal.

17 **Q: WHY DOES VERIZON BELIEVE THAT ITS POSITION IS JUSTIFIED?**

18 **A:** US LEC requested an explanation from Verizon about the basis for its proposed
19 insurance requirements. Instead of specifying a concrete reason for its contention that US
20 LEC's current insurance coverage is insufficient, Verizon referred US LEC to a 1997
21 FCC decision that is cited in US LEC's Petition.

1 Q: DOES US LEC AGREE WITH VERIZON'S PURPORTED JUSTIFICATION
2 FOR THE PROPOSED INSURANCE REQUIREMENTS?

3 A: No. Although I am not an attorney, I am advised by counsel that the FCC decision relied
4 on by Verizon concerns insurance requirements that are related to collocation
5 arrangements. Because US LEC does not collocate with Verizon and Verizon's proposed
6 insurance requirements apparently apply to the entire agreement (not just to any future
7 collocation arrangements), US LEC believes that Verizon's view is unsupported. Verizon
8 has offered no plausible reason for insisting that US LEC increase its current levels of
9 insurance coverage, and its position should be rejected.

10 Q: DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

11 A: Yes.

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JUL 27 2002

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PENNSYLVANIA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

In Re: Petition of US LEC of
Pennsylvania Inc. for Arbitration
with Verizon-Pennsylvania
Inc. Pursuant to Section 252(b) of the
Telecommunications Act of 1996

Docket No. A-310814F7000

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

REBUTTAL TESTIMONY OF WANDA G. MONTANO
ON BEHALF OF US LEC OF PENNSYLVANIA INC.

US LEC St. 2.1

DATE: JULY 9, 2002

DOCKETED
SEP 06 2002

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1 Q: PLEASE STATE YOUR NAME FOR THE RECORD.

2

3 A: My name is Wanda G. Montano.

4 Q: ARE YOU THE SAME WANDA G. MONTANO WHO FILED DIRECT
5 TESTIMONY IN THIS DOCKET ON MAY 31, 2002?

6 A: Yes.

7 Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

8 A: To respond to certain issues raised in the testimony of Peter D'Amico
9 concerning Issues 1 and 2 in US LEC's arbitration petition and the testimony of
10 Terry Haynes concerning Issue 6 in US LEC's arbitration petition.

11 ISSUES 1 AND 2 – INTERCONNECTION

12 Q: PLEASE RESPOND TO VERIZON'S ARGUMENT THAT IT MAY
13 REQUIRE A SEPARATE IP WHERE THE CLEC REQUESTS AN
14 "EXPENSIVE" FORM OF INTERCONNECTION. (D'AMICO AT 14:8-
15 15:12).

16 A: My understanding is that this is a very narrow exception and that Verizon must
17 submit cost studies to support its position that US LEC's single IP per LATA is
18 "expensive." In order to charge US LEC for "expensive interconnection,"
19 Verizon must comply with the FCC's pricing rules and show what costs it
20 incurs to deliver its originating traffic to the POI/default IP selected by US
21 LEC.¹ Furthermore, Verizon must show that it is not already compensated for

¹ See 47 C.F.R. §§ 51.501(b), 51.505(e).

1 the costs of delivering traffic originated by its customers through the revenues it
2 receives for providing service to those customers.²

3 **Q: WHY SHOULD VERIZON BE REQUIRED TO MAKE SUCH A COST**
4 **SHOWING?**

5 **A:** As I understand it, regulated utilities like Verizon are routinely required to
6 prove that they are entitled to a certain rate structure by proving the costs that
7 they allegedly incur. This situation is no different. Verizon is asking the
8 Commission to impose a cost onto US LEC and Verizon claims that it is entitled
9 to impose those costs because, allegedly, US LEC's chosen network design is
10 "expensive."

11 The costs of interconnecting two networks arise in part from the
12 differences between the two networks and in part from the factors noted in Mr.
13 Hoffmann's testimony (available facilities, traffic volume, and distance). If the
14 Commission were to adopt Verizon's proposal without proof, it would have to
15 ignore the fact that Verizon, through its own chosen network design, contributes
16 to the cost of interconnecting two different networks. It would also have to
17 ignore the fact that Verizon is already receiving compensation from its
18 customers for providing them access to the PSTN and therefore could be
19 compensated twice for performing one function. Adopting Verizon's proposal
20 would favor Verizon's network design by imposing all the costs of inter-

² *TSR Wireless, LLC. v. US West Communications, Inc.,*, File Nos. E-98-13, E-98-15, E-98-16, E-98-17, E-98-18, Memorandum Opinion and Order, FCC 00-194, ¶ 34 (rel. June 21, 2000) ("*TSR Wireless*") (emphasis added), *aff'd, Qwest Corp. et al. v. FCC et al.*, 252 F.3d 462 (D.C. Cir. 2001).

1 connecting US LEC's and Verizon's networks on US LEC. Such a result is not
2 in the public interest and would impede the development of competition.

3 **Q: MR. D'AMICO REFERS TO STATE COMMISSION DECISIONS THAT**
4 **HE CLAIMS SUPPORT VERIZON'S POSITION. ARE YOU AWARE**
5 **OF OTHER STATE COMMISSION DECISIONS THAT SUPPORT US**
6 **LEC'S POSITION?**

7 **A:** Yes, I am aware that some state commissions have adopted US LEC's position
8 on the POI/default IP issue. US LEC will include information about these
9 decisions in its briefs following the hearing.

10 **Q: WITH RESPECT TO THE PENNSYLVANIA COMMISSION'S**
11 **DECISIONS ON POIs, MR. D'AMICO REFERENCES THREE SUCH**
12 **DECISIONS, THE MCI, FOCAL, AND SPRINT ARBITRATIONS.**
13 **(D'AMICO AT 5:7-7-18) MR. D'AMICO IMPLIES THAT THE THIRD**
14 **CIRCUIT OPINION OVERRULING THE COMMISSION'S MULTIPLE**
15 **POI REQUIREMENT IN THE MCI DECISION SUPPORTS VERIZON'S**
16 **POSITION. PLEASE RESPOND.**

17 **A:** I am not a lawyer, but I think the quote Mr. D'Amico cites from the Third
18 Circuit opinion supports US LEC's position that Verizon must be required to
19 "prove" its costs. Verizon has simply not provided any cost evidence to the
20 Commission to support its position. In fact, Verizon has stated in response to
21 US LEC's discovery requests that it does not have any traffic studies, cost
22 studies or any other items that relate in any way to the alleged cost of inter-
23 connecting with US LEC at one IP per LATA. Thus, there is no credible

1 evidence to prove Verizon's self-serving claim that US LEC's chosen network
2 design is "expensive" beyond the claim itself.

3 **Q: PLEASE ALSO ADDRESS MR. D'AMICO'S STATEMENT ABOUT**
4 **THE FOCAL DECISION AND FOCAL'S SUBSEQUENT ACTIONS.**
5 **(D'AMICO AT 5:20-6:11)**

6 **A:** As Mr. D'Amico acknowledges, in the Focal Decision, the Commission found
7 that Focal could select a single POI per LATA that would also be the IP. If, as
8 Mr. D'Amico alleges, the Commission had concerns in that case about CLECs
9 being forced to build multiple physical interconnection points, the Commission
10 also should have concerns about Verizon's VGRIPS proposal at issue here.

11 The VGRIPs proposal would require US LEC to choose between
12 building multiple interconnection points on the one hand or paying Verizon to
13 transport traffic from multiple interconnection points to US LEC's switch, on
14 the other. While the financial burden of paying Verizon to build the
15 facilities/carry the traffic may be less than the financial burden of building US
16 LEC's own facilities, it still imposes a burden and multiple virtual IPs
17 (especially ones located at Verizon's end offices) could nevertheless impose a
18 substantial financial burden that could act as a barrier to competition. And,
19 knowing that it would have the power to impose such a burden on its
20 competitors, there is nothing to stop Verizon from designing its network
21 inefficiently to impose additional costs on US LEC.

1 For example, as Mr. Hoffmann explains, US LEC already has paid
2 Verizon to build facilities that Verizon uses to deliver its traffic to US LEC's
3 switch. Under VGRIPs, Verizon could reroute its traffic to another facility in
4 order to impose greater costs on US LEC.

5 Mr. D'Amico's comment that Focal terminated its arbitrated agreement
6 and moved to a separate agreement with VGRIPs is irrelevant. There are any
7 number of reasons why a company—like Focal—might choose to abandon an
8 arbitrated agreement in favor of an adopted agreement. I do not pretend to
9 know why Focal made that decision in Pennsylvania and I doubt that Mr.
10 D'Amico does either. Regardless of the reason, Focal's decision to adopt the
11 Level 3 Agreement is meaningless in the context of this arbitration.

12 **Q: PLEASE ADDRESS MR. D'AMICO'S COMMENTS ON THE SPRINT**
13 **DECISION.**

14 **A:** It is my understanding that Sprint offered a compromise position based in part
15 on its current architecture and in part on a compromise it had reached with
16 BellSouth in a separate arbitration.³ As Mr. Hoffmann explains, US LEC
17 believes that its current interconnection architecture with Verizon, in which both
18 parties have invested a lot of time and money, is working well. Again, as I've
19 noted repeatedly, even though we've been operating under these arrangements
20 for years, Verizon has not presented any cost evidence to show that the transport
21 costs it bears under the parties' current arrangements are "expensive". Instead,

³ *Petition of Sprint Communication Company, L.P. for an Arbitration Award of Interconnection Rates, Terms and Conditions Pursuant to 47 U.S.C. § 252(b) and Related Arrangements with Verizon Pennsylvania, Inc.*, Docket No. A-310183F0002, Opinion and Order at 52 (Pa. PUC Oct. 12, 2001)

1 Verizon insists on offering worst case hypotheticals that have no basis in fact
2 with respect to the parties' current interconnection arrangements.

3 **Q: PLEASE SUMMARIZE YOUR RECOMMENDATION ON ISSUES ONE**
4 **AND TWO.**

5 **A:** Because Verizon has not met its burden of showing that it qualifies for an
6 exception to the POI/default IP rules of the road, the Commission should find
7 that US LEC has the right to maintain its single US LEC-IP in each LATA, and,
8 at US LEC's option, its current interconnection method. The Commission
9 should reject Verizon's attempts to mandate the location of IPs (whether
10 physical or virtual) and the method of interconnection and reject Verizon's
11 transport penalty proposal.

12 **ISSUE 6 – Compensation for Virtual NXX Traffic**

13 **Q. DO YOU AGREE WITH MR. HAYNES' STATEMENT THAT THE**
14 **COMMISSION "NEED NOT ADDRESS THE APPLICATION OF**
15 **INTRASTATE ACCESS CHARGES TO VIRTUAL FX TRAFFIC"**
16 **BECAUSE THEY ARE COVERED IN THE PARTIES' TARIFFS?**
17 **(Haynes at 3, 14).**

18 **A.** Not at all. It may be true that access charges are governed by the parties' tariffs,
19 but the Commission must decide, in the first instance, whether virtual FX, or
20 virtual NXX arrangements are subject to the parties' reciprocal compensation
21 obligations. Under Verizon's proposed language, so-called virtual NXX traffic
22 would be viewed as intraLATA toll calls and subject to the parties' tariffs for
23 the purposes of compensation, even though those same calls would still be

1 viewed and treated as local for the calling party. Under US LEC's proposal,
2 virtual NXX traffic would continue to be treated as local and subject to the
3 parties' reciprocal compensation obligations, which is consistent with that
4 *traffic being treated as local for the calling party.*

5 **Q: PLEASE RESPOND TO VERIZON'S STATEMENT THAT NXX CODES**
6 **HAVE TRADITIONALLY BEEN USED TO BILL END USERS FOR**
7 **CALLS, BUT NOT FOR INTERCARRIER COMPENSATION. (Haynes**
8 **at 6, 8-9).**

9 **A:** By separating the rating and routing of a call, Mr. Haynes is confusing the issue.
10 As he concedes in his testimony, NXX codes typically have been used for
11 determining how a call is rated to the end-user. US LEC agrees with Mr.
12 Haynes on that point. A call from an end user in a given calling area to another
13 end user with an NXX code associated with the same calling center should be
14 rated as a local call for the end-user. At the same time, however, Mr. Haynes is
15 *incorrect in stating that rating codes have not been used to establish intercarrier*
16 *compensation. As I understand it, since calls to "virtual NXX's" are*
17 *indistinguishable from calls to a "physical NXX", rating codes have been used*
18 *for intercarrier compensation purposes as well. Indeed, I have every reason to*
19 *believe that Verizon has billed US LEC for reciprocal compensation for calls*
20 *made by US LEC customers to Verizon customers who are utilizing Verizon's*
21 *own FX arrangements.*

22 **Q: DO YOU AGREE WITH MR. HAYNES'S VIEW OF HOW NXX CODES**
23 **ARE USED TO RATE A CALL TO AN END USER?**

1 A: Absolutely. An end user can only rely on the NXX codes as an indication as to
2 whether a call will be billed to them as a local or non-local call. In fact, as Mr.
3 Haynes notes in his testimony, comparing the rate centers of NXX's is how
4 Verizon in fact rates calls, not by comparing physical location of end users.

5 **Q: IS VIRTUAL NXX TRAFFIC LOCAL TRAFFIC?**

6 A. Yes. For rating and compensation purposes, virtual NXX traffic has been
7 treated as local. As noted above, Verizon rates and bills its customers based on
8 the NXX codes of the calling and called party. If the call is rated as local,
9 Verizon bills its customer for a local call; conversely, if the call is rated as toll,
10 Verizon bills the customer for a toll call.

11 **Q. VERIZON CLAIMS THAT ACCESS CHARGES TYPICALLY HAVE
12 BEEN ASSESSED ON VIRTUAL NXX CALLS, IS THAT CORRECT?**

13 A. No. Verizon is comparing two completely different situations. In the traditional
14 context of interexchange calls, a carrier will compare the originating and
15 terminating point of the call in assessing interstate (as opposed to intrastate)
16 access charges on a third party. But a carrier initially compares the originating
17 and terminating NXXs to determine whether the call is a local call subject to
18 reciprocal compensation or a toll call subject to access charges. As noted above,
19 VNXX calls are in fact rated as local calls, are billed to the end user as such, and
20 have been billed as local for intercarrier compensation purposes, as well.
21 Moreover, Mr. Haynes confuses the issue by addressing conditions that existed
22 prior to the Telecommunications Act of 1996. In the pre-Act era, there was no
23 local competition in Pennsylvania and, therefore, no reciprocal compensation. It

1 is axiomatic that with competition only in interexchange services, all intercarrier
2 compensation would be between interexchange carriers and the incumbent local
3 exchange carriers in the form of access charges that were dependent on the
4 originating and terminating points of the end-to-end call. That just is not the
5 case anymore.

6 **Q. VERIZON CLAIMS THAT US LEC WANTS A “FREE RIDE” FOR**
7 **VERIZON’S “VALUABLE SERVICE” IN CARRYING US LEC’S**
8 **TRAFFIC. PLEASE RESPOND.**

9 **A.** In the first place, I need to correct a statement from my direct testimony. On
10 page 21, I stated that US LEC “does not currently utilize ‘virtual NXX’ service
11 in Pennsylvania.” That was incorrect. Instead, it appears that four (4)
12 customers in the greater Philadelphia Area and two (2) customers in the greater
13 Pittsburgh Area utilize virtual NXX arrangements; that is, they have been
14 assigned NXX codes in several local calling areas and, while they have physical
15 locations in at least one of those areas, they also have been assigned NXX codes
16 in areas where they have no physical locations.

17 Second, and more important, there is no “free ride” at issue here.
18 Regardless of where US LEC’s customer is located, Verizon routes the call
19 precisely the same way: it is delivered to US LEC at the IP and, from that point
20 on, US LEC incurs all the costs of transporting the call to its customer’s
21 location. As noted in issues one (1) and two (2) of this proceeding, it is
22 Verizon’s responsibility to carry traffic to the IP that US LEC has selected. That
23 responsibility does not change if the called party has a virtual NXX. It is at the

1 IP that US LEC receives the financial responsibility for the traffic, regardless of
2 the physical location of the customer. These architecture issues are discussed in
3 greater detail by Mr. Hoffmann.

4 **Q: DO YOU AGREE WITH MR. HAYNES' ASSERTION THAT US LEC IS**
5 **NOT ENTITLED TO COMPENSATION FOR TERMINATING CALLS**
6 **TO VIRTUAL NXX CUSTOMERS BECAUSE THOSE CUSTOMERS**
7 **ALREADY PAY FOR THE SERVICE? (Haynes at 13).**

8 **A:** No, I do not. Again, Mr. Haynes is confusing the issue. All end users pay their
9 carriers for the privilege of being able to originate and terminate calls.
10 *Intercarrier compensation, on the other hand, addresses an entirely different*
11 *situation—the costs incurred by carriers to terminate calls. The FCC has*
12 *acknowledged that carriers incur costs in originating and terminating calls and*
13 *also has acknowledged that in a competitive environment, the carrier originating*
14 *a call avoids the termination costs associated with that call when it hands the*
15 *call off to a competing local provider.*

16 Under our traditional 'calling-party-pays' system, the carrier serving the
17 *originating party pays the carrier serving the terminating party to compensate*
18 *that carrier for the costs it incurs in providing the terminating services. Thus, in*
19 *this situation, US LEC most assuredly provides a valuable service to Verizon*
20 *customers—it enables those Verizon customers to call entities or individuals*
21 *served by US LEC. US LEC incurs costs in providing those services—costs*
22 *that, for these purposes, are assumed to equal those incurred by Verizon—and is*
23 *entitled to be compensated by Verizon for providing those services.*

1 Q: VERIZON CLAIMS THAT TREATING VIRTUAL NXX CALLS AS
2 LOCAL IS CONTRARY TO INDUSTRY PRACTICE. DO YOU
3 AGREE?

4 A: Absolutely not. Verizon claims that Virtual NXX is similar to their Foreign
5 Exchange ("FX") products, in that both products provide local numbers outside
6 of the local calling area of an end user. Verizon claims that the end user
7 subscribing to the FX service bears the cost of transporting the calls from the
8 local calling area associated with the NXX to the exchange in which the FX
9 customer is physically located. US LEC's customers also are charged for their
10 virtual NXX arrangements, but that misses the point. Verizon fails to mention
11 how these calls are treated for purposes of intercarrier compensation. Based on
12 our prior experience with Verizon, we have every reason to believe that Verizon
13 has treated its FX calls as local and has billed CLECs, including US LEC for
14 reciprocal compensation for FX calls.

15 In support of its dubious position, Verizon cites to an FCC case in which
16 AT&T allegedly could have routed calls from Philadelphia to Atlanta, Georgia,
17 so that a caller in Philadelphia would appear to be making a local call when it
18 was, instead, answered in Atlanta. In that case, the FCC ruled that an *interLATA*
19 FX call was not a local call for the purposes of compensation and thus access
20 charges were due. However, Verizon does not mention that, in the context of an
21 *intraLATA* FX call, it argued to the FCC that "intraLATA FX service is a type
22 of local exchange service." (*AT&T Corp. v. Bell Atlantic-Pennsylvania*, 14 FCC
23 Rcd 556, 589, ¶ 76 (1998), *reconsideration denied*, 15 FCC Rcd 7467 (2000).

1 Further, Verizon's example is not at all applicable here. The portion of
2 the *AT&T* case that Verizon refers to dealt with an interstate, interLATA FX
3 service. That is an extreme example that is not at all comparable to a Virtual
4 NXX assignment within the same LATA, as is the issue in this proceeding. The
5 Commission should assign no weight to the case and example cited by Verizon.

6 **Q: DO YOU AGREE WITH MR. HAYNES' ASSERTION THAT US LEC**
7 **DOES NOT HAVE ANY RIGHT TO RECIPROCAL COMPENSATION**
8 **FOR VIRTUAL NXX TRAFFIC UNDER THE FCC'S RULES? (Haynes at**
9 **14).**

10 **A:** No, in fact, quite the opposite is true. The FCC's *ISP Traffic Order*⁴
11 supports the conclusion that traffic rated as retail local traffic is eligible for
12 reciprocal compensation in the intercarrier context. In the *ISP Traffic Order*, the
13 FCC addressed the decision of the United States Court of Appeals for the
14 District of Columbia Circuit that vacated and remanded the FCC's earlier
15 decision regarding intercarrier compensation for ISP-bound traffic.⁵ The FCC
16 viewed the D.C. Circuit's remand order as:

17 question[ing] whether this traffic should be considered
18 'local' for purposes of section 251(b)(5) in light of the
19 ESP exemption, by which the Commission has allowed
20 information service providers at their option to be treated
21 for compensation purposes (but not for jurisdictional
22 purposes) as end users.⁶

⁴ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996: Intercarrier Compensation for ISP-Bound Traffic*, CC Dkt Nos. 96-98, 99-68, Order on Remand and Report and Order, FCC 01-131 (rel. Apr. 27, 2001) ("*ISP Traffic Order*"), *rev'd*, *WorldCom v. FCC*, 01-1218 (D.C. Cir., May 3, 2002).

⁵ *Bell Atlantic Tel. Cos. v. FCC*, 206 F.3d 1 (D.C. Cir. 2000), *vacating and remanding*, Declaratory Ruling in Docket 96-98 and Notice of Proposed Rulemaking in Docket No. 99-68, 14 FCC Rcd 3689 (1999) ("*Declaratory Ruling*").

⁶ *ISP Traffic Order* at ¶ 28.

1 Upon further review of the *Declaratory Ruling*, the FCC concluded that the D.C.

2 Circuit may have been right in its analysis of FCC precedent:

3 *We do recognize, however, that the court was concerned*
4 *by how one would categorize this traffic under our prior*
5 *interpretation of section 251(b)(5), which focused on*
6 *whether or not ISP-bound calls were ‘local.’ That*
7 *inquiry arguably implicated the compensation*
8 *mechanism for the traffic (which included a local com-*
9 *ponent), as well as the meaning of ‘termination’ in the*
10 *specific context of section 251(b)[.]*⁷

11
12 The FCC decided that, under its precedent, the term “local call” “could be
13 interpreted as meaning . . . *traffic subject to local rates*” in addition to “traffic
14 that is jurisdictionally intrastate.”⁸ In other words, FCC precedent justifies the
15 payment of reciprocal compensation for traffic that is treated as local traffic, in
16 addition to traffic whose end points are within specific local calling areas. In
17 short, the *ISP Traffic Order* supports a determination that reciprocal compen-
18 sation for non-ISP-bound traffic using virtual NXX arrangements is appropriate.

19 Further, in conjunction with the *ISP Traffic Order*, the FCC issued a
20 Notice of Proposed Rulemaking to completely overhaul the existing intercarrier
21 compensation regimes and replace them with a single, unified intercarrier
22 compensation regime.⁹ The FCC has identified the use of “virtual central office
23 codes” as an issue to be resolved in its rulemaking proceeding on such a unified
24 intercarrier compensation regime.¹⁰ Thus, the issue of the proper regulatory

⁷ *Id.* at ¶ 56 (italics in original).

⁸ *Id.* at ¶ 45 (emphasis added).

⁹ *Developing a Unified Intercarrier Compensation Regime*, CC Dkt. No. 01-92, Notice of Proposed Rulemaking, FCC 01-132 (rel. Apr. 27, 2001).

¹⁰ *Id.* at ¶ 115.

1 treatment of traffic using virtual central office codes ultimately will be
2 addressed by the FCC. Until that time, however, this Commission retains the
3 jurisdiction to determine, as it should, that calls using virtual NXX arrangements
4 properly are eligible for reciprocal compensation.

5 **Q: IS US LEC CHALLENGING THIS COMMISSION'S DECISION IN THE**
6 **FOCAL ARBITRATION ON THE ISSUE OF VIRTUAL NXX?**

7 **A:** Quite to the contrary. As I read the decision in the Focal arbitration, the
8 Commission appeared to be concerned with CLECs which assigned virtual NXX
9 codes for the express purpose of altering local calling areas or avoiding
10 intraLATA toll charges. As with Verizon's own FX and FX-like offerings, that
11 simply is not the case here with US LEC's virtual NXX arrangement. The
12 services are offered as a way of providing US LEC's customers with the ability
13 to reach a broader geographic area without having to locate expensive facilities
14 in each of those areas. Since the arrangement imposes no greater costs on
15 Verizon, and since the Commission permits Verizon to use FX and FX-like
16 services (and, apparently, to bill US LEC for reciprocal compensation for calls
17 to those FX customers), all US LEC seeks is the right to offer the same services
18 to its customers, and to bill Verizon for reciprocal compensation in the same
19 manner as it bills US LEC.

20 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

21 **A:** Yes.

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JUL 21 2002

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

-----)
Petition of US LEC of Pennsylvania, Inc.)
for Arbitration with Verizon Pennsylvania Inc.)
Pursuant to Section 252(b) of the)
Telecommunications Act of 1996)
-----)

Docket No: A-310814F7000

7/17/02 initial hrg

DIRECT TESTIMONY
OF TERRY HAYNES ON BEHALF OF
VERIZON PENNSYLVANIA INC.

RECEIVED

AUG 15 2002

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

May 31, 2002

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1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION WITH
VERIZON.

2 A. My name is Terry Haynes. My current business address is 600 Hidden Ridge, Irving,
3 Texas 75015. I am a manager in the State Regulatory Policy and Planning Group
4 supporting the Verizon states formerly associated with GTE. I am testifying here on
5 behalf of Verizon Pennsylvania Inc. ("Verizon").

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
BACKGROUND.

7 A. I received a Bachelor of Arts Degree in Philosophy from the University of South Carolina
8 in 1973. Since 1979, I have been employed by Verizon and its predecessor companies. I
9 have held positions in Operations, Technology Planning, Service Fulfillment and State
10 and Federal Regulatory Matters.

11 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

12 A. I will address US LEC's Issue 6, which asks "Should the parties be obligated to
13 compensate each other for calls to numbers with NXX codes associated with the same
14 local calling area?" This issue addresses contract language in Verizon's Glossary section
15 2.56 and its Interconnection Attachment section 7.2.

16 I will explain why reciprocal compensation does not apply to calls that originate
17 and terminate in different local calling areas, defined by reference to the actual
18 originating and terminating points of the complete end-to-end communication. I will also
19 explain why US LEC's proposal – to require payment of reciprocal compensation by
20 reference to the NPA-NXX of the called number, rather than the terminating point of the
21 complete communication – is inconsistent both with the FCC's rules and sound

1 regulatory policy. To aid in understanding the issues associated with these questions, I
2 will provide a detailed description of the nature of so-called "virtual NXX" or "virtual
3 FX" traffic. I will explain why "virtual FX" traffic should not be subject to reciprocal
4 compensation.

5 I will also explain why the Commission need not address the application of
6 intrastate access charges to virtual FX traffic. In fact, application of access charges to
7 such traffic is justified, because US LEC is using Verizon's local exchange facilities
8 when a customer initiates an interexchange call that would be subject to toll charges, if
9 not for the "virtual FX" arrangement. The proposed agreement, however, does not
10 govern access charges, which are instead governed by the parties' tariffs.

11 **Q. BEFORE DISCUSSING THE "VIRTUAL FX" ISSUE, PLEASE DEFINE
12 THE TERMS RELEVANT TO THE DISCUSSION.**

13 **A.** Several terms and concepts discussed in my testimony, though commonly used, are often
14 misapplied or misunderstood. As a foundation for understanding the "virtual FX"
15 discussion, I use the following definitions:

16 An "exchange" is a geographical unit established for the administration of
17 telephone communications in a specified area, consisting of one or more central
18 offices together with the associated plant used in furnishing communications
19 within that area.

20 An "exchange area" is the territory served by an exchange.

21 A "rate center" is a specified location (identified by a vertical and horizontal
coordinate) within an exchange area, from which mileage measurements are

1 determined for the application of toll rates and private line interexchange mileage
2 rates.

3 An "NPA," commonly known as an "area code," is a three-digit code that
4 occupies the first three (also called "A", B and C") positions in the 10-digit
5 number format that applies throughout the North American Numbering Plan
6 ("NANP") Area, which includes all of the United States, Canada, and the
7 Caribbean islands. There are two kinds of NPAs: those that correspond to
8 discrete geographic areas within the NANP Area, and those used for services with
9 attributes, functionalities, or requirements that transcend specific geographic
10 boundaries (such as NPAs in the N00 format, e.g., 800, 500, etc.).¹

11 An "exchange code" is a three-digit code – also known as an "NXX," an "NXX
12 code," a "central office code" or a "CO code" – that occupies the second three
13 ("D, E and F") positions in the 10-digit number format that applies throughout the
14 NANP Area.² Exchange codes are generally assigned to specific geographic
15 areas. However, some exchange codes are non-geographic, such as "N11" codes
16 (411, 911, etc.) and "special codes" such as "555." An exchange code that is
17 geographic is assigned to an exchange located, as previously mentioned, within an
18 area code.

19 When a four-digit line number ("XXXX") is added to the NPA and exchange
20 code, it completes the 10-digit number format used in the NANP Area and

¹See "NPA" in the *Glossary of the "Central Office Code (NXX) Assignment Guidelines,"* INC 95-0407-008, April 11, 2000.

1 identifies a specific customer located in a specific exchange and specific state (or
2 portion of a state, for those states with multiple NPAs). This 10-digit number is
3 also known as a customer's unique telephone number or "address."³

4 **Q. WHY IS A CUSTOMER'S 10-DIGIT "ADDRESS" SIGNIFICANT?**

5 **A.** A customer's telephone number or "address" serves two separate but related functions:
6 proper call routing and rating. Each exchange code or NXX within an NPA is typically
7 assigned to *both a switch*, identified by the Common Language Location Identifier
8 ("CLLI"), *and a rate center*. As a result, telephone numbers provide the network with
9 specific information (*i.e.*, the called party's end office switch) necessary to route calls
10 correctly to their intended destinations. At the same time, telephone numbers
11 traditionally also have identified the exchanges of both the originating caller and the
12 called party to provide for the proper rating of calls -- *i.e.*, the determination whether and
13 how much the calling party should be billed for a call.

14 **Q. CAN YOU EXPLAIN THE BASIC PRINCIPLES GOVERNING THE MANNER**
15 **IN WHICH CUSTOMERS ARE CHARGED FOR THE CALLS THAT THEY**
16 **MAKE?**

17 **A.** Yes. One basic principle is the distinction between local calls and toll calls. The basic
18 telephone exchange service rate typically includes the ability to make an unlimited
number of calls within a confined geographic area at modest or no additional charge.

²See "exchange code" in the *Glossary of the "Central Office Code (NXX) Assignment Guidelines,"* INC 95-0407-008, April 11, 2000.

³See "NANP" in the *Glossary of the "Central Office Code (NXX) Assignment Guidelines,"* INC 95-0407-008, April 11, 2000.

1 This "confined geographic area" consists of the customer's "home" exchange area and
2 additional surrounding exchanges, together designated as the customer's "local calling
3 area." Calls outside the local calling area, with limited exceptions noted in the paragraph
4 below, are subject to an additional charge, referred to as a "toll" or Message
5 Telecommunications Service ("MTS") charge. "Toll" service is generally priced at
6 higher rates, on a usage-sensitive basis, than local calling. The local/toll distinction is
7 rooted in the decades-old public policy goal of assuring the widespread availability of
8 affordable telephone service.

9 A second industry pricing convention is the principle that, generally, the calling
10 party pays to complete a call – with no charge levied on the called party. There are a few
11 exceptions, such as where a called party agrees to pay toll charges in lieu of applying
12 those rates on the calling party (e.g., 800/877/888-type "toll-free" service, "collect" and
13 third-party billing; and Foreign Exchange or "FX" services).

14 **Q. HOW DOES THE TELEPHONE NUMBER OR "ADDRESS" PLAY A ROLE IN
RATING AN INDIVIDUAL CALL?**

15 **A.** Local Exchange Carriers' ("LECs") retail tariffs and billing systems use the NXX codes
16 of the calling and called parties to ascertain the originating and terminating rate
17 centers/exchange areas of the call. This information, in turn, is used to properly rate the
18 call for purposes of billing the calling party. If the rate center/exchange area of the called
19 party, as determined by the called number's NXX code, is included in the originating
20 subscriber's "local calling area," then the call is established as a "local" call. If the rate
21 center/exchange area of the called party – again determined by the NXX code of the
22 called number – is outside the local calling area of the caller, then the call is determined

1 to be "toll." Thus, the rate centers of calling and called parties, as expressed in the
2 unique NXX codes typically assigned to each rate center/exchange area, enable LECs to
3 properly rate calls as either local or toll.

4 **Q. WHAT IS "VIRTUAL FX" SERVICE, AND WHAT IS A "VIRTUAL NXX"?**

5 **A.** A CLEC establishes "virtual FX" service whenever it assigns a customer a telephone
6 number with an NXX code designated by the carrier for a rate center/exchange area other
7 than the one in which its customer is physically located; such an NXX is called a "virtual
8 NXX." Indeed, the carrier may obtain an entire exchange code solely for the purpose of
9 designating it for a rate center/exchange area in which the carrier has no customers of its
10 own, nor facilities to serve customers of its own. Instead, the exchange code is used by
11 the carrier for the sole purpose of assigning telephone numbers to its end users physically
12 located in exchanges other than the one to which the code was assigned. Such "virtual
13 NXX" assignments are not permitted in Pennsylvania, but they do occur in other states.

14 **Q. HOW DOES THE EXISTENCE OF SO-CALLED "VIRTUAL FX" SERVICE
AFFECT EITHER THE ROUTING OR RATING OF TELEPHONE CALLS?**

15 **A.** A CLEC's assignment of numbers to end users not physically located in the exchange
16 area associated with that NXX does *not* affect the routing of the call from the caller to the
17 called party. The ILEC's network recognizes the carrier-assigned NXX code and routes
18 the call to that carrier's switch for delivery by the carrier to its end user, the called party.

19 The NXX assignment does, however, affect the rating of the call. The CLEC
20 typically assigns "virtual NXX" codes to its customers that are expected to receive a high
21 volume of incoming calls from ILEC customers within the exchange of that NXX, and
22 the CLEC's "virtual NXX" arrangement allows such calls to be made without the

1 imposition of a toll charge on the calling party. In one common arrangement, a CLEC
2 allows an ISP to collocate with its switch, and then assigns that ISP telephone numbers
3 associated with every local calling area within a broad geographic area – a LATA, or an
4 entire state. The ISP would then be able to offer all of its subscribers a locally rated
5 access number without having to establish more than a single physical presence in that
6 geographic area. If the ISP had been assigned an NXX associated with the calling area in
7 which it is located, many of those calls would be rated as toll calls.

8 **Q. HAVE NXX CODES TRADITIONALLY BEEN USED TO GOVERN INTER-
CARRIER COMPENSATION?**

9 **A.** No. To the extent that US LEC makes this argument, it is simply confusing the rating of
10 calls for the purpose of assessing end-user charges and treatment of calls for inter-carrier
11 compensation purposes. Before the widespread introduction of local competition
12 following the adoption of the 1996 Act, the most important type of inter-carrier
13 compensation were the access charges that interLATA long distance carriers paid to local
14 telephone companies. Such inter-carrier compensation has always been governed by the
15 originating and terminating points of the end-to-end call, not the NPA-NXX of the calling
16 and called party.

17 For example, AT&T has offered customers interLATA FX service, described by
18 the FCC as one “which connects a subscriber ordinarily served by a local (or “home”)
19 end office to a distant (or “foreign”) end office through a dedicated line from the
20 subscriber’s premises to the home end office, and then to the distant end office.” *AT&T
21 Corp. v. Bell Atlantic-Pennsylvania*, 14 FCC Rcd 556, 587, ¶ 71 (1998) (“*AT&T v. BA-
22 PA*”), *reconsideration denied*, 15 FCC Rcd 7467 (2000). An airline with a reservation

1 office in Atlanta could provide customers in Philadelphia a locally rated number, but all
2 calls would still be routed to Atlanta. The FCC ruled, in that situation, that AT&T was
3 required to pay access charges for the Philadelphia end of that call – even though the call
4 was locally rated for the caller, because AT&T was still using access service to complete
5 an interLATA call to the called party. *Id.* at 590, ¶ 80. The fact that the calling party and
6 the called party were assigned NPA-NXX's in the same local calling area was totally
7 irrelevant to the proper treatment of the call for inter-carrier compensation purposes.

8 Another example is “Feature Group A” access, one method that interexchange
9 carriers (“IXCs”) use to gain access to the local exchange. In that arrangement, the caller
10 first dials a seven-digit number to reach the IXC, and then dials a password and the called
11 party's area code and number to complete the call. Notwithstanding this dialing
12 sequence, the service the LEC provides is considered *interstate* access service, not a
13 separate local call, and the IXC must pay access charges.

14 **Q. DOES THE PRINCIPLE THAT INTER-CARRIER COMPENSATION IS**
15 **GOVERNED BY THE ORIGINATING AND TERMINATING POINTS OF**
16 **THE END-TO-END COMMUNICATION APPLY TO RECIPROCAL**
17 **COMPENSATION?**

18 **A.** Yes. The FCC has always held that reciprocal compensation does not apply to
19 interexchange traffic, whether interstate or intrastate, but only to traffic that remains
within a single local calling area. The FCC confirmed this in its April 2001 *ISP Remand*
Order,⁴ when it ruled that reciprocal compensation does not apply to “exchange access,

⁴ Order on Remand and Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 16 FCC Rcd 9151 (2001), remanded, *WorldCom, Inc. v. FCC*, No. 01-1218 (D.C. Cir. May 3, 2002). Although the D.C. Circuit remanded the *ISP Remand Order* to permit
(continued...)

1 information exchange access, or exchange services for such access.” 47 C.F.R.
2 § 51.701(b)(1). As the FCC has made clear, this includes all “provision of exchange
3 services for the purpose of originating or terminating interexchange
4 telecommunications.” 16 FCC Rcd at 9158, ¶ 37 n.65. Whether a particular call is
5 interexchange does not depend on the telephone number, it depends on whether the call
6 remains within the local calling area or travels outside it.

7 **Q. IS “VIRTUAL FX” TRAFFIC INTEREXCHANGE?**

8 **A.** Yes. There can be no dispute that “virtual FX” traffic involves interexchange
9 telecommunications. In such an arrangement, a caller located in one local calling area
10 places a call to a called party located in a different local calling area. The manner in
11 which the called party’s carrier assigns telephone numbers cannot change that fact, even
12 though it does change the billing consequences for the calling party.

13 **Q. IS IT IMPROPER FOR US LEC TO ASSIGN “VIRTUAL NXX” CODES TO**
14 **THEIR CUSTOMERS?**

15 **A.** Yes. This Commission’s rules “require[] assignment of . . . customers’ telephone
16 numbers with NXX codes that correspond to the rate centers in which the customers’
17 premises are physically located.”⁵ As long as a carrier complies with this directive, if a
18 called party’s NXX code is associated with the same local calling area as the calling

the FCC to clarify its reading, it left the order in place as governing federal law. *See WorldCom, Inc. v. FCC*, No. 01-1218, slip op. at 5 (D.C. Cir. May 3, 2002).

⁵ See Opinion and Order, *Petition of Focal Communications Corporation of Pennsylvania for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement With Bell Atlantic-Pennsylvania, Inc.*, Docket No. A-310630F0002, at 11 (Pa. PUC Jan. 24, 2001) (citing *MFS II Order*).

1 party, the called party must be physically located in the same local calling area as the
2 calling party, and the two parties' language are equivalent. If US LEC assigns a customer
3 a "virtual NXX" code, it would be in violation of this directive.

4 **Q. IF US LEC IS NOT PERMITTED TO ASSIGN "VIRTUAL NXX" CODES, WHAT**
5 **IS THE DIFFERENCE BETWEEN THE TREATMENT OF TRAFFIC UNDER**
6 **VERIZON'S PROPOSED LANGUAGE AND UNDER US LEC'S PROPOSED**
7 **LANGUAGE?**

8 **A.** There is no functional difference, at least so long as US LEC complies with this
9 Commission's directive. Because this Commission requires CLECs to assign customers
10 NXX codes associated with the local calling area where they are physically located, under
11 both Verizon's proposed language and US LEC's proposed language, reciprocal
12 compensation would be paid only on calls that originate and terminate within the same
13 local calling area.

14 **Q. IF BOTH PARTIES' LANGUAGE YIELDS THE SAME RESULT UNDER**
15 **PENNSYLVANIA LAW, WHY SHOULD THE COMMISSION ADOPT**
16 **VERIZON'S LANGUAGE?**

17 **A.** For two reasons. First, Verizon's language removes an incentive for CLECs to
18 circumvent the Commission's rules by "mis-assigning" NXX codes. Such misassignment
19 is difficult to detect, and it makes more sense to remove the incentive to engage in those
20 numbering practices – which the Commission has held are improper – than to attempt to
21 enforce the rules after they have been broken. Second, and perhaps more important,
22 Verizon's language, but not US LEC's, is consistent with the requirements of federal law,
23 no matter how a carrier assigns numbers to its customer.

24 **Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT "VIRTUAL NXX"**
TRAFFIC?

1 A. Yes. Another concern is related to interconnection architecture. In this proceeding, US
2 LEC is insisting that it has a right to interconnect with Verizon at any point within a
3 LATA and require Verizon to bear the cost of transporting traffic to that point of
4 interconnection.

5 The use of “virtual NXXs” by CLECs makes calls appear local that are actually
6 toll service from the Verizon customer’s physical location to the CLEC customer’s
7 physical location, thereby denying Verizon the opportunity to collect just compensation
8 for the transport it provides to the CLECs on the call. When an ILEC’s customer initiates
9 a call to a CLEC “virtual NXX”, the ILEC’s switch sees the NXX code as being assigned
10 to the exchange area/rate center of the originating caller or to an exchange area within the
11 originating caller’s local calling area and, therefore, does not rate the call as a toll call. In
12 fact, the call is delivered by the CLEC to its end user located *outside* the local calling
13 area of the originating customer, and toll charges properly apply and would be assessed
14 save for the assignment of “virtual NXX” codes. The CLEC, however, does not
15 terminate the call within the local calling area of the originating caller. Rather, the CLEC
16 simply takes the traffic delivered to its switch and delivers the calls to its “virtual FX”
17 subscriber, often located in the same exchange as its switch – if not physically collocated
18 with the CLEC at its switch.

19 In short, the CLEC gets a free ride for interexchange traffic on the incumbent’s
20 interoffice network. Verizon incurs essentially all of the transport costs, yet is denied an
21 opportunity to recover its costs either from its originating subscriber or from the CLEC.
22 There can be little doubt why some CLECs have embraced “virtual FX” service to the
23 exclusion of other service arrangements. I should emphasize, however, that this concern

1 is somewhat attenuated so long as the Commission adopts Verizon's proposals
2 concerning interconnection architecture. So long as US LEC bears the cost of
3 transporting the traffic that it receives from Verizon beyond the local calling area where
4 that traffic originated, US LEC will have less opportunity to shift transport costs to
5 Verizon. But US LEC has refused to accept an agreement that would require US LEC to
6 bear these transport costs. Interconnection architecture issues are discussed in greater
7 detail in the testimony of Mr. Peter D'Amico.

8 **Q. US LEC ARGUES THAT IT IS PROVIDING VERIZON'S CUSTOMERS A
9 VALUABLE SERVICE THROUGH "VIRTUAL NXX" ARRANGEMENTS.
DO YOU AGREE?**

10 **A.** No. By providing a "virtual NXX" arrangement, US LEC is providing a valuable service
11 to *US LEC's* customers, who gain the ability to receive locally rated calls from end-users
12 located in a different local calling area – much like a toll-free 800 service. CLECs have
13 heavily marketed "virtual FX" arrangements and are compensated by their customers for
14 providing this functionality.

15 That is part of the reason that US LEC's effort to collect reciprocal compensation
16 for this traffic is particularly inappropriate as a matter of sound regulatory policy. US
17 LEC is already being compensated by its own customer for the receipt of these calls, just
18 as an ILEC is compensated for providing a customer a traditional FX arrangement, and
19 just as a long distance carrier is compensated for providing a customer a toll-free number.
20 It does not make sense to require the calling party to bear the costs of this arrangement,
21 but that is what US LEC is seeking to achieve.

22 **Q. IT SOUNDS LIKE IT IS VERIZON THAT IS PROVIDING US LEC'S
23 CUSTOMER A VALUABLE SERVICE.**

1 A. That's right. Verizon is providing the service of originating the call for transport to the
2 called party's carrier. By definition, in a "virtual NXX" arrangement, a subscriber is
3 willing to pay its carrier for a "virtual presence" in a distant exchange. The ability to
4 receive calls from that exchange – calls originated on Verizon's network – is therefore
5 valuable to US LEC's subscriber. And, of course, US LEC is able to offer that service
6 only by virtue of Verizon's network – US LEC may have no facilities at all in the
7 relevant local calling area.

8 **Q. DO YOU AGREE WITH US LEC'S CLAIM THAT "VIRTUAL NXX" CODES
9 ALLOW CUSTOMERS TO TAKE ADVANTAGE OF STATE-OF-THE ART
TECHNOLOGY?**

10 A. No. "Virtual FX" service is hardly a state-of-the-art technology and is certainly not
11 necessary to provide customers toll-free calling. Telephone companies have been
12 offering toll-free service for decades. The fact is that the CLEC number assignment
13 causes originating ILECs like Verizon to treat the call at the originating switch as a local
14 call for end-user billing and switch routing purposes. This is much like how Verizon
15 would transport a toll call or an originating access call – existing services for which
16 Verizon would be compensated by the originating toll user or the interexchange access
17 customer, respectively. The only thing that's "new" here is the new scheme to
18 manipulate intercarrier transport and compensation in a manner to shift the costs of
19 providing this toll-free number service to the originating ILEC. There is no aspect of the
20 "virtual NXX" service that would be considered new or state-of-the-art from a
21 technology perspective.

22 **Q. DO YOU AGREE WITH US LEC'S CLAIM THAT ENFORCING THE FCC'S
23 RECIPROCAL COMEPNSATION RULES WITH RESPECT TO "VIRTUAL
FX" TRAFFIC WOULD IMPEDE COMPETITION?**

1 A. No. Enforcing the FCC's rules will promote competition, not impede it. US LEC will
2 remain free to market its "virtual NXX" service and receive whatever compensation for
3 that service that its end-users are willing to pay. But Verizon should not be required to
4 subsidize that service by paying reciprocal compensation on traffic that is interexchange.
5 In other words, Verizon's local customers should not have to defray the costs of
6 providing this service to end-users who are located outside the exchange. Enforcing the
7 rules will simply prevent US LEC from exploiting a potentially lucrative regulatory
8 arbitrage opportunity, to the detriment of competition.

9 **Q. WOULD VERIZON'S POSITION RESTRICT US LEC'S ABILITY TO OFFER
THIS SERVICE OR REDUCE ITS UTILITY TO US LEC'S CUSTOMERS?**

10 A. No. US LEC could offer the service, and it would continue to provide the same benefits
11 to US LEC's customers. But US LEC could not collect reciprocal compensation for such
12 traffic, compensation to which it has no right under the FCC's rules.

13 **Q. IS VERIZON CLAIMING ACCESS CHARGES FOR THIS TRAFFIC?**

14 A. Not in this proceeding. The parties' agreement makes clear that access charges are
15 governed by their intrastate and interstate access tariffs. But I note that in some cases
16 access charges would be appropriate. For example, if the "virtual NXX" customer were
17 located in another LATA and another state from the calling party, interstate access
18 charges would apply – even though the call would be rated as local for the calling party.

19 **Q. BUT US LEC CLAIMS THAT VERIZON'S COSTS DO NOT JUSTIFY SUCH
CHARGES.**

20 A. Again, Verizon's access charges – which are set by state and federal regulators – are
21 simply not at issue in this proceeding. The only issue is whether Verizon should pay US

1 LEC when Verizon originates an interexchange call that US LEC delivers to its customer
2 and for which US LEC is compensated by its customer. The FCC's rules, decades of
3 consistent regulatory policy, and sound economics all dictate the same answer – Verizon
4 should not be required to pay reciprocal compensation on this traffic.

5 **Q. HAVE OTHER STATE COMMISSIONS ADDRESSED THIS ISSUE?**

6 **A.** Yes. The Florida Commission, for example, recently confirmed that “virtual FX” traffic
7 is not subject to reciprocal compensation because it does not physically terminate in the
8 same local calling area in which it originates.⁶ Although the Florida Commission ruled
9 that CLECs may assign telephone numbers to end users physically outside the rate center
10 to which a telephone number is homed,⁷ it agreed with its Staff's conclusion that
11 compensation for traffic depends on the end points of the call – that is, where it
12 physically originates and terminates – not on “the NPA/NXXs assigned to the calling and
13 called parties.”⁸ The Florida Commission agreed, that “calls to virtual NXX customers
14 located outside of the local calling area to which the NPA/NXX is assigned *are not local*
15 *calls for purposes of reciprocal compensation.*”⁹

16 I am aware of a number of other state commissions that have also held that
17 reciprocal compensation does not apply to virtual NXX traffic because it does not
18 physically originate and terminate in the same local calling area. These state

⁶See Staff Memorandum, *Investigation into Appropriate Methods to Compensate Carriers for Exchange Carriers for Exchange of Traffic Subject to Section 251 of the Telecommunications Act of 1996*, Docket No. 000075-TP (“Reciprocal Compensation Recommendation”), Issue 15 at 69, 71, 96 (Florida PUC Nov. 21, 2001), approved at Florida PUC Agenda Conference (Dec. 5, 2001).

⁷*Id.* at 90-96.

⁸*Id.* at 88-89; Florida PUC Agenda Conference Approval (Dec. 5, 2001), Issue 15.

1 commissions include those in Connecticut,¹⁰ Illinois,¹¹ Texas,¹² South Carolina,¹³
2 Tennessee,¹⁴ Georgia,¹⁵ and Missouri.¹⁶

⁹Reciprocal Compensation Recommendation at 94.

¹⁰ Decision, *DPUC Investigation of the Payment of Mutual Compensation for Local Calls Carried Over Foreign Exchange Service Facilities*, Docket No. 01-01-29, at unnumbered page 43 (Conn. Dept. of Pub. Util. Control Jan. 30, 2002) (“The purpose of mutual compensation is to compensate the carrier for the cost of terminating a local call “and” since these calls are not local, they will not be eligible for mutual compensation.”) (emphasis added).

¹¹ Arbitration Decision, *TDS Metrocom, Inc., Petition for Arbitration of Interconnection Rates, Terms, and Conditions and Related Arrangements with Illinois Bell Telephone Co. d/b/a Ameritech-Illinois Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Docket No. 01-0338, at 48 (Ill. Comm. Comm’n Aug. 8, 2001); Arbitration Decision, *Level 3 Communications, Inc. Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Illinois Bell Telephone Company d/b/a Ameritech Illinois*, Docket No. 00-0332 (Ill. Comm. Comm’n Aug. 30, 2001) (“FX traffic does not originate and terminate in the same local rate center and therefore, as a matter of law, cannot be subject to reciprocal compensation.”).

¹² Revised Arbitration Award, *Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Telecommunications Act of 1996*, Docket No. 21982, at 18 (Tex. PUC Aug. 31, 2000) (finding FX-type traffic “not eligible for reciprocal compensation” to the extent it does not terminate within a mandatory local calling scope).

¹³ Order on Arbitration, *Petition of Adelpia Business Solutions of South Carolina, Inc. for Arbitration of an Interconnection Agreement with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Communications Act of 1934, as Amended by the Telecommunications Act of 1996*, Docket No. 2000-516-C, at 7 (S.C. PSC Jan. 16, 2001) (“Applying the FCC’s rules to the factual situation in the record before this Commission regarding this issue of ‘virtual NXX,’ this Commission concludes that reciprocal compensation is not due to calls placed to ‘virtual NXX’ numbers as the calls do not terminate within the same local calling area in which the call originated.”).

¹⁴ Interim Order of Arbitration Award, *Petition for Arbitration of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Intermedia Communications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Docket No. 99-00948, at 42-44 (Tenn. Regulatory Util. Comm’n June 25, 2001).

¹⁵ Final Order, *Generic Proceeding of Point of Interconnection and Virtual FX Issues*, Docket No. 13542-U, at 10-12 (Ga. PSC July 23, 2001) (“The Commission finds that reciprocal compensation is not due for Virtual FX traffic.”).

¹⁶ Arbitration Order, *Application of AT&T Communications of the Southwest, Inc., TCG St. Louis, Inc., and TCG Kansas City, Inc., for Compulsory Arbitration of Unresolved Issues With Southwestern Bell Telephone Company Pursuant to Section 252(b) of the*

(continued...)

1 Q. ARE YOU AWARE OF ANY OTHER STATE COMMISSIONS THAT HAVE
2 ADDRESSED THE ISSUE OF ASSIGNMENT OF TELEPHONE NUMBERS
TO END USERS LOCATED OUTSIDE OF THE RATE CENTER TO WHICH
THEY ARE HOMED?

3 A. Yes. For example, on June 30, 2000, the Maine Public Utility Commission ordered a
4 CLEC, Brooks Fiber, to return 54 NXX codes which it was using in a "virtual NXX"
5 capacity and rejected Brooks' proposed "virtual NXX" service. The Commission found
6 that Brooks had no facilities deployed in any of the locations to which the 54 NXX codes
7 were nominally assigned. As such, it rejected Brooks' arguments that it was using the
8 codes to provide local service, and concluded that Brooks' activities had "nothing to do
9 with local competition."¹⁷ It found that Brooks' "extravagant" use of the 54 codes
10 "solely for the rating of interexchange traffic" was patently unreasonable from the
11 standpoint of number conservation.¹⁸ The Commission further observed that Brooks'
12 likely reason for attempting to implement an "FX-like" service, instead of a permissible
13 800 or equivalent service, was Brooks' "hope that it might avoid paying Bell Atlantic for
14 the interexchange transport service provided by Bell Atlantic."¹⁹

15 Q. DOES THE FCC'S *ISP REMAND ORDER* ALLEVIATE VERIZON'S
CONCERNS WITH VFX?

16 A. No. The FCC's *ISP Remand Order* addresses only termination rates, and only with
17 regard to Internet-bound traffic. It does not resolve lost toll revenue and transport cost

Telecommunications Act of 1996, Case No. TO-2001-455, at 31 (Mo. PSC June 7, 2001) (finding VFX traffic "not be classified as a local call").

¹⁷*Investigation Into Use of Central Office Codes (NXXs) by New England Fiber Comm., LLC d/b/a/ Brooks Fiber, etc., Order Requiring Reclamation of NXX Codes and Disapproving Proposed Service*, Docket Nos. 98-758 & 99-593, at 13 Tab 1 (Maine PUC June 30, 2000)

¹⁸*Id.* at 16.

¹⁹*Id.* at 12.

1 issues associated with “virtual NXX” assignments. As I previously explained, these
2 issues are not limited to Internet-bound traffic and are not directly related to termination
3 rates. “Virtual NXX” assignment shifts transport costs to Verizon and makes toll calls to
4 which toll charges properly apply appear as though they are local calls.

5 **Q. US LEC CLAIMS THAT THE FCC’S *TSR WIRELESS ORDER* SUPPORTS ITS
POSITION HERE. DO YOU AGREE?**

6 **A.** No. The *TSR Wireless Order*²⁰ actually supports Verizon’s position. In that order, the
7 FCC held merely that an incumbent LEC could not charge for existing facilities used to
8 deliver traffic originated on the incumbent’s network to a paging carrier’s switch. It did
9 not decide any issue related to interconnection architecture or reciprocal compensation.
10 Moreover, the FCC held that the incumbent *could* charge the paging carrier for a service
11 known as “wide area calling,” a service that permits individuals located outside the local
12 calling area in which the paging carrier’s facilities to call the paging carrier without
13 incurring toll charges. That service is quite comparable to some “virtual NXX”
14 arrangements.

15 **Q. HOW DOES VERIZON RECOMMEND THE COMMISSION RESOLVE THIS
ISSUE?**

16 **A.** The Commission should adopt Verizon’s proposed contract language, making clear that
17 reciprocal compensation does not apply to any traffic that is interexchange, defined by
18 reference to the actual originating and terminating points of the complete end-to-end call.

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

²⁰ Memorandum Opinion and Order, *TSR Wireless, LLC v. US West Communications, Inc.*, 15 FCC Rcd 11166 (2000).

1 A. Yes.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION JUL 21 2002

-----)
Petition of US LEC of Pennsylvania, Inc.)
for Arbitration with Verizon Pennsylvania Inc.)
Pursuant to Section 252(b) of the)
Telecommunications Act of 1996)
-----)

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU
Docket No: A-310814F7000

7/17/02 initial hrg

REBUTTAL TESTIMONY
OF TERRY HAYNES ON BEHALF OF
VERIZON PENNSYLVANIA INC.

July 9, 2002

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SECRETARY'S BUREAU

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1 Q. ARE YOU THE TERRY HAYNES WHO TESTIFIED PREVIOUSLY IN THIS
2 PROCEEDING?

3 A. Yes.

4
5 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

6 A. I will address several points in the testimony of Wanda Montano and in US LEC's
7 discovery answers. US LEC has claimed that its effort to reap reciprocal compensation
8 payments on interexchange traffic – and to avoid the access charges that apply to such
9 interexchange traffic – is pro-competitive. That claim is incorrect. In fact, US LEC is
10 attempting to compete, not on the basis of increased efficiency or superior products, but
11 purely on the basis of their ability to force Verizon to bear the costs of the service that US
12 LEC provides to its customers. The FCC has identified this as the kind of regulatory
13 arbitrage that harms competition.

14
15 Q. MS. MONTANO SEEMS TO SUGGEST THAT VERIZON OBJECTS TO
16 ROUTING AND RATING CALLS ACCORDING TO THE NXX CODE OF THE
17 DIALED NUMBER. IS THAT CORRECT?

18 A. No. The parties' dispute has nothing to do with either the routing or the rating of calls.
19 Calls are routed according to their assigned NXX code. As a general rule, each NXX
20 code is identified in the Local Exchange Routing Guide ("LERG") with particular routing
21 information; the LERG tells the originating carrier where to send the traffic. Verizon has
22 not proposed any type of change to that system. And calls likewise are rated – that is, the
23 charge to the originating caller is determined – by the NXX code of the called number. If

1 the NXX code is associated with the local calling area of the caller, the call will be rated
2 as local. That is true whether the called party is in the same local calling area or in a
3 different local calling area within the same LATA. It would even be true if the called
4 party were located across the country.

5
6 **Q. IF THE PARTIES AGREE THAT CALLS ARE RATED AND ROUTED**
7 **ACCORDING TO THE NXX CODE, WHAT IS THE PARTIES'**
8 **DISAGREEMENT?**

9 **A.** The parties' sole disagreement for purposes of this proceeding is whether reciprocal
10 compensation must be paid when the called party is actually located in a different local
11 calling area from the calling party. In other words, if a Verizon customer in Allentown
12 places a call to a number assigned to a US LEC customer in located Philadelphia, the
13 question is whether reciprocal compensation should apply if the US LEC customer has
14 been an assigned an NXX code associated in the LERG with Allentown rather than
15 Philadelphia. Verizon maintains that reciprocal compensation should not be paid; that is
16 also what the FCC has held, as I explained in my Direct Testimony.

17
18 **Q. IS THAT DISPUTE HYPOTHETICAL? DIDN'T US LEC TESTIFY THAT IT**
19 **DOES NOT HAVE ANY VIRTUAL FX ARRANGEMENTS IN**
20 **PENNSYLVANIA?**

21 **A.** The dispute is not hypothetical because any carrier that chooses to opt into the eventual
22 agreement may establish virtual FX arrangements in the future. Moreover, US LEC itself
23 has admitted in discovery that its testimony concerning Virtual FX arrangements in

1 Pennsylvania was false. US LEC has now admitted that it does have Virtual FX
2 arrangements in Pennsylvania.

3
4 **Q. WHAT REASONS DOES MS. MONTANO GIVE FOR REQUIRING**
5 **RECIPROCAL COMPENSATION ON VIRTUAL FX TRAFFIC?**

6 **A.** As I understand her testimony, she offers three basic arguments. First, she argues that
7 payment of reciprocal compensation is consistent with regulatory rules governing inter-
8 carrier compensation in other contexts. Second, she argues that failure to order reciprocal
9 compensation would discourage the deployment of Virtual FX arrangements. Third, she
10 claims that payment of reciprocal compensation is required by the FCC's *TSR Wireless*
11 *Order*.¹ None of those arguments is correct. In addition, Ms. Montano offers several
12 arguments regarding the application of access charges to this traffic. That is a separate
13 issue that is not actually presented here, but I will address those arguments as well.

14
15 **Q. IS MS. MONTANO CORRECT THAT IT IS INDUSTRY PRACTICE TO PAY**
16 **INTER-CARRIER COMPENSATION BASED ON NXX CODES?**

17 **A.** No. In fact, as I explained in my direct testimony, in the access charge context, the FCC
18 has directly held that carriers must pay compensation based on the physical location of
19 the called party, not the NXX code of the called party, which is generally associated with
20 the local calling area of the calling party. In other words, the FCC has already decided
21 that although FX traffic may be treated as local for purposes of rating the call to the

¹ Memorandum Order and Opinion, *TSR Wireless, LLC v. US West Communications, Inc.*, 15 FCC Rcd 11166 (2000) ("*TSR Wireless Order*").

1 originating end-user, it should not be treated as local traffic for purposes of inter-carrier
2 compensation. Thus Ms. Montano's statement that "according to FCC Rules and Orders,
3 access charges cannot be imposed on locally dialed calls" (Montano Testimony at 19:8-9)
4 is flatly wrong.

5
6 **Q. BUT WASN'T THE TRAFFIC AT ISSUE IN THE FCC ORDER YOU**
7 **DISCUSSED INTERLATA TRAFFIC?**

8 **A.** Yes, but the principle is the same. If a local telephone subscriber originates a call to an
9 interLATA FX number, the local exchange carrier delivers the call to the interexchange
10 carrier's point of presence for onward transmission to a called party; the local exchange
11 carrier is entitled to originating access for such a call, even though the call is *rated* as a
12 local call. Likewise, in the case of virtual FX traffic, the local exchange carrier delivers
13 the traffic to the CLEC's point of interconnection; the CLEC then delivers the call to the
14 called party, which is by definition located in a different local calling area (which may or
15 may not be within the same LATA). Because the call is interexchange, no reciprocal
16 compensation applies.

17
18 **Q. BUT VERIZON HAS ADMITTED IN ITS RESPONSE TO US LEC'S**
19 **DISCOVERY THAT VERIZON ITSELF MAY HAVE CHARGED RECIPROCAL**
20 **COMPENSATION ON FX TRAFFIC. ISN'T THAT INCONSISTENT WITH**
21 **YOUR POSITION HERE?**

22 **A.** Verizon may well have charged a very small amount of reciprocal compensation for
23 CLEC-originated calls bound for Verizon FX numbers. In theory, Verizon should not do

1 so – neither Verizon’s agreements nor federal law require payment of reciprocal
2 compensation on traffic bound for Verizon FX numbers. But, as a practical matter,
3 Verizon’s billing systems are not set up to distinguish this traffic, no CLEC has every
4 complained about it, and the amount of compensation is so tiny that it makes no practical
5 difference. Verizon would be happy to work with any CLEC to device a reasonable
6 estimate of the amount of CLEC-originated traffic delivered to Verizon FX numbers, in
7 order to avoid any theoretical overbilling of reciprocal compensation.
8

9 **Q. HOW CAN YOU BE SURE THAT THE AMOUNT OF RECIPROCAL**
10 **COMPENSATION THAT VERIZON HAS BILLED FOR NON-LOCAL FX**
11 **TRAFFIC IS SO SMALL?**

12 **A.** *Verizon has done traffic studies in other jurisdictions to measure the amount of such*
13 *traffic, and has consistently found that the amount of traffic is tiny – much less than one*
14 *percent of CLEC-originated traffic. There is nothing about Verizon’s operations in*
15 *Pennsylvania that would lead me to believe that the results of a traffic study here would*
16 *be different. The universe of Verizon FX subscribers is miniscule compared with the*
17 *universe of ordinary local subscribers.*
18

19 **Q. DO YOU KNOW WHETHER VIRTUAL FX TRAFFIC FORMS A SIGNIFICANT**
20 **PERCENTAGE OF THE TRAFFIC ORIGINATED BY VERIZON CUSTOMERS**
21 **AND DELIVERED TO US LEC?**

22 **A.** *I do not know. We have asked US LEC questions in discovery that are related to this*
23 *issue and have so far received no answer. I understand that Verizon continues to*

1 negotiate with US LEC to get an answer to that question. But whether US LEC in
2 particular receives a high volume of virtual FX traffic is not the point. Many CLECs do
3 receive very high proportions of virtual FX traffic, and whatever resolution the
4 Commission reaches in this proceeding will be available to all CLECs in Pennsylvania
5 under the opt-in provision of the 1996 Act, not just to US LEC.
6

7 **Q. MS. MONTANO ALSO CLAIMS THAT NOT REQUIRING PAYMENT OF**
8 **RECIPROCAL COMPENSATION MAY DISCOURAGE DEPLOYMENT OF**
9 **VIRTUAL FX ARRANGEMENTS. DO YOU AGREE?**

10 **A.** It is correct payment of reciprocal compensation on Virtual FX traffic provides an
11 additional incentive for CLECs to deploy those arrangements, but that is an argument
12 against requiring reciprocal compensation, not in favor of it. Payment of reciprocal
13 compensation would permit a CLEC improperly to transfer some of the costs of the
14 service that it provides to its customer to Verizon. That is uneconomic and inefficient.
15 As the FCC has said, in such circumstances, “carriers . . . compete, not on the basis of the
16 quality and efficiency of the services they provide, but on the basis of their ability shift
17 costs to other carriers.”² The FCC has identified such regulatory arbitrage as a major
18 impediment to the development of genuine local competition.
19

² Order on Remand and Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 16 FCC Rcd 9151, 9183, ¶ 71 (2001) (“*ISP Remand Order*”), remanded, *WorldCom, Inc. v. FCC*, 288 F.3d 429 (D.C. Cir. 2002).

1 Q. CAN YOU ELABORATE?

2 A. Yes. Suppose that a Verizon customer in Philadelphia wants to subscribe to an
3 Allentown FX number. Under traditional FX arrangements, the customer would have to
4 subscribe to local service in the Allentown exchange, and then pay for transport from the
5 Allentown exchange to Philadelphia. In that circumstance, the customer is paying for the
6 right to receive calls in the Allentown exchange and to have those calls transported to
7 Philadelphia.

8 In the case of the type of virtual FX service that US LEC wants to be able to offer,
9 the customer in Philadelphia would be assigned an NXX number associated with the
10 Allentown exchange. But Verizon – which is the carrier actually bearing the cost of
11 providing service in the Allentown exchange – receives no compensation from the
12 customer for the provision of local exchange service in Allentown, even though the
13 customer is benefiting from that service. Moreover, US LEC wants to be able to force
14 Verizon to bear the cost of transporting the traffic from Allentown to Philadelphia,
15 without paying Verizon for that service. Verizon would be doing almost as much work
16 under the virtual FX arrangement as under a traditional FX arrangement provided by
17 Verizon, but receiving no compensation from the virtual FX customer. That is a classic
18 example of shifting costs away from the cost causer – the virtual FX customer – and onto
19 Verizon. And that is a very bad result from the point of view of regulatory policy,
20 because it deprives all parties of accurate price signals. Now, on top of that, US LEC
21 wants to be paid a bounty in the form of reciprocal compensation for each call that
22 Verizon originates in Allentown and transports to Philadelphia. That result is blatantly
23 anticompetitive.

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Q. MS. MONTANO CLAIMS THAT VIRTUAL FX SERVICE OFFERS CUSTOMERS IN REMOTE AREAS (ALLENTOWN IN THE ABOVE EXAMPLE) ADDITIONAL PROVIDER CHOICES. IS THAT CORRECT?

A. That claim is nonsense – akin to Ms. Montano’s claim that US LEC has “a presence in the local calling area” (Montano Testimony at 26:7-8) when it has no presence at all in that local calling area. Providing reciprocal compensation on Virtual FX traffic actually discourages carriers like US LEC from deploying facilities in remote areas that would compete with Verizon’s facilities, because US LEC must bear the cost of those facilities. Instead, it is more profitable for US LEC instead to allow Verizon to continue providing service and to search for ways to be paid for the service that Verizon provides, as with virtual FX arrangements. Ms. Montano comes close to admitting as much, when she claims that US LEC should be permitted to take advantage of Verizon’s “ubiquitous network” (Montano Testimony at 28:19) without constructing facilities of its own. US LEC is seeking a free-ride on that network, pure and simple. Payment of reciprocal compensation on virtual FX traffic would amount to paying US LEC *not* to compete.

I should note in this regard that Ms. Montano’s claim that Verizon’s proposed language “would give Verizon a competitive advantage over US LEC in the ISP market” (Montano Testimony at 24:15-16) is nonsense. There is nothing about Verizon’s proposed language – which applies equally to Verizon and to US LEC – that would give Verizon any type of regulatory advantage in any market.

1 Q. YOU HAVE ALREADY EXPLAINED THAT VIRTUAL FX SERVICE DOES
2 NOT INVOLVE ANY STATE-OF-THE-ART TECHNOLOGY. SO YOU HAVE
3 ANYTHING TO ADD ON THAT POINT?

4 A. I would just like to emphasize that the issue here is simply whether reciprocal
5 compensation should be paid on interexchange traffic. To the extent that US LEC has a
6 new or innovative service to offer, it can still offer it; it simply will not be able to collect
7 compensation to which it is not entitled.

8 Q. SO SHOULD THE COMMISSION PROHIBIT VIRTUAL FX ARRANGMENTS?

9 A. That is not my point. If Virtual FX arrangements are consistent with other regulatory
10 requirements (in Pennsylvania, they are not), Verizon is not proposing any sort of
11 impediment on CLECs' implementing them. But Verizon should not be unfairly
12 burdened with the costs of such arrangements. This is partly a matter of requiring parties
13 to bear an appropriate share of the cost of interconnection arrangements. But it is also
14 crucial that the Commission not order payment of reciprocal compensation on this
15 interexchange traffic. Such compensation is not only contrary to law, it is also plainly
16 wrong from the point of view of regulatory policy.

17
18 Q. MS. MONTANO CLAIMS THAT *TSR WIRELESS* SUPPORTS US LEC'S
19 POSITION HERE. DO YOU AGREE?

20 A. No. As I explained in my direct testimony, *TSR Wireless* did not address the issue
21 presented here. Indeed, that decision merely ruled that incumbent LECs could not charge
22 paging carriers for existing facilities used to deliver *local* traffic generated on the LEC's
23 network to the paging carrier's switch. The FCC did not rule that any *non-local* traffic

1 would be subject to reciprocal compensation, did not rule that *non-local* traffic had to be
2 delivered without charge, and did not address any issues related to network architecture.
3 The question whether the traffic at issue in *TSR Wireless* was interexchange traffic did
4 not arise because, under the FCC's rules, traffic between CMRS providers and LECs is
5 subject to reciprocal compensation so long as it originates and terminates *within the same*
6 *Major Trading Area*, an area encompassing many exchanges. See 47 C.F.R.
7 § 51.701(b)(2).

8
9 **Q. MS. MONTANO CLAIMS THAT ACCESS CHARGES SHOULD NOT APPLY**
10 **TO VIRTUAL FX TRAFFIC. DO YOU AGREE?**

11 **A.** No. As an initial matter, however, I wish to stress that the access charge issue is not
12 properly presented here. The only section of the proposed agreement that addresses
13 access charges provides that the parties' tariffs control. Accordingly, as far as this
14 proceeding is concerned, the parties' are in agreement.

15 To the extent that the Commission does address this issue, it should hold that
16 access charges apply. The reason for this is simple: a virtual FX arrangements, like
17 traditional FX arrangements or other toll-free calling arrangement, allows a subscriber to
18 receive calls from a distant exchange without the calling party incurring the toll charges
19 that would normally apply. In place of those toll charges, the called party must pay other
20 charges – in the case of traditional FX service, the customer must subscribe to local
21 exchange service in the foreign exchange and pay transport; in the case of toll-free
22 service, the customer must pay toll charges for calls received. In the case of toll-free
23 calls, the interexchange carrier then pays originating access charges to the originating

1 local exchange carrier. The situation is the same here: the CLEC has set up a toll-free
2 calling arrangement for its customer. The customer is thus able to take advantage of the
3 local exchange service that Verizon is providing in that distant exchange, yet Verizon not
4 only receives no subscriber revenue from the CLEC customer; it is also deprived of the
5 toll charges that would ordinarily apply. Access charges provide the originating LEC
6 some measure of compensation for the service that it provides.

7
8 **Q. MS. MONTANO ARGUES THAT VERIZON DOES NOT INCUR ANY**
9 **ADDITIONAL COSTS IN DELIVERING VIRTUAL FX TRAFFIC. DO YOU**
10 **AGREE?**

11 **A.** The claim is misleading. Obviously, the costs of delivering traffic to a CLEC depend on
12 the interconnection architecture in place; if a virtual FX call is delivered to the same point
13 of interconnection as a local call from the same point, Verizon's costs of delivering the
14 traffic will be the same. But if the Commission were to exempt the CLEC from paying
15 the access charges that ordinarily apply to such interexchange traffic (or, even worse,
16 require Verizon to pay the CLEC reciprocal compensation), the Commission would be
17 encouraging the CLEC to implement these arrangements even when they are inefficient.
18 This is because the CLEC (and the CLEC's customers) would not bear the appropriate
19 costs of providing the services that they consume. Thus, Verizon would have to originate
20 and carry a great deal more traffic, and would therefore be required to bear significantly
21 higher costs, than if access charges were properly applied.

22 Moreover, Ms. Montano ignores the fact that virtual FX arrangements mean that
23 Verizon will be unable to collect toll charges from its customers where toll charges would

1 apply (but for the assignment of a virtual NXX code). Again, I am not asserting that
2 there is anything wrong with a CLEC setting up such toll free arrangements for its
3 customers, so long as the CLEC complies with applicable state and federal regulations.
4 But it is wrong for the CLEC to attempt to shift the costs of those arrangements to
5 Verizon, and it is also wrong to exempt the CLEC and its customers from bearing an
6 appropriate share of the costs of providing local exchange service in the distant exchange.
7 As long as Verizon is the carrier providing that local exchange service, it is entitled to be
8 compensated for it, and access charges provide that compensation.
9

10 **Q. MS. MONTANO CLAIMS THAT VERIZON IS ALREADY COMPENSATED**
11 **FOR THIS BY ITS END USERS.**

12 **A.** That is wrong. Local exchange charges compensate Verizon for providing service within
13 the local exchange. If a call travels outside the local exchange, Verizon should be
14 entitled to additional compensation. Virtual FX service should be no exception.
15

16 **Q. MS. MONTANO ALSO STATES THAT REQUIRING PAYMENT OF ACCESS**
17 **CHARGES WOULD BE INAPPROPRIATE BECAUSE ACCESS CHARGES ARE**
18 **ABOVE COST. DO YOU AGREE?**

19 **A.** No. This Commission has approved tariffed intraLATA access charges that are designed
20 to ensure that Verizon can recover the costs of providing local exchange service. In the
21 case of virtual FX service, the CLEC customer is benefiting from the local exchange
22 service that Verizon is providing in that distant exchange, and the Commission has
23 determined that access charges provide the appropriate compensation for that service.
)

1 US LEC cannot challenge those access charges in this proceeding, nor does it give any
2 legitimate reason that it should be exempt from the charges that all other intraLATA
3 interexchange carriers must pay.

4

5 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6 **A. Yes.**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

-----)
Petition of US LEC of Pennsylvania, Inc.)
for Arbitration with Verizon Pennsylvania Inc.)
Pursuant to Section 252(b) of the)
Telecommunications Act of 1996)
-----)

Docket No: A-310814F7000

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JUL 21 2002

DIRECT TESTIMONY
OF PETER J. D'AMICO ON BEHALF OF PA PUBLIC UTILITY COMMISSION
VERIZON PENNSYLVANIA INC. SECRETARY'S BUREAU

May 31, 2002

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AUG 15 2002

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1 Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH VERIZON, AND
2 YOUR BUSINESS ADDRESS.

3 A. My name is Pete D'Amico. I am a Senior Specialist in the Interconnection Product
4 Management Group for Verizon Services Corporation. My business address is 416 7th
5 Avenue, Pittsburgh, Pennsylvania 15219.

6
7 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND
8 EXPERIENCE, INCLUDING NON-VERIZON WORK EXPERIENCE.

9 A. I have a Bachelor of Science in Marketing from Indiana University of Pennsylvania. I have
10 been employed at Verizon and its predecessor companies for 18 years, in positions of
11 increasing responsibility, and have been in product management dealing with
12 interconnection arrangements for the last 12 years.

13
14 Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION?

15 A. My responsibilities include development, implementation, and product management of
16 interconnection services.

17
18 Q. HAVE YOU EVER TESTIFIED BEFORE?

19 A. Yes. I testified in the Focal Arbitrations in the second quarter of 2000 in Pennsylvania
20 and New Jersey and in the Pennsylvania section 271 hearings in the first quarter of this
21 year. I also testified in the section 252 arbitrations between Sprint and Verizon in
22 Pennsylvania and Maryland.

23

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. The purpose of my testimony is to present Verizon's position on issues that US LEC has
3 raised in this proceeding relating to network architecture (Issues 1 and 2).
4

5 Q. CAN YOU PROVIDE AN OVERVIEW OF YOUR TESTIMONY ON NETWORK
6 ARCHITECTURE?

7 A. Yes.

8 My testimony focuses on explaining how Verizon's Virtual Geographically
9 Relevant Interconnection Point ("VGRIP") proposal is consistent with federal law and
10 with this Commission's precedent regarding interconnection between an incumbent local
11 exchange carrier ("ILEC") and a competitive local exchange carrier ("CLEC"). In
12 addition, my testimony explains why, if US LEC chooses to locate only one point of
13 interconnection ("POI") in a LATA, it should be financially responsible for hauling the
14 Verizon-originated call to the distant POI when that call leaves the local calling area.
15 Otherwise, Verizon would be forced to subsidize US LEC's costs of interconnection as
16 well as its network design choices.

17 US LEC's proposal is an impermissible attempt to have Verizon subsidize US
18 LEC's attempts to enter the local telephone market. US LEC attempts to do this by, for
19 example, having Verizon bear costs that are actually caused by US LEC's own decisions
20 or by forcing Verizon to make network architecture decisions for the benefit primarily of
21 US LEC and not for Verizon and its customers. The main premise behind US LEC's
22 network architecture position is that Verizon should be financially responsible for US
23 LEC's interconnection choices. Simply put, US LEC's demands far surpass its legal

1 entitlements and would have far-reaching effects on Verizon's network architecture,
2 including forcing Verizon to subsidize the cost of US LEC's entry into the local
3 telecommunications market and creating a disincentive to US LEC's deployment of its
4 own network.

5
6 **Q. WHAT IS A POI AND HOW DOES IT DIFFER FROM AN INTERCONNECTION**
7 **POINT ("IP")?**

8 **A.** A POI is where the ILEC and CLEC physically interconnect their respective networks.
9 To exchange traffic, two carriers' networks must be physically linked; the point of that
10 physical linkage is the POI. An IP, on the other hand, is the place in the network at
11 which one local exchange carrier hands over financial responsibility for traffic to another
12 local exchange carrier. A POI and an IP may be at the same place but do not have to be.
13 Pursuant to Verizon's proposal, by definition, Verizon is financially responsible for
14 delivering its traffic to US LEC's IP. Once Verizon transports traffic originating on its
15 network to US LEC's IP, then US LEC takes over financial responsibility for delivering
16 the traffic to its customer.

17
18 **Q. WHAT IS THE ESSENCE OF THE DISPUTE AMONG THE PARTIES**
19 **REGARDING THE POI AND IP?**

20 **A.** The issue boils down to how to allocate fairly the transport costs between Verizon and
21 the US LEC when Verizon delivers originating traffic from a local calling area to a US
22 LEC POI that is located outside of that local calling area. US LEC wants Verizon to bear
23 the full transport cost when Verizon delivers originating traffic from a local calling area

1 to a distant US LEC POI located within the LATA but outside of that local calling area.
2 Verizon's position is that the IP, or location where financial responsibility shifts from
3 Verizon to US LEC, must be at a much more reasonable location so that the transport
4 costs are fairly allocated between the carriers.

5 The issue is not, as US LEC states, whether it has the right to choose the location
6 of its POI within Verizon's network. In Pennsylvania, a CLEC can choose its POI so
7 long as it interconnects at one point within each LATA. The issue, however, is whether
8 US LEC should be financially responsible for its POI-location decision. If there is no
9 financial accountability for US LEC when it comes to the location for its POI, then the
10 transport costs associated with hauling local calls outside of the local calling area to the
11 distant US LEC POI are unfairly shifted to Verizon. This encourages inefficient behavior
12 and is unfair.

13
14 **Q. WHAT DO YOU MEAN WHEN YOU STATE THAT THE PROPOSAL TO**
15 **HAVE VERIZON INCUR THE COSTS OF TRANSPORT TO THE DISTANT**
16 **POI ENCOURAGES INEFFICIENT BEHAVIOR AND IS UNFAIR?**

17 **A.** In effect, US LEC wants Verizon to transport local calls as if they are toll calls simply
18 because of US LEC's decisions regarding where to locate its POI. Verizon would bill its
19 end users for a local call but would actually transport the call to a distant location that
20 would normally be a toll point. It is neither equitable nor fair to shift transport costs to
21 Verizon based on the decision of US LEC or any other CLEC to locate its POIs outside
22 of the local calling area. If there is no financial responsibility for the decision relating to
23 the location of the POI, there is no incentive for the CLEC to engage in efficient network

1 behavior. This is why there must be an IP separate from the POI where financial
2 responsibility for the call shifts.

3
4 **Q. HAS THE PENNSYLVANIA PUBLIC UTILITY COMMISSION EVER**
5 **ADDRESSED THIS ISSUE?**

6 **A. Yes.**

7 In 1997, the Commission held that a CLEC network with only one point of
8 interconnection per LATA would be “both expensive and inefficient” because it would
9 require Verizon to send a CLEC’s traffic “to one central point, solely for [the CLEC’s]
10 convenience.” Opinion and Order, *Joint Application of Bell Atlantic-Pennsylvania, Inc.*
11 *and MCImetro Access Transmission Services, Inc., for Approval of an Interconnection*
12 *Agreement Under Section 252(e) of the Telecommunications Act*, at 11, A-310236F0002
13 (Pa. PUC Aug. 28, 1997) (“*MCImetro Arbitration Order*”). Although the Third Circuit
14 has overturned that ruling, it expressly stated that this Commission should “consider
15 shifting costs” to a CLEC that selects a technically feasible POI that “prove[s] more
16 expensive to Verizon.” *MCI Telecomms. Corp. v. Bell Atlantic-Pa.*, 271 F.3d 491, 518
17 (3d Cir. 2001) (citing First Report and Order, *Implementation of the Local Competition*
18 *Provisions in the Telecommunications Act of 1996*, 11 FCC Rcd 15499, 15603, ¶ 209
19 (1996) (subsequent history omitted)).

20 In 2000, this Commission approved an interconnection agreement between
21 Verizon and Focal that required Focal to select only one interconnection point per LATA.
22 See Opinion and Order, *Petition of Focal Communications Corporation of Pennsylvania*
23 *For Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to*

1 *Establish an Interconnection Agreement with Bell Atlantic-Pennsylvania*, A-
2 310630F0002 (Pa. PUC Aug. 17, 2000). That interconnection point would serve as both
3 the physical POI and the IP for purposes of financial responsibility. This Commission
4 expressed concern about requiring a CLEC to build multiple physical interconnection
5 points. *Id.* at 42-43. As explained further below, Verizon's VGRIP proposal is
6 consistent with this requirement, because it permits US LEC to have a single physical
7 POI per LATA and provides for the establishment of virtual IPs, which do not require the
8 deployment of facilities by US LEC. Moreover, it is worth noting that Focal
9 subsequently terminated the agreement that was the subject of that proceeding and, in its
10 place, opted into an agreement between Verizon and Level 3, which contains the VGRIP
11 language Verizon has proposed here. *See Verizon-Level 3 Agreement* § 4.2.4.1.

12 In addition, in a more recent decision arbitrating an interconnection agreement
13 between Verizon and Sprint, this Commission noted that, under federal law, "CLECs that
14 choose a technically feasible but expensive interconnection point must bear the costs of
15 that interconnection." *Opinion and Order, Petition of Sprint Communication Company,*
16 *L.P. for an Arbitration Award of Interconnection Rates, Terms and Conditions Pursuant*
17 *to 47 U.S.C. § 252(b) and Related Arrangements with Verizon Pennsylvania, Inc.*, at 55
18 n.37, A-310183F0002 (Pa. PUC Oct. 12, 2001) ("*Sprint Arbitration Order*"). Although
19 Sprint was permitted to retain its existing IPs – which this Commission found "are
20 located close to Verizon's tandems," generally within two miles – Sprint was required to
21 establish any new IPs within five miles of Verizon's tandem and to establish "additional
22 interconnection locations" within a LATA once traffic reaches specified volume levels.
23 *Id.* at 52-53, 55-56 & n.38. If, in the latter situation, Sprint chooses not to establish a

1 physical POI to serve as its IP, a virtual IP will be created, which is similar to Verizon's
2 VGRIP proposal. See Verizon-Sprint Agreement Interconnection § 1.2.3.1.3.6. The
3 Commission noted that these features "would assist in alleviating the unreasonable
4 transport costs that Verizon must pay today under other interconnection agreements." *Id.*
5 at 56.

6 However, the point at which Sprint must establish an additional interconnection
7 location (or a virtual IP) – when the traffic exchanged is equivalent to the amount of
8 traffic carried over a DS-3 facility – likely will do little to prevent CLECs from forcing
9 Verizon to bear the vast majority of the costs incurred by CLECs' choice of POIs. First,
10 many CLECs will never have traffic volumes that exceed the 8.9 million minute per
11 month (*i.e.*, DS-3) threshold. For those CLECs, Verizon will never receive compensation
12 for the costs it incurs in transporting traffic outside the local calling area to the CLECs'
13 POIs. Second, Verizon may never receive compensation even from those CLECs with
14 traffic volumes in excess of the threshold. Such CLECs may be led to engage in
15 inefficient network reconfiguration simply to divert traffic in order to ensure that traffic
16 volumes remain under the threshold so that Verizon continues to bear full responsibility
17 for the transport costs resulting from the CLECs' decisions about where to locate their
18 POIs.

19
20 **Q. WOULD YOU PLEASE PROVIDE AN EXAMPLE ILLUSTRATING HOW**
21 **VERIZON CAN BE REQUIRED TO BEAR COSTS ATTRIBUTABLE TO US**
22 **LEC'S CHOSEN POI?**

1 A. Yes. Assume a Verizon customer located in Allentown calls a next-door neighbor whose
2 local service provider is US LEC. US LEC has chosen to locate its only POI in the
3 Pennsylvania LATA in Philadelphia, which is approximately 50 miles away from, and
4 not in the same local calling area as, Allentown. Under US LEC's suggested approach,
5 Verizon would be required to carry the call many miles through multiple switches on its
6 way to US LEC's POI.

7 Normally, the call described above would be charged as an intra-LATA toll call
8 because of how it was routed. However, under US LEC's proposal, Verizon would only
9 charge its customer for a local call, which will most likely be a flat rate. Verizon also
10 would pay the CLEC to terminate the call, even though it would, in essence, be a toll call
11 because of the CLEC's choice as to the placement of its POI. In short, Verizon would
12 typically not be able to bill its customer for its costs caused by the CLEC's choice of POI
13 location, would not be able to charge the CLEC for that choice, and instead would have
14 to pay the CLEC reciprocal compensation. Verizon would charge its end user for a local
15 call, even though this call was transported as an intra-LATA toll call.

16
17 **Q. WHAT CHARGES WOULD APPLY IF A VERIZON CUSTOMER LOCATED IN**
18 **ALLENTOWN PLACED A CALL TO A VERIZON CUSTOMER LOCATED IN**
19 **PHILADELPHIA?**

20 A. If a Verizon customer in Allentown is calling another Verizon customer in Philadelphia,
21 Verizon would rightly be able to charge its customer originating the call toll charges for
22 transporting the call to Philadelphia.

23

1 Q. UNDER US LEC'S PROPOSAL, WOULD US LEC HAVE TO PAY TO
2 TRANSPORT THE TRAFFIC BACK TO ITS LOCAL CUSTOMER IN
3 ALLENTOWN?

4 A. Yes. I understand that US LEC states that, consistent with this Commission's directive, it
5 currently assigns telephone numbers only to end users physically located in the calling
6 area associated with that number. The fact that US LEC has decided to serve an end user
7 from so distant a switch, however, is its business decision. Under US LEC's proposal,
8 Verizon would subsidize US LEC's business decision, which transforms a call between
9 neighbors into a toll call for which Verizon receives no compensation. Such
10 subsidization is "both expensive and inefficient, from an overall public switched network
11 perspective." *MCI/metro Arbitration Order* at 11.

12 Moreover, US LEC argues that it should be permitted to assign telephone
13 numbers to end users that have no physical presence in the calling area associated with
14 that number. There is also no way for Verizon to know whether a CLEC has done so.
15 (The question of the proper treatment of such "virtual" NXX codes is further addressed in
16 the testimony of Terry Haynes.) In such a situation, US LEC would not be carrying the
17 call back to a residential customer in Allentown and, instead, would most likely drop off
18 the call to an end user collocated at (or nearby) its switch. In this way, US LEC would
19 not bear any of the costs that it has caused, and would have its interconnection decisions
20 further subsidized by Verizon.

21
22 Q. PLEASE DESCRIBE VERIZON'S VIRTUAL GEOGRAPHICALLY RELEVANT
23 INTERCONNECTION POINT ("VGRIP") PROPOSAL.

1 A. Under VGRIP, Verizon may request that the CLEC establish a POI at a collocation site in
2 each Verizon tandem wire center where the CLEC chooses to assign telephone numbers.
3 That POI would serve as the CLEC's IP under VGRIP. If Verizon only operates one
4 tandem in a LATA, then Verizon may designate additional VGRIP locations, such as host
5 end office wire centers. In addition, either Party may designate a CLEC collocation site
6 at any Verizon wire center as the CLEC IP for traffic originating from that end office.
7 Under VGRIP, Verizon would incur more than its share of the transport cost, but it would
8 be able to deliver its traffic to the CLECs at a more central location. Verizon would be
9 responsible for the costs of hauling this traffic from the Verizon customer to the
10 designated Verizon VGRIP tandem wire center or end office wire center where the CLEC
11 is collocated, even though that location may be beyond the local calling area of the
12 originating customer. The CLEC is then responsible for delivering the call from this
13 central location to the CLEC customer. If a CLEC elects not to establish a POI at the
14 VGRIP locations, then Verizon will deliver its traffic to another CLEC-designated
15 location and the CLEC will be financially responsible for the transport outside of the
16 local calling area.

17

18 **Q. GOING BACK TO THE PHILADELPHIA/ALLENTOWN EXAMPLE ABOVE,**
19 **HOW WOULD THE CALL BE TREATED?**

20 A. If US LEC agrees to pick up traffic at Verizon tandems – *i.e.* if it locates its POIs there –
21 then Verizon will incur the transport cost to get the traffic from Verizon's customers to
22 the US LEC IP located at the tandem. Responsibility for the traffic will be transferred to
23 US LEC at the tandem and US LEC will transport the traffic to its end users. If US LEC

1 chose to place its POIs in places that are not at the VGRIP locations, Verizon would
2 deliver its traffic to US LEC's chosen POI location, but could recover the additional
3 transport and other costs for delivering the traffic to that location.

4
5 **Q. DOES VERIZON'S VGRIP PROPOSAL ABROGATE US LEC'S RIGHTS**
6 **UNDER FEDERAL LAW?**

7 A. No. Verizon's proposal is fully consistent with the Act because it permits US LEC to
8 establish a single physical POI per LATA, while it fairly compensates Verizon for the
9 costs Verizon incurs when US LEC decides to establish POIs at points other than the
10 VGRIP locations.

11
12 **Q. DOES VGRIP REPRESENT A COMPROMISE ON VERIZON'S PART?**

13 A. Yes. Under VGRIP, Verizon would incur more than its share of the transport cost,
14 because it would be responsible for the costs of hauling its traffic from the Verizon
15 customer to the VGRIP location, even though the location may be beyond the local
16 calling area. Verizon is willing to incur this extra transport cost in exchange for the
17 ability to deliver its traffic to US LEC at a more central location. If US LEC does not
18 choose to establish its POI at the Verizon VGRIP location, then Verizon will deliver its
19 traffic to the US LEC POI. However, US LEC would then be financially responsible for
20 the full transport cost beyond the local calling area.

1 Q. DO YOU AGREE WITH US LEC'S CLAIM THAT SECTION 7.1.1.3 GRANTS
2 VERIZON THE POWER TO CHANGE US LEC'S NETWORK
3 ARCHITECTURE AT VERIZON'S SOLE DISCRETION?

4 A. No. This claim appears to be based on a misreading of section 7.1.1.3. That section
5 allows Verizon to request that US LEC establish POIs that comply with sections 7.1.1.1
6 or 7.1.1.2 – that is, at a collocation site at either a Verizon tandem or a Verizon end
7 office. However, US LEC is not obligated to agree to that request. If US LEC chooses
8 not to establish POIs that comply with the other provisions of VGRIP, then US LEC will
9 become financially responsible for traffic at Verizon's end offices, through the creation
10 of virtual IPs at those locations. Although US LEC would be required to bear the cost of
11 transporting this traffic from the virtual IP to its POI, it would not be required to change
12 its network architecture so that it became physically responsible for transporting that
13 traffic. Therefore, although VGRIP enables Verizon to *request* that US LEC establish
14 physical POIs that serve as IPs, US LEC remains free to meet its requirements through
15 the establishment of virtual IPs, which do not require it to change its network
16 architecture.

17
18 Q. DO YOU AGREE WITH US LEC'S READING OF SECTION 7.1.1.2?

19 A. No. First, it should be noted that any dispute about this provision is entirely hypothetical
20 at this point. US LEC states that it "does not currently collocate with Verizon." US LEC
21 Petition at 9. Furthermore, US LEC has informed the North Carolina Utilities
22 Commission that collocation is not part of its network architecture, that it does not
23 currently collocate with Verizon in any state, and that, at most, it is possible that it will

1 elect to do so in the next few years. *See* Direct Testimony of Frank R. Hoffmann, Jr.,
2 *Petition of US LEC of North Carolina, Inc. for Arbitration with Verizon South, Inc.*
3 *Pursuant to 47 U.S.C. § 252(b) of the Communications Act of 1996, as Amended by the*
4 *Telecommunications Act of 1996*, Docket No. P-561, Sub 19, at 8 (N.C. Utils. Comm'n
5 filed Apr. 12, 2002); Rebuttal Testimony of Frank R. Hoffmann, Jr., *Petition of US LEC*
6 *of North Carolina, Inc. for Arbitration with Verizon South, Inc. Pursuant to 47 U.S.C.*
7 *§ 252(b) of the Communications Act of 1996, as Amended by the Telecommunications Act*
8 *of 1996*, Docket No. P-561, Sub 19, at 3 (N.C. Utils. Comm'n filed May 24, 2002).
9 Because section 7.1.1.2 applies only when a CLEC has established a collocation
10 arrangement in a Verizon end office, US LEC has not shown that this provision will
11 affect it in any way.

12 Second, under section 7.1.1.2, if US LEC establishes a collocation arrangement at
13 a Verizon end office, Verizon will have the right to request that US LEC designate that
14 site as an IP. However, US LEC is wrong to claim that section 7.1.1.2 would require US
15 LEC to assume the physical responsibility for transporting traffic from the collocation
16 site to US LEC's POI. US LEC is free to refuse to undertake this task, in which case it
17 will simply be financially responsible for the transport of the traffic.

18 Third, US LEC is also incorrect to contend that this proposal is unfair. If US LEC
19 decides to adopt a network architecture whereby it deploys facilities at a collocation site
20 at a Verizon end office, US LEC should assume the financial responsibility for the
21 transport of traffic from that end office to its POI. When US LEC establishes a
22 collocation site at a Verizon end office, it has brought its network into contact with
23 Verizon's. For US LEC to refuse to accept traffic at the point where both carriers have

1 already deployed network facilities – and instead to require Verizon to transport that
2 traffic to a distant location – means that US LEC is simply shifting costs to Verizon. US
3 LEC should not be permitted to shift costs in this way.

4
5 **Q. DO YOU AGREE WITH US LEC'S CLAIM THAT VERIZON'S VGRIP**
6 **PROPOSAL PENALIZES A CLEC THAT DOES NOT ESTABLISH MULTIPLE**
7 **INTERCONNECTION POINTS.**

8 **A.** No. First, as noted above, this Commission has previously found that CLECs should be
9 required to have multiple IPs. And the Third Circuit has expressly stated that this
10 Commission should “consider shifting costs” to a CLEC that selects a technically feasible
11 POI that “prove[s] more expensive to Verizon.” *MCI Telecomms.*, 271 F.3d at 518.

12 The FCC and numerous other state commissions have agreed that it is appropriate
13 to require CLECs to bear the costs that their choice of POI(s) imposes on an ILEC. In the
14 *Local Competition Order*, the FCC held that “a requesting carrier that wishes a
15 ‘technically feasible’ but expensive interconnection would, pursuant to section 252(d)(1),
16 *be required to bear the cost of that interconnection*, including a reasonable profit.” *Local*
17 *Competition Order*,¹ 11 FCC Rcd at 15603, ¶ 199 (emphasis added). The FCC stated
18 further that, “because competing carriers *must usually compensate incumbent LECs for*
19 *the additional costs incurred* by providing interconnection, competitors have an incentive

¹ First Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 11 FCC Rcd 15499 (“*Local Competition Order*”), modified on recon., 11 FCC Rcd 13042 (1996), vacated in part, *Iowa Utils. Bd. v. FCC*, 120 F.3d 753 (8th Cir. 1997), aff’d in part, rev’d in part sub nom. *AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366 (1999), decision on remand, *Iowa Utils. Bd. v. FCC*, 219 F.3d 744 (8th Cir. 2000), aff’d in part, rev’d in part sub nom. *Verizon Communications Inc. v. FCC*, 122 S. Ct. 1646 (2002).

1 to make economically efficient decisions about where to interconnect.” *Id.* at 15608,
2 ¶ 209 (emphasis added). Similarly, in approving Verizon’s section 271 application in
3 Pennsylvania, the FCC found that Verizon’s similar GRIP proposal, which “permits
4 carriers to *physically* interconnect at a single point of interconnection (POI),” but
5 “distinguish[es] between the physical POI and the point at which Verizon and an
6 interconnecting competitive LEC are responsible for the cost of interconnection
7 facilities,” “complies with the clear requirement of our rules.” Memorandum Opinion
8 and Order, *Application of Verizon Pennsylvania Inc., et al. for Authorization To Provide*
9 *In-Region, InterLATA Services in Pennsylvania*, 16 FCC Rcd 17419, 17474-75, ¶ 100
10 (2001). The FCC also rejected claims that “Verizon’s policies in regard to the financial
11 responsibility for interconnection facilities fail to comply with its obligations under the
12 Act.” *Id.*

13 Other state commissions have also found it reasonable and consistent with federal
14 law to distinguish between CLECs’ right to select a physical point of interconnection and
15 the allocation of the financial responsibility for those choices. For example, the South
16 Carolina Public Service Commission recently held that “[r]equiring AT&T to pay for the
17 costs of its interconnection choices to offset the costs imposed by those interconnection
18 choices on BellSouth is the fair and equitable solution.” Order on Arbitration, *Petition of*
19 *AT&T Communications of the Southern States, Inc., for Arbitration of Certain Terms and*
20 *Conditions of a Proposed Interconnection Agreement with BellSouth*
21 *Telecommunications, Inc. Pursuant to 47 U.S.C. Section 252*, Docket No. 2000-527-C, at
22 24 (S.C. PSC Jan. 30, 2001). That Commission further explained that, because “AT&T’s
23 interconnection choices require[] the transport of local calls from one local calling area to

1 another local calling area where AT&T's POI is located," "AT&T has contributed to the
2 need and costs of these facilities" and therefore "should pay for use of the facilities." *Id.*

3 The North Carolina Utilities Commission likewise found that "it is equitable and
4 in the public interest" to require AT&T "to compensate BellSouth for, or otherwise be
5 responsible for, transport beyond the local calling area," when AT&T elects to
6 "interconnect[] at points within the LATA but outside of BellSouth's local calling area
7 from which traffic originates." Recommended Arbitration Order, *Arbitration of*
8 *Interconnection Agreement Between AT&T Communications of the Southern States, Inc.,*
9 *and TCG of the Carolinas, Inc., and BellSouth Telecommunications, Inc., Pursuant to the*
10 *Telecommunications Act of 1996*, Docket Nos. P-140, Sub 73 & P-646, Sub 7, at 15 (N.C.
11 Utils. Comm'n Mar. 9, 2001) ("*N.C. Arbitration Order*"), *aff'd*, Order Ruling on
12 Objections and Requiring the Filing of the Composite Agreement, Docket Nos. P-140,
13 Sub 73 & P-646, Sub 7, at 5 (N.C. Utils. Comm'n June 19, 2001).

14
15 **Q. WOULD YOU PLEASE RESPOND TO US LEC'S CLAIM THAT THE FCC'S**
16 **RULES DO NOT DISTINGUISH BETWEEN THE POI AND THE IP?**

17 **A.** Yes. This is simply incorrect. As explained above, the FCC has expressly found that "a
18 requesting carrier that wishes a 'technically feasible' but expensive interconnection
19 would, pursuant to section 252(d)(1), *be required to bear the cost of that interconnection,*
20 *including a reasonable profit.*" *Local Competition Order*, 11 FCC Rcd at 15603, ¶ 199
21 (emphasis added). In order to require a CLEC to bear the cost of that interconnection,
22 there would need to be a distinction between the physical POI and the points at which the
23 CLEC becomes financially responsible for transporting traffic to that POI, known as IPs

1 under the interconnection agreement. This interpretation is confirmed by the FCC's
2 finding, in approving Verizon's section 271 application in Pennsylvania, that "Verizon's
3 policies," which "distinguish between the physical POI and the point at which Verizon
4 and an interconnecting competitive LEC are responsible for the cost of interconnection
5 facilities," "do not represent a violation of our existing rules." *Pennsylvania Order*²
6 ¶ 100. This Commission's *Sprint Arbitration Order* also distinguishes between the POI
7 and the IP, by providing for the creation of virtual IPs when Sprint is required, but
8 declines, to establish a new physical POI. The state commission decisions discussed
9 above similarly distinguish between a POI and an IP.

10
11 **Q. DO YOU AGREE WITH US LEC THAT A CLEC HAS A UNILATERAL RIGHT**
12 **TO SELECT ITS INTERCONNECTION POINTS, SUBJECT ONLY TO THE**
13 **LIMITS OF TECHNICAL FEASIBILITY?**

14 **A.** No. The suggestion that US LEC is entitled to designate any "technically feasible" IP is
15 contrary to the FCC's statements in the *Local Competition Order*. The technical
16 feasibility standard applies only to the designation of POIs. If US LEC were also entitled
17 to establish IPs at any technically feasible point, then it could avoid bearing responsibility
18 for the costs imposed by its interconnection choices.

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

21 **A.** Yes.

² Memorandum Opinion and Order, *Application of Verizon Pennsylvania Inc., et al. for Authorization To Provide In-Region, InterLATA Services in Pennsylvania*, 16 FCC Rcd 17419

(continued...)

(2001) ("*Pennsylvania Order*").

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

-----)
Petition of US LEC of Pennsylvania, Inc.)
for Arbitration with Verizon Pennsylvania Inc.)
Pursuant to Section 252(b) of the)
Telecommunications Act of 1996)
-----)

Docket No: A-310814F7000

7/17/02 initial hrg

REBUTTAL TESTIMONY
OF PETER J. D'AMICO ON BEHALF OF
VERIZON PENNSYLVANIA INC.

July 9, 2002

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1 Q. PLEASE STATE YOUR NAME.

2 A. My name is Pete D'Amico.

3

4 Q. ARE YOU THE SAME PETE D'AMICO WHO FILED DIRECT TESTIMONY IN
5 THIS DOCKET ON MAY 31, 2002?

6 A. Yes.

7

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9 A. The purpose of my testimony is to address the arguments raised by US LEC's witnesses
10 concerning network architecture (Issues 1 and 2).

11

12 Q. DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT "US LEC TAKES
13 ADVANTAGE OF DECREASED TRANSPORT COSTS TO PROVIDE SERVICE
14 OVER A LARGE AREA WITH A SINGLE SWITCH"? (Hoffman Testimony at
15 5:5-6.)

16 A. I cannot evaluate this claim because US LEC has refused to provide the information
17 necessary to determine the accuracy of this assertion. In particular, US LEC has refused
18 to provide information on both the physical locations of its customers and the amount of
19 traffic that it delivers to those customers. See Response to Verizon Interrogatories No. 3
20 and 4. Although US LEC states that it has obtained a number of full and partial NXX
21 codes in the Philadelphia and Pittsburgh LATAs, it has admitted that six of its customers
22 "have been assigned NXX codes in areas where they have no physical location."
23 Response to Verizon Interrogatory No. 3. This means that, when Verizon customers in

1 those areas dial the numbers that have been assigned to those US LEC customers,
2 Verizon must transport the traffic to US LEC's switch in Philadelphia or Pittsburgh, but
3 US LEC is not required to transport the traffic back to the local calling area from which
4 that traffic originated.

5 US LEC has not indicated how many telephone numbers it has assigned to these
6 six customers or where they are located in relation to US LEC's switches. If, as is the
7 case with many CLECs, these six customers are Internet service providers, then it is
8 likely that they have been assigned numbers in all or nearly all of the NXX codes that US
9 LEC has obtained. Moreover, it is likely that these six customers are located at (or only a
10 very short distance from) US LEC's switches and account for the vast majority of the
11 traffic that Verizon sends to US LEC. If so, then US LEC would not be serving a large
12 area from its switch by taking advantage of decreased transport costs, but instead would
13 be taking advantage of Verizon's existing network to transport traffic to US LEC's
14 switch at Verizon's expense and then providing little or no transport of its own.

15
16 **Q. DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT US LEC "HAS**
17 **AGREED . . . TO ESTABLISH MULTIPLE POIs IN EVERY LATA IN WHICH**
18 **IT INTERCONNECTS WITH VERIZION"?** (Hoffman Testimony at 6:12-16.)

19 **A.** Yes, but this statement is potentially misleading. Mr. Hoffman does not clearly state that,
20 at these POIs, US LEC will only hand off US LEC-originated traffic to Verizon. US
21 LEC, however, will not accept Verizon-originated traffic at these POIs, and instead seeks
22 to require Verizon to bear financial responsibility for transporting traffic originated
23 throughout the LATA to a single POI.

1 **Q. DO YOU AGREE WITH MR. HOFFMAN’S AND MS. MONTANO’S CLAIMS**
2 **THAT TECHNICAL FEASIBILITY IS RELEVANT TO THE LOCATION OF US**
3 **LEC’S INTERCONNECTION POINTS? (Hoffman Testimony at 7:6-9; Montano**
4 **Testimony at 6:19-21.)**

5 **A.** No. The suggestion that US LEC is entitled to designate any “technically feasible” IP is
6 contrary to the FCC’s statements in the *Local Competition Order*, as I explained in my
7 initial testimony. *See* D’Amico Testimony at 14:12 - 15:12. It is also contrary to the
8 decisions of this commission, other state commissions, and of the Third Circuit, as I also
9 explained in my initial testimony. *See id.* at 5:7 - 7:5, 15:13 - 16:13. All of those
10 decisions make clear that US LEC is mistaken in its view that, under federal law, the POI
11 and the IP must be at the same location. *See, e.g.*, Response to Verizon Interrogatory No.
12 6. The technical feasibility standard applies only to the designation of the physical POIs.
13 If US LEC were also entitled to establish IPs at any technically feasible point, then it
14 could avoid bearing financial responsibility for the costs imposed by its interconnection
15 choices.

16
17 **Q. DO YOU AGREE WITH MR. HOFFMAN’S CLAIM THAT “VERIZON IS**
18 **TRYING TO DICTATE THE PHYSICAL MANNER IN WHICH US LEC**
19 **ESTABLISHES ITS CHOSEN IP”?** (Hoffman Testimony at 8:9-10.)

20 **A.** No. As I explained in my initial testimony, “VGRIP enables Verizon to *request* that US
21 LEC establish physical POIs that serve as IPs, [but] US LEC remains free to meet its
22 requirements through the establishment of virtual IPs, which do not require it to change
23 its network architecture.” D’Amico Testimony at 12:13-16. Moreover, Mr. Hoffman

1 ultimately admits that his characterization of VGRIP is inaccurate. He states that
2 “adoption of VGIPs [sic] would force US LEC to change *either the physical or financial*
3 *aspect* of its preferred, and existing, interconnection architecture with Verizon.”
4 Hoffman Testimony at 9:4-6 (emphasis added).

5
6 **Q. DO YOU AGREE WITH MR. HOFFMAN’S CLAIM THAT US LEC “MUST”**
7 **ESTABLISH AN INTERCONNECTION POINT THROUGH COLLOCATION**
8 **AT THE VERIZON TANDEM? (Hoffman Testimony at 11:16-22.)**

9 **A.** No. As stated above, US LEC does not have to agree to Verizon’s request that US LEC
10 establish an IP through collocation at the Verizon tandem. Indeed, Mr. Hoffman again
11 ultimately admits that his characterization of VGRIP is inaccurate. He recognizes that
12 US LEC may “refuse[] to establish such physical connections.” Hoffman Testimony at
13 12:5-7.

14
15 **Q. DO YOU AGREE WITH MR. HOFFMAN’S CLAIM THAT, IN THE EVENT US**
16 **LEC FAILS TO ESTABLISH A GEOGRAPHICALLY RELEVANT IP, THEN**
17 **UNDER “OPTION THREE” US LEC MUST BEAR ALL OF THE COSTS OF**
18 **TRANSPORTING A CALL FROM THE ORIGINATING END OFFICE TO US**
19 **LEC’S CHOSEN IP (Hoffman Testimony at 12:8-11)?**

20 **A.** Yes. However, as I explained in my initial testimony, under “option one” — where US
21 LEC establishes a geographically relevant IP at a Verizon tandem — Verizon can incur
22 more than its share of the transport cost, because it will be responsible for the costs of
23 hauling its traffic from the Verizon customer to the geographically relevant IP, even

1 though the IP may be located beyond the local calling area. *See* D'Amico Testimony at
2 11:13-20. Under "option three," US LEC must bear the costs of transporting traffic
3 within the local calling area, calculated using the Pennsylvania PUC's unbundled
4 network element rates, as explained in Verizon's response to US LEC's Interrogatory No.
5 24. Thus, VGRIP represents a compromise and US LEC is free to choose from among
6 the options that VGRIP presents.

7
8 **Q. DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT "VERIZON WANTS**
9 **TO CHARGE US LEC FOR DEDICATED TRANSPORT FACILITIES**
10 **REGARDLESS OF THE AMOUNT OF TRAFFIC IT ORGINIATES FROM THE**
11 **END OFFICE VERIZON WOULD DESIGNATE AS A VIRTUAL IP"? (Hoffman**
12 **Testimony at 13:13-17.)**

13 **A.** Yes. As Verizon has previously explained to US LEC, Verizon will use the unbundled
14 network element ("UNE") rate that the Pennsylvania PUC has established for dedicated
15 transport. However, US LEC incorrectly implies that Verizon will actually install and
16 use dedicated trunks to transport this traffic. *See* Hoffman Testimony at 14:1-8. Under
17 "option three," Verizon will not change the method by which it transports the traffic.
18 Instead, as previously explained to US LEC and as explained in Verizon's response to US
19 LEC's Interrogatory No. 24, it merely will use the UNE rate that the PUC has established
20 for dedicated transport for purposes of the calculation under Verizon's proposed section
21 7.1.1.1.1.

1 Q. DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT A SINGLE US LEC
2 POINT OF INTERCONNECTION PER LATA IS NOT "EXPENSIVE"?

3 (Hoffman Testimony at 15-16.)

4 A. No. As I explained in my initial testimony, when Verizon is required to transport a call
5 outside of the local calling area in which it originated, that call is, in effect, a toll call. If
6 the call were between two Verizon customers — for example, if a Verizon customer in
7 Allentown called a Verizon customer in Philadelphia — Verizon would charge its
8 customer in Allentown toll charges for transporting the call to Philadelphia. Under US
9 LEC's proposal, if a Verizon customer in Allentown called a US LEC customer in
10 Allentown, Verizon would still have to transport the call to US LEC's switch in
11 Philadelphia, but could not charge its customer toll charges *and* might have to pay US
12 LEC reciprocal compensation. *See* D'Amico Testimony at 8. Thus, it is clear that, under
13 US LEC's proposal, Verizon would "incur specific costs for which it is not already
14 compensated by the services it provides its customers that originate its traffic." Hoffman
15 Testimony at 16.

16 In fact, the Ohio Public Utility Commission ("PUC") recently rejected a CLEC's
17 similar "assertion that [an ILEC's] costs to provide transport are *de minimis*." Arbitration
18 Award, *Petition of Global NAPs, Inc. for Arbitration of Interconnection Rates, Terms,*
19 *and Conditions and Related Arrangements with United Telephone Company of Ohio*
20 *d/b/a Sprint, et al.*, Case No. 01-2811-TP-ARB, *et al.*, at 7 (Ohio PUC May 9, 2002)
21 ("*Ohio Arbitration Award*"). Indeed, if the costs really were *de minimis* — as Mr.
22 Hoffman suggests — then one suspects that US LEC would not be so adamantly opposed
23 to paying those costs.

1 Q. DO YOU AGREE WITH MR. HOFFMAN'S CLAIM THAT, UNDER VGRIP, US
2 LEC COULD BE FORCED "TO PROVIDE AN UNDERUTILIZED DIRECT END
3 OFFICE FACILITY TO CARRY VERIZON'S ORIGINATING TRAFFIC BACK
4 TO US LEC'S SWITCH"? (Hoffman Testimony at 19:2-6.)

5 A. No. As I have previously explained, although Verizon may request that a collocation site
6 that US LEC has established at a Verizon end office be designated as a geographically
7 relevant IP, US LEC is free to refuse that request. If US LEC refused that request, it
8 would not have to establish a direct end office facility, even if such a facility would be
9 efficiently utilized.

10
11 Q. DO YOU AGREE WITH MS. MONTANO'S CLAIM THAT VGRIP IS
12 CONTRARY TO THE FCC RULES? (Montano Testimony at 8:19 - 10:16.)

13 A. No. As I have previously explained, the FCC, this commission, numerous state
14 commissions, and the Third Circuit have all found that it is appropriate to require CLECs
15 to bear the costs of their interconnection choices. See D'Amico Testimony at 5:6 - 7:5,
16 14:12 - 17:9. In addition to the decisions cited in my initial testimony, the Ohio PUC
17 recently held that ILECs should be permitted to charge a CLEC for transporting traffic
18 outside a local calling area to a CLEC's POI so that the CLEC "will have to balance costs
19 and benefits rationally when designing and deploying its network in accordance with the
20 Act and the FCC's . . . rules." *Ohio Arbitration Award* at 7. The South Carolina Public
21 Service Commission, in arbitrating an agreement between Verizon and HTC

1 Communications, Inc., recently adopted Verizon's similar GRIP proposal¹ and "agree[d]
2 with Verizon that its language . . . [is] consistent with the Commission's ruling" in the
3 *AT&T Arbitration Order* under which a CLEC must bear the costs of its interconnection
4 choices. Order on Arbitration, *Petition of HTC Communications, Inc. for Arbitration of*
5 *an Interconnection Agreement with Verizon South Inc.*, Docket No. 2002-66-C, Order
6 No. 2002-450, at 58 (S.C. PSC June 12, 2002). The South Carolina PSC stated further:
7 "As we have previously ruled that a CLEC is responsible for paying for facilities
8 necessary to carry calls from distant local calling areas to a single POI, the same
9 conclusion should be drawn in this case and Verizon's [GRIP] language . . . should be
10 adopted." *Id.* at 59. The *AT&T Arbitration Order* is discussed in my initial testimony.
11 See D'Amico Testimony at 15:15 - 16:2.

12 Nor is Ms. Montano correct in claiming that the FCC's *Intercarrier*
13 *Compensation NPRM* and its *TSR Wireless Order* support US LEC's position here. See
14 Notice of Proposed Rulemaking, *Developing a Unified Intercarrier Compensation*
15 *Regime*, 16 FCC Rcd 9610 (2001) ("*Intercarrier Compensation NPRM*"); Memorandum
16 Opinion and Order, *TSR Wireless, LLC v. U S West Communications, Inc.*, 15 FCC Rcd
17 11166 (2000) ("*TSR Wireless Order*").

18 In the *Intercarrier Compensation NPRM*, the FCC acknowledged that
19 "[a]pplication of [its] rules" — including 47 C.F.R. § 51.703(b), on which Ms. Montano
20 relies — "has led to questions concerning which carrier should bear the cost of transport
21 to the POI, and under what circumstances an interconnecting carrier should be able to

¹ Under the GRIP proposal, CLECs must establish physical POIs or virtual IPs in each local calling area in a LATA. See also D'Amico Testimony at 15:2-8.

1 recover from the other carrier the costs of transport from the POI to the switch serving its
2 end user.” *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9651, ¶ 112. However, the
3 FCC did not suggest that those rules clearly resolved those questions. (The portion of the
4 NPRM that Ms. Montano quotes as support for US LEC’s position is not where the FCC
5 discusses the allocation of financial responsibility for a CLEC’s decision to establish only
6 a single physical POI per LATA. *See* Montano Testimony at 8:19 - 9:1 (quoting
7 *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9634, ¶ 70.) In fact, as I stated in my
8 initial testimony, in the *Pennsylvania Order* the FCC clearly held that those rules do not
9 prohibit the drawing of a distinction between the POI and the IP. Numerous other state
10 commissions have also rejected Ms. Montano’s reading of 47 C.F.R. § 51.703(b). *See*
11 *Order on Arbitration, Petition of AT&T Communications of the Southern States, Inc., for*
12 *Arbitration of Certain Terms and Conditions of a Proposed Interconnection Agreement*
13 *with BellSouth Telecommunications, Inc. Pursuant to 47 U.S.C. Section 252*, Docket No.
14 2000-527-C, at 25-26 (S.C. PSC Jan. 30, 2001); *Recommended Arbitration Order,*
15 *Arbitration of Interconnection Agreement Between AT&T Communications of the*
16 *Southern States, Inc., and TCG of the Carolinas, Inc., and BellSouth*
17 *Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996*, Docket Nos.
18 P-140, Sub 73 & P-646, Sub 7, at 14 (N.C. Utils. Comm’n Mar. 9, 2001), *aff’d*, *Order*
19 *Ruling on Objections and Requiring the Filing of the Composite Agreement*, Docket Nos.
20 P-140, Sub 73 & P-646, Sub 7 (N.C. Utils. Comm’n June 19, 2001); *Ohio Arbitration*
21 *Order* at 6.

22 Finally, in the *TSR Wireless Order*, the Commission held only that a wireless call
23 that originates and terminates in a local calling area is subject to the Commission’s

1 reciprocal compensation rules. *See TSR Wireless Order*, 15 FCC Rcd at 11166, ¶ 1. The
2 FCC did not address the issue of whether CLECs must be financially responsible when,
3 as a result of their interconnection decisions, local traffic must be transported to a POI
4 outside of the local calling area where it originates.

5

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

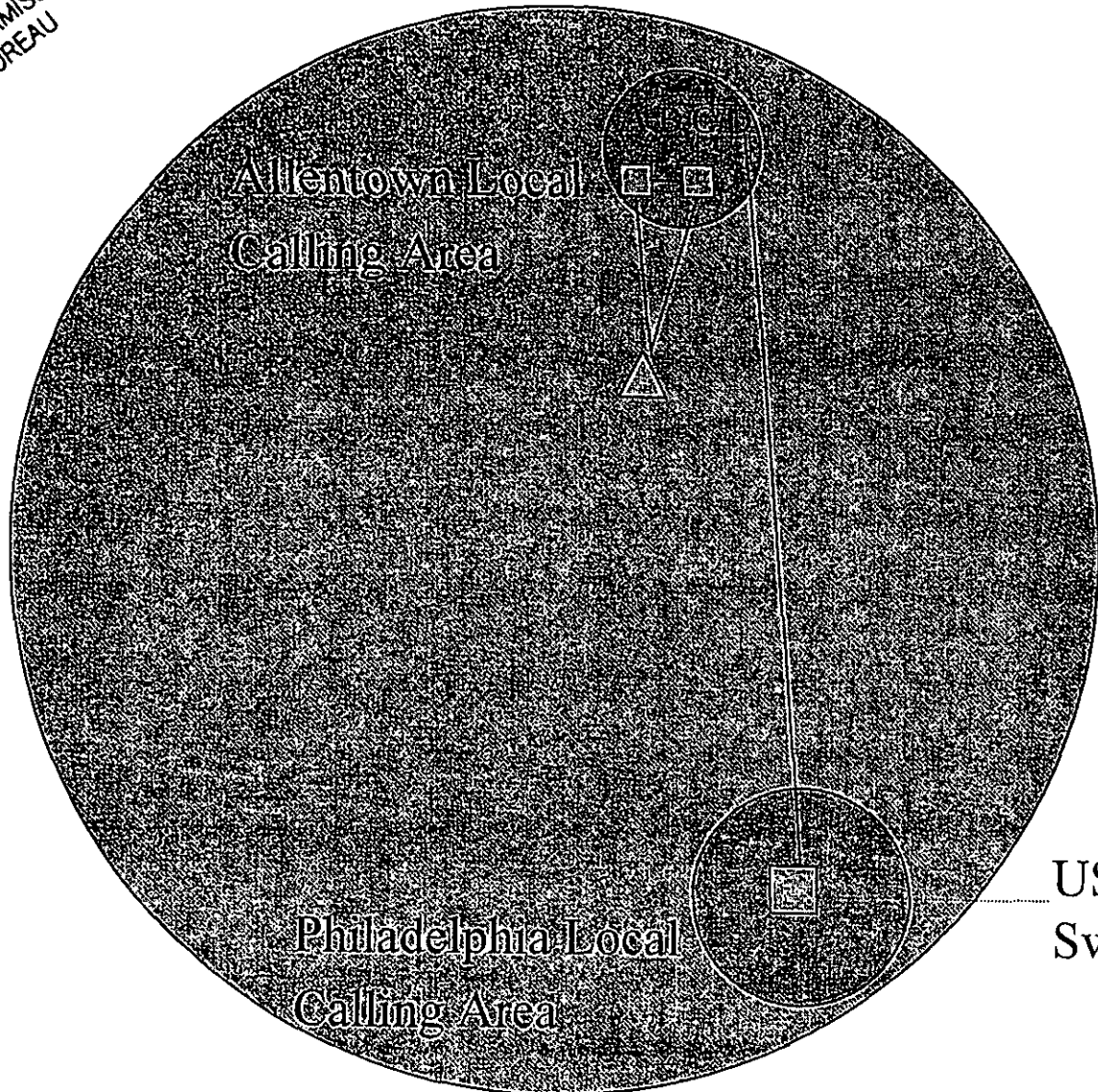
7 **A. Yes.**

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Philadelphia LATA



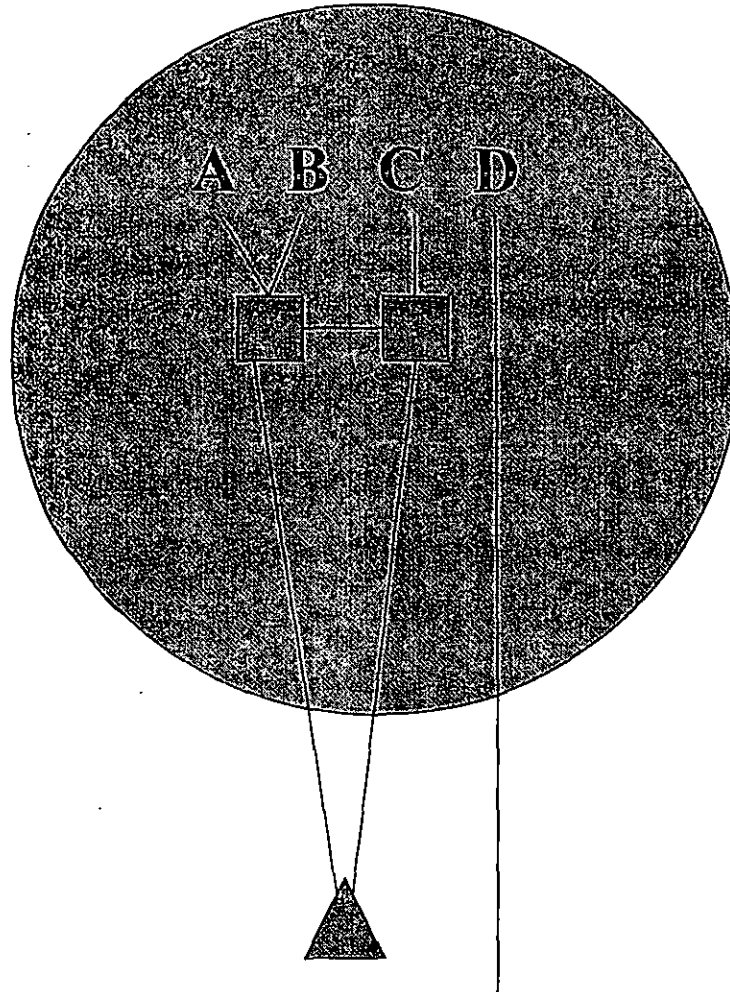
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US LEC
Switch

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Allentown Local Calling Area



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INTERCONNECTION ATTACHMENT

1. General

Each Party ("Providing Party") shall provide to the other Party, in accordance with this Agreement, the Providing Party's applicable Tariffs, and Applicable Law, interconnection with the Providing Party's network for the transmission and routing of Telephone Exchange Service and Exchange Access.

2. Methods for Interconnection and Trunk Types

2.1 Methods for Interconnection.

2.1.1 In accordance with, but only to the extent required by, Applicable Law, the Parties shall provide interconnection of their networks at any technically feasible point as specified in this Agreement.

2.1.2 [DISPUTED ITEM] Each Party ("Originating Party"), at its own expense, shall provide for delivery to the relevant IP of the other Party (~~"Receiving"~~ "Terminating Party") Reciprocal Compensation Traffic and Measured Internet Traffic that the Originating Party wishes to deliver to the ~~Receiving~~ Terminating Party.

2.1.3 US LEC may use any of the following methods for interconnection with Verizon:

2.1.3.1 a Collocation arrangement US LEC has established at the Verizon-IP pursuant to the Collocation Attachment; and/or

2.1.3.2 a Collocation arrangement, or an Entrance Facility and transport arrangement, that has been established separately at the Verizon-IP by a third party and that is used by US LEC to interconnect with Verizon; and/or

2.1.3.3 an Entrance Facility and transport obtained from Verizon (and any necessary multiplexing) pursuant to the applicable Verizon access Tariff or contractual arrangement, from the US LEC network to the Verizon-IP.

2.1.4 US LEC may order from Verizon, in accordance with the rates, terms and conditions set forth in this Agreement and applicable Verizon Tariff(s) (or in the absence of applicable rates, terms and conditions set forth in this Agreement and Verizon Tariff(s), in accordance with rates, terms and conditions to be negotiated by the Parties), any of the methods for interconnection specified in Section 2.1.3 above.

Verizon may use any of the following methods for interconnection with US LEC:

2.1.5.1 an arrangement Verizon has established at the US LEC-IP that is operationally equivalent to a Collocation arrangement (including, but not limited to, a Verizon provided Entrance Facility); and/or

2.1.5.2 an arrangement that a third party has established at the US LEC-IP that is operationally equivalent to a Collocation

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arrangement and that is used by Verizon to interconnect with US LEC; and/or

2.1.5.3 a non-distance sensitive Entrance Facility obtained from US LEC (and any necessary multiplexing), from the POI to the US LEC-IP (including, but not limited to, at Verizon's election, an Entrance Facility accessed by Verizon through interconnection at a Collocation arrangement that US LEC has established at a Verizon Wire Center pursuant to the Collocation Attachment, or through interconnection at a Collocation arrangement that has been established separately at a Verizon Wire Center by a third party and that is used by US LEC), or an Entrance Facility obtained from a third party that has established an interconnection arrangement with US LEC.

2.1.6 Verizon may order from US LEC, in accordance with the rates, terms and conditions set forth in this Agreement and applicable US LEC Tariff(s) (or in the absence of applicable rates, terms and conditions set forth in this Agreement and US LEC Tariff(s), in accordance with rates, terms and conditions to be negotiated by the Parties), any of the methods for interconnection specified in Section 2.1.5 above.

2.2 Trunk Types.

2.2.1 In interconnecting their networks pursuant to this Attachment, the Parties will use, as appropriate, the following separate and distinct trunk groups:

2.2.1.1 Interconnection Trunks for the transmission and routing of Reciprocal Compensation Traffic, translated LEC IntraLATA toll free service access code (e.g., 800/888/877) traffic, and IntraLATA Toll Traffic, between their respective Telephone Exchange Service Customers, Tandem Transit Traffic, and, Measured Internet Traffic, all in accordance with Sections 5 through 8 of this Attachment;

2.2.1.2 Access Toll Connecting Trunks for the transmission and routing of Exchange Access traffic, including translated InterLATA toll free service access code (e.g., 800/888/877) traffic, between US LEC Telephone Exchange Service Customers and purchasers of Switched Exchange Access Service via a Verizon access Tandem in accordance with Sections 9 through 11 of this Attachment; and

2.2.1.3 Miscellaneous Trunk Groups as mutually agreed to by the Parties, including, but not limited to: (a) choke trunks for traffic congestion and testing; and, (b) untranslated IntraLATA/InterLATA toll free service access code (e.g. 800/888/877) traffic.

2.2.2 Other types of trunk groups may be used by the Parties as provided in other Attachments to this Agreement (e.g., 911/E911 Trunks; Information Services Trunks) or in other separate agreements between the Parties (e.g., Directory Assistance Trunks, Operator Services Trunks, BLV/BLVI Trunks).

- 2.2.3 Except as otherwise provided in this Agreement, the Parties will mutually agree upon where One-Way Interconnection Trunks (trunks with traffic going in one direction, including one-way trunks and unidirectional two-way trunks) and/or Two-Way Interconnection Trunks (trunks with traffic going in both directions) will be deployed.
- 2.2.4 In the event the volume of traffic between the Party's networks, which is carried by a Final Tandem Interconnection Trunk group, exceeds the Centium Call Second (Hundred Call Second) busy hour equivalent of one (1) DS-1 at any time and/or 200,000 minutes of use for a single month: (a) if One-Way Interconnection Trunks are used, the originating Party shall promptly establish new End Office One-Way Interconnection Trunk groups between the Verizon End Office and the US LEC network; or, (b) if Two-Way Interconnection Trunks are used, US LEC shall promptly submit an ASR to Verizon to establish new End Office Two-Way Interconnection Trunk group(s) between that Verizon End Office and the US LEC network.
- 2.2.5 Except as otherwise agreed in writing by the Parties, the total number of Tandem Interconnection Trunks between US LEC's network and a Verizon Tandem will be limited to a maximum of 240 trunks. In the event that the Parties have exhausted Tandem offload requirements, as stated in Section 2.2.4, then the Parties agree to exceed the 240 trunk limitation at the Verizon Tandem until such time as Verizon or US LEC exceeds 200,000 combined minutes of use to a specific end office as detailed in Section 2.2.4. US LEC shall promptly submit an ASR to Verizon to establish new or additional End Office Trunks to insure that the volume of traffic between US LEC's network and the Verizon Tandem does not exceed the capacity of the 240 trunks.

2.3 One-Way Interconnection Trunks.

- 2.3.1 Where the Parties have agreed to use One-Way Interconnection Trunks for the delivery of traffic from US LEC to Verizon, US LEC, at US LEC's own expense, shall:
- 2.3.1.1 provide its own facilities for delivery of the traffic to the US LEC Collocation arrangement at the Verizon-IP or to the third-party Collocation arrangement used by US LEC at the Verizon-IP; and/or
- 2.3.1.2 obtain transport for delivery of the traffic to the US LEC Collocation arrangement at the Verizon-IP or to the third-party Collocation arrangement used by US LEC at the Verizon-IP (a) from a third-party, or, (b) if Verizon offers such transport pursuant to this Agreement or an applicable Verizon Tariff, from Verizon; and/or
- 2.3.1.3 order the One-Way Trunks from Verizon in accordance with the rates, terms and conditions set forth in this Agreement and applicable Verizon Tariffs, for installation on an Entrance Facility obtained by US LEC from Verizon pursuant to Sections 2.1.3.3 and 2.1.4, and also order multiplexing and transport from Verizon pursuant to Sections 2.1.3.3 and 2.1.4.

2.3.1.3.1 For each Tandem One -Way Interconnection Trunk group provided by Verizon to US LEC with a utilization level of less than sixty percent (60%) for three consecutive months, unless the Parties agree otherwise, US LEC will promptly submit ASRs to disconnect a sufficient number of Interconnection Trunks to attain a utilization level of approximately sixty percent (60%). The minimum utilization level of sixty percent (60%) is not required until trunk group members have been in service for at least ninety (90) days.

2.3.2 Where the Parties have agreed to use One-Way Interconnection Trunks for the delivery of traffic from Verizon to US LEC, Verizon, at Verizon's own expense, shall:

2.3.2.1 provide its own facilities for delivery of the traffic to the Verizon Collocation arrangement or interconnection arrangement at the US LEC-IP or to the third-party Collocation arrangement used by Verizon at the US LEC-IP; or

2.3.2.2 obtain transport for delivery of the traffic to the Verizon Collocation arrangement or interconnection arrangement at the US LEC-IP or to the third-party Collocation arrangement used by Verizon at the US LEC-IP (a) from a third-party, or, (b) if US LEC offers such transport pursuant to this Agreement or an applicable US LEC Tariff, from US LEC; or

2.3.2.3 order the One-Way Trunks from US LEC in accordance with the rates, terms and conditions set forth in this Agreement and applicable US LEC Tariffs for installation on an Entrance Facility obtained by Verizon from US LEC pursuant to Sections 2.1.5.3 and 2.1.6, or obtain the One-Way Trunks from a third-party that has established an interconnection arrangement with US LEC.

2.4 Two-Way Interconnection Trunks.

2.4.1 Where the Parties have agreed to use Two-Way Interconnection Trunks for the exchange of traffic between Verizon and US LEC, US LEC shall order from Verizon, and Verizon shall provide, the Two-Way Interconnection Trunks and the Entrance Facility, on which such Trunks will ride, and transport and multiplexing, in accordance with the rates, terms and conditions set forth in this Agreement and Verizon's applicable Tariffs.

2.4.2 Prior to ordering any Two-Way Interconnection Trunks from Verizon, US LEC shall meet with Verizon to conduct a joint planning meeting ("Joint Planning Meeting"). At that Joint Planning Meeting, each Party shall provide to the other Party originating Centium Call Second (Hundred Call Second) information, and the Parties shall mutually agree on the appropriate initial number of Two-Way End Office and Tandem Interconnection Trunks and the interface specifications at the Point of Interconnection (POI). Where the Parties have agreed to convert existing One-Way Interconnection Trunks to Two-Way Interconnection Trunks, at the Joint Planning Meeting, the Parties shall

also mutually agree on the conversion process and project intervals for conversion of such One-Way Interconnection Trunks to Two-Way Interconnection Trunks.

- 2.4.3 Two-Way Interconnection Trunks shall be from a Verizon End Office or Tandem to a mutually agreed upon POI.
- 2.4.4 On a semi-annual basis, US LEC shall submit a good faith forecast to Verizon of the number of End Office and Tandem Two-Way Interconnection Trunks that US LEC anticipates Verizon will need to provide during the ensuing two (2) year period to carry traffic from US LEC to Verizon and from Verizon to US LEC. US LEC's trunk forecasts shall conform to the Verizon CLEC trunk forecasting guidelines as in effect at that time.
- 2.4.5 The Parties shall meet (telephonically or in person) from time to time, as needed, to review data on End Office and Tandem Two-Way Interconnection Trunks to determine the need for new trunk groups and to plan any necessary changes in the number of Two-Way Interconnection Trunks.
- 2.4.6 Two-Way Interconnection Trunks shall have SS7 Common Channel Signaling. The Parties agree to utilize B8ZS and Extended Super Frame (ESF) DS1 facilities, where available.
- 2.4.7 With respect to End Office Two-Way Interconnection Trunks, both Parties shall use an economic Centium Call Second (Hundred Call Second) equal to five (5).
- 2.4.8 Two-Way Interconnection Trunk groups that connect to a Verizon access Tandem shall be engineered using a design blocking objective of Neal-Wilkenson B.005 during the average time consistent busy hour. Two-Way Interconnection Trunk groups that connect to a Verizon local Tandem shall be engineered using a design blocking objective of Neal-Wilkenson B.01 during the average time consistent busy hour. Verizon and US LEC shall engineer Two-Way Interconnection Trunks using BOC Notes on the LEC Networks SR-TSV-002275.
- 2.4.9 The performance standard for final Two-Way Interconnection Trunk groups shall be that no such Interconnection Trunk group will exceed its design blocking objective (B.005 or B.01, as applicable) for three (3) consecutive calendar traffic study months.
- 2.4.10 US LEC shall determine and order the number of Two-Way Interconnection Trunks that are required to meet the applicable design blocking objective for all traffic carried on each Two-Way Interconnection Trunk group. US LEC shall order Two-Way Interconnection Trunks by submitting ASRs to Verizon setting forth the number of Two-Way Interconnection Trunks to be installed and the requested installation dates within Verizon's effective standard intervals or negotiated intervals, as appropriate. US LEC shall complete ASRs in accordance with OBF Guidelines as in effect from time to time.
- 2.4.11 Verizon may (but shall not be obligated to) monitor Two-Way Interconnection Groups using service results for the applicable design

blocking objective. If Verizon observes blocking in excess of the applicable design objective on any Tandem Two-Way Interconnection Trunk group and US LEC has not notified Verizon that it has corrected such blocking, Verizon may submit to US LEC a Trunk Group Service Request directing US LEC to remedy the blocking. Upon receipt of a Trunk Group Service Request, US LEC will complete an ASR to augment the Two-Way Interconnection Trunk Group with excessive blocking and submit the ASR to Verizon within five (5) Business Days.

- 2.4.12 The Parties will review all Tandem Two-Way Interconnection Trunk groups that reach a utilization level of seventy percent (70%), or greater, to determine whether those groups should be augmented. US LEC will promptly augment all Tandem Two-Way Interconnection Trunk groups that reach a utilization level of eighty percent (80%) by submitting ASRs for additional trunks sufficient to attain a utilization level of approximately seventy percent (70%), unless the Parties agree that additional trunking is not required. For each Tandem Two-Way Interconnection Trunk group with a utilization level of less than sixty percent (60%), unless the Parties agree otherwise, US LEC will promptly submit ASRs to disconnect a sufficient number of Interconnection Trunks to attain a utilization level of approximately sixty percent (60%) for each respective group, unless the Parties agree that the Two-Way Interconnection Trunks should not be disconnected. In the event US LEC fails to submit an ASR for Two-Way Interconnection Trunks in conformance with this section, Verizon may bill US LEC for the excess Interconnection Trunks at the applicable Verizon rates.
- 2.4.13 Because Verizon will not be in control of when and how many Two-Way Interconnection Trunks are established between its network and US LEC's network, Verizon's performance in connection with these Two-Way Interconnection Trunk groups shall not be subject to any performance measurements and remedies under this Agreement, and, except as otherwise required by Applicable Law, under any FCC or Commission approved carrier-to-carrier performance assurance guidelines or plan.
- 2.4.14 Upon three (3) months prior written notice and with the mutual agreement of the Parties, either Party may withdraw its traffic from a Two-Way Interconnection Trunk group and install One-Way Interconnection Trunks to the other Party's relevant POI, provided that, if a Party has failed to comply with this Agreement with regard to Two-Way Interconnection Trunks, the other Party may upon three (3) months prior written notice and without mutual agreement of the non-complying Party, withdraw its traffic from a Two-Way Interconnection Trunk group and install One-Way Interconnection Trunks to the non-complying Party's relevant POI.
- 2.4.15 US LEC will route its traffic to Verizon over the End Office and Tandem Two-Way Interconnection Trunks in accordance with SR-TAP-000191, including but not limited to those standards requiring that a call from US LEC to a Verizon End Office will first be routed to the End Office Interconnection Trunk group between US LEC and the Verizon End Office.
- 2.4.16 When the Parties implement Two-Way Interconnection Trunks, the Parties will work cooperatively to calculate a Proportionate Percentage

of Use ("PPU") factor for each facility on which the Two-Way Interconnection Trunks ride, based on the total number of minutes of traffic that each Party sends over the Two-Way Interconnection Trunks riding on that facility. US LEC will pay a percentage of Verizon's monthly recurring charges for each facility on which the Two-Way Interconnection Trunks ride equal to US LEC's percentage of use of that facility as shown by the PPU. The PPU shall not be applied to calculate the charges for any portion of a facility that is on US LEC's side of US LEC's-IP, which charges shall be solely the financial responsibility of US LEC. During the first full calendar quarter (and any partial calendar quarter preceding such first full calendar quarter) after the first Two-Way Interconnection Trunk is established on a facility, the PPU for that facility will be fifty percent (50%) for each Party. For each calendar quarter thereafter, the Parties shall recalculate the PPU using actual traffic usage data for the preceding calendar quarter.

Non-recurring charges for the facility on which the Two-Way Interconnection Trunks ride shall be apportioned as follows: (a) for the portion of the facility on Verizon's side of the US LEC-IP, US LEC shall pay fifty percent (50%) of the Verizon non-recurring charges; and, (b) for the portion of the facility on US LEC's side of the US LEC-IP, US LEC shall be solely responsible for the non-recurring charges.

Notwithstanding the foregoing provisions of this Section 2.4.16, if US LEC fails to provide US LEC-IPs in accordance with this Agreement, US LEC will be responsible for one hundred percent (100%) of all recurring and non-recurring charges associated with Two-Way Interconnection Trunk groups until US LEC establishes such US LEC-IPs.

3. Alternative Interconnection Arrangements

- 3.1 In addition to the foregoing methods of Interconnection, and subject to mutual agreement of the Parties, the Parties may agree to establish an End Point Fiber Meet arrangement, which may include a SONET backbone with an optical interface at the OC-n level in accordance with the terms of this Section. The Fiber Distribution Frame at the US LEC location shall be designated as the POI for both Parties.
- 3.2 The establishment of any End Point Fiber Meet arrangement is expressly conditioned upon the Parties' reaching prior written agreement on routing, appropriate sizing and forecasting, equipment, ordering, provisioning, maintenance, repair, testing, augment, and compensation, procedures and arrangements, reasonable distance limitations, and on any other arrangements necessary to implement the End Point Fiber Meet arrangement.
- 3.3 Except as otherwise agreed by the Parties, End Point Fiber Meet arrangements shall be used only for the termination of Reciprocal Compensation Traffic, Measured Internet Traffic, and IntraLATA Toll Traffic.

4. Initiating Interconnection

- 4.1 If US LEC determines to offer Telephone Exchange Services and to interconnect with Verizon in any LATA in which Verizon also offers Telephone Exchange Services and in which the Parties are not already interconnected pursuant to this

Agreement, US LEC shall provide written notice to Verizon of the need to establish Interconnection in such LATA pursuant to this Agreement.

- 4.2 The notice provided in Section 4.1 shall include (a) the initial Routing Point(s); (b) the applicable US LEC-IPs to be established in the relevant LATA in accordance with this Agreement; (c) US LEC's intended Interconnection activation date; (d) a forecast of US LEC's trunking requirements conforming to Section 14.3; and (e) such other information as Verizon shall reasonably request in order to facilitate Interconnection.
- 4.3 The interconnection activation date in the new LATA shall be mutually agreed to by the Parties after receipt by Verizon of all necessary information as indicated above. Within ten (10) Business Days of Verizon's receipt of US LEC's notice provided for in Section 4.1, Verizon and US LEC shall confirm the Verizon-IP(s), the US LEC-IP(s) and the mutually agreed upon Interconnection activation date for the new LATA.

5. Transmission and Routing of Telephone Exchange Service Traffic

5.1 Scope of Traffic.

Section 5 prescribes parameters for Interconnection Trunks used for Interconnection pursuant to Sections 2 through 4 of this Attachment.

5.2 Trunk Group Connections and Ordering.

- 5.2.1 For One-Way or Two-Way Interconnection Trunks, both Parties shall use either a DS-1 or DS-3 facilities interface at the POI. When and where an STS-1 interface is available, the Parties may agree to use such an interface. Upon mutual agreement, the Parties may agree to use an optical interface (such as OC-n).
- 5.2.2 When One-Way or Two-Way Interconnection Trunks are provisioned using a DS-3 interface facility, then US LEC shall order the multiplexed DS-3 facilities to the Verizon Central Office that is designated in the NECA 4 Tariff as an Intermediate Hub location, unless otherwise agreed to in writing by Verizon. The specific NECA 4 Intermediate Hub location to be used for One-Way or Two-Way Interconnection Trunks shall be in the appropriate Tandem subtending area based on the LERG. In the event the appropriate DS-3 Intermediate Hub is not used, then US LEC shall pay 100% of the facility charges for the One-Way or Two-Way Interconnection Trunks.
- 5.2.3 Each Party will identify its Carrier Identification Code, a three or four digit numeric code obtained from Telcordia, to the other Party when ordering a trunk group.
- 5.2.4 Unless mutually agreed to by both Parties, each Party will outpulse ten (10) digits to the other Party.
- 5.2.5 Each Party will use commercially reasonable efforts to monitor trunk groups under its control and to augment those groups using generally accepted trunk engineering standards so as to not exceed blocking objectives. Each Party agrees to use modular trunk engineering techniques for trunks subject to this Attachment.

5.3 Switching System Hierarchy and Trunking Requirements.

For purposes of routing US LEC traffic to Verizon, the subtending arrangements between Verizon Tandem Switches and Verizon End Office Switches shall be the same as the Tandem/End Office subtending arrangements Verizon maintains for the routing of its own or other carriers' traffic. For purposes of routing Verizon traffic to US LEC, the subtending arrangements between US LEC Tandem Switches and US LEC End Office Switches shall be the same as the Tandem/End Office subtending arrangements that US LEC maintains for the routing of its own or other carriers' traffic.

5.4 Signaling.

Each Party will provide the other Party with access to its databases and associated signaling necessary for the routing and completion of the other Party's traffic in accordance with the provisions contained in the Unbundled Network Element Attachment or applicable access tariff.

5.5 Grades of Service.

The Parties shall initially engineer and shall monitor and augment all trunk groups consistent with the Joint Process as set forth in Section 14.1.

6. Traffic Measurement and Billing over Interconnection Trunks

6.1 For billing purposes, each Party shall pass Calling Party Number (CPN) information on calls carried over the Interconnection Trunks.

6.1.1 As used in this Section 6, "Traffic Rate" means the applicable Reciprocal Compensation Traffic rate, Measured Internet Traffic rate; intrastate Switched Exchange Access Service rate, interstate Switched Exchange Access Service rate, or intrastate/interstate Tandem Transit Traffic rate, as provided in the Pricing Attachment, an applicable Tariff, or, for Measured Internet Traffic, the FCC Internet Order.

6.1.2 If for any monthly period the originating Party passes CPN on ninety percent (90%) or more of its calls, the other Party ("Billing Party") may bill the originating Party the Local Traffic call completion rate, intrastate Switched Exchange Access Service rates, intrastate/interstate Tandem Transit Traffic rates, or interstate Switched Exchange Access Service rates applicable to each minute of traffic, as provided in Attachment A and applicable Tariffs, for which CPN is passed. For any remaining (up to 10%) calls without CPN information, the Billing Party may bill the originating Party for such traffic at the Reciprocal Compensation rate, intrastate Switched Exchange Access Service rates, intrastate/interstate Tandem Transit Traffic rates, or interstate Switched Exchange Access Service rates applicable to each minute of traffic, as provided in Attachment A and applicable Tariffs, in direct proportion to the minutes of use of calls passed with CPN information. If for any monthly billing period the originating Party passes CPN on eighty percent (80%) or more of its calls and provides evidence that it passed CPN on ninety percent (90%) or more of its calls for which it was technically feasible to do so, the Billing Party may bill the originating Party for traffic without CPN information at the Local Traffic call completion rate, intrastate Switched Exchange Access rates, intrastate/interstate Tandem Transit Traffic rates, or interstate Switched Exchange Access rates, applicable to each minute of traffic, as provided in Attachment A and applicable

Tariffs, in direct proportion to the minutes of use of calls passed with CPN information.

- 6.1.3 If the originating Party fails to pass CPN at the levels set forth in section 6.1.2 the Billing Party may bill the higher of its interstate Switched Exchange Access Service rates or its intrastate Switched Exchange Access Services rates for all traffic that is passed without CPN, unless the Parties agree that other rates should apply to such traffic.
- 6.2 At such time as a Billing Party has the capability, on an automated basis, to use such CPN to classify traffic delivered over Interconnection Trunks by the other Party by Traffic Rate type (e.g., Reciprocal Compensation Traffic/Measured Internet Traffic, intrastate Switched Exchange Access Service, interstate Switched Exchange Access Service, or intrastate/interstate Tandem Transit Traffic), such Billing Party may bill the originating Party the Traffic Rate applicable to each relevant minute of traffic for which CPN is passed. If the Billing Party lacks the capability, on an automated basis, to use CPN information on an automated basis to classify traffic delivered by the other Party by Traffic Rate type, the originating Party will supply Traffic Factor 1 and Traffic Factor 2. The Traffic Factors shall be supplied in writing by the originating Party within thirty (30) days of the Effective Date and shall be updated in writing by the originating Party quarterly. Measurement of billing minutes for purposes of determining terminating compensation shall be in conversation seconds (the time in seconds that the Parties equipment is used for a completed call, measured from the receipt of answer supervision to the receipt of disconnect supervision). Measurement of billing minutes for originating toll free service access code (e.g., 800/888/877) calls shall be in accordance with applicable Tariffs. Determinations as to whether traffic is Reciprocal Compensation Traffic or Measured Internet Traffic shall be made in accordance with Section 7.3.2.1 below.
- 6.3 Each Party, at its own expense, reserves the right to audit all Traffic, up to a maximum of two audits per calendar year, to ensure that rates are being applied appropriately; provided, however, that either Party shall have the right to conduct additional audit(s) if the preceding audit disclosed material errors or discrepancies. Each Party agrees to provide the necessary Traffic data in conjunction with any such audit in a timely manner.
- 6.4 Nothing in this Agreement shall be construed to limit either Party's ability to designate the areas within which that Party's Customers may make calls which that Party rates as "local" in its Customer Tariffs.

7. Reciprocal Compensation Arrangements Pursuant to Section 251(b)(5) of the Act

7.1 Reciprocal Compensation Traffic Interconnection Points.

- 7.1.1 Except as otherwise agreed by the Parties, the Interconnection Points ("IPs") from which US LEC will provide transport and termination of Reciprocal Compensation Traffic to its Customers ("US LEC-IPs") shall be as follows:

[SECTIONS 7.1.1.1, 7.1.1.2 AND 7.1.1.3 IN DISPUTE]

- 7.1.1.1. For each LATA in which US LEC requests to interconnect with Verizon, except as otherwise agreed by the Parties, US LEC shall establish an IP Geographically Relevant

~~Interconnection Points ("IPs"). Each Party (an "Originating Party") may request that the other Party (a "Receiving Party") establish IPs on the Receiving Party's network that are geographically relevant to the NXXs (and associated rate centers) that are assigned by the Receiving Party. The Originating Party is responsible for delivering Reciprocal Compensation Traffic originating on its network to the Receiving Party's geographically relevant IP. The points on the US LEC network at which Verizon shall hand off Reciprocal Compensation Traffic to US LEC are designated as the US LEC Interconnection Points ("US LEC IPs"). The points on the Verizon network at which US LEC shall hand off Reciprocal Compensation Traffic to Verizon are designated as the Verizon Interconnection Points ("Verizon IPs"). In the case of Verizon as a Receiving Party, to the extent US LEC requests Verizon to establish a geographically relevant IP in addition to the Verizon IPs at the Verizon Tandems, the geographically relevant IP shall be the Verizon end office serving the Customer for whom the traffic is intended. In the case of US LEC as a Receiving Party, US LEC will establish geographically relevant IPs by establishing a US LEC IP at a Collocation site at each Verizon Tandem in a LATA (or at such other wire centers in the LATA designated by Verizon) for those NXXs serving equivalent Verizon rate centers which subsume the Verizon Tandem. In any LATA in which Verizon agrees that US LEC may meet its obligation to establish geographically relevant IPs through a Collocation site at fewer than all of the Verizon Tandems in a LATA, then Verizon shall determine and advise US LEC as to which US LEC IP established at a Collocation site (or other available US LEC IP) Verizon will deliver traffic from each relevant originating rate center or other originating location.~~

~~7.1.1.1.1 If US LEC fails to establish a geographically relevant IP as provided herein, then without waiver of Verizon's right to seek enforcement of the requirements of this Section, until the requested IP is established, US LEC shall bill and Verizon shall pay the applicable intercarrier compensation rate for relevant traffic less Verizon's transport rate (calculated by taking the dedicated transport per mile rate multiplied by the average mileage between the originating end offices and the CLEC POI plus the fixed dedicated transport rate and dividing the total by the average minutes of use for a DS1), tandem switching rate (to the extent the traffic is tandem switched), and other costs (to the extent Verizon purchases such transport from US LEC or a third party), from Verizon's originating End Office to US LEC's IP.~~

7.1.1.2 At any time that US LEC establishes a Collocation site at a Verizon End Office, then either Party may request that

~~such US LEC Collocation site be established as the US LEC IP for traffic originated by Verizon Customers served by that End Office. Approval of such request shall not be unreasonably withheld or delayed. If US LEC should fail to establish an IP at an end office Collocation site pursuant to Verizon's request, within ninety (90) days following Verizon's request, then without waiver of Verizon's right to seek enforcement of the requirements of this Section, until the requested IP is established, US LEC shall bill and Verizon shall pay the applicable intercarrier compensation rate for relevant traffic less Verizon's transport rate, tandem switching rate (to the extent the traffic is tandem switched), and other costs (to the extent Verizon purchases such transport from US LEC or a third party), from Verizon's originating End Office to US LEC's IP.~~

7.1.1.3 In any LATA where the Parties are already interconnected prior to the effective date of this Agreement, US LEC may maintain existing CLEC-IPs, ~~except that Verizon may request in writing to transition such US LEC-IPs to the US LEC-IPs described in subsections 7.1.1.1 and 7.1.1.2, above. Upon such request, the Parties shall negotiate mutually satisfactory arrangements for the transition to CLEC-IPs that conform to subsections 7.1.1.1 and 7.1.1.2 above. If the Parties have not reached agreement on such arrangements within thirty (30) days, (a) either Party may pursue available dispute resolution mechanisms; and, (b) US LEC shall bill and Verizon shall pay only the lesser of the negotiated intercarrier compensation rate or the End Office reciprocal compensation rate for relevant traffic, less Verizon's transport rate, tandem switching rate (to the extent traffic is tandem switched), and other costs (to the extent that Verizon purchases such transport from US LEC or a third party), from Verizon's originating End Office to the US LEC IP.~~

7.1.2 Except as otherwise agreed by the Parties, the Interconnection Points ("IPs") from which Verizon will provide transport and termination of Reciprocal Compensation Traffic to its Customers ("Verizon-IPs") shall be as follows:

7.1.2.1 For Reciprocal Compensation Traffic delivered by US LEC to the Verizon Tandem subtended by the terminating End Office serving the Verizon Customer, the Verizon-IP will be the Verizon Tandem switch.

7.1.2.2 For Reciprocal Compensation Traffic delivered by US LEC to the Verizon terminating End Office serving the Verizon Customer, the Verizon-IP will be Verizon End Office switch.

7.1.3 Should either Party offer additional IPs to any Telecommunications Carrier that is not a Party to this Agreement, the other Party may elect to deliver traffic to such IPs for the NXXs or functionalities served by those IPs. To the extent that any such US LEC-IP is not located at a Collocation site at a Verizon Tandem Wire Center or Verizon End Office Wire Center, then US LEC shall permit Verizon to establish

physical Interconnection through collocation or other operationally comparable arrangements acceptable to Verizon at the US LEC-IP.

7.1.4 Each Party is responsible for delivering its Reciprocal Compensation Traffic that is to be terminated by the other Party to the other Party's relevant IP.

7.2 Reciprocal Compensation. [DISPUTED ITEM]

The Parties shall compensate each other for the transport and termination of Reciprocal Compensation Traffic delivered to the terminating Party in accordance with Section 251(b)(5) of the Act at the rates stated in the Pricing Attachment. These rates are to be applied at the US LEC-IP for traffic delivered by Verizon for termination by US LEC, and at the Verizon-IP for traffic delivered by US LEC for termination by Verizon. Except as expressly specified in this Agreement, no additional charges shall apply for the termination from the IP to the Customer of Reciprocal Compensation Traffic delivered to the Verizon-IP by US LEC or the US LEC-IP by Verizon. When such Reciprocal Compensation Traffic is delivered over the same trunks as Toll Traffic, any port or transport or other applicable access charges related to the delivery of Toll Traffic from the IP to an end user shall be prorated to be applied only to the Toll Traffic. The designation of traffic as Reciprocal Compensation Traffic for purposes of Reciprocal Compensation shall be based on the ~~actual originating and terminating points of the complete end-to-end communication~~ originating NPA-NXX rate center and the terminating NPA-NXX rate center.

7.3 Traffic Not Subject to Reciprocal Compensation.

7.3.1 Reciprocal Compensation shall not apply to interstate or intrastate Exchange Access, Information Access, or exchange services for Exchange Access or Information Access.

7.3.2 Reciprocal Compensation shall not apply to Internet Traffic.

7.3.2.1 The determination of whether traffic is Reciprocal Compensation Traffic or Internet Traffic shall be performed in accordance with Paragraphs 8 and 79, and other applicable provisions, of the FCC Internet Order (including, but not limited to, in accordance with the rebuttable presumption established by the FCC Internet Order that traffic delivered to a carrier that exceeds a 3:1 ratio of terminating to originating traffic is Internet Traffic, and in accordance with the process established by the FCC Internet Order for rebutting such presumption before the Commission).

7.3.3 Reciprocal Compensation shall not apply to Toll Traffic, including, but not limited to, calls originated on a 1+ presubscription basis, or on a casual dialed (10XXX/101XXXX) basis.

7.3.4 Reciprocal Compensation shall not apply to Optional Extended Local Calling Area Traffic.

7.3.5 Reciprocal Compensation shall not apply to special access, private line, or any other traffic that is not switched by the terminating Party.

7.3.6 Reciprocal Compensation shall not apply to Tandem Transit Traffic.

- 7.3.7 ~~[DISPUTED ITEM] Reciprocal Compensation shall not apply to Voice Information Service Traffic (as defined in Section 5 of the Additional Services Attachment).~~
- 7.4 The Reciprocal Compensation rates (including, but not limited to, the Reciprocal Compensation per minute of use charges) billed by US LEC to Verizon shall not exceed the Reciprocal Compensation rates (including, but not limited to, Reciprocal Compensation per minute of use charges) billed by Verizon to US LEC.
8. Other Types of Traffic
- 8.1 ~~[DISPUTED ITEM] Notwithstanding any other provision of this Agreement or any Tariff: (a) the Parties' rights and obligations with respect to any intercarrier compensation that may be due in connection with their exchange of Internet Traffic shall be governed by the terms of the FCC Internet Order and other applicable FCC orders and FCC Regulations; and, (b) a Party shall not be obligated to pay any intercarrier compensation for Internet Traffic that is in excess of the intercarrier compensation for Internet Traffic that such Party is required to pay under the FCC Internet Order and other applicable FCC orders and FCC Regulations. Notwithstanding any other provision of this Agreement or any Tariff, and except as set forth herein, the Parties' rights and obligations with respect to intercarrier compensation that is due in connection with their exchange of Internet Traffic shall be governed by the terms of the FCC Internet Order and other applicable FCC Orders and FCC Regulations. From the effective date of this Agreement until June 13, 2003, the parties shall compensate each other for the exchange of Internet Traffic at the rate of \$0.0010 per MOU. From June 14, 2003 through the term of this agreement, or until the FCC issues a permanent rate structure governing intercarrier compensation for such traffic that is final and non-appealable, whichever is earlier, the parties shall compensate each other for the exchange of Internet Traffic at the rate of \$0.0007 per MOU.~~
- 8.1.1 [DISPUTED ITEM] In the event the FCC's Internet Order is stayed, vacated, remanded or overturned by a court of competent jurisdiction, the Parties will maintain the rate structure set forth in section 8.1 hereof for the term of this Agreement; provided, however, that in consideration for maintaining the rate structure of the Internet Order, the Parties will waive all other provisions of the FCC's Internet Order, including but not limited to the growth cap and new market provisions.
- 8.2 Subject to Section 8.1 above, interstate and intrastate Exchange Access, Information Access, exchange services for Exchange Access or Information Access, and Toll Traffic, shall be governed by the applicable provisions of this Agreement and applicable Tariffs.
- 8.3 For any traffic originating with a third party carrier and delivered by US LEC to Verizon, US LEC shall pay Verizon the same amount that such third party carrier would have been obligated to pay Verizon for termination of that traffic at the location the traffic is delivered to Verizon by US LEC.
- 8.4 Any traffic not specifically addressed in this Agreement shall be treated as required by the applicable Tariff of the Party transporting and/or terminating the traffic.
- 8.5 Interconnection Points.

- 8.5.1 The IP for Measured Internet Traffic shall be the same as the IP for Reciprocal Compensation Traffic under Section 7.1 above.
- 8.5.2 [DISPUTED ITEM] Except as otherwise set forth in the applicable Tariff of a Party (~~“Receiving”~~ “Terminating Party”) that receives Toll Traffic from the other Party, the IP of the ~~Receiving~~ Terminating Party for Toll Traffic delivered to the ~~Receiving~~ Terminating Party by the other Party shall be the same as the IP of the ~~Receiving~~ Terminating Party for Reciprocal Compensation Traffic under Section 7.1 above.
- 8.5.3 [DISPUTED ITEM] The IP for traffic exchanged between the Parties that is not Reciprocal Compensation Traffic, Measured Internet Traffic or Toll Traffic, shall be as specified in the applicable provisions of this Agreement or the applicable Tariff of the ~~receiving~~ terminating Party, or in the absence of applicable provisions in this Agreement or a Tariff of the ~~receiving~~ terminating Party, as mutually agreed by the Parties.

9. Transmission and Routing of Exchange Access Traffic

9.1 Scope of Traffic.

Section 9 prescribes parameters for certain trunks to be established over the interconnections specified in Sections 2 through 5 of this Attachment for the transmission and routing of traffic between US LEC Telephone Exchange Service Customers and Interexchange Carriers (“Access Toll Connecting Trunks”), in any case where US LEC elects to have its End Office Switch subtend a Verizon Tandem. This includes casually-dialed (1010XXX and 101XXXX) traffic.

9.2 Access Toll Connecting Trunk Group Architecture.

- 9.2.1 If US LEC chooses to subtend a Verizon access Tandem, US LEC's NPA/NXX must be assigned by US LEC to subtend the same Verizon access Tandem that a Verizon NPA/NXX serving the same Rate Center Area subtends as identified in the LERG.
- 9.2.2 US LEC shall establish Access Toll Connecting Trunks pursuant to applicable access Tariffs by which it will provide Switched Exchange Access Services to Interexchange Carriers to enable such Interexchange Carriers to originate and terminate traffic to and from US LEC's Customers.
- 9.2.3 The Access Toll Connecting Trunks shall be two-way trunks. Such trunks shall connect the End Office US LEC utilizes to provide Telephone Exchange Service and Switched Exchange Access to its Customers in a given LATA to the Tandem Verizon utilizes to provide Exchange Access in such LATA.
- 9.2.4 Access Toll Connecting Trunks shall be used solely for the transmission and routing of Exchange Access to allow US LEC's Customers to connect to or be connected to the interexchange trunks of any Interexchange Carrier which is connected to a Verizon access tandem.

10. Meet-Point Billing Arrangements

- 10.1 US LEC and Verizon will establish Meet-Point Billing (MPB) arrangements in order to provide a common transport option to Switched Exchange Access Services customers via a Verizon access Tandem Switch in accordance with the Meet Point Billing guidelines contained in the OBF's MECAB and MECOD documents, except as modified herein, and in Verizon's applicable Tariffs. The arrangements described in this Section 10 are intended to be used to provide Switched Exchange Access Service where the transport component of the Switched Exchange Access Service is routed through an access Tandem Switch that is provided by Verizon.
- 10.2 In each LATA, the Parties shall establish MPB arrangements for the applicable US LEC Routing Point/Verizon Serving Wire Center combinations.
- 10.3 Interconnection for the MPB arrangement shall occur at the Verizon access Tandems in the LATA, unless otherwise agreed to by the Parties.
- 10.4 US LEC and Verizon will use reasonable efforts, individually and collectively, to maintain provisions in their respective state access Tariffs, and/or provisions within the National Exchange Carrier Association (NECA) Tariff No. 4, or any successor Tariff sufficient to reflect the MPB arrangements established pursuant to this Agreement.
- 10.5 In general, there are four alternative Meet-Point Billing arrangements possible, which are: Single Bill/Single Tariff, Multiple Bill/Single Tariff, Multiple Bill/Multiple Tariff, and Single Bill/Multiple Tariff, as outlined in the OBF MECAB Guidelines.
- Each Party shall implement the "Multiple Bill/Single Tariff" or "Multiple Bill/Multiple Tariff" option, as appropriate, in order to bill an IXC for the portion of the MPB arrangement provided by that Party. Alternatively, in former Bell Atlantic service areas, upon agreement of the Parties, each Party may use the New York State Access Pool on its behalf to implement the Single Bill/Multiple Tariff or Single Bill/Single Tariff option, as appropriate, in order to bill an IXC for the portion of the MPB arrangement provided by that Party.
- 10.6 The rates to be billed by each Party for the portion of the MPB arrangement provided by it shall be as set forth in that Party's applicable Tariffs, or other document that contains the terms under which that Party's access services are offered. For each US LEC Routing Point/Verizon Serving Wire Center combination, the MPB billing percentages for transport between the US LEC Routing Point and the Verizon Serving Wire Center shall be calculated in accordance with the formula set forth in Section 10.17.
- 10.7 Each Party shall provide the other Party with the billing name, billing address, and Carrier Identification Code (CIC) of the IXC, and identification of the Verizon Wire Center serving the IXC in order to comply with the MPB notification process as outlined in the MECAB document.
- 10.8 Verizon shall provide US LEC with the Switched Access Detail Usage Data (EMI category 1101XX records) on magnetic tape or via such other media as the Parties may agree to, no later than ten (10) Business Days after the date the usage occurred.
- 10.9 US LEC shall provide Verizon with the Switched Access Summary Usage Data (EMI category 1150XX records) on magnetic tape or via such other media as the Parties may agree, no later than ten (10) Business Days after the date of its rendering of the bill to the relevant IXC, which bill shall be rendered no less frequently than monthly.

- 10.10 All usage data to be provided pursuant to Sections 10.8 and 10.9 shall be sent to the following addresses:

To US LEC:

Access Billing/IT Group
US LEC Corporation
6801 Morrison Boulevard
Charlotte, NC 28211

For Verizon:

New York State Access Pool
C/O ACM, Inc.
120 Erie Blvd.
Schenectady, N.Y. 12305
Attn: Mark Ferri

Either Party may change its address for receiving usage data by notifying the other Party in writing pursuant to Section 29 of the General Terms and Conditions.

- 10.11 US LEC and Verizon shall coordinate and exchange the billing account reference (BAR) and billing account cross reference (BACR) numbers or Operating Company Number ("OCN"), as appropriate, for the MPB arrangements described in this Section 10. Each Party shall notify the other if the level of billing or other BAR/BACR elements change, resulting in a new BAR/BACR number, or if the OCN changes.
- 10.12 Each Party agrees to provide the other Party with notification of any errors it discovers in MPB data within thirty (30) calendar days of the receipt of the original data. The other Party shall attempt to correct the error and resubmit the data within ten (10) Business Days of the notification. In the event the errors cannot be corrected within such ten- (10) Business-Day period, the erroneous data will be considered lost. In the event of a loss of data, whether due to uncorrectable errors or otherwise, both Parties shall cooperate to reconstruct the lost data and, if such reconstruction is not possible, shall accept a reasonable estimate of the lost data based upon prior usage data.
- 10.13 Either Party may request a review or audit of the various components of access recording up to a maximum of two (2) audits per calendar year. All costs associated with each review and audit shall be borne by the requesting Party. Such review or audit shall be conducted subject to Section 7 of the General Terms and Conditions and during regular business hours. A Party may conduct additional audits, at its expense, upon the other Party's consent, which consent shall not be unreasonably withheld.
- 10.14 Except as expressly set forth in this Agreement, nothing contained in this Section 10 shall create any liability for damages, losses, claims, costs, injuries, expenses or other liabilities whatsoever on the part of either Party.

- 10.15 MPB will apply for all traffic bearing the 500, 900, toll free service access code (e.g. 800/888/877) (to the extent provided by an IXC) or any other non-geographic NPA which may be designated for such traffic in the future.
- 10.16 In the event US LEC determines to offer Telephone Exchange Services in a LATA in which Verizon operates an access Tandem Switch, Verizon shall permit and enable US LEC to subtenant the Verizon access Tandem Switch(es) designated for the Verizon End Offices in the area where there are located US LEC Routing Point(s) associated with the NPA NXX(s) to/from which the Switched Exchange Access Services are homed.
- 10.17 Except as otherwise mutually agreed by the Parties, the MPB billing percentages for each Routing Point/Verizon Serving Wire Center combination shall be calculated according to the following formula, unless as mutually agreed to by the Parties:

$$a / (a + b) = \text{US LEC Billing Percentage}$$

and

$$b / (a + b) = \text{Verizon Billing Percentage}$$

where:

a = the airline mileage between US LEC Routing Point and the actual point of interconnection for the MPB arrangement; and

b = the airline mileage between the Verizon Serving Wire Center and the actual point of interconnection for the MPB arrangement.

- 10.18 US LEC shall inform Verizon of each LATA in which it intends to offer Telephone Exchange Services and its calculation of the billing percentages which should apply for such arrangement. Within ten (10) Business Days of US LEC's delivery of notice to Verizon, Verizon and US LEC shall confirm the Routing Point/Verizon Serving Wire Center combination and billing percentages.

11. Toll Free Service Access Code (e.g., 800/888/877) Traffic

The following terms shall apply when either Party delivers toll free service access code (e.g., 800/877/888)("8YY") calls to the other Party. For the purposes of this Section 11, the terms "translated" and "untranslated" refers to those toll free service access code calls that have been queried ("translated") or have not been queried ("untranslated") to an 8YY database. Except as otherwise agreed to by the Parties, all then US LEC originating "untranslated" 8YY traffic will be routed over a separate one-way trunk group.

- 11.1 When US LEC delivers translated 8YY calls to Verizon for completion,

11.1.1 to an IXC, US LEC shall:

11.1.1.1 provide an appropriate EMI record to Verizon for processing and Meet Point Billing in accordance with Section 10 above; and

11.1.1.2 bill the IXC the US LEC query charge associated with the call.

- 11.1.2 to Verizon or another LEC that is a toll free service access code service provider in the LATA, US LEC shall:
 - 11.1.2.1 provide an appropriate EMI record to the toll free service access code service provider; and
 - 11.1.2.2 bill to the toll free service access code service provider the US LEC's Tariffed Feature Group D ("FGD") Switched Exchange Access or Reciprocal Compensation charges, as applicable, and the US LEC query charge; and
 - 11.1.2.3 Verizon shall bill applicable Tandem Transit Service charges and associated passthrough charges to US LEC.
- 11.2 When Verizon performs the query and delivers translated 8YY calls, originated by Verizon's or another LEC's Customer,
 - 11.2.1 to US LEC in its capacity as a toll free service access code service provider, Verizon shall:
 - 11.2.1.1 bill US LEC the Verizon query charge associated with the call as specified in the Pricing Attachment; and
 - 11.2.1.2 provide an appropriate EMI record to US LEC; and
 - 11.2.1.3 bill US LEC Verizon's Tariffed FGD Switched Exchange Access or Reciprocal Compensation charges as applicable.
- 11.3 When US LEC delivers untranslated 8YY calls to Verizon for completion,
 - 11.3.1 to an IXC, Verizon shall:
 - 11.3.1.1 query the call and route the call to the appropriate IXC; and
 - 11.3.1.2 provide an appropriate EMI record to US LEC to facilitate billing to the IXC; and
 - 11.3.1.3 bill the IXC the Verizon query charge associated with the call and any other applicable Verizon charges.
 - 11.3.2 to Verizon or another LEC that is a toll free service access code service provider in the LATA, Verizon shall:
 - 11.3.2.1 query the call and route the call to the appropriate LEC toll free service access code service provider; and
 - 11.3.2.2 provide an appropriate EMI record to US LEC; to facilitate billing to the LEC toll free service access code service provider; and
 - 11.3.2.3 bill the LEC toll free service access code service provider the query charge associated with the call and any other applicable Verizon charges.
- 11.4 Verizon will not direct untranslated toll free service access code call to US LEC.

12. Tandem Transit Traffic

- 12.1 As used in this Section 12, Tandem Transit Traffic is Telephone Exchange Service traffic that originates on US LEC's network, and is transported through a Verizon Tandem to the Central Office of a CLEC, ILEC other than Verizon, Commercial Mobile Radio Service (CMRS) carrier, or other LEC, that subtends the relevant Verizon Tandem to which US LEC delivers such traffic. Neither the originating nor terminating customer is a Customer of Verizon. Subtending Central Offices shall be determined in accordance with and as identified in the Local Exchange Routing Guide (LERG). Switched Exchange Access Service traffic is not Tandem Transit Traffic.
- 12.2 Tandem Transit Traffic Service provides US LEC with the transport of Tandem Transit Traffic as provided below.
- 12.3 Tandem Transit Traffic may be routed over the Interconnection Trunks described in Sections 3 through 6. US LEC shall deliver each Tandem Transit Traffic call to Verizon with CCS and the appropriate Transactional Capabilities Application Part ("TCAP") message to facilitate full interoperability of CLASS Features and billing functions.
- 12.4 **[DISPUTED ITEM]** US LEC shall exercise its best efforts to enter into a reciprocal Telephone Exchange Service traffic arrangement (either via written agreement or mutual Tariffs) with any CLEC, ILEC, CMRS carrier, or other LEC, to which it delivers Telephone Exchange Service traffic that transits Verizon's Tandem Office. ~~If US LEC does not enter into and provide notice to Verizon of the above referenced arrangement within 180 days of the initial traffic exchange with relevant third party carriers, then Verizon may, at its sole discretion, terminate Tandem Transit Service at anytime upon thirty (30) days written notice to US LEC, provided, however, that Verizon shall not terminate Tandem Transit Service pursuant to this section 12.4 pending resolution of a complaint on such termination filed by US LEC at the Commission (which complaint shall include a request for expedited resolution by the Commission) within 15 days of receipt of notice of termination provided by Verizon.~~
- 12.5 US LEC shall pay Verizon for Transit Service that US LEC originates at the rate specified in the Pricing Attachment, plus any additional charges or costs the CLEC, ILEC, CMRS carrier, or other LEC, imposes or levies on Verizon for the delivery or termination of such traffic, including any Switched Exchange Access Service charges.
- 12.6 Verizon will not be required to provide Tandem Transit Traffic Services for local Tandem Transit Traffic to be delivered to a CLEC, ILEC, CMRS carrier, or other LEC, if the volume of local Tandem Transit Traffic to be delivered to the CLEC, ILEC, CMRS carrier, or other LEC exceeds one (1) DS-1 level volume of calls per CLEC, ILEC, CMRS carrier, or other LEC per Verizon tandem serving area for a period of three consecutive months. Prior to the threshold being reached, US LEC and the relevant 3rd party shall negotiate agreements to establish direct connections, so that these direct connections can be made available when the threshold has been exceeded for 60 days. Once the first directly connected DS-1 is installed to a CLEC, ILEC, CMRS carrier, or other LEC, overflow traffic may traverse the Verizon tandem to that entity until such time that the level of overflow traffic meets the requirements specified in this Section 12.6 addressing the need for an additional DS-1. Each subsequent need for an additional DS-1 will be handled in a like manner.
- 12.7 If or when a third party carrier's Central Office subtends a US LEC Central Office, then US LEC shall offer to Verizon a service arrangement equivalent to or the same as Tandem Transit Service provided by Verizon to US LEC as defined in

this Section 12 such that Verizon may terminate calls to a Central Office of a CLEC, ILEC, CMRS carrier, or other LEC, that subtends a US LEC Central Office ("Reciprocal Tandem Transit Service"). US LEC shall offer such Reciprocal Transit Service arrangements under terms and conditions no less favorable than those provided in this Section 12.

- 12.8 Neither Party shall take any actions to prevent the other Party from entering into a direct and reciprocal traffic exchange agreement with any carrier to which it originates, or from which it terminates, traffic.

13. Number Resources, Rate Center Areas and Routing Points

- 13.1 Nothing in this Agreement shall be construed to limit or otherwise adversely affect in any manner either Party's right to employ or to request and be assigned any Central Office Codes ("NXX") pursuant to the Central Office Code Assignment Guidelines and any relevant FCC or Commission orders, as may be amended from time to time, or to establish, by Tariff or otherwise, Rate Center Areas and Routing Points corresponding to such NXX codes.
- 13.2 It shall be the responsibility of each Party to program and update its own switches and network systems pursuant to information provided on ASRs as well as the LERG in order to recognize and route traffic to the other Party's assigned NXX codes. Except as expressly set forth in this Agreement, neither Party shall impose any fees or charges whatsoever on the other Party for such activities.
- 13.3 Unless otherwise required by Commission order, the Rate Center Areas will be the same for each Party. During the term of this Agreement, US LEC shall adopt the Rate Center Area and Rate Center Points that the Commission has approved for Verizon within the LATA and Tandem serving area. US LEC shall assign whole NPA-NXX codes to each Rate Center Area unless otherwise ordered by the FCC, the Commission or another governmental entity of appropriate jurisdiction, or the LEC industry adopts alternative methods of utilizing NXXs.
- 13.4 US LEC will also designate a Routing Point for each assigned NXX code. US LEC shall designate one location for each Rate Center Area in which the US LEC has established NXX code(s) as the Routing Point for the NPA-NXXs associated with that Rate Center Area, and such Routing Point shall be within the same LATA as the Rate Center Area but not necessarily within the Rate Center Area itself. Unless specified otherwise, calls to subsequent NXXs of US LEC will be routed in the same manner as calls to US LEC's initial NXXs.
- 13.5 Notwithstanding anything to the contrary contained herein, nothing in this Agreement is intended, and nothing in this Agreement shall be construed, to in any way constrain US LEC's choices regarding the size of the local calling area(s) that US LEC may establish for its Customers, which local calling areas may be larger than, smaller than, or identical to Verizon's local calling areas.

14. Joint Network Implementation and Grooming Process; and Installation, Maintenance, Testing and Repair

14.1 Joint Network Implementation and Grooming Process.

Upon request of either Party, the Parties shall jointly develop an implementation and grooming process (the "Joint Grooming Process" or "Joint Process") which may define and detail, inter alia:

- 14.1.1 standards to ensure that Interconnection Trunks experience a grade of service, availability and quality which is comparable to that achieved on interoffice trunks within Verizon's network and in accord with all appropriate relevant industry-accepted quality, reliability and availability standards. Except as otherwise stated in this Agreement, trunks provided by either Party for Interconnection services will be engineered using a design-blocking objective of B.01.
- 14.1.2 the respective duties and responsibilities of the Parties with respect to the administration and maintenance of the trunk groups, including, but not limited to, standards and procedures for notification and discoveries of trunk disconnects;
- 14.1.3 disaster recovery provision escalations;
- 14.1.4 additional technically feasible and geographically relevant IP(s) in a LATA as provided in Section 2; and
- 14.1.5 such other matters as the Parties may agree, including, e.g., End Office to End Office high usage trunks as good engineering practices may dictate.

14.2 Installation, Maintenance, Testing and Repair.

Unless otherwise agreed in writing by the Parties, to the extent required by Applicable Law, Interconnection provided by a Party shall be equal in quality to that provided by such Party to itself, any subsidiary, affiliates or third party. If either Party is unable to fulfill its obligations under this Section 14.2, it shall notify the other Party of its inability to do so and will negotiate alternative intervals in good faith. The Parties agree that to the extent required by Applicable Law, the standards to be used by a Party for isolating and clearing any disconnections and/or other outages or troubles shall be at parity with standards used by such Party with respect to itself, any subsidiary, affiliate or third party.

14.3 Forecasting Requirements for Trunk Provisioning.

Within ninety (90) days of executing this Agreement, US LEC shall provide Verizon a two (2) year traffic forecast. This initial forecast will provide the amount of traffic to be delivered to and from Verizon over each of the Interconnection Trunk groups over the next eight (8) quarters. The forecast shall be updated and provided to Verizon on an as-needed basis but no less frequently than semiannually. All forecasts shall comply with the Verizon CLEC Interconnection Trunking Forecast Guide and shall include, at a minimum, Access Carrier Terminal Location (ACTL), traffic type (Reciprocal Compensation Traffic/Toll Traffic, Operator Services, 911, etc.), code (identifies trunk group), A location/Z location (CLLI codes for US LEC-IPs and Verizon-IPs), interface type (e.g., DS1), and trunks in service each year (cumulative).

- 14.3.1 Initial Forecasts/Trunking Requirements. Because Verizon's trunking requirements will, at least during an initial period, be dependent on the Customer segments and service segments within Customer segments to whom US LEC decides to market its services, Verizon will be largely dependent on US LEC to provide accurate trunk forecasts for both inbound (from Verizon) and outbound (to Verizon) traffic. Verizon will, as an initial matter, provide the same number of trunks to terminate Reciprocal Compensation Traffic to US LEC as US LEC provides to terminate Reciprocal Compensation Traffic to Verizon. At Verizon's

discretion, when US LEC expressly identifies particular situations that are expected to produce traffic that is substantially skewed in either the inbound or outbound direction, Verizon will provide the number of trunks US LEC suggests; provided, however, that in all cases Verizon's provision of the forecasted number of trunks to US LEC is conditioned on the following: that such forecast is based on reasonable engineering criteria, there are no capacity constraints, and US LEC's previous forecasts have proven to be reliable and accurate.

14.3.1.1 Monitoring and Adjusting Forecasts. Verizon will, for ninety (90) days, monitor traffic on each trunk group that it establishes at US LEC's suggestion or request pursuant to the procedures identified in Section 14.3. At the end of such ninety-(90) day period, Verizon may disconnect trunks that, based on reasonable engineering criteria and capacity constraints, are not warranted by the actual traffic volume experienced.

14.3.1.2 In subsequent periods, Verizon may also monitor traffic for ninety (90) days on additional trunk groups that US LEC suggests or requests Verizon to establish.

15. **Number Portability - Section 251(B)(2)**

15.1 Scope.

The Parties shall provide Number Portability (NP) in accordance with rules and regulations as from time to time prescribed by the FCC.

15.2 Procedures for Providing LNP ("Long-term Number Portability").

The Parties will follow the LNP provisioning process recommended by the North American Numbering Council (NANC) and adopted by the FCC. In addition, the Parties agree to follow the LNP ordering procedures established at the OBF. The Parties shall provide LNP on a reciprocal basis.

15.2.1 A Customer of one Party ("Party A") elects to become a Customer of the other Party ("Party B"). The Customer elects to utilize the original telephone number(s) corresponding to the Telephone Exchange Service(s) it previously received from Party A, in conjunction with the Telephone Exchange Service(s) it will now receive from Party B. After Party B has received authorization from the Customer in accordance with Applicable Law and sends an LSR to Party A, Parties A and B will work together to port the Customer's telephone number(s) from Party A's network to Party B's network.

15.2.2 When a telephone number is ported out of Party A's network, Party A will remove any non-proprietary line based calling card(s) associated with the ported number(s) from its Line Information Database (LIDB). Reactivation of the line-based calling card in another LIDB, if desired, is the responsibility of Party B or Party B's Customer.

15.2.3 When a Customer of Party A ports their telephone numbers to Party B and the Customer has previously secured a reservation of line numbers from Party A for possible activation at a future point, these reserved but inactive numbers may be ported along with the active numbers to be ported provided the numbers have been reserved for

the Customer. Party B may request that Party A port all reserved numbers assigned to the Customer or that Party A port only those numbers listed by Party B. As long as Party B maintains reserved but inactive numbers ported for the Customer, Party A shall not reassign those numbers. Party B shall not reassign the reserved numbers to another Customer.

- 15.2.4 When a Customer of Party A ports their telephone numbers to Party B, in the process of porting the Customer's telephone numbers, Party A shall implement the ten-digit trigger feature where it is available. When Party A receives the porting request, the unconditional trigger shall be applied to the Customer's line before the due date of the porting activity. When the ten-digit unconditional trigger is not available, Party A and Party B must coordinate the disconnect activity.
- 15.2.5 The Parties shall furnish each other with the Jurisdiction Information Parameter (JIP) in the Initial Address Message (IAM), containing a Local Exchange Routing Guide (LERG)-assigned NPA-NXX (6 digits) identifying the originating switch on calls originating from LNP capable switches.
- 15.2.6 Where LNP is commercially available, the NXXs in the office shall be defined as portable, except as noted in 14.2.7, and translations will be changed in the Parties' switches to open those NXXs for database queries in all applicable LNP capable offices within the LATA of the given switch(es). On a prospective basis, all newly deployed switches will be equipped with LNP capability and so noted in the LERG.
- 15.2.7 All NXXs assigned to LNP capable switches are to be designated as portable unless a NXX(s) has otherwise been designated as non-portable. Non-portable NXXs include NXX codes assigned to paging, cellular and wireless services; codes assigned for internal testing and official use and any other NXX codes required to be designated as non-portable by the rules and regulations of the FCC. NXX codes assigned to mass calling on a choked network may not be ported using LNP technology but are portable using methods established by the NANC and adopted by the FCC. On a prospective basis, newly assigned codes in switches capable of porting shall become commercially available for porting with the effective date in the network.
- 15.2.8 Both Parties' use of LNP shall meet the performance criteria specified by the FCC. Both Parties will act as the default carrier for the other Party in the event that either Party is unable to perform the routing necessary for LNP.

15.3 Procedures for Providing NP Through Full NXX Code Migration.

Where a Party has activated an entire NXX for a single Customer, or activated at least eighty percent (80%) of an NXX for a single Customer, with the remaining numbers in that NXX either reserved for future use by that Customer or otherwise unused, if such Customer chooses to receive Telephone Exchange Service from the other Party, the first Party shall cooperate with the second Party to have the entire NXX reassigned in the LERG (and associated industry databases, routing tables, etc.) to an End Office operated by the second Party. Such transfer will be accomplished with appropriate coordination between the Parties and subject to appropriate industry lead times for movements of NXXs from one switch to

another. Neither Party shall charge the other in connection with this coordinated transfer.

15.4 Procedures for Providing INP (Interim Number Portability).

The Parties shall provide Interim Number Portability (INP) in accordance with rules and regulations prescribed from time to time by the FCC and state regulatory bodies, the Parties respective company procedures, and as set forth in this Section 15.4. The Parties shall provide INP on a reciprocal basis.

- 15.4.1 In the event that either Party, Party B, wishes to serve a Customer currently served at an End Office of the other Party, Party A, and that End Office is not LNP-capable, Party A shall make INP available only where LNP is not commercially available or not required by FCC orders and regulations. INP will be provided by remote call forwarding (RCF) and/or direct inward dialing (DID) technology, which will forward terminating calls to Party B's End Office. Party B shall provide Party A with an appropriate "forward-to" number.
- 15.4.2 Prices for INP and formulas for sharing Terminating access revenues associated with INP shall be provided where applicable, upon request by either Party.
- 15.4.3 Either Party wishing to use DID to provide for INP must request a dedicated trunk group from the End Office where the DID numbers are currently served to the new serving-End Office. If there are no existing facilities between the respective End Offices, the dedicated facilities and transport trunks will be provisioned as unbundled service through the ASR provisioning process. The requesting party will reroute the DID numbers to the pre-positioned trunk group using the LSR provisioning process. DID trunk rates are contained in the Parties' respective tariffs.
- 15.4.4 The Parties Agree that, per FCC 98-275, Paragraph 16, effective upon the date LNP is available at any End Office of one Party, Party A, providing INP for Customers of the other Party, Party B, no further orders will be accepted for new INP at that End Office. Orders for new INP received prior to that date, and change orders for existing INP, shall be worked by Party A. Orders for new INP received by Party A on or after that date shall be rejected. Existing INP will be grandfathered, subject to Section 15.4.5, below.
- 15.4.5 In offices equipped with LNP prior to September 1, 1999 for former Bell Atlantic offices and October 1, 2000 for former GTE offices, the Parties agree to work together to convert all existing INP-served Customers to LNP by December 31, 2000 in accordance with a mutually agreed to conversion process and schedule. If mutually agreed to by the Parties, the conversion period may be extended one time by no more than 90 days from December 31, 2000.
- 15.4.6 Upon availability of LNP after October 1, 2000 at an End Office of either Party, both Parties agree to work together to convert the existing INP-served Customers to LNP by no later than 90 days from the date of LNP availability unless otherwise agreed to by the Parties.
- 15.4.7 When Verizon offers LNP to US LEC but US LEC has not converted to LNP at the end of the agreed to conversion period, then the remaining

INPs will be changed to a functionally equivalent tariff service and billed to US LEC at the tariff rate(s) for the subject jurisdiction.

15.5 Procedures for LNP Request.

The Parties shall provide for the requesting of End Office LNP capability on a reciprocal basis through a written request. The Parties acknowledge that Verizon has deployed LNP throughout its network in compliance with FCC 96-286 and other applicable FCC rules.

15.5.1 If Party B desires to have LNP capability deployed in an End Office of Party A, which is not currently capable, Party B shall issue a LNP request to Party A. Party A will respond to the Party B, within ten (10) days of receipt of the request, with a date for which LNP will be available in the requested End Office. Party A shall proceed to provide for LNP in compliance with the procedures and timelines set forth in FCC 96-286, Paragraph 80, and FCC 97-74, Paragraphs 65 through 67.

15.5.2 The Parties acknowledge that each can determine the LNP-capable End Offices of the other through the Local Exchange Routing Guide (LERG). In addition the Parties shall make information available upon request showing their respective LNP-capable End Offices, as set forth in this Section 15.5.

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AUG 15 2002

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SECRETARY'S BUREAU

US LEC of Pennsylvania Inc. PA PUBLIC UTILITY COMMISSION
Morrocroft III SECRETARY'S BUREAU
6801 Morrison Boulevard
Charlotte, North Carolina 28211

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NON FACILITIES-BASED AND FACILITIES-BASED COMPETITIVE

LOCAL EXCHANGE CARRIER TARIFF

WITHIN THE

COMMONWEALTH OF PENNSYLVANIA

DOCUMENT
FOLDER

DOCKETED
SEP 06 2002

Issued: December 10, 2001

Effective: December 11, 2001

Wanda Montano, Vice President, Regulatory & Industry Affairs

Morrocroft III

6801 Morrison Boulevard

Charlotte, North Carolina 28211

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7/17/02 initial hrg
VZ-4

Non Facilities-Based and Facilities-Based Competitive Local Exchange Carrier Tariff

This Tariff applies to the Non Facilities-Based and Facilities-Based Competitive Local Exchange services furnished by US LEC of Pennsylvania Inc. between one or more points in the Commonwealth of Pennsylvania. This tariff is in concurrence with Chapters 63 and 64 of 52 Pa. Code. any provisions contained in this tariff which are inconsistent with the Pennsylvania Public Utility Code (66 Pa. C.S. A § 101 et seq.), 52 Pa. Code, the Telecommunications Act of 1996, and the Commission's Regulations and Orders will be deemed inoperative and superseded.

This tariff is on file with the Pennsylvania Public Utility Commission and copies may be inspected during normal business hours at US LEC of Pennsylvania's principal place of business. Copies may also be inspected at the office of Dilworth Paxson, LLP at 305 North Front Street, Harrisburg, PA 17101-1236 or at 1735 Market Street, Philadelphia, PA 19103

Issued: January 31, 2000

Effective: February 1, 2000

Wanda Montano, Vice President, Regulatory & Industry Affairs
Transamerica Square
401 North Tryon Street, Suite 1000
Charlotte, North Carolina 28202

CHECK SHEET

The pages of this tariff are effective as of the date shown. The original and revised pages named below contain all changes from the original tariff and are in effect on the date shown.

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10	6	Original	11	28	Original
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11	2	Original	11	31	Original
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SYMBOLS AND TARIFF FORMAT

SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below:

- C To signify changed regulation or condition.
- D To signify a decrease in rates.
- I To signify an increased rate.

TARIFF FORMAT

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect.

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TARIFF FORMAT (cont'd)

- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

- D. Check Sheets - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on the check sheet if these are the only changes made to it (*i.e.*, the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

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APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate end-user communications services by US LEC of Pennsylvania Inc., to customers within the local exchange service area in the Commonwealth of Pennsylvania defined herein.

This tariff is in concurrence with Chapters 63 and 64 of 52 Pa. Code. Any provisions contained herein which are inconsistent with the Pennsylvania Public Utility Code (66 Pa. C.S.), 52 Pa. Code, the Telecommunications Act of 1996, and the Commission's Regulations and Orders will be deemed inoperative and superseded.

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SECTION 1 - DEFINITIONS

Certain terms used generally throughout this tariff are defined below.

Account Codes: Permits Centrex Stations and attendants to dial an account code number of up to eight digits. For use when placing calls over facilities arranged for Automatic Message Accounting (AMA) recording. The account or project number must be input prior to dialing the called number.

Advance Payment: Part or all of a payment required before the start of service.

Automatic Number Identification (ANI): Allows the automatic transmission of a caller's billing account telephone number to a local exchange company, interexchange carrier or a third party subscriber. The primary purpose of ANI is to allow for billing of toll calls.

Bit: The smallest unit of information in the binary system of notation.

Call Back/Camp On: Permits a station line encountering an all-trunk-busy condition the option of being notified when a trunk becomes idle.

Call Forwarding:

Call Forwarding Station: Allows calls directed to a station line to be routed to a user defined line inside or outside the customer's telephone system.

Call Forwarding System: Permits calls attempting to terminate to a busy station line to be re-directed to a predetermined line inside or outside the customer's telephone system.

Call Forwarding Remote: This optional feature allows a user to activate/deactivate the Call Forwarding - All Calls feature or change the forwarded to telephone number from a remote location.

Call Forwarding Busy: Allows incoming calls to a busy station to be routed to a preselected station line or attendant within the same system or outside the system. Intercom calls can be arranged to be forwarded to a number different from DID calls.

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SECTION 1 - DEFINITIONS

Call Forwarding Variable Limited: When this feature is activated by a station line user or the attendant, incoming calls to the activated station line or attendant position will be automatically routed to any other selected station line, within the same Centrex system, or to the attendant position. The attendant may also activate this feature for a station line user.

Call Forwarding Variable Unlimited: The same as Call Forwarding Variable Limited except that incoming calls may be automatically routed to a telephone number outside the Centrex system or to station lines within the same Centrex system. The attendant may not activate this feature to a telephone number outside the Centrex system for a station line use. Calls forwarded outside the Centrex system are subject to the appropriate charges for local and toll messages.

Call Hold: Allows the user to hold one call for any length of time provided that neither party goes on-hook.

Call Park: Allows a station line to park a call against its own line number. The parked call can be retrieved from any station line by dialing a feature code and the line number against which the call is parked.

Call Pickup: Allows a station line to answer incoming calls to another station line within a defined call pickup group. Call pickup is provided on individual station lines within a customer group.

Call Transfer: Allows a station line user to transfer any established call to another station inside or outside the customer group without the assistance of the attendant.

Call Waiting: Permits a line in the talking state to be alerted by a tone when another call is attempting to complete to the line. Audible ringing is returned to the originating line. The Service also provides a hold feature that is activated by a switchhook flash.

Commission: The Pennsylvania Public Utility Commission.

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SECTION 1 - DEFINITIONS

Communications Services: The Company's intrastate toll and local exchange switched telephone services offered for both limited intraLATA and interLATA use.

Company: US LEC of Pennsylvania Inc., the issuer of this tariff.

Customer or Subscriber: The person, firm or corporation which orders service and is responsible for the payment of charges and compliance with the Company's regulations.

Dial Pulse (or "DP"): The pulse type employed by rotary dial station sets.

Direct Inward Dial (or "DID"): A service attribute that routes incoming calls directly to stations, by-passing a central answering point.

Direct Outward Dial (or "DOD"): A service attribute that allows individual station users to access and dial outside numbers directly.

Do Not Disturb: Permits the attendant to cut off a single station line and selected groups of station lines from receiving incoming and station-to-station calls.

DSX-1 Panel: Distribution equipment used to terminate and administer DS1 (1.544 Mbps) circuits.

Dual Tone Multi-Frequency (or "DTMF"): The pulse type employed by tone dial station sets.

Duplex Service: Service which provides for simultaneous transmission in both directions.

Federal Communications Commission (or "FCC"): Independent government agency that develops and implements policy concerning interstate and international communications.

Fiber Optic Cable: A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple internal reflections to a receiver, which translates the message.

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SECTION 1 - DEFINITIONS

Hunting: Routes a call to an idle station line in a prearranged group when the called station line is busy.

In-Only: A service attribute that restricts outward dial access and routes incoming calls to a designated answer point.

Joint User: A person, firm or corporation which is designated by the Customer as a user of services furnished to the Customer by the Company and to whom a portion of the charges for the service will be billed under a joint user arrangement as specified herein.

Kbps: Kilobits per second, denotes thousands of bits per second.

Last Number Redial: Enables a station line user to redial the last called number by use of an access code rather than dialing the entire number.

LATA: A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

Local Exchange Carrier or ("LEC"): Denotes any individual, partnership, association, joint-stock company, trust or corporation engaged in providing switched communication within an exchange.

Mbps: Megabits, denotes millions of bits per second.

Multi-Frequency or ("MF"): An inter-machine pulse-type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

Recurring Charges: The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

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SECTION 1 - DEFINITIONS

Service Commencement Date: The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and Customer may mutually agree on a substitute Service Commencement Date.

Service Order: The written request for Network Services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Shared: A facility or equipment system or subsystem that can be used simultaneously by several Customers.

Speed Calling: Permits a station line user to dial selected numbers by using fewer digits than normally required. This is accomplished through the assignment of abbreviated codes to frequently called numbers. The speed calling list is customer changeable.

System: Allows shared use of speed calling list. A control station will add, change or delete telephone numbers from the list for the group.

Station: Allows a station line user to add, change or delete telephone numbers from a speed calling list. The list is dedicated to the individual station line user.

Three-Way Calling: Allows a station line user to add a third party to an existing conversation.

Two Way: A service attribute that includes outward dial capabilities for outbound calls and can also be used to carry inbound calls to a central point for further processing

User or End User: A Customer, Joint User, or any other person authorized by a Customer to use service provided under this tariff.

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SECTION 4 - EXCHANGE ACCESS SERVICE

4.1 General:

The Company's Local Telephone Service provides a Customer with the ability to connect to the company's switching network which enables the Customer to:

- place or receive calls to any calling Station in the local calling area, as defined herein;
- access basic 911 Emergency Service;
- access the interexchange carrier selected by the Customer for interLATA, intraLATA, interstate or international calling;
- access Operator Services;
- access Directory Assistance;
- place or receive calls to 800 telephone numbers;
- access Telephone Relay Service.

The Company's service can not be used to originate calls to other telephone companies caller-paid information services (e.g., 900, 976). Calls to those numbers and other numbers used for caller-paid information services will be blocked by the Company's switch.

Company's local exchange service allows the Customer unlimited access to stations on the public switched network within the Customer's basic local calling area, i.e., the local calling area as specified in the Incumbent Local Exchange Carrier's tariff in effect and as amended from time to time in the future.

Each Exchange Access Service is available on a "Full" service basis, whereby service is delivered to a demarcation/connection block at the customer's premises.

The following Exchange Access Service Options are offered:

Flat Rate Service
Measured Rate Service

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SECTION 4 – EXCHANGE ACCESS SERVICE

4.2 Explanation of Rate Schedules :

Three rate schedules are presented for each Exchange Access Service offered. Except for the central office exceptions listed below, a customer's rate schedule is dependent on the distance between the customer's dominant serving wire center and a US LEC switch.

Each rate schedule is airline mileage based as follows:

Schedule 1: Customers whose serving wire centers are 0 – 10 miles from a US LEC switch.

Schedule 2: Customers whose serving wire centers are 10 – 16 miles from a US LEC switch.

Schedule 3: Customers whose serving wire centers are greater than 16 miles from a US LEC switch.

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SECTION 8 - MISCELLANEOUS SERVICES

8.9 IntraLATA Toll Presubscription

(A) Presubscription is a procedure whereby an end user may select and designate an IntraLATA Toll Provider (ITP) to access for intra LATA toll calls without dialing an access code. This ITP must have a Feature Group D Trunk in place (or ordered) between its points of presence and the incumbent LEC Access Tandem(s). The end user or agent may designate an ITP for intraLATA toll, a different carrier for interLATA toll, or the same carrier for both. This ITP is referred to as the end user's, or agent's preferred intraLATA toll provider.

Each carrier will have one or more access codes assigned to it for various types of service. When an end user selects a carrier as its preferred intraLATA toll provider, only one access code of that carrier by the end user without dialing an access code. Should the same end user wish to use other services of the same carrier, it will be necessary for the end user to dial the necessary access code(s) to reach that carrier's other service(s).

An ITP must use Feature Group D (FGD) Switched Access Service to qualify as an intraLATA toll provider. A carrier authorized to handle intraLATA toll calls may request two-PIC capability provided that it interconnects its network either with the US LEC network or the subtending LEC tandem. Carriers wishing to participate must submit Access Service Requests and Translation Questionnaires to the Access Tandem owner and to US LEC.

Selection of an intraLATA toll provider by an end user is subject to the terms and conditions following.

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SECTION 8 - MISCELLANEOUS SERVICES

8.9 IntraLATA Toll Presubscription (cont'd)

8.9.1 Presubscription Charge Application

- A. Existing end users may exercise an initial free presubscription choice, either by contacting US LEC or by contacting the ITP directly. The initial selection must be made at the time the Customer signs up for local service with US LEC, or within 30 days thereafter. If the Customer is unable to make an ITP selection at that time, a "No-Pic" designation will be applied to their account, and the Customer will have to dial a 10XXX code to access an ITP.

Following an existing end user's initial free selection, any subsequent selection is subject to a nonrecurring charge as set forth at the end of this section.

- B. If an ITP elects to discontinue Feature Group D service after implementation of the intraLATA toll presubscription option, the ITP is obligated to contact, in writing, all end users who have selected the canceling ITP will pay the PIC change charge as provided at the end of this section. The ITP must provide written notification to US LEC, that this activity has taken place.
- C. An unauthorized PIC change is a change in the presubscribed intraLATA toll provider that the end user denies authorizing. PIC disputes for end user are resolved through an investigative process.

If an end user disputes a PIC change, the end user will be changed to the carrier of record prior to the PIC change. If the dispute is legitimate, the end user will be credited an amount equal to the PIC change charge provided at the end of this section and the carrier that submitted the PIC change will be assessed two PIC change charges-one for the invalid PIC change, and one for the change back to the prior carrier of record.

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SECTION 8 - MISCELLANEOUS SERVICES

8.9 IntraLATA Toll Presubscription (cont'd)

8.9.2 Presubscription Charge Application

D. When a discrepancy is determined regarding an end user's designation of a preferred intraLATA toll carrier, the following applies depending upon the situation described:

-A signed letter of authorization takes precedence over any order other than subsequent, direct customer contact with US LEC.

-When two or more orders are received for an end user line generated by telemarketing, the date field on the mechanized record used to transmit PIC change information will be used as the PIC authorization date. The order with the latest application date/time determines customer choice.

-If an end user denies requesting a change in intraLATA toll presubscription as submitted by an ITP, and the ITP is unable to produce a letter of authorization, signed by the end user, the ITP will also be assessed the intraLATA toll presubscription change charges. The nonrecurring change charges are provided herein. The ITP will also be assessed the intraLATA toll presubscription change charge as specified herein, which was previously billed to the end user.

Neither the ITP or US LEC shall submit a PIC change order generated by outbound telemarketing unless and until the order has first been confirmed in accordance with the F.C.C.'s current anti-slamming practices and procedures.

	<u>Per Line/Trunk Per Occurrence</u>
InterLATA PIC Change	\$5.00
IntraLATA PIC Change (When available)	\$5.00
Both PIC selections changed simultaneously	\$5.00

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SECTION 8 - MISCELLANEOUS SERVICES

8.12 Foreign Exchange (FX) Service

8.12.1 Description

FX Service enables a Customer to receive a Company-provided Exchange Access Service at a point outside the Exchange Access Service Area corresponding to the NPA-NXX designation (as set forth in Section 4.1) of such Exchange Access Service.

The Local Calling Area and all Usage Service rates which apply to an FX Exchange Access Service are the same as those which regularly apply to other Company-provided Exchange Access Services bearing the same NPA-NXX designation.

8.12.2 Rates

	<u>Non-Recurring</u>	<u>Monthly Recurring</u>
Foreign Exchange Service	\$500.00	\$1000.00

8.13 Hospitality Rates

Hospitality rates will have no local usage charges associated with them. Hotels and motels that supply guest rooms and route local and long distance guest traffic over Company digital facilities will qualify for Hospitality Rates.

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SECTION 10 - SERVICE AREAS10.1 Service Area:

US LEC of Pennsylvania includes all non-rural exchanges in Pennsylvania as the potential areas where alternative local exchange service is planned, where facilities are available and pending appropriate interconnection agreements. Below are the exchanges that are within a single local calling area are grouped together. The company will initially offer services under this tariff to customers in the following areas:

Philadelphia Zone 1:

Zone 1	Zone 21	Zone 33
Zone 2	Zone 22	Zone 34
Zone 3	Zone 23	Zone 37
Zone 4	Zone 24	Zone 38
Zone 10	Zone 25	Zone 39
Zone 11	Zone 26	Zone 40
Zone 12	Zone 28	Zone 41
Zone 13	Zone 29	Zone 42
Zone 14	Zone 30	Zone 43
Zone 17	Zone 31	Zone 44
	Zone 32	Zone 45

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SECTION 10 - SERVICE AREAS

10.1 Service Area (cont'd)

Philadelphia Zone 2:

Zone 1	Zone 22	Zone 33
Zone 2	Zone 23	Zone 34
Zone 3	Zone 24	Zone 37
Zone 4	Zone 25	Zone 38
Zone 10	Zone 26	Zone 39
Zone 11	Zone 28	Zone 40
Zone 12	Zone 29	Zone 41
Zone 13	Zone 30	Zone 42
Zone 14	Zone 31	Zone 43
Zone 17	Zone 32	Zone 44
Zone 21		Zone 45

Philadelphia Zone 3:

Zone 1	Zone 22	Zone 34
Zone 2	Zone 23	Zone 37
Zone 3	Zone 24	Zone 38
Zone 4	Zone 25	Zone 39
Zone 10	Zone 26	Zone 40
Zone 11	Zone 28	Zone 41
Zone 12	Zone 29	Zone 42
Zone 13	Zone 30	Zone 43
Zone 14	Zone 31	Zone 44
Zone 17	Zone 32	Zone 45
Zone 21	Zone 33	

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SECTION 10 - SERVICE AREAS

10.1 Service Area (cont'd)

Philadelphia Zone 4:

Zone 1	Zone 21	Zone 32
Zone 2	Zone 22	Zone 33
Zone 3	Zone 23	Zone 34
Zone 4	Zone 24	Zone 37
Zone 10	Zone 25	Zone 38
Zone 11	Zone 26	Zone 39
Zone 12	Zone 28	Zone 40
Zone 13	Zone 29	Zone 41
Zone 14	Zone 30	Zone 42
Zone 17	Zone 31	Zone 43
	Zone 45	Zone 44

Philadelphia Zone 11:

Zone 14
Zone 13
Zone 12
Zone 11
Zone 10

Philadelphia Zone 14:

Zone 2
Zone 11
Zone 13
Zone 14
Zone 17

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SECTION 10 - SERVICE AREAS

10.1 Service Area (cont'd)

Philadelphia Zone 17:

Zone 21

Zone 17

Zone 14

Zone 13

Zone 2

Philadelphia Zone 21:

Zone 2

Zone 13

Zone 17

Zone 21

Zone 22

Zone 24

Philadelphia Zone 23:

Zone 25

Zone 24

Zone 23

Zone 3

Zone 2

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SECTION 10 - SERVICE AREAS

10.1 Service Area (cont'd)

Philadelphia Zone 24:

Zone 2
Zone 21
Zone 22
Zone 23
Zone 24
Zone 25
Zone 26
Zone 31

Philadelphia Zone 25:

Zone 31
Zone 26
Zone 25
Zone 24
Zone 23
Zone 22

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SECTION 10 - SERVICE AREAS

10.1 Service Area (cont'd)

Philadelphia Zone 30:

SCHWENKSVL

ROYERSFORD

Zone 33

Zone 31

Zone 30

Zone 29

Zone 26

PHOENIXVILLE

NORTHWALES

LANSDALE

HARLEYSVILLE

COLLEGEVILLE

CENTER POINT

Philadelphia Zone 32:

Zone 34

Zone 33

Zone 32

Zone 31

Zone 3

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SECTION 10 - SERVICE AREAS

10.1 Service Area (cont'd)

Philadelphia Zone 34:

NORTHWALES

Zone	3
Zone	4
Zone	32
Zone	33
Zone	34
Zone	37
Zone	38
Zone	39

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- ▲ [ADVANTAGE long distance calling plan](#)
- ▲ [Long distance invoice reports](#)
- ▲ [Toll-free service \(800, 888, 877, 866, 855\)](#)
- ▲ [Local Toll-Free™ service](#)
- ▲ [Enhanced Toll-Free™ service ^{new}](#)
- ▲ [Account codes](#)
- ▲ [Directory assistance and operator assistance](#)
- ▲ [PIC'd LD](#)
- ▲ [Calling cards](#)
- ▲ [Dedicated \(T-1 facilities\) 1 + long distance](#)

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ADVANTAGE Flat Rate plan

US LEC now offers ADVANTAGE Flat Rate, a new pricing plan that uses just one flat rate for all calls. The plan provides one intrastate rate for incoming and outgoing calls, and one interstate rate for incoming and outgoing calls to anywhere in the United States.

Plan benefits include:

- Competitive pricing
- Simplified billing
- Works with all ADVANTAGE Local Calling plans
- Eliminates the need for least-cost routing based on called number
- Existing and new customers are eligible

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ADVANTAGE long distance calling plan

The more long distance calls you make, the more you can save with US LEC's ADVANTAGE T. Our list of ADVANTAGE T cities is always growing, so contact the sales representative in your area for more information. Get substantial savings on:

- IntraLATA (local toll)
- Intrastate (instate)
- Interstate (out-of-state)
- International calling to more than 150 countries

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Long Distance Invoice Reports

Get detailed snapshots of long distance billing charges with US LEC's Long Distance (LD) Invoice Reports. Verify rates and identify any alarming trends. LD Invoice Reports offer a product by product summary report of all usage, with additional reports including:

- Most frequently called area code:
 - outbound toll
 - inbound toll-free and Local Toll-Free™
- 40 most frequently called numbers
- 40 longest calls - outbound and inbound
- 40 highest-cost calls
- International usage by country

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Toll-free service (800, 888, 877, 866, 855)

US LEC provides toll-free services with nationwide origination. We offer easy-to-remember vanity numbers and National Toll-Free Directory listings, and enhanced features such as specialized routing, take-back and transfer and NPA/NXX restriction on origination. All US LEC services are itemized on one convenient monthly invoice.

- Extends customers' reach throughout the United States and Canada
- Available with T-1, ISDN PRI, and channel access and ADVANTAGE T
- Optional easy-to-remember vanity numbers
- Optional national toll-free directory listings
- Maximizes use of customer access facilities, reducing costs
- Can be combined with other US LEC services for volume pricing
- Billed on same invoices as other US LEC services

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Local Toll-Free™ service

Local Toll-Free service allows your customers in another city to make a local call to you. US LEC's Local Toll-Free service lets you establish local phone numbers across the US LEC footprint. This unique inbound calling service allows anyone to place a "free" local call to you from anywhere within US LEC's territory, with you picking up the charges at a lower cost.

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Enhanced Toll-Free™ service

US LEC provides the Toll Free services that are so important to your business, including Dialed Number Identification Service (DNIS), Automatic Number Identification (ANI), and Account Codes, just to name a few. Plus, US LEC Toll Free service is backed by our unsurpassed service and competitive pricing to meet your business' needs.

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Account codes

US LEC offers clients the ability to identify and track calls by user or department account codes. We offer verified and non-verified account codes. Verified account codes allow customers to track calls by individual user. Non-verified account codes allow customers to track calls by project or department.

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Directory assistance and operator services

Dialing 411 brings white-page listings help for either local or long distance. Operator assistance allows a US LEC customer to place 0+ or 0- calls.

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PIC'd LD

Customers and their employees can now choose US LEC to carry their long distance calls from many locations. Customers save money by combining long distance call volumes from sites without a T-1, with volumes from their T-1-served locations.

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Calling cards

US LEC's calling card allows customers to call from anywhere within the United States to anywhere in the world. Our calling cards include easy-to-follow instructions with no surcharges (only a \$0.24 pay phone surcharge, when applicable). Personalized cards are available at no extra cost. All US LEC services are itemized on one convenient monthly invoice.

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Dedicated (T-1 facilities) 1+ long distance

US LEC offers excellent rates on intrastate, interstate and international calling with the benefit of the Advantage Cities calling plan.

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Products

Local services

- ▲ [Local network access \(dial-tone\)](#)
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and toll-free

Internet and enhanced

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and SLAs

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Local network access (dial-tone)

Our local network access provides a high-quality, clear voice or data business line, and allows businesses to secure the minimum number of lines necessary as well as the capacity to expand service and add features as they grow. Customers can keep their existing telephone numbers when they switch to US LEC. Local network access facilities are available in four types:

- T-1 access
- Channel access (DS0)
- ISDN PRI (primary rate interface)
- Advantage T

Multiple local access services are available for above facilities:

- Business lines
- Data lines
- Key system lines
- PBX trunks
- Foreign exchange

The US LEC network comprises a variety of trunking configurations, enabling single and multiple voice and data transmissions between two network elements. Our local trunks offer connectivity flexibility so customers can customize specific traffic patterns based on their needs, such as one-way outbound calling only or two-way calling.

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Local calling

US LEC completes local calls over its all-digital network. US LEC local service provides:

Local calling area coverage at least the size of the incumbent

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- telephone company.
- 411
- 911
- Operator assistance
- Directory listing
- White-page listing
- Yellow-page listing

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Line features

- Call forwarding
- Call forward busy
- Call forward no answer
- Remote access to call forwarding
- Call transfer
- 3-way calling
- Call waiting
- Toll denial
- Call hold
- Caller ID

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Enhanced local services

- DID - US LEC's DID trunks provide greater user productivity by eliminating the need for assistance, reducing incoming call "traffic jams" and offering the caller a speedy connection to the desired party.
- EAS (Expanded Area Service) - This service provides a greater free local calling area than the ILEC, and an extended local calling area.
- ANI - Automatic number identification is used to identify the responsible party to be billed for the call.
- Foreign exchange - This service involves an inbound-only call, toll-free to the calling party, which is paid for by the called party. If desired, the service includes a listing in the "foreign" white and yellow pages of the ILEC directory.
- Co-location - US LEC's co-location packages provide the placement of the customer's equipment and connectivity to telecom services. As part of the placement agreement, US LEC also provides access to the physical space, utility support such as power and temperature/humidity control and security, among other benefits.

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Before the
Federal Communications Commission
Washington, D.C. 20554

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PA PUBLIC UTILITY COMMISSION
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CC Docket No. 01-92

In the Matter of)
)
Developing a Unified Intercarrier)
Compensation Regime)

NOTICE OF PROPOSED RULEMAKING

Adopted: April 19, 2001

Released: April 27, 2001

Comment Date: 90 days after publication in the Federal Register

Reply Comment Date: 135 days after publication in the Federal Register

By the Commission: Chairman Powell and Commissioner Ness issuing separate statements;
Commissioner Furchtgott-Roth concurring and issuing a statement

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I. INTRODUCTION

1. With this *Notice of Proposed Rulemaking (NPRM)*, we begin a fundamental re-examination of all currently regulated forms of intercarrier compensation. We intend to test the concept of a unified regime for the flows of payments among telecommunications carriers that result from the interconnection of telecommunications networks under current systems of regulation. Specifically, we seek comment on the feasibility of a bill-and-keep approach for such a unified regime. We also seek alternative comment on modifications to existing intercarrier compensation regimes. In sum, we seek to move forward from the transitional intercarrier compensation regimes to a more permanent regime that consummates the pro-competitive vision of the Telecommunications Act of 1996 ("1996 Act").¹

2. As discussed below, there are currently two general intercarrier compensation regimes: (1) access charges for long-distance traffic; and (2) reciprocal compensation.

¹ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 ("1996 Act").

6. Bill and Keep for Traffic Subject to Section 251(b)(5)

69. In light of the current imbalances in traffic exchanged among interconnected networks, and the potential for inefficient incentives under the existing per-minute reciprocal compensation rates, we generally seek comment on the relative benefits of bill and keep for all traffic subject to section 251(b)(5),⁸⁸ versus the current per-minute reciprocal compensation rates imposed by most states. We seek comment from state commissions, in particular, regarding the benefits of either approach. We ask that parties discuss the incentives provided by each approach to intercarrier compensation. We also seek comment on the benefits of each approach in promoting competition and negating the effects of market power. We ask that commenters discuss the relative benefits of bill-and-keep and per-minute reciprocal compensation with respect to the pricing signals provided, and the relation between actual costs and prices determined under each approach. We seek comment on how the Commission should weigh the benefits of implementing bill and keep against any disadvantages that commenters may identify. We also seek comment on the disadvantages of applying a bill-and-keep arrangement to any particular type of traffic currently exchanged among interconnected carriers.

70. We seek comment on the best method for allocating transport responsibilities and costs among interconnected carriers under a mandatory bill-and-keep approach to reciprocal compensation. Under our current rules, the originating telecommunications carrier bears the costs of transporting traffic to its point of interconnection with the terminating carrier. If carriers must recover their transport costs from their end users, does this rule still make sense? What incentives does this rule create regarding location and number of points of interconnection (POIs)? Is there a more appropriate way to allocate transport costs?

71. Qwest argues, for example, that a bill-and-keep arrangement does not work when three carriers are involved in the transport and termination of traffic, because the middle carrier that transports the traffic from one LEC to the other does not really have a "customer" involved in the call from which it can recover costs.⁸⁹ Qwest therefore argues that the Commission should allow LECs to continue charging each other for delivering transiting traffic that originates on the networks of other carriers.⁹⁰ We ask commenters to address this and other issues related to the transport obligations of interconnected LECs under a bill-and-keep regime. CMRS carriers also originate and terminate three-carrier calls, some of which are governed by reciprocal compensation. We seek comment on the issues or problems that the current intercarrier compensation rules present for three-carrier calls. We seek comment on how bill and keep might affect such calls.

72. Under our current rules, interconnecting CLECs are obligated to provide one POI per LATA.⁹¹ Under a bill-and-keep regime, should this rule still apply? How should carriers

⁸⁸ See *supra* note 7 and accompanying text.

⁸⁹ Qwest *ex parte* in CC Docket No. 99-68, Appendix B, at ii (filed Nov. 22, 2000).

⁹⁰ *Id.*

⁹¹ 47 C.F.R. § 51.321; see also In the Matter of Application by SBC Communications Inc. *et al.* to Provide In-Region, InterLATA Services in Texas, CC Docket No. 00-65, *Memorandum Opinion and Order*, FCC 00-238 at ¶ 78, n.174 (rel. June 30, 2000).

select points of interconnection? If a CLEC chooses a point of interconnection outside a local calling area, should the LEC be obligated to meet the CLEC there? Or, should the CLEC be required to locate in every local calling area, or pay the ILEC transport and/or access charges if it does not? CMRS carriers may have several switches per MTA, which can comprise several states and multiple LATAs. Should originating carriers be required to deliver calls to all of a CMRS carrier's POIs? Should the Commission promulgate rules governing the technical requirements of interconnection, as it does for interconnection between CPE and the public switched telephone network?⁹² We seek comment on how the costs of interconnection should be allocated between carriers in this context. We seek comment on how carriers will allocate the costs of actual interconnection facilities. In addition, we seek comment on how the costs for internal network upgrades necessary for interconnection should be allocated.⁹³

73. Section 251(b)(5) provides that each LEC has the duty to "establish reciprocal compensation arrangements for the transport and termination of telecommunications."⁹⁴ In addition, section 252(d)(2) states that, for the purpose of ILEC compliance with section 251(b)(5), the terms and conditions for reciprocal compensation must: (1) provide for the "mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the carrier"; and (2) "determine such costs on the basis of a reasonable approximation of the additional costs of terminating such calls."⁹⁵ Section 252(d)(2)(B)(i) further provides that the foregoing language shall not be construed "to preclude arrangements that afford the mutual recovery of costs through the offsetting of reciprocal obligations, including arrangements that waive mutual recovery (such as bill-and-keep)."⁹⁶ The legislative history of the 1996 Act indicates that the term "mutual and reciprocal recovery of costs" includes "a range of compensation schemes, such as in-kind exchange of traffic without cash payment (known as bill-and-keep arrangements)."⁹⁷

74. In the *Local Competition Order*, the Commission rejected claims that the Commission and states lack the authority to mandate bill-and-keep arrangements under any circumstances.⁹⁸ It instead found that in some circumstances, bill-and-keep arrangements can be imposed in the context of the arbitration process for termination of traffic.⁹⁹ The Commission

⁹² See generally 47 C.F.R. Part 68.

⁹³ See Atkinson-Barnekov, *supra* note 43, at 13-14 (showing that the incremental cost of interconnection includes internal provisioning necessary to handle traffic exchanged with the interconnecting carrier).

⁹⁴ 47 U.S.C. § 251(b)(5).

⁹⁵ 47 U.S.C. § 252(d)(2).

⁹⁶ 47 U.S.C. § 252(d)(2)(B)(i).

⁹⁷ See S. Rep. No. 230, 104th Cong., 2nd Sess. 125 (1996), reprinted in A&P S. Rep. 104-230, 125 (1996).

⁹⁸ *Local Competition Order*, 11 FCC Rcd. at 16054. See also BellSouth Local Competition Comments in CC Docket No. 96-98 at 73-75; GTE Local Competition Comments in CC Docket No. 96-98 at 56-59; SBC Local Competition Comments in CC Docket No. 96-98 at 51-53.

⁹⁹ *Local Competition Order*, 11 FCC Rcd. at 16054.

of various implementation problems,¹⁷⁵ however, the Commission has never ordered a peak-load pricing rate structure, though it has permitted such rate structures. In implementing the reciprocal compensation provisions of the 1996 Act, for example, the Commission permitted states to adopt alternative rate structures, including: (1) a higher rate for peak periods; (2) a uniform per-minute rate; (3) a capacity-based rate; or (4) a bill-and-keep arrangement, provided that traffic is relatively balanced.¹⁷⁶ States, however, in applying the Commission's rules governing reciprocal compensation, have generally adopted average per-minute rates. Similarly, with respect to interstate access charges, the Commission has permitted ILECs to charge either a uniform per-minute rate to recover the costs of switching, or a two-part tariff consisting of a call setup charge and a per-minute charge.¹⁷⁷ The Commission has also sought comment on whether it should adopt capacity-based charges to recover switching costs.¹⁷⁸

110. Our recent experience with ISP reciprocal compensation issues suggests certain questions about the use of uniform per-minute charges to recover the traffic-sensitive costs of termination. In particular, it appears that the Commission may have underestimated the inefficiencies associated with the use of uniform per-minute prices. Accordingly, we seek comment first on whether an average per-minute rate structure can efficiently recover the traffic sensitive costs of interconnection, whether for reciprocal compensation or for access charges. If parties believe that such a rate structure is inherently inefficient, then we ask them to propose alternative, more efficient rate structures. We also seek comment on whether the Commission overestimated the practical difficulties associated with peak-load pricing arrangements. In particular, we seek comment on: (1) how to deal with the practical, implementation problems associated with peak-load pricing; and (2) whether a peak-load pricing structure can eliminate the regulatory arbitrage opportunities of the existing interconnection pricing regimes.

111. We also invite comment on whether alternative rate structures would be more efficient, and whether they would eliminate some of the problems we are currently experiencing. For example, we ask parties to comment on the advantages and disadvantages of using a capacity-based rate structure, and a multi-part rate structure that includes both a call set-up charge and a per-minute charge. Finally, we invite parties to propose alternative rate structures that they believe would be more efficient, and to explain the basis for their belief.

c. Single Point of Interconnection Issues

112. As previously mentioned, an ILEC must allow a requesting telecommunications carrier to interconnect at any technically feasible point, including the option to interconnect at a

¹⁷⁵ The practical difficulties associated with peak-load pricing schemes include: (1) that peak traffic volumes may occur at different times in different areas (e.g., between a downtown business area and a residential suburb); (2) that peak periods may change over time (e.g., in response to increasing Internet use); and (3) that implementing a peak-load pricing scheme may cause a shift in the peak.

¹⁷⁶ See 47 C.F.R. §§ 51.507(c), 51.713; *Local Competition Order*, 11 FCC Rcd. at 15878-79 ¶¶ 755-757, 16028-29 ¶¶ 1063-64.

¹⁷⁷ See 47 C.F.R. § 69.106.

¹⁷⁸ *Pricing Flexibility Order and NPRM*, 14 FCC Rcd. at 14328-30 ¶¶ 211-16.

single POI per LATA.¹⁷⁹ Our current reciprocal compensation rules preclude an ILEC from charging carriers for local traffic that originates on the ILEC's network.¹⁸⁰ These rules also require that an ILEC compensate the other carrier for transport¹⁸¹ and termination¹⁸² for local traffic that originates on the network facilities of such other carrier.¹⁸³ Application of these rules has led to questions concerning which carrier should bear the cost of transport to the POI, and under what circumstances an interconnecting carrier should be able to recover from the other carrier the costs of transport from the POI to the switch serving its end user. In particular, carriers have raised the question whether a CLEC, establishing a single POI within a LATA, should pay the ILEC transport costs to compensate the ILEC for the greater transport burden it bears in carrying the traffic outside a particular local calling area to the distant single POI.¹⁸⁴ Some ILECs will interconnect at any POI within a local calling area; however, if a CLEC wishes to interconnect outside the local calling area, some LECs take the position that the CLEC must bear all costs for transport outside the local calling area.¹⁸⁵ CLECs hold the contrary view, that our rules simply require LECs to interconnect at any technically feasible point within a LATA, and that each carrier must bear its own transport costs on its side of the POI.¹⁸⁶

113. If a carrier establishes a single POI in a LATA, should the ILEC be obligated to interconnect there and thus bear its own transport costs up to the single POI when the single POI is located outside the local calling area? Alternatively, should a carrier be required either to interconnect in every local calling area, or to pay the ILEC transport and/or access charges if the location of the single POI requires the ILEC to transport a call outside the local calling area? Further, if we should determine that a carrier establishing a single POI outside a local calling area must bear some portion of the ILEC's transport costs, do our regulations permit the imposition of access charges for calls that originate and terminate within one local calling area but cross local calling area boundaries due to the placement of the POI?¹⁸⁷

¹⁷⁹ See *supra* note 91 and accompanying text.

¹⁸⁰ See *In the Matter of Joint Application by SBC Communications, Inc. et al. for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, CC Docket No. 00-217, *Memorandum Opinion and Order*, FCC 01-29 at ¶ 235 (rel. Jan. 22, 2001) ("*Kansas/Oklahoma 271 Order*") (citing 47 C.F.R. § 51.703(b); *In the Matters of TSR Wireless, LLC et al. v. U.S. West*, 15 FCC Rcd. 11166 (2000), *pet. for review docketed sub nom., Qwest v. FCC*, No. 00-1376 (D.C. Cir. Aug. 17, 2000)).

¹⁸¹ 47 C.F.R. § 51.701(c).

¹⁸² 47 C.F.R. § 51.701(d).

¹⁸³ 47 C.F.R. § 51.701(e).

¹⁸⁴ See *Kansas/Oklahoma 271 Order*, *supra* note 180, at ¶¶ 232-34.

¹⁸⁵ SBC Reply in CC Docket No. 00-217, at 83-84.

¹⁸⁶ AT&T Comments in CC Docket No. 00-217, Attachment 2, Fettig Declaration, at 26-27.

¹⁸⁷ See *ISP Intercarrier Compensation Order* at ¶¶ 24-30 (discussing relationship between reciprocal compensation and access charges).

114. Finally, we are concerned that the interplay of our single POI rules and reciprocal compensation rules may lead to the deployment of inefficient or duplicative networks. By requiring an ILEC to interconnect with a requesting carrier at any technical feasible point in a LATA of that carrier's choosing, are we compelling inefficient network design by forcing the LEC to provision extra transport? Or, by requiring carriers to pay ILECs for transport outside a local calling area, are we forcing the competitive carrier into an inefficient replication of the ILEC network? Assuming that the ILEC receives reciprocal compensation for transporting terminating traffic, how precisely does a distant POI unfairly burden the LEC? Is the efficiency concern limited to those instances in which traffic between two networks is unbalanced and/or where transport is required beyond a certain distance? We seek comment on these questions, and any other issues related to the interplay between our single POI rules and our reciprocal compensation rules.

d. Virtual Central Office Codes

115. We seek comment on the use of virtual central office codes (NXXs),¹⁸⁸ and their effect on the reciprocal compensation and transport obligations of interconnected LECs. Commenters in this proceeding have indicated that some LECs are inappropriately using virtual NXXs to collect reciprocal compensation for traffic that the ILEC is then forced to transport outside of the local calling area.¹⁸⁹ We note that the Commission has delegated some of its authority to state public utility commissions in order that they may order the North American Numbering Plan Administrator (NANPA) to reclaim NXX codes that are not used in accordance with the Central Office Code Assignment Guidelines.¹⁹⁰ The Maine Public Utility Commission recently addressed the issue of virtual NXXs when it directed the NANPA to reclaim the NXX codes that Brooks Fiber used to provide "unauthorized interexchange service" as opposed to "facilities-based local exchange service."¹⁹¹ In light of these developments, we seek comment on the following issues: (1) Under what circumstances should a LEC be entitled to use virtual NXX codes? (2) If LECs are permitted to use virtual NXX codes, what is the transport obligation of the originating LEC? (3) Should the LEC employing the virtual NXX code be required to provide transport from the central offices associated with those NXX codes?

2. Can CPNP Regimes Resolve the Existing Interconnection Issues and Will They Be Administratively Feasible?

116. We seek comment on how, if the Commission declines to adopt bill and keep, the existing CPNP regimes could be modified to deal with the issues presented by existing

¹⁸⁸ Virtual NXX codes are central office codes that correspond with a particular geographic area that are assigned to a customer located in a different geographic area.

¹⁸⁹ See, e.g., *BellSouth ex parte* in CC Docket No. 99-68 at 2 (Nov. 7, 2000).

¹⁹⁰ See *In the Matter of Numbering Resource Optimization*, CC Docket No. 99-200, *Report and Order and Further Notice of Proposed Rulemaking*, 15 FCC Rcd. 7574, 7678-7682 (2000).

¹⁹¹ *Investigation into the Use of Central Office Codes (NXXs) by New England Fiber Communications, LLC d/b/a Brooks Fiber* Docket No. 98-758, *Order Requiring Reclamation of NXX Codes and Special ISP Rates by ILECs*, Order No. 4, at 4 (Maine PUC June 30, 2000).

interconnection regimes, and whether CPNP regimes can be modified so that regulators can administer them easily. We also seek comment on how existing CPNP rules could be modified to address situations of regulatory arbitrage. To the extent that certain regulatory arbitrage opportunities arise from the disparities between existing interconnection regimes, we seek comment on the costs and benefits of moving to a uniform CPNP regime.

117. We also seek comment on how, under a unified CPNP regime, regulators should deal with the terminating access monopoly problem. In this regard, we ask parties to discuss the administrative feasibility of any proposed solution to this problem. For example, is there any way that regulators can avoid having to regulate the access rates of all local carriers? If the rates of all local carriers must be regulated, is there any way to simplify the form of regulation? For example, should we simply prohibit CLECs from charging terminating access charges that exceed those of the ILEC?

118. Parties should also address whether a CPNP regime increases the possibility of predatory price squeezes, particularly against long-distance carriers, and how this problem could be addressed. In this context, and to the extent that parties contend we should drop the presumption of symmetrical reciprocal compensation rates, we seek comment on how we can minimize the administrative burdens of setting multiple interconnection rates.

119. With respect to the problem of inefficient end-user charges, we seek comment on how existing CPNP rules can be modified to reduce this problem. For example, would this problem disappear if we moved to a capacity-based intercarrier compensation scheme? We also invite comment on how we can modify the existing intercarrier compensation scheme to eliminate any regulatory inefficiencies that might cause an entity to claim to be a network rather than a subscriber. Similarly, we seek comment on whether CPNP regimes create an incentive for carriers to discriminate between on-net and off-net calls, and whether this could increase any tendency toward tipping into monopoly.

120. Finally, we ask parties to comment on the administrative costs or regulatory burdens associated with reforming the existing CPNP regimes and making them more uniform. We also ask parties to discuss whether, under a CPNP regime, regulatory intervention can be reduced. For example, can rules be adopted that provide incentives for carriers to reveal their true costs of termination in a regulatory or arbitration process? Alternatively, if we will be unable to eliminate regulatory intervention, can we simplify the regulations?

D. Other Issues

1. Legal Authority

121. In Section II.B.6 above, we seek comment on whether the Commission has legal authority to establish bill-and-keep arrangements for reciprocal compensation between telecommunications carriers. With respect to any modification to the existing intercarrier compensation rules discussed herein or proposed by any party, we seek comment on whether the Commission has legal authority to adopt such a modification. In particular, with respect to bill-and-keep arrangements, we seek comment on whether the Commission has legal authority to modify our existing interstate access rules to move them into a bill-and-keep regime. Additionally, we seek comment (particularly from state public utility commissions) on whether

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§51.305 Interconnection.

(a) An incumbent LEC shall provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the incumbent LEC's network.

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(1) For the transmission and routing of telephone exchange traffic, exchange access traffic, or both;



(2) At any technically feasible point within the incumbent LEC's network including, at a minimum:

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- (i) The line-side of a local switch;
- (ii) The trunk-side of a local switch;
- (iii) The trunk interconnection points for a tandem switch;
- (iv) Central office cross-connect points;
- (v) Out-of-band signaling transfer points necessary to exchange traffic at these points and access call-related databases; and
- (vi) The points of access to unbundled network elements as described in

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§51.319;

(3) That is at a level of quality that is equal to that which the incumbent LEC provides itself, a subsidiary, an affiliate, or any other party, except as provided in paragraph (4) of this section. At a minimum, this requires an incumbent LEC to design interconnection facilities to meet the same technical criteria and service standards that are used within the incumbent LEC's network. This obligation is not limited to a consideration of service quality as perceived by end users, and includes, but is not limited to, service quality as perceived by the requesting telecommunications carrier;

(4) That, if so requested by a telecommunications carrier and to the extent technically feasible, is superior in quality to that provided by the incumbent LEC to itself or to any subsidiary, affiliate, or any other party to which the incumbent LEC provides interconnection. Nothing in this section prohibits an incumbent LEC from providing interconnection that is lesser in quality at the sole request of the requesting telecommunications carrier; and

(5) On terms and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of any agreement, the requirements of Sections 251 and 252 of the Act, and the Commission's rules including, but not limited to, offering such terms and conditions equally to all requesting telecommunications carriers, and offering such terms and conditions that are no less favorable than the terms and conditions upon which the incumbent LEC provides such interconnection to itself. This includes, but is not limited to, the time within which the incumbent LEC provides such interconnection.

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(b) A carrier that requests interconnection solely for the purpose of originating or terminating its interexchange traffic on an incumbent LEC's network and not for the purpose of providing to others telephone exchange service, exchange access service, or both, is not entitled to receive interconnection pursuant to Section 251(c)(2) of the Act.

→ (c) Previous successful interconnection at a particular point in a network, using particular facilities, constitutes substantial evidence that interconnection is technically feasible at that point, or at substantially similar points, in networks employing substantially similar facilities. Adherence to the same interface or protocol standards shall constitute evidence of the substantial similarity of network facilities.

(d) Previous successful interconnection at a particular point in a network at a particular level of quality constitutes substantial evidence that interconnection is technically feasible at that point, or at substantially similar points, at that level of quality.

→ (e) An incumbent LEC that denies a request for interconnection at a particular point must prove to the state commission that interconnection at that point is not technically feasible.

(f) If technically feasible, an incumbent LEC shall provide two-way trunking upon request.

(g) An incumbent LEC shall provide to a requesting telecommunications carrier technical information about the incumbent LEC's network facilities sufficient to allow the requesting carrier to achieve interconnection consistent with the requirements of this section.

Historical Note

Subsection (g) added by order in Docket Nos. 96-98, 95-185 and 92-237, effective November 15, 1996, 61 FR 47284. For Second Report and Memorandum Opinion see 4 CR 484.

§51.321 Methods of obtaining interconnection and access to unbundled elements under Section 251 of the Act.

→ (a) Except as provided in paragraph (e) of this section, an incumbent LEC shall provide, on terms and conditions that are just, reasonable, and nondiscriminatory in accordance with the requirements of this part, any technically feasible method of obtaining interconnection or access to unbundled network elements at a particular point upon a request by a telecommunications carrier.

(b) Technically feasible methods of obtaining interconnection or access to unbundled network elements include, but are not limited to:

(1) Physical collocation and virtual collocation at the premises of an incumbent LEC; and

(2) Meet point interconnection arrangements.

(c) A previously successful method of obtaining interconnection or access to unbundled network elements at a particular premises or point on any incumbent LEC's network is substantial evidence that such method is technically feasible in the case of substantially similar network premises or points. A requesting telecommunications carrier seeking a particular collocation arrangement, either physical or virtual, is entitled to a presumption that such arrangement is technically feasible if any LEC has deployed such collocation arrangement in any incumbent LEC premises.

→ (d) An incumbent LEC that denies a request for a particular method of obtaining interconnection or access to unbundled network elements on the incumbent LEC's network must prove to the state commission that the requested method of obtaining interconnection or access to unbundled network elements at that point is not technically feasible.

(e) An incumbent LEC shall not be required to provide for physical collocation of equipment necessary for interconnection or access to unbundled network elements at the incumbent LEC's premises if it demonstrates to the state commission that physical collocation is not practical for technical reasons or because of space limitations. In such cases, the incumbent LEC shall be required to provide virtual collocation, except at points where the incumbent LEC proves to the state commission that virtual collocation is not technically feasible. If virtual collocation is not technically feasible, the incumbent LEC shall provide other methods of interconnection and access to unbundled network elements to the extent technically feasible.

(f) An incumbent LEC shall submit to the state commission, subject to any protective order as the state commission may deem necessary, detailed floor plans or diagrams of any premises where the incumbent LEC claims that physical collocation is not practical because of space limitations. These floor plans or diagrams must show what space, if any, the incumbent LEC or any of its affiliates has reserved for future use, and must describe in detail the specific future uses for which the space has been reserved and the length of time for each reservation. An incumbent LEC that contends space for physical collocation is not available in an incumbent

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LEC premises must also allow the requesting carrier to tour the entire premises in question, not only the area in which space was denied, without charge, within ten days of the receipt of the incumbent's denial of space. An incumbent LEC must allow a requesting telecommunications carrier reasonable access to its selected collocation space during construction.

(g) An incumbent LEC that is classified as a Class A company under §32.11 of this chapter and that is not a National Exchange Carrier Association interstate tariff participant as provided in part 69, subpart G, shall continue to provide expanded interconnection service pursuant to interstate tariff in accordance with §§64.1401, 64.1402, 69.121 of this chapter, and the Commission's other requirements.

(h) Upon request, an incumbent LEC must submit to the requesting carrier within ten days of the submission of the request a report describing in detail the space that is available for collocation in a particular incumbent LEC premises. This report must specify the amount of collocation space available at each requested premises, the number of collocators, and any modifications in the use of the space since the last report. This report must also include measures that the incumbent LEC is taking to make additional space available for collocation. The incumbent LEC must maintain a publicly available document, posted for viewing on the incumbent LEC's publicly available Internet site, indicating all premises that are full, and must update such a document within ten days of the date at which a premises runs out of physical collocation space.

(i) An incumbent LEC must, upon request, remove obsolete unused equipment from their premises to increase the amount of space available for collocation.

Historical Note

Subsections (c) and (f) amended and (h) and (i) added by order in Docket No. 98-147, effective June 1, 1999 (except subsections (f) and (h) are effective June 1, 1999), 64 FR 23229, 29598, 34137. For First Report see 15 CR 553.

Subsection (f) amended by order in Docket No. 98-147, effective October 10, 2000, 65 FR 54433, 57291. For Order on Reconsideration see 21 CR 1026.

Subsection (h) amended by order (FCC 01-204) in Docket No. 98-147, effective September 19, 2001, 66 FR 43516. For Fourth Report see 24 CR 417.

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Subpart F - Pricing of Elements

§51.501 Scope.

(a) The rules in this subpart apply to the pricing of network elements, interconnection, and methods of obtaining access to unbundled elements, including physical collocation and virtual collocation.

→ (b) As used in this subpart, the term "element" includes network elements, interconnection, and methods of obtaining interconnection and access to unbundled elements.

§51.503 General pricing standard.

(a) An incumbent LEC shall offer elements to requesting telecommunications carriers at rates, terms, and conditions that are just, reasonable, and nondiscriminatory.

(b) An incumbent LEC's rates for each element it offers shall comply with the rate structure rules set forth in §§51.507 and 51.509, and shall be established, at the election of the state commission--

(1) Pursuant to the forward-looking economic cost-based pricing methodology set forth in §§51.505 and 51.511; or

(2) Consistent with the proxy ceilings and ranges set forth in §51.513.

(c) The rates that an incumbent LEC assesses for elements shall not vary on the basis of the class of customers served by the requesting carrier, or on the type of services that the requesting carrier purchasing such elements uses them to provide.

§51.505 Forward-looking economic cost.

(a) In general. The forward-looking economic cost of an element equals the sum of:

(1) The total element long-run incremental cost of the element, as described in paragraph (b); and

(2) A reasonable allocation of forward-looking common costs, as described in paragraph (c).

(b) Total element long-run incremental cost. The total element long-run incremental cost of an element is the forward-looking cost over the long run of the total quantity of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, such element, calculated taking as a given the incumbent LEC's provision of other elements.

(1) Efficient network configuration. The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing

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location of the incumbent LEC's wire centers.

(2) Forward-looking cost of capital. The forward-looking cost of capital shall be used in calculating the total element long-run incremental cost of an element.

(3) Depreciation rates. The depreciation rates used in calculating forward-looking economic costs of elements shall be economic depreciation rates.

(c) Reasonable allocation of forward-looking common costs.

(1) Forward-looking common costs. Forward-looking common costs are economic costs efficiently incurred in providing a group of elements or services (which may include all elements or services provided by the incumbent LEC) that cannot be attributed directly to individual elements or services.

(2) Reasonable allocation.

(i) The sum of a reasonable allocation of forward-looking common costs and the total element long-run incremental cost of an element shall not exceed the stand-alone costs associated with the element. In this context, stand-alone costs are the total forward-looking costs, including corporate costs, that would be incurred to produce a given element if that element were provided by an efficient firm that produced nothing but the given element.

(ii) The sum of the allocation of forward-looking common costs for all elements and services shall equal the total forward-looking common costs, exclusive of retail costs, attributable to operating the incumbent LEC's total network, so as to provide all the elements and services offered.

(d) Factors that may not be considered. The following factors shall not be considered in a calculation of the forward-looking economic cost of an element:

(1) Embedded costs. Embedded costs are the costs that the incumbent LEC incurred in the past and that are recorded in the incumbent LEC's books of accounts;

(2) Retail costs. Retail costs include the costs of marketing, billing, collection, and other costs associated with offering retail telecommunications services to subscribers who are not telecommunications carriers, described in §51.609;

(3) Opportunity costs. Opportunity costs include the revenues that the incumbent LEC would have received for the sale of telecommunications services, in the absence of competition from telecommunications carriers that purchase elements; and

(4) Revenues to subsidize other services. Revenues to subsidize other services include revenues associated with elements or telecommunications service offerings other than the element for which a rate is being established.

→ (e) Cost study requirements. An incumbent LEC must prove to the state commission that the rates for each element it offers do not exceed the forward-looking economic cost per unit of

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providing the element, using a cost study that complies with the methodology set forth in this section and §51.511.

(1) A state commission may set a rate outside the proxy ranges or above the proxy ceilings described in §51.513 only if that commission has given full and fair effect to the economic cost based pricing methodology described in this Section and §51.511 in a state proceeding that meets the requirements of paragraph (e)(2) of this section.

(2) Any state proceeding conducted pursuant to this section shall provide notice and an opportunity for comment to affected parties and shall result in the creation of a written factual record that is sufficient for purposes of review. The record of any state proceeding in which a state commission considers a cost study for purposes of establishing rates under this section shall include any such cost study.

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**Subpart H - Reciprocal Compensation for Transport
and Termination of Telecommunications Traffic**

§51.701 Scope of transport and termination pricing rules.

(a) The provisions of this subpart apply to reciprocal compensation for transport and termination of telecommunications traffic between LECs and other telecommunications carriers.

(b) Telecommunications traffic. For purposes of this subpart, telecommunications traffic means:

(1) Telecommunications traffic exchanged between a LEC and a telecommunications carrier other than a CMRS provider, except for telecommunications traffic that is interstate or intrastate exchange access, information access, or exchange services for such access (see FCC 01-131, paragraphs 34, 36, 39, 42-43); or

(2) Telecommunications traffic exchanged between a LEC and a CMRS provider that, at the beginning of the call, originates and terminates within the same Major Trading Area, as defined in §24.202(a) of this chapter.

(c) Transport. For purposes of this subpart, transport is the transmission and any necessary tandem switching of telecommunications traffic subject to Section 251(b)(5) of the Act from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party, or equivalent facility provided by a carrier other than an incumbent LEC.

(d) Termination. For purposes of this subpart, termination is the switching of telecommunications traffic at the terminating carrier's end office switch, or equivalent facility, and delivery of such traffic to the called party's premises.

(e) Reciprocal compensation. For purposes of this subpart, a reciprocal compensation arrangement between two carriers is one in which each of the two carriers receives compensation from the other carrier for the transport and termination on each carrier's network facilities of telecommunications traffic that originates on the network facilities of the other carrier.

Historical Note

Section amended by order (FCC 01-131) in Docket Nos. 96-98 and 99-68, effective June 14, 2001, 66 FR 26800. For Order on Remand and Report see 23 CR 678.

§51.703 Reciprocal compensation obligation of LECs.

(a) Each LEC shall establish reciprocal compensation arrangements for transport and termination of telecommunications traffic with any requesting telecommunications carrier.

→ (b) A LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network.

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§51.709 Rate structure for transport and termination.

(a) In state proceedings, a state commission shall establish rates for the transport and termination of telecommunications traffic that are structured consistently with the manner that carriers incur those costs, and consistently with the principles in §§51.507 and 51.509.

→ (b) The rate of a carrier providing transmission facilities dedicated to the transmission of traffic between two carriers' networks shall recover only the costs of the proportion of that trunk capacity used by an interconnecting carrier to send traffic that will terminate on the providing carrier's network. Such proportions may be measured during peak periods.

Historical Note

Subsection (a) amended by order (FCC 01-131) in Docket Nos. 96-98 and 99-68, effective June 14, 2001, 66 FR 26800. For Order on Remand and Report see 23 CR 678.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JUL 21 2002

Petition of US LEC of Pennsylvania, Inc. for
Arbitration with Verizon Pennsylvania Inc.
Pursuant to Section 252(b) of the
Telecommunications Act of 1996

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Docket No. A-310814F7000

**VERIZON PENNSYLVANIA INC.'S FIRST SUPPLEMENTAL RESPONSES TO
US LEC OF PENNSYLVANIA, INC.'S FIRST SET OF DISCOVERY REQUESTS**

Verizon Pennsylvania Inc. ("Verizon") hereby submits the following supplemental responses to the requests included in US LEC of Pennsylvania, Inc.'s ("US LEC") First Set of Discovery Requests (filed June 7, 2002).

Subject to and without waiving any of Verizon's objections (filed June 12, 2002),

Verizon responds to US LEC's Requests as follows:

Request for Admission No. 1

Please admit that Verizon currently delivers its originated traffic to a single US LEC-IP per LATA in (a) the Pittsburgh (234) LATA and (b) the Philadelphia (228) LATA. If you do not so admit, please explain the reasons for your denial.

Response to Request for Admission No. 1

Verizon admits that it currently delivers traffic originated by its end-user customers in the Pittsburgh and Philadelphia LATAs for delivery to US LEC customers in those LATAs to a single physical point, on US LEC's network, in each of the LATAs.

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Request for Admission No. 3

AUG 15 2002

Please admit that Verizon is currently financially responsible for the facilities used to deliver its originated traffic to the single US LEC-IP in (a) the Pittsburgh (234) LATA and (b) the Philadelphia (228) LATA. If you do not so admit, please explain the reasons for your denial.

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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USL 3

(a) and (c): For high-usage trunk groups, Verizon engineers these trunk groups using an Economic Centum Call Second ("ECCS") (Hundred Call Second) equal to five.

Interrogatory No. 23

Please explain how Verizon proposes to inform US LEC of the amount and application of any "other costs (to the extent Verizon purchases such transport from ... a third party)" that must be included in the Verizon-proposed calculation in Section 7.1.1.1.1.

Response to Interrogatory No. 23

Verizon will notify US LEC in writing.

Interrogatory No. 24

Using the rates in Appendix A of the proposed agreement, and assuming (a) that US LEC maintains its IP at its switches — (located at V&H coordinates 05619/02187 [CLLI PITBPAMADS1] in the Pittsburgh (234) LATA and located at V&H coordinates 05250/01461 [CLLI PHLAPAFGDSG] in the Philadelphia (228) LATA) — and assuming (b) that Verizon originates (x) 100, (y) 1,000, or (z) 100,000 minutes of local traffic a month from each Verizon end office to US LEC in each LATA, please calculate the amount by which Verizon proposes to reduce US LEC's reciprocal compensation rate under the Verizon-proposed calculation defined in Section 7.1.1.1.1 of the Interconnection Attachment. Please explain each step in your calculation and provide documentation supporting your calculation.

Response to Interrogatory No. 24

Under Section 7.1.1.1.1 of the Interconnection Attachment, and assuming that no tandem switching or other costs are incurred, the following calculation is used:

$$\frac{\text{dedicated transport rate per mile} \times \text{\# of miles between Verizon originating office and US LEC location} + \text{fixed dedicated transport rate}}{\text{average minutes of use for a DS1}} = \text{per minute transport rate}$$

Using the applicable rates in Appendix A of the proposed agreement, the per minute transport rate is:

$$\frac{(\$0.60 \times [\text{miles}]) + \$35.22}{200000} = \$0.000003 \times \text{miles} + \$0.000176$$

Assuming that the distance between the end office and the US LEC IP that is not geographically relevant is 25 miles and that 100,000 minutes of use are originated in the month, the credit would be \$25.11.

$$(\$0.000003 \times 25) + \$0.000176 = \$0.000251 \times 100000 \text{ minutes} = \$25.11$$

US LEC is capable of performing the calculations for the other end offices in the Pittsburgh and Philadelphia LATAs, inasmuch as those calculations vary only with respect to the distance between the end office and the US LEC switch in that LATA and the number of minutes of traffic originated.

Interrogatory No. 26

Please identify and explain the financial, technical, or other reasons why US LEC could not meet its VGRIP obligation by establishing its IP through a means other than collocation (*e.g.*, entrance facility, mid-span meet, etc.). Please provide all documentation supporting your response.

Response to Interrogatory No. 26

Verizon would be willing to consider VGRIP language that would include other interconnection alternatives and would review a VGRIP proposal from US LEC that includes multiple interconnection options. However, US LEC has made it clear that, regardless of the permitted means of interconnection, it will not accept Verizon-originated traffic at more than one point per LATA.

Interrogatories No. 39-40

39. Please state whether Verizon believes the charges identified in Verizon-proposed Section 7.1.1.1.1 of the Interconnection Attachment comply with a Total Element Long Run Incremental Cost methodology adopted by the Federal Communications Commission and/or the Commission. If the answer is yes, please provide a detailed explanation of your reasoning and provide all documentation supporting your assertion.

40. Please state whether Verizon believes the charges identified in Verizon-proposed Section 7.1.1.1.1 of the Interconnection Attachment comply with the pricing standards of

section 252(d) of the Act. If the answer is yes, please provide a detailed explanation of your reasoning and provide all documentation supporting your assertion.

Response to Interrogatories No. 39-40

Verizon believes the charges referenced in these two interrogatories satisfy the requirements of 47 U.S.C. § 252(d), which the FCC has interpreted to require rates for unbundled network elements (“UNE”) to be set using the Total Element Long-Run Incremental Cost (“TELRIC”) methodology. As Verizon has previously explained to US LEC, the charges identified in Section 7.1.1.1.1 are based on the UNE rates that the Pennsylvania PUC established for the specified facilities. The FCC has found that the “the Pennsylvania Commission followed basic TELRIC principles” in establishing UNE rates and that those “rates are within the range that reasonable application of TELRIC would produce.” Memorandum Opinion and Order, *Application of Verizon Pennsylvania Inc., et al. for Authorization To Provide In-Region, InterLATA Services in Pennsylvania*, 16 FCC Rcd 17419, ¶¶ 55-56 (2001).

Interrogatories No. 45-46

45. Does Verizon have the capability to distinguish Voice Information Service traffic from other local traffic?

46. If your response to DR 45 is affirmative, please state the process by which you distinguish such traffic, state how long that process has been in place and identify all studies you have undertaken to determine the accuracy of the process.

Response to Interrogatories No. 45-46

Verizon has the capability of distinguishing Voice Information Service traffic that is dialed using distinct NXX codes, including 976 and 556 numbers. Verizon distinguishes the traffic on the basis of the dialed number; this process has been in place for many years and is accurate. Verizon does not ordinarily distinguish Voice Information Service traffic that is not dialed using dedicated NXX codes.

Interrogatory No. 47

Have you ever billed or received reciprocal compensation for calls received from CLECs for termination to your customers who offer Voice Information Services? Please explain your answer.

Response to Interrogatory No. 47

If Voice Information Service traffic that is dialed using distinct NXX codes, including 976 and 445 numbers, is delivered to Verizon over a separate trunk group, it is Verizon's policy not to bill reciprocal compensation on such traffic. If Voice Information Service traffic is not delivered to Verizon over a separate trunk group, Verizon would not routinely distinguish such traffic from local traffic for reciprocal compensation billing purposes.

Interrogatories No. 49, 50, and 52

49. Do you contend that "receiving" traffic is different than "terminating" traffic for the purposes of assessing reciprocal compensation? Please provide the factual and legal basis for your contention.

50. Do you contend that traffic can be "received" but not terminated? Please provide the factual and legal basis for your contention.

52. Do you contend that there is a difference between a "receiving" party and a "terminating" party with respect to a particular call?

Response to Interrogatories No. 49, 50, and 52

"Receiving traffic" is a broader term than "terminating traffic." It includes traffic, such as Internet-bound traffic, that the receiving carrier does not terminate but instead passes on to another party for onward transmission. For example, with respect to an Internet-bound call from a Verizon customer through an Internet service provider ("ISP") served by US LEC, US LEC would receive the call but would not terminate it. The factual and legal basis for this conclusion are set forth in Mark L. Evans & Aaron M. Panner, "Analysis of Issues on Remand in ISP Reciprocal Compensation Proceeding," attached to the Comments of the United States Telecom Association in CC Docket No. 96-98 (FCC filed July 21, 2000), *available at*

http://gullfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6511457918, and in the Declaration of Charles Jackson, attached to Comments of Verizon Communications Inc. in CC Docket No. 96-98 (FCC filed July 21, 2001), *available at* http://gullfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6511359995.

Interrogatory No. 55

Please explain how you rate each of the following types of traffic originated by or terminated to your FX customers, and provide all documentation supporting your answer:

- (a) A call placed by a Verizon end user to a Verizon FX customer where the NXX code of the dialed number (FX customer) and the NXX code of the calling party's number are assigned to the same local calling area, but the FX customer is not physically located within that local calling area.
- (b) A call placed by a Verizon FX customer to a Verizon end user where the NXX code of the dialed number and the NXX code of the calling party's number (FX customer) are assigned to the same local calling area, but the FX customer is not physically located in that local calling area.
- (c) A call placed by a Verizon end user to a Verizon FX customer where the NXX code of the dialed number (FX customer) is assigned to a local calling area within the same local access transport area ("LATA") as the calling party, but not assigned to the same local calling area as the calling party, and where the FX customer is physically located in the same local calling area as the calling party.
- (d) A call placed by a Verizon FX customer to a Verizon end user where the NXX code of the dialed number is assigned to a local calling area within the same LATA, but not within the same local calling area, as the NXX code assigned to the FX customer, and where the FX customer is physically located in the same local calling area as the called party.
- (e) A call carried by an interexchange carrier and terminated to a Verizon FX customer.

Response to Interrogatory No. 55

(a) With Foreign Exchange ("FX") service, calls are rated between originating and terminating subscribers based on the originating customer's class of service to the "foreign" switch. In this example, the call would appear "local" to the caller and would be rated as such. The Verizon FX customer (the called party) would not receive such calls as part of local service.

Instead, the FX subscriber would pay a separate charge equal to the basic exchange service rate in the caller's local calling area, as well as paying a private line charge to transport the call beyond the caller's local calling area to the FX customer's premises. The currently available service options are contained in the following Verizon tariffs: Bell Atlantic-Pennsylvania, Inc., PA P.U.C. No. 1, § 12, Channels, and Local General Tariffs PA P.U.C. Nos. 180A, 182, 185B and 185C.

(b) See response a. In this case, the call would be rated as "local" to the FX customer, who has purchased basic exchange service in the foreign exchange, as well as private line service. The called party would not pay to receive the call.

(c) See response a. A call to an NXX associated with a non-local exchange would be billed as toll. The example is largely academic, however, because, if the FX customer is located in the same local calling area as the caller, the FX customer would ordinarily provide the calling party with a locally rated number, not an FX number that would require the caller to incur toll charges.

(d) See response c.

(e) Calls are rated by the interexchange carrier to the FX customer's foreign switch.

Interrogatory No. 56

Please explain how you bill each end user (or IXC) for each of the types of traffic identified in DR 55, and provide all documentation supporting your answer.

Response to Interrogatory No. 56

(a)-(d) Calls would be billed as they are rated, as described in Verizon's Response to Interrogatory No. 55.

(e) Such calls would be billed by the interexchange carrier.

Interrogatory No. 57

Please explain how you account (for separations or other regulatory purposes) for each of the types of traffic identified in DR 55, and provide all documentation supporting your answer.

Response to Interrogatory No. 57

Calls are accounted for as local or toll based on how the call is rated.

Interrogatory No. 59

Have you ever billed or received reciprocal compensation for calls received from customers of CLECs or other LECs for termination to your FX customers located in Pennsylvania? Please explain your answer.

Response to Interrogatory No. 59

If a CLEC customer originated a call to a Verizon FX customer with an assigned NXX code associated with the same local calling area as the NXX code of the originating CLEC customer, Verizon would ordinarily bill (and therefore also receive) reciprocal compensation on such a call. Verizon believes that in-bound FX traffic constitutes a very small proportion of in-bound traffic received from CLECs. Verizon does not believe that reciprocal compensation is due on such traffic.

Interrogatory No. 60

Are there any circumstances in which Verizon has been billed and/or paid access charges to the originating carrier for a call originated by another carrier and terminating to a Verizon FX customer? If so, please describe all circumstances under which such an obligation arose.

Response to Interrogatory No. 60

See Response to Interrogatory 55(e). If a carrier delivers traffic to a Verizon FX number that is rated as an interLATA or intraLATA toll call, and the carrier's customer originated the call, the originating carrier would owe access charges under Verizon's state and federal tariffs.

Interrogatory No. 61

Please state whether you offer any FX-Like Service; e.g., do you currently offer any services or products to your customers, other than your FX service, under which a customer can obtain a telephone number with an "NXX" associated with a local calling area that is different from the local calling area in which the customer has a physical presence?

Response to Interrogatory No. 61

Verizon offers Enhanced IntelliLinQ PRI Hub Service and Internet Protocol Routing Service in Pennsylvania.

Interrogatory No. 62

Please state whether you provide "Internet Protocol Routing Service" in Pennsylvania.

Response to Interrogatory No. 62

Yes.

Interrogatory No. 63

Please state whether you provide "Single Number Service-Primary Rate Interface," Hub-PRI service, SNS-PRI service, or their functional equivalents, in Pennsylvania.

Response to Interrogatory No. 63

See Response to Interrogatory No. 61.

Interrogatory No. 64

Please state whether you provide in Pennsylvania any service, apart from 1-8YY service, by which an Internet service provider can use a single number for all of its customers within a LATA to reach it to obtain Internet access and not incur toll charges.

Response to Interrogatory No. 64

Both Enhanced IntelliLinQ PRI Hub Service and Internet Protocol Routing Service provide this functionality.

Interrogatory No. 65

Is "1-500" service available to ISPs in Pennsylvania?

Response to Interrogatory No. 65

Yes.

Interrogatory No. 66

If the answer to DRs 61, 62, 63, 64 or 65 is yes, please state the name of each such service, identify the tariff where the product is described, provide copies of all product descriptions and marketing materials associated with each service offering and state the number of customers in the Pittsburgh and Philadelphia LATAs who purchase each FX-like service.

Response to Interrogatory No. 66

See Responses to Interrogatories No. 61-65. Internet Protocol Routing Service is described in Verizon's Tariff F.C.C. No. 1, § 16.5. Enhanced IntelliLinQ PRI Hub Service is described in Bell Atlantic-Pennsylvania, Inc. P.U.C. No. 1, § 21D. Verizon objects to the request for copies of all product descriptions and market materials as overly broad and unduly burdensome and not reasonably calculated to lead to discovery of relevant information. Verizon objects to the request for the number of customers who purchase Verizon's service because such information is proprietary and competitively sensitive.

Interrogatory No. 74

Have you ever billed or received reciprocal compensation for calls received from customers of CLECs or other LECs for termination to your customers who have purchased or subscribed to FX-Like Services? Please explain your answer.

Response to Interrogatory No. 74

See Response to Interrogatory No. 59. CLEC customers are generally unable to dial 1-500 numbers; Verizon does not believe that it has ever billed or received reciprocal compensation for calls received from customers of CLECs or other LECs for delivery to

customers who have purchased 1-500 service. Verizon believes that "FX-Like Services" traffic constitutes a very small proportion of in-bound traffic received from CLECs. Verizon does not believe that reciprocal compensation is due on such traffic.

Interrogatory No. 80

Please state whether your costs of originating locally-dialed calls from your customers to US LEC customers having line numbers assigned to the same NPA-NXX code vary depending on the physical location of those customers.

Response to Interrogatory No. 80

Verizon's costs of delivering traffic depend on the location of the applicable CLEC interconnection point and do not vary depending on the location of the CLEC customer. As Verizon has explained in the testimony of Terry Haynes, CLECs' use of virtual NXX codes may deprive Verizon of appropriate compensation for originating and transporting interexchange traffic.

Interrogatory No. 83

Has Verizon developed a process by which it can separate or identify traffic as FX or FX-Like Services traffic from all other locally dialed traffic?

Response to Interrogatory No. 83

Verizon has no automated process in place to identify CLEC-originated traffic bound for Verizon FX numbers. Verizon can accurately estimate the volume of such traffic using traffic studies. Verizon believes that the traffic described constitutes a very small proportion of in-bound traffic received from CLECs.

Interrogatory No. 85

Would implementing a process to separate FX or FX-Like Services traffic from all other locally dialed traffic require Verizon, US LEC, and other LECs to implement a new billing system to rate such traffic for purposes of intercarrier compensation?

Response to Interrogatory No. 85

No with respect to Verizon. Verizon cannot respond to this Interrogatory with respect to any other carrier.

Interrogatory No. 86

If the answer to DR 85 is yes, what does Verizon project the cost of implementing such a billing system to be?

Response to Interrogatory No. 86

N/A.

Respectfully submitted,

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