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August 2, 2002

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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FPSC

Re: Docket No. 020412-TP
Petition for arbitration of unresolved issues in negotiation of interconnection
agreement with Verizon Florida Inc. by US LEC of Florida Inc.

Dear Ms. Bayo:

Please find enclosed for filing in the above matter an original and 15 copies of the
Direct Testimonies of Peter J. D'Amico and Terry Haynes on behalf of Verizon Florida
Inc. Service has been made as indicated on the Certificate of Service. If there are
any questions regarding this matter, please contact me at 813-483-2617.

Sincerely,


Kimberly Caswell

KC:tas
Enclosures

Terry Haynes
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Direct Testimonies of Peter J. D'Amico and Terry Haynes on behalf of Verizon Florida Inc. in Docket No. 020412-TP were sent via U.S. mail on August 2, 2002 to the parties on the attached list.



for Kimberly Caswell

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

Petition of US LEC of Florida Inc.
for Arbitration with Verizon Florida Inc.)
pursuant to 47 U.S.C. § 252(b) of the)
Communications Act of 1934, as amended)
by the Telecommunications Act of 1996)
_____)

Docket No. 020412-TP

**DIRECT TESTIMONY
OF PETER J. D'AMICO ON BEHALF OF
VERIZON FLORIDA INC.**

August 2, 2002

DOCUMENT NUMBER DATE

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

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

7

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

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

15

16 **Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT**
17 **POSITION?**

18 **A.** My responsibilities include development, implementation, and product
19 management of interconnection services.

20

21 **Q. HAVE YOU EVER TESTIFIED BEFORE?**

22 **A.** Yes. I testified in connection with various section 252 arbitrations and/or
23 section 271 proceedings in Pennsylvania, New Jersey, Maryland,
24 Virginia, New York, Rhode Island, Vermont, New Hampshire, Maine,
25 Delaware, South Carolina and Ohio.

1

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

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

6

7 **Q. CAN YOU PROVIDE AN OVERVIEW OF YOUR TESTIMONY ON**
8 **NETWORK ARCHITECTURE?**

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

19

20 US LEC's proposal is an impermissible attempt to have Verizon
21 subsidize US LEC's attempts to enter the local telephone market. US
22 LEC attempts to do this by, for example, having Verizon bear costs that
23 are actually caused by US LEC's own decisions or by forcing Verizon to
24 make network architecture decisions for the benefit primarily of US LEC
25 and not for Verizon and its customers. The main premise behind US

1 LEC's network architecture position is that Verizon should be financially
2 responsible for US LEC's interconnection choices. Simply put, US
3 LEC's demands far surpass its legal entitlements and would have far-
4 reaching effects on Verizon's network architecture, including forcing
5 Verizon to subsidize the cost of US LEC's entry into the local
6 telecommunications market and creating a disincentive to US LEC's
7 deployment of its own network.

8

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

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

22

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

25 **A.** Under VGRIP, Verizon may request that the ALEC establish a POI at a

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

22

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

24 **A.** Yes. Under VGRIP, Verizon could incur more than its share of the
25 transport cost, because it would be responsible for the costs of hauling

1 its traffic from the Verizon customer to the VGRIP location, even though
2 the location may be beyond the local calling area. Verizon is willing to
3 incur this extra transport cost in exchange for the ability to deliver its
4 traffic to US LEC at a more central location. If US LEC elects not to
5 collocate and establish a POI/IP at the VGRIP locations, Verizon will
6 then transport its traffic to the US LEC designated location. However,
7 US LEC will be financially responsible for the transport from the
8 originating end office to the US LEC POI.

9

10 **Q. HAS THIS COMMISSION EVER ADDRESSED THE QUESTION OF**
11 **THE PROPER ALLOCATION OF THE COSTS OF AN ALEC'S**
12 **CHOSEN POINT OF INTERCONNECTION?**

13 **A.** Yes. This Commission has addressed the question of the appropriate
14 allocation of costs attributable to an ALEC's selection of POI(s) within a
15 LATA in a number of individual arbitrations between ILECs and ALECs.
16 In arbitrating an interconnection agreement between BellSouth and
17 Sprint, this Commission rejected the very type of cost-shifting that US
18 LEC advocates. In that decision, the Commission held that, "where
19 Sprint designates a POI outside of BellSouth's local calling area, Sprint
20 should be required to bear the cost of facilities from that local calling
21 area to Sprint's POI." Final Order on Arbitration, *Petition of Sprint*
22 *Communications Company Limited Partnership for Arbitration of Certain*
23 *Unresolved Terms and Conditions of a Proposed Renewal of Current*
24 *Interconnection Agreement with BellSouth Telecommunications, Inc.*,
25 Docket No. 000828-TP, Order No. PSC-01-1095-FOF-TP, at 60 (Fla.

1 PSC May 8, 2001) (“*Sprint Arbitration Order*”). The Commission
2 required Sprint to “designate at least one VPOI ‘within’ a BellSouth local
3 calling area that encompasses that exchange,” although it stated that
4 “BellSouth should not be allowed to designate [Sprint’s] virtual point of
5 interconnection [(“VPOI”).” *Id.* at 63. Nonetheless, the Commission
6 permitted BellSouth to “require Sprint to pay TELRIC rates for Interoffice
7 Dedicated Transport . . . between . . . Sprint’s VPOI and Sprint’s POI.”
8 *Id.* After a detailed discussion of these requirements, which mirror those
9 of Verizon’s VGRIP proposal, the Commission determined that they
10 comply with the 1996 Act and the FCC’s rules implementing the Act.
11 *See id.* at 58-62.

12
13 In other cases in which this Commission has addressed this issue, it has
14 not reached conclusive determinations. For example, in an arbitration
15 between AT&T and BellSouth, the Commission found that, “for purposes
16 of this arbitration,” it would require “both parties [to] assum[e] financial
17 responsibility for bringing their traffic to the AT&T-designated
18 interconnection point.” Final Order on Arbitration, *Petition by AT&T*
19 *Communications of the Southern States, Inc. d/b/a AT&T for Arbitration*
20 *of Certain Terms and Conditions of a Proposed Agreement with*
21 *BellSouth Telecommunications, Inc. Pursuant to Section 252*, Docket
22 No. 000731-TP, Order No. PSC-01-1402-FOF-TP at 46 (Fla. PSC June
23 28, 2001) (“*AT&T Arbitration Order*”). I note that, while US LEC here
24 seeks to have only one IP per LATA (Petition at 8 n.9), AT&T had
25 agreed to accept BellSouth-originated traffic at “a minimum of two POIs

1 per LATA,” *AT&T Arbitration Order* at 33, 43-44. The Commission also
2 stated that it “may be possible to construct an argument favoring the
3 payment of compensation by competitive local exchange companies for
4 transporting traffic from a local calling area to a distant POI.” *Id.* at 45.

5

6 **Q. CAN YOU ADDRESS THE STAFF’S RECOMMENDATION IN**
7 **DOCKET NO. 000075-TP, AS IT RELATES TO THIS ISSUE?**

8 **A.** Yes. In December 2001, the Commission approved its staff’s
9 recommendation that “an originating carrier is precluded by FCC rules
10 from charging a terminating carrier for the cost of transport . . . from [the
11 traffic’s] source to the point(s) of interconnection in a LATA.”
12 Commission Agenda Conference, Docket No. 000075-TP, Vote Sheet at
13 4 (Issue 14) (Dec. 5, 2001), *approving Memorandum, Investigation Into*
14 *Appropriate Methods To Compensate Carriers for Exchange Of Traffic*
15 *Subject to Section 251 of the Telecommunications Act of 1996*, Docket
16 No. 000075-TP (Fla. PSC filed Nov. 21, 2001) (“*Staff Recom-*
17 *mendation*”). The Commission has not yet issued an order in this
18 proceeding.

19

20 In approving Verizon’s section 271 application in Pennsylvania,
21 however, the FCC found that Verizon’s GRIP proposal — which like
22 VGRIP “permits carriers to *physically* interconnect at a single point of
23 interconnection (POI),” but “distinguish[es] between the physical POI
24 and the point at which Verizon and an interconnecting competitive LEC
25 are responsible for the cost of interconnection facilities” — “do[es] not

1 represent a violation of our existing rules.” Memorandum Opinion and
2 Order, *Application of Verizon Pennsylvania Inc., et al. for Authorization*
3 *To Provide In-Region, InterLATA Services in Pennsylvania*, 16 FCC Rcd
4 17419, 17474, ¶ 100 & n.341 (2001) (“*Pennsylvania 271 Order*”). The
5 FCC’s *Pennsylvania 271 Order* thus supports this Commission’s ruling
6 in the *Sprint Arbitration Order* and not the staff’s conclusion in Docket
7 No. 000075-TP. See, e.g., *Sprint Arbitration Order* at 58 (“in
8 accordance with the FCC Rules and Orders, BellSouth is entitled to
9 recover additional transport costs from Sprint”).

10

11 **Q. HAVE OTHER STATE COMMISSIONS REACHED DECISIONS**
12 **SUPPORTING VERIZON’S VGRIP PROPOSAL?**

13 **A.** Yes. For example, the South Carolina Commission found, in arbitrating
14 an interconnection agreement between BellSouth and AT&T, that,
15 although “AT&T’s network design is a matter best left to AT&T,” “it would
16 be neither equitable nor fair for this Commission to permit AT&T to shift
17 costs to BellSouth as a result of that network design.” Order on
18 Arbitration, *Petition of AT&T Communications of the Southern States,*
19 *Inc., for Arbitration of Certain Terms and Conditions of a Proposed*
20 *Interconnection Agreement with BellSouth Telecommunications, Inc.*
21 *Pursuant to 47 U.S.C. Section 252*, Docket No. 2000-527-C, at 22 (S.C.
22 PSC Jan. 30, 2001) (“*AT&T Arbitration Order*”). That Commission
23 recognized that it was “AT&T’s interconnection choices [that] required
24 the transport of local calls from one local calling area to another local
25 calling area where AT&T’s POI is located” and that, because “AT&T has

1 contributed to the need and costs of these facilities, AT&T should pay
2 for the use of the facilities.” *Id.* at 24. That Commission also found that
3 requiring AT&T to bear these costs is consistent with the requirement
4 that an ILEC “be allowed to recover the added costs created by a
5 CLEC’s ‘expensive interconnection,’” because otherwise “a CLEC could
6 select a POI that is more expensive in the aggregate simply because the
7 CLEC need not take into account the costs that it avoids because the
8 costs are transferred to the ILEC.” *Id.* (quoting *Local Competition*
9 *Order*,¹ 11 FCC Rcd at 15603, ¶ 199). In addition, that Commission
10 recently reaffirmed this decision. See Order on Arbitration, *Petition of*
11 *HTC Communications, Inc. for Arbitration of an Interconnection*
12 *Agreement with Verizon South Inc.*, Docket No. 2002-66-C, Order No.
13 2002-450, at 58-59 (S.C. PSC June 12, 2002) (“*HTC Arbitration Order*”).

14
15 The North Carolina Utilities Commission likewise found that “it is
16 equitable and in the public interest” to require AT&T “to compensate
17 BellSouth for, or otherwise be responsible for, transport beyond the local
18 calling area,” when AT&T elects to “interconnect at points within the
19 LATA but outside of BellSouth’s local calling area from which traffic
20 originates.” Recommended Arbitration Order, *Arbitration of*
21 *Interconnection Agreement Between AT&T Communications of the*
22 *Southern States, Inc., and TCG of the Carolinas, Inc., and BellSouth*
23 *Telecommunications, Inc., Pursuant to the Telecommunications Act of*
24 *1996*, Docket Nos. P-140, Sub 73 & P-646, Sub 7, at 15 (N.C. Utils.
25 Comm’n Mar. 9, 2001) (“*N.C. Arbitration Order*”), *aff’d*, Order Ruling on

¹ First Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 11 FCC Rcd 15499 (1996) (“*Local Competition Order*”) (subsequent history omitted).

1 Objections and Requiring the Filing of the Composite Agreement,
2 Docket Nos. P-140, Sub 73 & P-646, Sub 7, at 5 (N.C. Utils. Comm'n
3 June 19, 2001).

4
5 Similarly, the Public Utilities Commission of Ohio recently held that
6 ILECs should be permitted to charge an ALEC for transporting traffic
7 outside a local calling area to an ALEC's POI so that the ALEC "will
8 have to balance costs and benefits rationally when designing and
9 deploying its network in accordance with the Act and the FCC's . . .
10 rules." *Arbitration Award, Petition of Global NAPs, Inc. for Arbitration of*
11 *Interconnection Rates, Terms, and Conditions and Related*
12 *Arrangements with United Telephone Company of Ohio dba Sprint, et*
13 *al.*, Case No. 01-2811-TP-ARB, *et al.*, at 7 (Ohio PUC May 9, 2002).
14 That Commission also rejected Global NAPs "assertion that [an ILEC's]
15 costs to provide transport are *de minimis*." *Id.*

16
17 I also note that the Third Circuit Court of Appeals has held that, "[t]o the
18 extent . . . [an ALEC's] decision on interconnection points may prove
19 more expensive to Verizon," the Pennsylvania PUC "should consider
20 shifting costs to [that ALEC]." *MCI Telecomm. Corp. v. Bell Atlantic-*
21 *Pa.*, 271 F.3d 491, 518 (3d Cir. 2001) (citing *Local Competition Order*,
22 11 FCC Rcd at 15608, ¶ 209).

23
24 **Q. HAS THE FCC ISSUED ANY RULINGS ON THIS ISSUE?**

25 **A.** Yes. In the *Local Competition Order*, the FCC held that "a requesting

1 carrier that wishes a 'technically feasible' but expensive interconnection
2 would, pursuant to section 252(d)(1), *be required to bear the cost of that*
3 *interconnection*, including a reasonable profit." 11 FCC Rcd at 15603,
4 ¶ 199 (emphasis added). The FCC stated further that, "because
5 competing carriers *must usually compensate incumbent LECs for the*
6 *additional costs incurred* by providing interconnection, competitors have
7 an incentive to make economically efficient decisions about where to
8 interconnect." *Id.* at 15608, ¶ 209 (emphasis added). Similarly, as
9 noted above, in approving Verizon's section 271 application in
10 Pennsylvania, the FCC found that Verizon's GRIP proposal "do[es] not
11 represent a violation of our existing rules" and rejected claims that
12 "Verizon's policies in regard to the financial responsibility for
13 interconnection facilities fail to comply with its obligations under the Act."
14 *Pennsylvania 271 Order*, 16 FCC Rcd at 17474-75, ¶ 100.

15
16 In a recent decision, however, the FCC's Wireline Competition Bureau
17 held that language proposed by WorldCom and other ALECs — under
18 which "each party would bear the cost of delivering its originating traffic
19 to the point of interconnection designated by the competitive LEC" —
20 "more closely conforms to the Commission's current rules governing
21 points of interconnection and reciprocal compensation than do Verizon's
22 proposals." Memorandum Opinion and Order, *In the Matter of Petition of*
23 *WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act*
24 *for Preemption of the Jurisdiction of the Virginia State Corporation*
25 *Commission Regarding Interconnection Disputes with Verizon Virginia*

1 *Inc., and for Expedited Arbitration*, CC Docket Nos. 00-218 *et al.*, DA 02-
2 1731, ¶¶ 51, 53 (FCC rel. July 17, 2002) (“*Virginia Arbitration Order*”).
3 Notably, the Bureau did not find that Verizon’s VGRIP proposal violates
4 the Commission’s rules, and expressly recognized that the FCC had
5 “declined to find that policies similar to GRIPs and VGRIPs violated the
6 Act in the *Verizon Pennsylvania 271 Order*.” *Id.* ¶ 53 n.123. The
7 Bureau also found that “Verizon raises serious concerns about the
8 apportionment of costs caused by a competitive LEC’s choice of points
9 of interconnection.” *Id.* ¶ 54. Finally, I note that the Bureau’s order has
10 not yet been reviewed by the FCC.

11

12 **Q. YOU HAVE QUOTED PARAGRAPH 199 OF THE LOCAL**
13 **COMPETITION ORDER, IN WHICH THE FCC STATED THAT, IF AN**
14 **ALEC WANTS “A ‘TECHNICALLY FEASIBLE’ BUT EXPENSIVE**
15 **INTERCONNECTION” IT WOULD “BE REQUIRED TO BEAR THE**
16 **COST OF THAT INTERCONNECTION.” DOES US LEC’S**
17 **PROPOSAL, UNDER WHICH IT CAN REQUIRE VERIZON TO**
18 **TRANSPORT ALL VERIZON-ORIGINATED TRAFFIC TO A SINGLE**
19 **POINT IN A LATA, QUALIFY AS “EXPENSIVE”?**

20 **A.** Yes. US LEC’s proposal would require Verizon to incur costs for which
21 it would receive no compensation.

22

23 Assume that a Verizon customer in Sarasota calls another Verizon
24 customer in Sarasota. In completing that call, Verizon bears the costs of
25 switching the traffic in an end office located in the Sarasota local calling

1 area and, if necessary, of transporting the call between two end offices
2 in that local calling area. The local service rates that Verizon charges its
3 customers compensate Verizon for performing those tasks. Verizon,
4 however, would not normally transport the call outside of that local
5 calling area.

6
7 If the called party in the above example were a US LEC customer,
8 however, Verizon would no longer have to perform the terminating
9 switching function involved in completing that call. Instead, it would be
10 performed by US LEC, and Verizon would compensate US LEC through
11 the payment of reciprocal compensation.

12
13 Although US LEC would thus be compensated for the switching function
14 that it performs, Verizon would be required to perform additional
15 functions in order to complete the call. Specifically, because US LEC's
16 switch which is located in Tampa is outside the local calling area where
17 the call originated, Verizon would be required to transport the call from
18 Sarasota to Tampa, possibly through one or more tandem switches.
19 Because the calling and called parties in this example would have
20 telephone numbers associated with the same local calling area, Verizon
21 would not be able to collect toll charges from its customer — as it would
22 if a Verizon customer in Sarasota placed a call to a US LEC customer
23 with a telephone number associated with the Tampa local calling area.
24 Under US LEC's proposal, it would not be required to compensate
25 Verizon for that transport and switching. Nor would Verizon receive

1 compensation for those costs from any other source. Thus, US LEC's
2 proposal would require Verizon to bear uncompensated costs that it
3 incurs as a result of US LEC's decision to serve callers in a local calling
4 area (here, Sarasota) from a switch located far outside that local calling
5 area (Tampa).

6
7 Although US LEC's proposal requires Verizon to bear these
8 uncompensated transport costs, I note that when US LEC must
9 transport a call from its switch in Tampa to a customer in Sarasota it can
10 and does receive compensation for that transport from its own customer.
11 Under US LEC's rate guide, the rates it charges often differ based on a
12 customer's distance from US LEC's switch. See US LEC Rate Guide §
13 6.1.2 ("A Customer's rate schedule is dependent on the distance
14 between the Customer's respective ILEC serving wire center and a US
15 LEC switch.")

16
17 However, US LEC might not be required to transport the call from
18 Tampa to Sarasota. Instead, US LEC could have assigned a Sarasota
19 telephone number to an end user with no physical presence in the
20 Sarasota local calling area, but who, instead, was located in Tampa, at
21 or nearby US LEC's switch.² In this situation, Verizon would still have to
22 bear uncompensated costs in transporting the call from Sarasota to
23 Tampa, but US LEC would transport the call only the short distance
24 between its switch and its customer. In this way, US LEC would enable
25 its customer located in Tampa to receive toll calls at Verizon's expense.

² I note that, no matter how the Commission resolves the interconnection architecture issue, such calls should not be subject to reciprocal compensation, but that issue is the subject of a separate dispute between the parties and is addressed in the testimony of Mr. Terry Haynes.

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In contract, Verizon’s VGRIP proposal would enable Verizon to receive fair compensation for the functions that it provides. Specifically, the VGRIP proposal provides that, US LEC must perform these additional tasks itself – by establishing geographically relevant IPs at a Verizon tandem or end office – or must compensate Verizon for performing those tasks. Under VGRIP, the unbundled network element rates that this Commission has established are used to determine the amount of that compensation. Under federal law, those rates must be based on the forward-looking cost of providing those services. See 47 U.S.C. § 252(d)(1)(A)(i); 47 C.F.R. § 51.505. Accordingly, those rates provide a means for calculating the uncompensated expenses that Verizon incurs as a result of US LEC chosen network architecture.

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

A. No. This claim appears to be based on a misreading of section 7.1.1.3. That section allows Verizon to request that US LEC establish POI/IPs that comply with sections 7.1.1.1 or 7.1.1.2 – that is, at a collocation site at either a Verizon tandem or a Verizon end office. However, US LEC is not obligated to agree to that request. If US LEC chooses not to establish POIs that comply with the other provisions of VGRIP, then US LEC will become financially responsible for traffic at Verizon’s end offices, through the creation of virtual IPs at those locations. Although

1 US LEC would be required to bear the cost of transporting this traffic
2 from the virtual IP to its POI, it would not be required to change its
3 network architecture so it becomes physically responsible for
4 transporting that traffic. Although VGRIP enables Verizon to *request* that
5 US LEC establish physical POI/IPs, US LEC remains free to meet its
6 requirements through the establishment of virtual IPs, which do not
7 require it to change its network architecture.

8

9 **Q. DO YOU AGREE WITH US LEC'S READING OF SECTION 7.1.1.2?**

10 **A.** No. First, it should be noted that any dispute about this provision is
11 entirely hypothetical at this point. US LEC admits that it "does not
12 currently collocate with Verizon." Because section 7.1.1.2 applies only
13 when an ALEC has established a collocation arrangement in a Verizon
14 end office, US LEC has not shown that this provision will affect it in any
15 way.

16

17 Second, under section 7.1.1.2, if US LEC establishes a collocation
18 arrangement at a Verizon end office, Verizon will have the right to
19 request that US LEC designate that site as an IP. However, US LEC is
20 wrong to claim that section 7.1.1.2 would require US LEC to assume the
21 physical responsibility for transporting traffic from the collocation site to
22 US LEC's POI. US LEC is free to elect not to undertake this task, in
23 which case it will simply be financially responsible for the transport of the
24 traffic and not have to alter its chosen network architecture in any way.

25

1 Third, US LEC is also incorrect to contend that this proposal is unfair. If
2 US LEC decides to adopt a network architecture whereby it deploys
3 facilities at a collocation site at a Verizon end office, US LEC should
4 assume the financial responsibility for the transport of traffic from that
5 end office to its POI. When US LEC establishes a collocation site at a
6 Verizon end office, it has brought its network into contact with Verizon's.
7 For US LEC to refuse to accept traffic at the point where both carriers
8 have already deployed network facilities – and instead to require
9 Verizon to transport that traffic to a distant location, likely outside of the
10 local calling area where the call originated – means that US LEC is
11 simply shifting costs to Verizon. US LEC should not be permitted to shift
12 costs in this way.

13

14 **Q. DO YOU AGREE WITH US LEC'S CLAIM THAT IT "HAS AGREED**
15 **TO ESTABLISH POIs AT EVERY VERIZON ACCESS TANDEM IN**
16 **THE LATA AND DIRECT END OFFICE TRUNKING TO EACH**
17 **VERIZON END OFFICE WHERE US LEC DELIVERS AT LEAST**
18 **200,000 MINUTES OF USE ('MOU') EACH MONTH"? (Petition at 8.)**

19 **A.** Yes. However, this statement is potentially misleading. US LEC does
20 not clearly state that, even if it establishes multiple POIs in a LATA, it
21 will only accept Verizon-originated traffic at a single point in the LATA.
22 These other POIs that US LEC refers to appear to be locations where
23 US LEC will hand off US LEC-originated traffic to Verizon.

24

25 **Q. WOULD YOU PLEASE RESPOND TO US LEC'S CLAIM THAT THE**

1 **FCC’S RULES DO NOT DISTINGUISH BETWEEN THE POI AND THE**
2 **IP?**

3 **A.** Yes. This is simply incorrect. As explained above, the FCC has
4 expressly found that “a requesting carrier that wishes a ‘technically
5 feasible’ but expensive interconnection would, pursuant to section
6 252(d)(1), *be required to bear the cost of that interconnection*, including
7 a reasonable profit.” *Local Competition Order*, 11 FCC Rcd at 15603, ¶
8 199 (emphasis added). In order to require an ALEC to bear the cost of
9 that interconnection, there would need to be a distinction between the
10 physical POI and the points at which the ALEC becomes financially
11 responsible for transporting traffic to that POI, known as IPs under the
12 interconnection agreement. This interpretation is confirmed by the
13 FCC’s finding, in approving Verizon’s section 271 application in
14 Pennsylvania, that “Verizon’s policies,” which “distinguish between the
15 physical POI and the point at which Verizon and an interconnecting
16 competitive LEC are responsible for the cost of interconnection
17 facilities,” “do not represent a violation of our existing rules.”
18 *Pennsylvania 271 Order*, 16 FCC Rcd at 17474-75, ¶ 100. The state
19 commission decisions discussed above similarly distinguish between a
20 POI and an IP.

21
22 Nor is US LEC correct in claiming that the FCC’s *Intercarrier*
23 *Compensation NPRM* supports US LEC’s position here. See Notice of
24 Proposed Rulemaking, *Developing a Unified Intercarrier Compensation*
25 *Regime*, 16 FCC Rcd 9610 (2001) (“*Intercarrier Compensation NPRM*”).

1 In the *Intercarrier Compensation NPRM*, the FCC acknowledged that
2 “[a]pplication of [its] rules has led to questions concerning which carrier
3 should bear the cost of transport to the POI, and under what
4 circumstances an interconnecting carrier should be able to recover from
5 the other carrier the costs of transport from the POI to the switch serving
6 its end user.” *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9651, ¶
7 112. However, the FCC did not suggest that those rules clearly
8 resolved those questions. (The portion of the NPRM that US LEC
9 quotes as support for US LEC’s position is not where the FCC discusses
10 the allocation of financial responsibility for an ALEC’s decision to
11 establish only a single physical POI per LATA. See Petition at 7
12 (quoting *Intercarrier Compensation NPRM*, 16 FCC Rcd at 9634, ¶ 70).)
13 In fact, in the *Pennsylvania 271 Order* the FCC clearly held that those
14 rules do not prohibit the drawing of a distinction between the POI and
15 the IP.

16
17 **Q. DO YOU AGREE WITH US LEC THAT AN ALEC HAS A**
18 **UNILATERAL RIGHT TO SELECT ITS INTERCONNECTION POINTS,**
19 **SUBJECT ONLY TO THE LIMITS OF TECHNICAL FEASIBILITY?**

20 **A.** No. The suggestion that US LEC is entitled to designate any
21 “technically feasible” IP is contrary to the FCC’s statements in the *Local*
22 *Competition Order*. The technical feasibility standard applies only to the
23 designation of POIs. If US LEC were also entitled to establish IPs at
24 any technically feasible point, then it could avoid bearing responsibility
25 for the costs imposed by its interconnection choices.

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

3 **A. Yes.**

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